A Manhattan Associates magazine 2015/2016

COMMERCE TRENDS

UNCHAIN YOUR INVENTORY

"Fail to differentiate and the writing is on the wall"

- Kramp gets to grips with its **COMMERCE**
- **EVERY** brand from **EVERY** DC via **EVERY** channel
- **DIGITAL** more than a buy channel
- Dare to **TRANSFORM**

Digital is storming through the world at a relentless pace and is changing the rules of the game.

- How do you deal with the digital revolution?
- How do you adapt your business to the new business rules?
- How do you quickly transform to a business model that is ready for the future?

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N.B. Also see our opinion piece later in this magazine!

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COMMERCE TRENDS

UNCHAIN YOUR INVENTORY

Content

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One to watch:
Why Manhattan

Henri Seroux –
Senior Vice President EMEA
Manhattan Associates

The commerce revolution

The retail sector nowadays is complex: high costs, ever-changing consumer behaviour and non-stop technological advances.

The long standing rumour has been that online has won the battle against offline and that the High Street is dead; but this is simply not the case. There is a clear global trend with large retailers re-investing in their stores and eCommerce pure players opening up stores because this enables them to offer a better customer experience and tackle demanding fulfilment needs.

Success in retail means we must all stop thinking in terms of online versus offline, but embrace online and offline as partners in the future of omni-channel retail. One must complement the other.

This magazine brings together the opinions of retailers, wholesalers, consultants and independent experts. It represents a collection of the latest trends clearly evident in the retail and wholesale sectors. For 25 years Manhattan Associates has been at the heart of these businesses, paving the way for retail transformation with technological innovation as the market evolves.

There are business opportunities aplenty across the globe and we at Manhattan Associates are ready to help you transform your business to take full advantage.

Stores must and can increase their productivity

By Marcel te Lindert

For many years now, productivity levels in stores have shown a downward trend. In other words, retailers need to make ever greater effort to achieve an ever-decreasing turnover. But the future offers opportunities to turn things around. Using digital technology can boost conversion rates, make the operation run more efficiently and increase the return from stock.

"We just have far too many stores, with too much spare capacity. Stores which do not operate efficiently need to be closed. Otherwise, a day will come when store chains will be forced to." This comment was made by Frank Quix, a director at Q&A Research & Consultancy, in September 2014 at a RetailTrends event. Almost a year on, it seems that plenty of stores have, indeed, had to close their doors. You only need to think of a few Dutch retailers like Mexx and Promiss stores as well as a large number of smaller chains which have gone bankrupt. The rapid advent of e-commerce is not the main reason for the problems. It is the actual retailers' policy. That is, at any rate, the view of Quix, who worked out last year that the number of square metres in the non-food sector has grown by 82% in 20 years, while the turnover has not grown by more than 26%. Taking into account inflation over these 20 years, Quix concludes that floor productivity has dropped by more than 80%. "And that figure still isn't adjusted for online sales that are generated by bricks-and-mortar retailers."

Turning things around

The advent of e-commerce is perhaps not the key reason for the sharp decline in floor productivity, but has at least brought the problems to light more quickly. Retailers who used to be able, for a long time, to expand floor space as one way of increasing turnover, have suddenly been faced in recent years with dwindling sales, with consumers spending 10% of their budget online. In addition, faced with the competition of digital stores with their long tail, they are sorely tempted to expand their ranges. Given also that these ranges are changing more quickly all the time – with Zara and H&M leading the way with their "fast fashion" – an ever-growing number of articles are ending up as sale items, resulting not only in lower turnovers, but also in lower margins. It isn't too late for retailers to turn things around. Quite the opposite, retailers have more tools available than ever to increase their floor productivity for the first time in years, something which they can do in three ways:

- Increase conversion on the shop floor by equipping and informing store assistants better.
- Improve the store's operation by using staff more efficiently and making better use of the available space.
- Making better use of the stock in the store by making it available to other channels.

The use of state-of-the-art digital technology is vital for improving floor productivity. Analyst Adam Silverman from Forrester Research concludes that there is an ever-growing number of bricks-and-mortar retailers using digital devices such as smartphones and tablets to strengthen their ties with customers, boost the performance of stores and their staff, and gain a competitive edge over online retailers. "These retailers are shifting their focus from "selling" to "serving" and are turning their bricks-and-mortar stores into digital stores," remarks Silverman.

Favourite source

An ever-increasing number of consumers consult their smartphones during their visit to a store. A Forrester survey shows that 21% of consumers have used their smartphone at least once in the last three months to see whether an item on the shelf was available elsewhere cheaper. 17% also searched for product information, 16% for a discount voucher and 13% for reviews from other customers. Even when it comes to checking whether a particular item is available, 9% of customers prefer to use their smartphone to find out rather than a store assistant, "Smartphones are considered nowadays as a reliable and, in some cases, even the favourite source of information," concludes Silverman. It is now taken for granted that consumers use the store to try on or try out items and then order them online, perhaps even when they are still in the store, using their smartphone. This is true not only for this practice, known as "showrooming", but also for "webrooming" and "boomerooming", whereby consumers research the product online and buy it in the store or first try it out in the store and then go online again to buy it. A survey carried out last year among UK consumers revealed that 62% have actually engaged in boomerooming at least once. Retailers need to stop resisting these kinds of practices," adds Silverman. "They need to embrace the digital consumer and provide them with the tools to do this, such as a Wi-Fi connection."

The emergence of the smartphone as the key source of information requires store assistants to perform a different role. They will at least have to be as well informed as the

customer, but also be able to offer value added by filtering and consolidating all the information available. Combined with information about, for instance, the customer's purchasing behaviour and wish-list, the assistant needs to be able to offer appropriate advice so as to tempt the digital consumer to finally make a purchase. This requires store assistants to be equipped just like consumers with a mobile device like a tablet, preferably one that they can also use to be able to facilitate payments.

Virtual shopping basket

As a result of dwindling sales, combined with high rents, many retailers are striving to reduce the floor space in their stores. This forces them to cut back on the store's range of items, which now enables consumers, using tablets, screens or store assistants, to simply order items which are not available and pick them up later or have them delivered to their home.

However, there are also other options in terms of managing floor space more efficiently. Macy's initiated an experiment in California where customers can use an app on their smartphone to add items to their virtual shopping basket. Whenever the customer wants, the items are gathered in the store warehouse and delivered to the reserved changing room. This allows the department store to remove the bulk stock, thereby creating space to display 60% more items.

In addition, Forrester is in favour of integrating the various store technologies, such as point-of-sale (POS), people counters and planning systems. If these technologies share data with each other, this creates new opportunities, for instance, to send staff in real-time to the location where they need to be deployed. This means not just any assistant who is available at the time, but the assistant who is best suited to this task.

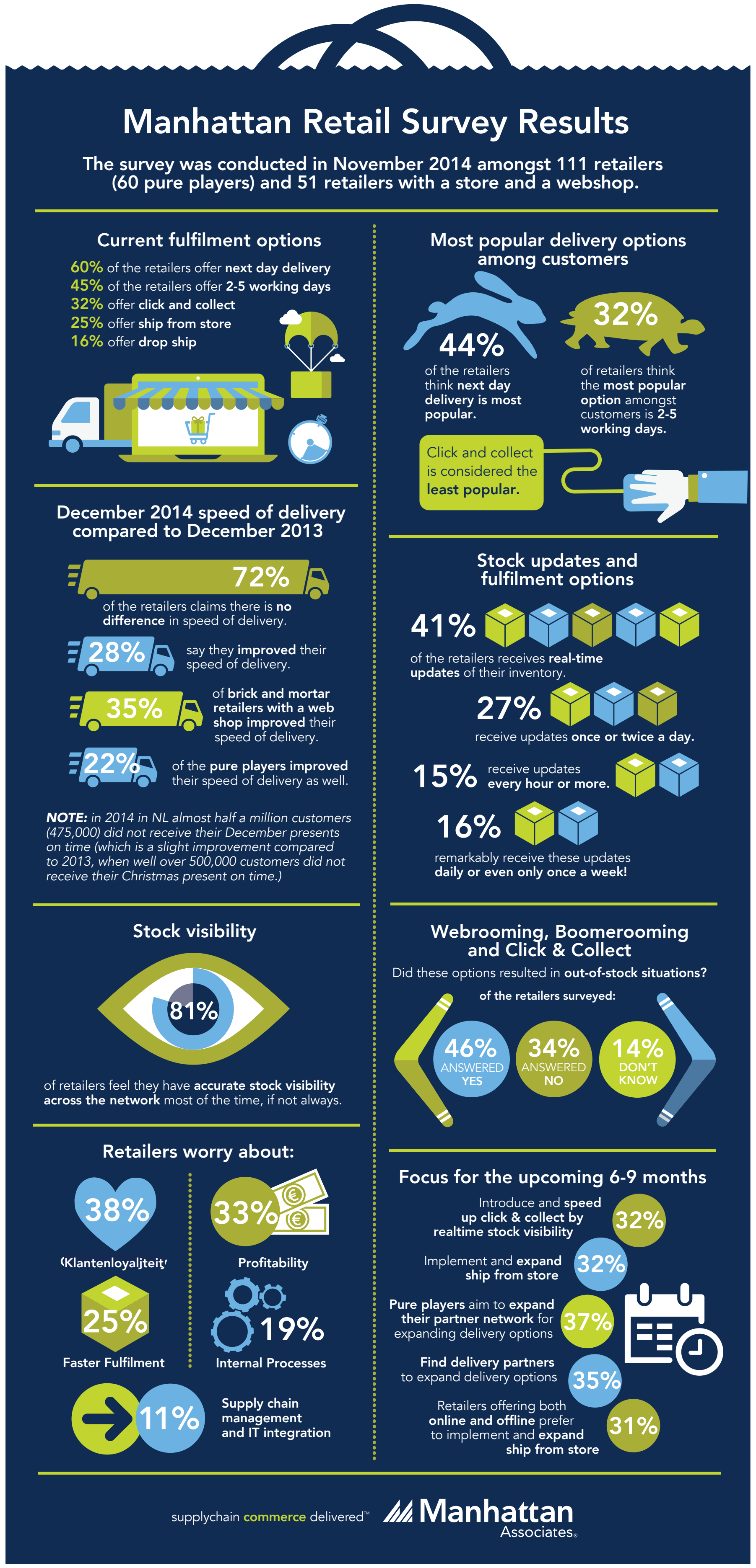
Fulfilment centres

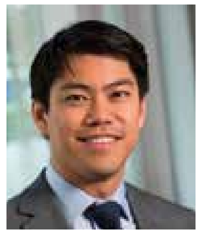
Store stock can be used more efficiently by deploying stores as fulfilment centres. First of all, this allows items which are in danger of being left on the shelf in the store to still be sold without having to reduce their price. Another benefit is that delivery from the store is very appealing, simply because this supply point is the closest to the customer. Certainly if delivery time is important, as in the case of same-day delivery, delivery from the store is almost a must. There is an ever-increasing number of initiatives being introduced for the last mile at local level. They are along the lines of the Uber concept used for supplying couriers, taxis, pizza deliverers or private packages. >

A survey shows that one in three Dutch retailers is now offering a click-and-collect service, with one in four offering ship-from-store. The question is how far these retailers will go in turning their stores into fulfilment centres and what the implications of this are for their stock strategy, for instance. "Stores wishing to dispatch online orders from their stores are still dependent on whether the items are there or not," says Arjan Dijkstra, who is working as part of his PhD at the University of Groningen on a study on stock strategies deployed by omni-channel retailers.

Retailers' return strategies also have a role to play in this. Many stores already offer the option to bring articles ordered online back to the store, but these returns are mostly sent back to the central DC. "What almost never happens is that these returns are put on the shelf in the store. Especially in the case of fashion items, it can make sense to use the flow of return goods locally and make items available quickly for sale again," says Dijkstra. Whether it is now about increasing conversion, improving operation or a better use of stock, digital technologies play a key role in all these cases, at least if they are integrated and based on innovative concepts.

One in three Dutch retailers is now offering a click-and-collect service, with one in four offering ship-from-store, according to a Manhattan survey (see the infographic). The question is what these concepts mean for their stock strategy.





Victor Hoong
Director – Deloitte Digital

DIGITAL: more than a 'buy' channel for retailers

For too many retailers, the term "digital" has literally translated to "eCommerce." While few would dispute that online ordering to home is a must-have retail capability today, 93% of Dutch retail trade still takes place in the physical stores. And while many digital teams are celebrating double-digit online growth rates, this is often coupled with flat or declining store sales in the wider business. Simply put, many retailers stand over the enablement of only a channel shift.

Deloitte Digital has been monitoring retail and consumer shopping trends for three years through our annual digital influence study, and recently released the **Dutch edition of "Navigating the New Digital Divide."** The numbers are clear: digital influence continues to accelerate and shift the ground under the feet of retailers large and small alike. Here are a few to think about:

- Today, digital interactions **influence 30 cents of euro spent** in Dutch retail stores, or 24 billion. This number is expected to double in the next 2-3 years.
- Dutch consumers who used digital both "before" and "during" their shopping journey were **48% more likely to convert in-store** versus those consumers who did not use digital.
- **70 percent** of shoppers say they no longer turn to retailer or brand advertisements for inspiration. Instead, they look to independent bloggers, friends and family, or even strangers, for trusted information about products—expressly because these influencers are not tied directly to brands.
- Social media users are **three times more likely to spend more** than non-users on purchases as a result of a digital shopping experience.

Despite these statistics, we find a noticeable divide separating shoppers' digital behaviors and expectations from the experiences retailers are actually providing. This gap, coupled with the deceleration of investments in the Netherlands and the potential impacts to talent and capabilities are cause for concern. According to a 2015 Harvard Business Review study on digital evolution, the Netherlands was classified as a "stall out" – a country that achieved a high level of evolution in the past but is losing momentum and risks falling behind. We must keep the investment and focus on delivering continuously better customer experiences to avoid losing digital talent and market share to foreign competition.

Digital will soon play a role in all but the most impulsive and urgent segment of shopping trips and retailers must avoid evaluating their strategy and investments through the traditional channel-specific lens. While performance measurement of the online experience is necessary, we must evolve out of separate P&Ls for online and offline. Online orders do not compete with offline orders. Online visits do not compete with store visits. In the end, omni-channel strategy for retailers should simply boil down to the effective and efficient allocation of inventory and content across all the possible transaction mediums.

This strategy does require specific choices for specific retailers in their specific categories – determining how to 'win' among increasing competition. The digitally-enabled consumer experience requires reinvention and a full omni-channel offering. For some, employing digital to enable competitive pricing will be the primary focus. For others, it will be about combining the best of physical and digital to create more unique, valuable, or convenient experiences. In a world where everyone is always online, there is no offline. So it's not about digital business, it's just business. It's not about eCommerce, it is simply commerce.

VF Corporation transforms its supply chain

Thanks to brands such as Timberland, Wrangler, Kipling and Eastpak, VF Corporation has seen its turnover almost double in five years, which includes the contribution from the takeovers that have been made. An ever-growing share of this turnover comes from its own stores and internet, with this figure due to rise further in the coming years. This can only be achieved by carrying out a radical transformation of the supply chain. As Marty Thomas, vice-president distribution and logistics explains: "In 2017 we want to be able to deliver every brand from every DC via every channel to every destination."

"We can deliver efficiently, quickly or low cost, but our customers can choose no more than two of these three options. If we make a quick, efficient delivery, it will not be cheap. And if we make a quick, cheap delivery, it will not be efficient." Marty Thomas is describing current practice in terms of VF Corporation's European distribution operations, which is, in his view, no longer sustainable. "In the future, meeting two of the three options will no longer be enough. We will have to make deliveries that are efficient, quick and cheap," says Thomas, vice-president distribution and logistics at VF in Europe.

VF is the company behind brands such as Timberland, Wrangler, Lee, Kipling, Eastpak and The North Face. Its growth strategy is an example of the trend towards verticalisation, which is currently predominant in the retail sector. The company has more than 300 of its own stores in Europe, with that figure due to double to 600 in the coming years. The turnover from its own online stores is even due to increase threefold. In 2010 VF's direct sales channels still only accounted for 7% of its turnover in Europe; in 2017 the figure is already expected to be 18%.

VF is investing in the development of omni-channel concepts to boost growth from direct sales channels. Whether it involves buying products in the store followed by home delivery or buying or reserving online and picking the items up from the store, the supply chain will have to facilitate all the options and increase the capacity for delivering customer orders.

Drop shipping

In addition, indirect sales channels are starting to wonder about delivering directly to customers, which is known as "drop shipping". An increasing number of retailers are considering the possibility of leaving part of their long tail at their suppliers and of passing on any order for these articles directly to them. "We have now received enquiries about this from some major customers.

Basically, we need to be able to provide this service. It means that we need to be able to collate and send orders. One complex aspect of this operation is that we need to make agreements on prices, margins and shipping costs," remarks Thomas.

Current trends require VF to arrange the supply chain in a radically different way. At present, the company has seven distribution centres in Europe: three in the Czech Republic, two in Belgium and one each in the UK and the Netherlands. Each brand that VF imports into Europe is currently being stored at one premises, but this set-up needs to change. "In 2017 we want to be able to deliver every brand from every DC via every channel to every destination. This means that the DCs, which operate independently for the most part, need to merge to form a well-oiled distribution machine."

Harmonising processes

The VF management team have set out some important basic conditions for transforming the supply chain: there must be no rise in stock levels and logistical costs. This means making choices. Thomas agrees with this: "We are never literally able to keep every article in stock in every DC for every channel, but we don't need to do this either. Timberland does really well in Italy. So, it's about this brand being available in stock as close as possible to this market. This is not the case for other brands which are hardly sold, if at all, in Italy."

Two factors are essential in being able to make the right choices in terms of allocating stock: a real-time overview of stock levels and a good forecast. "We begin on a small scale to learn to understand what is going on, for instance, by placing some of the range for one brand in two distribution centres. If something is not in stock in one DC, we can always supply it from the other."

This transformation is divided into two parts. The first part involves harmonising processes, structures, performance indicators and information flows. "We can't do this without having a robust Warehouse Management System (WMS)", says Thomas, who wants, in the next two years, to switch all the distribution centres to using WMS from Manhattan Associates. This system has already been running for a while in Almelo, the Netherlands, and also recently in the new distribution centre in Sint-Niklaas, Belgium. "This WMS provides us with a very good overview of our flows, enabling us to make better decisions, for instance, in the area of staffing, and provide better information to our supply chain partners."

Mini distribution centres

The second part of the transformation involves using the 600 stores to expand the supply chain, thereby enabling them to operate as mini distribution centres for delivering online orders. "At the moment, we do have an overview of the stocks available in our distribution centres and stores, but just not on one system. To enable us to make the right decisions, stock information needs to be consolidated in a single system. However, to be able to use all these stores as mini distribution centres, the main priority will have to be to increase stock reliability. This is currently not good enough," remarks Thomas, who is also thinking of implementing a Distributed Order Management system like the one Manhattan Associates supplies. This not yet on the agenda at the moment. "We realise that we are still at the start of a long road. However, the foundations have been laid and we are confident that the software will provide us with the transparency we need at the time when we need even more stock."

INNOVATIVE TECHNOLOGIES

VF Corporation has seven warehouses, some of which are equipped with innovative technologies. One example is the warehouse in Almelo, which has small robots that deliver shelves with stock on them to order pickers, saving them the task of having to go and look for articles themselves. The robots are supplied by Kiva, the company that has subsequently been bought by Amazon. VF built a new distribution centre in Sint-Niklaas two years ago, operating with an even higher level of automation. Goods are stored completely automatically using 24 cranes, while the order pickers are controlled using voice recognition. After order picking, the consignment boxes are stored again in the automatic system until the truck has arrived. Both distribution centres are controlled using the Warehouse Management System from Manhattan Associates.

Celebrating 25 years of Innovation

Three hidden truths about your store inventory

Store network inventory is a sought-after common resource in omni-channel operations. It plays a pivotal role in increasing online conversions, driving traffic from site to store, and improving the customer experience across channels. Shelf-level inventory accuracy is compromised in a dynamic environment like the store but there are practical options available now to improve inventory availability. There are, in fact, three "truths" hidden in plain sight around the units of inventory in your stores.

TRUTH #1: EVERY UNIT IS IN MOTION. Inventory rarely sits quietly on a shelf. An article may be in the customer's hands as the customer circles the store or heads to the fitting room. It may be in the returns pile, awaiting restock to the rack. Or, it may be in the process of being shipped to a customer's home. Many of these systems only send updates out every few hours or once a day, in the meantime a lot can change. If you don't have real-time single view of inventory you may be losing opportunities to convert.
TRUTH #2: NO UNIT IS AN ISLAND. Sometimes it may be important that the last remaining unit of one size not be sold online because keeping a SKU run intact across sizes of a style may be critical for the in-store experience. Imagine a store that is unable to ship out a fancy bag because of equipment issues such as a label printer being out of ink. This bag however is available for click-and-collect. Many legacy store and order management systems aren't sophisticated enough to accommodate these nuances.
TRUTH #3: NO TWO UNITS ARE THE SAME. An item in the backroom of a store could be more uniquely suited for satisfying an online order than another unit of that same item sitting in a promotional display at the front of the store. . An item that's damaged should be treated as unsellable - except in instances where it can be marked down. With legacy point of sale systems and ecommerce-focused order management solutions, these nuances are often lost for the sake of simpler system design.

Relentless onslaught by consumers in December

December is the busiest month for online retailers, but also the month when delivery reliability is more important than during the rest of the year. Just try explaining to a child that his or her present won't be delivered by Santa Claus on Christmas Day, but will arrive a few days later via a package courier. This is one area where one in three consumers are ruthless: they never order from the same online store again if their Christmas present arrives too late. One in four is even prepared to pay extra to make certain of the present being delivered on time. These figures come from a survey conducted by Blauw Research, commissioned by Manhattan Associates, into Dutch consumers' online purchasing habits in December 2014. It indicates, for instance, that people over the age of 45 mainly shop online because of the easy ordering process, whereas people under the age of 45 go mainly on price. Turn these findings to your advantage this December. You still have time to make the best possible preparations for your logistical organisation to handle the peak in online orders.

'There's no way you can predict where supply and demand will come from in three years' time. But it goes without saying that there are going to be more channels to deal with in future.'

Brian Kinsella, Vice President Product Management Manhattan Associates

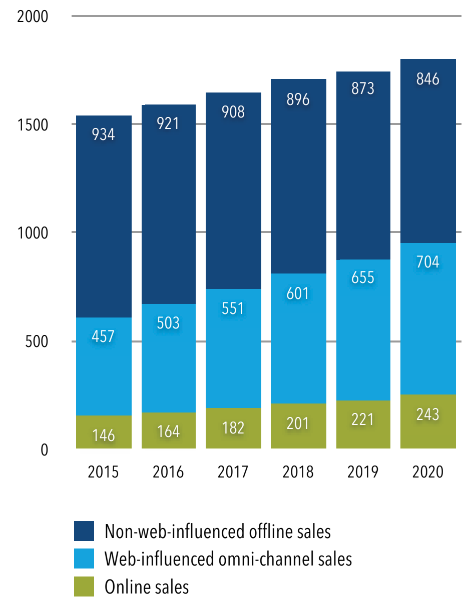
'In order to build the foundation for international expansion, continental European retailers must first focus on getting the multi-channel model right in their domestic market.'

Henri Seroux, Senior Vice President EMEA Manhattan Associates

Omni-channel business will account for half of retail turnover in 2020

In five years' time at least 53% of European retailers' turnover will involve some online component. More than a quarter of this omni-channel turnover will come in 2020 from online purchases, with the remainder comprising purchases made in stores where customers have found out the information they need online first. This is the prediction made by Forrester Research, based on a survey conducted in the Netherlands, Germany, France, Spain, Italy, the UK and Sweden. The UK leads the way on this in Europe, while the southern European countries are lagging behind at the moment.
Forrester names five sectors which will be top in terms of omni-channel sales in 2020: home and gardening, beauty and cosmetics, jewellery and watches, shoes and clothing. The research company gives Estée Lauder as an example, which has seen its turnover rise by 3% with the installation of tablets in stores.

EUROPEAN OMNI-CHANNEL RETAIL SALES FORECAST, 2015 TO 2020
(€ billions)

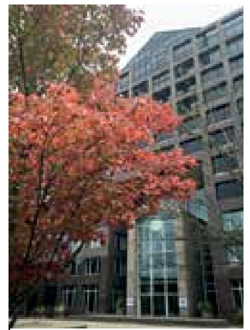


SOURCE: FORRESTER RESEARCH WEB-INFLUENCED RETAIL SALES FORECAST, 2015 TO 2020 (EU-7)


Small-Business Strategies
Distribution system firm makes own rules

1990 Foundation Manhattan Associates
Manhattan Beach California

1998 We went public NASDAQ



25th

1990

1991 Fashion retailer Jockey signed up and has been a long term customer ever since

1998 Opening European headquarters in United Kingdom, followed by France, The Netherlands, Japan, Australia, Singapore, China and India

2009 Named Warehouse Management Leader by Gartner ever since

2010 Launch Supply Chain Process Platform

2014 1,200+ customers, 353 go-lives

2015 approx. 3,000 employees worldwide

2016

European Exchange event for prospects and customers in Paris

Carel Hoytema van Konijnenburg
Associate Partner - Dicitas Consulting

Dare to **transform**

Retail companies have been dealing with increasingly diverse and fast paced consumer expectations for some time now. To satisfy these expectations, they have felt forced to move faster and faster within a wide variety of channels. Mostly though, they implemented cosmetic changes such as loyalty programmes, store remodels, adapting product portfolios, etc. Again and again it was a difficult trade-off between consumer experience, logistical efficiency and business profitability.

But in the recent years of digital evolution, the retail industry is facing existential questions about the role they play as a company and the way they should optimise for this digital omni-channel world. Cosmetic changes are no longer sufficient; well thought-through transformations are now necessary.

Several trends in the retail industry are forcing companies to increasingly integrate their digital strategies into their wider business model to improve their agility, reduce costs, shorten cycle times and increase responsiveness to consumers:

- **Uniform customer experience across all channels**
  Consumers expect the same (personalised) experience at every touch point, in every channel. How can you make all consumer experiences consistent across all channels? How do you manage the flow of information and how do you ensure that the customer always feels the same brand values, whether he is dealing offline with a store clerk or posing a direct question via Twitter?

- **Channel Integration**
  Combining online and offline is not only a challenge in terms of communication, but even more so in terms of logistics. How do you get online and offline sales to be complementary, rather than cannibalise, each other?

- **Decreasing margins**
  Digitisation and logistics optimisation have ensured that proximity is a relative term. This causes decreasing margins due to an increasingly competitive environment and a plethora of choice for the consumer. How do you cope with this through operational efficiency and cost reduction? How do you compete with your competitors who have a completely different cost structure?

If you want to be successful in this day and age, you will need to develop new and distinctive competencies, such as fully taking digital control of the customer experience, developing omni-channel concepts, big data management and analytics, connectivity to mobile consumers and real-time decision-making processes, but also ensuring a business model that supports all of this optimally.

Dare to ask yourself which role you want to play for your customers and your partners. How far will you go for example to outsource tasks that were formerly part of your core activities in order to be even better in the remaining activities and continue to distinguish yourself through those? Which of your competencies can you cash in on because they are interesting for new partners or even competitors?

Many companies have already started to build digital competencies within individual silos like IT, commerce or customer service, but after the expansion and maturation of their digital propositions they have not been able to bring these skills from the silos and integrate them into their business model. The lack of an integrated digital business model leads to missed opportunities in terms of operational efficiency and revenue growth, reduced customer engagement and deteriorating competitiveness.

We believe our customers can only meet the current challenges by tackling digitisation as a complete transformation of the entire company.

Pieter Van den Broecke, Manhattan Associates

"Fail to differentiate **and the writing is on the wall"**

While online sales continue to grow, turnover in plenty of stores is under pressure. There is a strong temptation for retailers to copy the tricks used by successful pure players, but Pieter Van den Broecke of Manhattan Associates is inclined to take a different view on this. "Stores are very important assets for retailers, so they need to adopt a different role. There are good reasons why large brands are constantly opening stores."

Nowadays, more than ever before, retailers are being forced to have the courage of their convictions. The Internet, and even more so the onward march of mobile communication is enabling consumers to contact their preferred retailers at any time, from any location. Before they make a purchase from their sofa, on the train or while visiting friends, they can obtain a wide range of information and compare prices and delivery options on their smart phone.

There is a good reason why multi-brand retailers are having a tough time nowadays. The simple convenience of having a number of brands under the same roof is no longer sufficient to attract the shopping public. In just a couple of seconds, consumers are on the Facebook page or in the digital store of the brand itself where they often find more information and a wider range of products than in the store. "Over the last 25 years, retailers have focused mainly on efficiency: purchasing inventory, setting a margin for them and then stocking the stores as quickly and as inexpensively as possible. This model is now in tatters. Retailers need to reposition themselves," states Pieter Van den Broecke, managing director of Manhattan Associates in Central Europe.

"As long as consumers have better access to information, the store will remain at a disadvantage to the online channel"

"Retailers need to not only have an overview of the store's stocks, but also be able to draw on these stocks"

"Retailers need a platform that goes beyond the options provided by an ERP system"

Differentiation

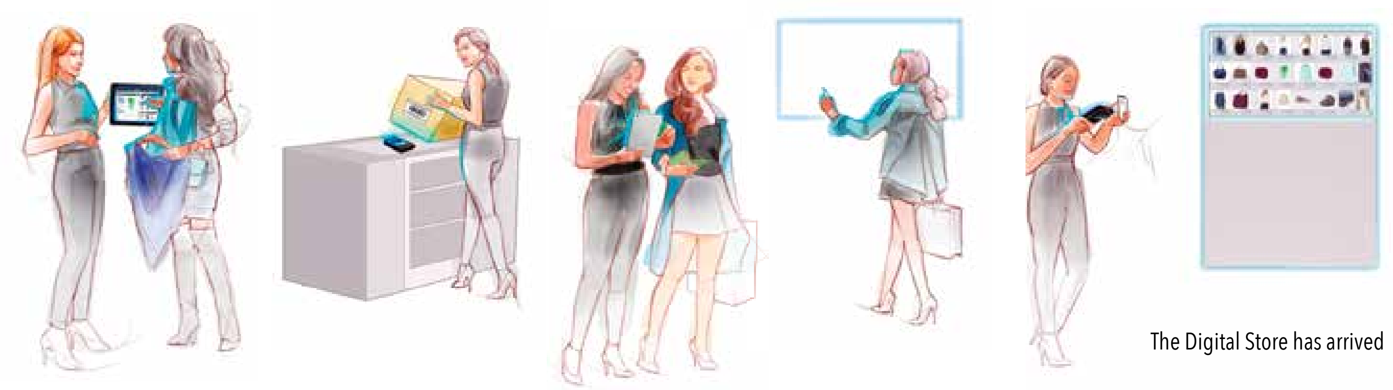
Repositioning means, above all, differentiation with regard to other retailers. This can be done on the basis of selection, convenience, experience and price. Differentiation based on selection is about having a sophisticated assortment of products, convenience includes having suitable delivery options, and experience means that shopping must thrill the senses. Differentiation on price is a permanent fixture at a time when consumers can compare all prices online. Van den Broecke explains: "Retailers need to be different in all four aspects, but must work out which aspects are important to their customers and strengthen them. If they fail to differentiate, the writing is on the wall. Many groups have in recent years adopted generic digital stores as sales channels and now offer their products via the likes of Zalando or Amazon, but how can you still differentiate yourself?"

Van den Broecke's advice is to nurture the store. "Four years ago, Cor Molenaar warned that High Streets were disappearing. In fact, we are facing an ever-increasing number of empty retail premises. This is a pity as stores can be very important assets, so they need to adopt a different role. At the moment, there is a clear global trend of large brands opening stores again because this enables them to offer a better customer experience and deliver more quickly."

In order to fully utilise the potential offered by stores, retailers need to equip their store assistants better. As long as consumers can use their smartphones to be better informed than the store assistants, the store will be at a disadvantage to the online channel. As Van den Broecke says: "To be able to keep up with consumers, a store assistant needs to be able to perform several roles. Being a salesperson remains an important role, but he or she also needs to have an overview of the status of orders placed via other channels, just like a call centre operator. At the same time, a store assistant also has to be a logistical expert to facilitate such concepts as click-and-collect and ship-from-store. This will only work with the right tools."

Clienteling

Clienteling tools are an example of what Van den Broecke has in mind. The moment when a customer enters the store and looks for an item that goes with an earlier purchase, store assistants are provided with an immediate overview of the customer's purchase and return history, as well as personal recommendations based on, for instance, search and click behaviour. This allows the assistant to provide a totally appropriate advice. "Also think about providing explanations or information about products which goes further than that which is available online. Perhaps the customer is also interested in an item which is only available online. In that case, the store assistant must have an overview of this item's availability and be able to combine purchases made offline and online to create a single transaction."



The Digital Store has arrived

When it comes to logistics, store assistants must, first of all, have tools for guaranteeing stock reliability, which is vital for omni-channel. Secondly, these tools must support the preparation of orders which are picked up or dispatched, including the printing of shipping labels. "With support for batch picking, for instance, staff don't need to go through the store every time for every new order to look for the ordered items. This means that they can save time for serving customers," explains Van den Broecke.

Spaghetti-type network

This transformation is not limited to the shop floor, but applies to the whole supply chain. Retailers have tinkered for years with a linear, extremely efficient supply chain, flowing from the supplier via the distribution centre and the store to the consumer. As a result of the increase in the number of sales and market channels, retailers have seen their supply chain change into a type of spaghetti-like network. Stores are assuming an increasingly important role in this network because they are no longer just an endpoint, but are also used as a starting point for a delivery. "Retailers invest capital in stock and now they feel obliged to utilise their stock better than ever before. They need to not only have an overview online of the store's stocks, but also be able to draw on these stocks via other channels. Anyone who can achieve this will not need to reduce the prices of their stock as quickly and give up their margins. In addition, the store is most often the supply point that is located closest to the customer, which is, above all, an important consideration for being able to make a swift delivery. Anyone who cannot offer same-day delivery nowadays will lose turnover," says Van den Broecke. The role of suppliers will also become more important. Anyone who manages to make their suppliers' stock available to consumers has to invest less working capital themselves. One necessary skill in this regard is what Manhattan Associates calls "available to commerce". This means the ability to make a promise, for instance, on delivery time, based on the customer's wishes, the location and availability of the stock, the processing capacity of the store or distribution centre and their own priorities.

Van den Broecke warns about not forgetting the changing roles of distribution centres. Omni-channel retailers will have to manage various logistical flows alongside each other, from store deliveries with full roll containers or even full trucks to packages containing perhaps one or two items. "We also need to provide staff in the distribution centres with mobile tools for controlling processes better. Take, for instance, tools that provide an overview of the progress of the job and allow you to quickly adjust the operation when lagging behind schedule."

Executable transactions

Having an overview of the supply chain is vital to be able to anticipate omni-channel issues. A technical wholesaler like Kramp has acquired the Distributed Order Management system from Manhattan Associates to do this, which is currently being implemented at the head office in Varsseveld, the Netherlands. "What do you put where in your stockroom? From which supply point can you deliver an order? And what is needed to actually complete the sale? To be able to answer these questions, a platform is required which not only provides an overview of availability, including beyond the store's four walls, but also facilitates executable transactions. We offer a platform which enables us to connect the supply chain and shop floor together, two worlds that are still often separate," says Van den Broecke. "Retailers cannot do this with an ERP system. They need a platform that goes beyond the features provided by an ERP system."

Kramp gets to grips with its commerce business

It's not only retailers, but technical wholesale companies too are grappling with the challenges presented by the current trend for omni-channel operation. Kramp not only supplies parts to almost 60,000 dealers throughout Europe, it is also increasingly supplying end users directly on behalf of those dealers. The question is whether the company actually needs to keep all those parts in stock itself. A strategic investment in IT has enabled Kramp to perform various roles in the supply chain.

In 2001 Kramp was one of the first technical wholesalers to have a webshop, specifically designed for dealers in the agriculture, gardening and landscaping sectors, as well as in construction. "We still want to lead the way when it comes to e-business. For 10 years we have been offering our dealers the tools that enable them to set up a webshop themselves for their customers. These end users can either pick up the parts they have ordered directly from the dealer or they can choose to have them delivered from one of our DCs," explains Reinier Slöetjes, Kramp's regional sales director for the Netherlands, Italy and the UK. IT manager Ebel Noorman expands on this: "Nowadays, we receive 90% of our orders online, with a large number of them coming via the webshop."

Kramp supplies the majority of its parts to dealers and machine manufacturers. With this in mind, a number of smart logistical concepts have been developed, such as the option to deliver parts in sets, possibly already pre-assembled, so that workers on site don't need to search for the right parts themselves. Service engineers who order parts today can have them delivered to their service vehicle the same evening so that they can get started immediately in the morning.

Added value

These examples underline the strategy adopted by Kramp, whereby the complete focus on innovation and optimisation reflects the continuous quest to increase the added value in logistical chains. At the moment, this strategy is successful. Turnover has increased threefold in the last 10 years, reaching EUR 667 million in 2014, which is also thanks to the merger with Grene, a Scandinavian industrial partner.

"We want to push growth towards 1 billion euro in the next three to four years," remarks Slöetjes. Increasing the added value in the supply chain is not only part of innovative services for dealers and end users. Kramp is considering expanding considerably the range of products available from the webshop by pursuing ever closer cooperation with suppliers. This means that if dealers or end users now order one of the added articles, the order will go directly to the supplier, which will then deliver the part, either directly or by means of cross-docking via one of Kramp's nine distribution centres. "We're already working closely with some tractor manufacturers. They have tractor parts in stock, but we have all the additional parts which the dealers for this make of tractor also need to be able to provide the service to their customers. We're jointly offering these dealers a single webshop and can check from the screens that the deliveries come from the right warehouses. However, at present, we are restricted by our IT systems in our efforts to improve stock availability using these cooperation links," explains Slöetjes.

In addition, Kramp expects that third parties will also be interested in the expanded distribution network. The wholesaler has nine distribution centres in the Netherlands, Germany, France, the UK, Poland, Russia, Denmark, Sweden and Finland, which can process together up to 100,000 orders a day. There are few manufacturers of agricultural, gardening and construction machinery who can afford to have such an extensive parts distribution network. "If a machine manufacturer wants to outsource its parts logistics to us, we want to be ready for it," says Slöetjes.

Allocating orders

A key aspect of applying the strategy is the implementation of Distribution Order Management (DOM), the omni-channel operations solution from Manhattan Associates. This solution is primarily aimed at improving the level of service offered to dealers. "We want to offer our stock in all nine distribution centres to all our customers. DOM provides us with a real-time overview of our complete stock. Based on stock availability, logistical costs and delivery capacity, we can allocate every order to the right DC, while guaranteeing

customers a reliable delivery time. We can also include suppliers' stocks in this," adds Noorman.

When allocating orders to distribution centres, DOM not only takes into account transportation costs, but also handling costs in the distribution centres. If an order comprises three articles, it is obviously cheaper to deliver the order from the location where all three articles are in stock, rather than delivering the articles separately from the closest stockroom for each article. If it is not possible to deliver all the parts from the one location, DOM indicates how best the suborders can be combined into a single consignment.

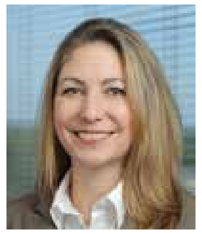
Growing conversion

Kramp is expecting a growing conversion as the wholesaler can make better guarantees. Customers now sometimes cancel an order because they have to wait three days until the supplier has replenished stocks in the closest distribution centre. However, they are now likely to order the part if they can receive it sooner from another location or if a dealer has it in stock. Using traditional ERP systems, it is near enough impossible to deliver to every customer from every distribution centre. Noorman continues: "As a result of acquisitions made, we have three different ERP systems, which we can't use to do this at the moment. DOM currently runs on top of it as an all-encompassing system."

DOM also makes it easier to perform different roles in the supply chain, for instance, the role of a logistical service provider for machine manufacturers who are keen to outsource their parts logistics. "DOM allows us to link up with external partners more easily and disclose all the data better. But the key thing we want is to provide an even better service to our customers."

AVAILABLE TO COMMERCE

Kramp describes the opportunities provided by Distributed Order Management based on the situation in Italy. Usually, customers from Italy receive their deliveries from the German distribution centre in Strullendorf. Customers in northern Italy who want to have their parts delivered the next morning by 12.00 must order them by 16.00 the day before. The deadline is 12.00 for customers in central Italy, while this is actually already too late for customers in southern Italy. Reinier Slöetjes from Kramp: "Thanks to DOM we can show customers in the whole of Italy the stock available in real time and give the right delivery time. If a part is not in stock in Strullendorf and needs to be delivered, for instance, from Varsseveld, the Netherlands, DOM adds another day for this."



Stephanie Crowe
Senior Director Global Learning & Development
Manhattan Associates

Making the Case for Change

People don't like change. It's uncomfortable, and unknown. Significant leaps in change require that you communicate a good reason to sign up for that new thing that you're asking people to do. And that reason should be aligned with the mission and vision of your organisation, with what your products and services offer your customers.

But commerce and supply chain are experiencing momentous leaps of change. The risk is that well-established players will lose their strategic positions as leaders, with opportunity for windfalls for new entrants.

Innovation Dilemma in Commerce

What supply chain commerce is experiencing is what Clay Christensen described as the innovator's dilemma. To serve current loyal clients based on incremental added product and service attributes, is to not invest in unknown future attributes customers might want, but don't know to ask for. All of sudden, because others offered it, customers now desire in-app purchasing, digital payment methods, seamless omni-channel transactions—and even a 'one-brand' experience across web, mobile, over the phone, and in the store.

For incumbents, this is a colossal shift from the way business has "always" been done. Existing processes tend to be linear and performed in batches for the sake of perceived labour optimisation; cycle delays occur as a result of poor interoperability between technologies that are patched together through uploads and interfaces; and employees have been selected and trained for their specific abilities to perform discreet functions.

The more nimble new entrants can operate flexibly, with mobile and digital as their first choice. They do not ask their employees to leave their technological savvy at the door when they come to work. They are asked to flexibly address the need of the customer and align with the mission and brand of the organisation. A perfect fit, by the way, for the new millennial employee, who prioritises values in their work.

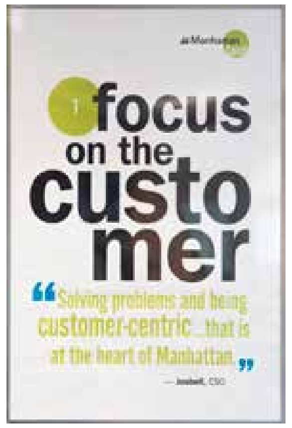
Making the Case for Change

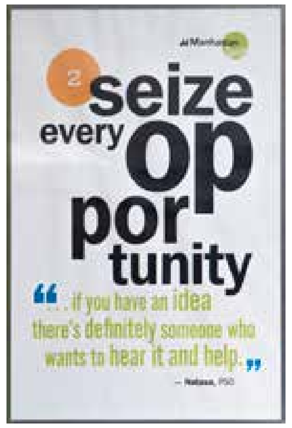
The message is clear – change now or lose your market – in your local industry, and in the global marketplace. But in order to innovate it's necessary to include the team members who actually have to make the change happen. Those associates who are closest to the customer will be your greatest asset informing you where the innovation is most critical to participate in the commerce revolution.

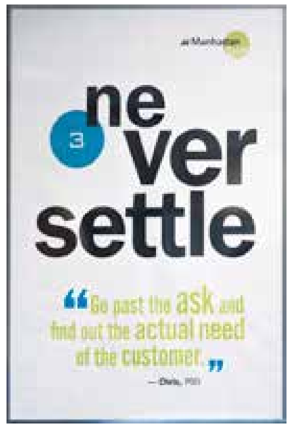
Making the case for change involves deciding what the end-state vision will be, based on the innovation you are trying to capture. But in order to get there, you need your people on board – it doesn't happen without your team. Asking people to do their job differently or to do a different job can make them feel fear. Some fear they will be incapable of performing. They may not even believe it's the right thing to do.

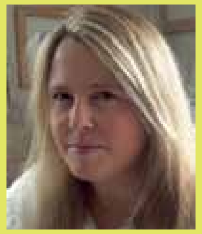
Enter the "burning platform." Your people need sufficient motivation – to consider changing how they perform, how they see themselves and how they approach their work each day. It must hurt to stay the same, and feel much better to be on the other side of the change. There must be losses they will be glad to be rid of, and benefits they will be delighted to gain. Just like seeing the experience of your commerce and supply network from the perspective of your customer, you must see the change you are making in your business from the eyes and point of view of the employee.

Each and every employee – whether they are in the store, in your transportation network, on the distribution enter floor or on the phones in customer service – must understand in their head and feel in their heart the reason why they should sign up for doing things differently. That "why" or reason and mission is a big part of today's employees engagement level and why the top performer stay because they believe in what you as a company you as a brand or you as a team are doing.









Georgia Leybourne
International Marketing Director
Manhattan Associates

We're all consumers… what's your experience?

I know who I like to shop with. They have nice stuff. Shopping with them is fun and reliable. I always get what I want, when I want it. And it doesn't matter if I'm in their shop or online … it's all the same.

That makes them a good retailer and to them I imagine I'm a pretty good customer … 'cos I go back time and time again.

Online or offline for me depends on how much time I have, what mood I'm in and whether or not I 'need' something or just 'fancy' a bit of indulgence.

Working full-time and juggling the demands of three young children I don't have a lot of time for grocery shopping so for me our local online / home delivery service is a no-brainer. I've even purchased an annual delivery pass and utilise the one-click repeat last week's shop feature. It's super quick and super efficient and at 8am Saturday morning this lovely man knocks on my kitchen door with all my shopping.

But then there's that dinner party. I need to go and browse for that, not sure quite what I'll make for desert. So I pop in to the shop, search the shelves for inspiration and enjoy a coffee while I'm there. Grocery shopping is no longer a chore, all the daily, mundane items are ordered automatically and any added extras become a pleasurable quick browse.

Choosing between physical and digital is about what I need or want … it is no longer about what retail can or can't do. It's expected that they will offer a service in both dimensions. It's a big ask and a huge challenge logistically and from a cost perspective, but that is where we're at.

So to survive and thrive attention needs to be made to both the customer experience on your website and in your store. And the possibilities are endless. I am well aware that the more I demand the more I will need to give. Those post purchase marketing programmes get cleverer by the day and more than once I have been swayed to buying more …

… so I'll make a promise to the retail community.

I will keep shopping … a lot.
But you need to keep making it a great experience both online and offline, seamlessly.
That is my commitment to you.

CREDITS
CommerceTrends is a joint publication from Manhattan Associates and RetailTrends Media.

Chief editors: Marcel te Lindert, Martine Toussaint
Design: Inline Design
Staff: Pieter Van den Broecke, Stephanie Crowe, Carel Hoytema van Konijnenburg, Victor Hoong, Brian Kinsella, Lewis PR, Georgia Leybourne, Marcel te Lindert, Henri Seroux, Martine Toussaint
Photography: Koos Groenewold
Printing: Grafi services Utrecht

Manhattan Associates Ltd.
E2 Eskdale Road
Winnersh Triangle
Wokingham
Berkshire, England
RG41 5TS
T: +44 (0) 1189 228000
www.manh.co.uk
www.manh.com
ManhAssocUK
ManhAssocNews
ManhAssocBNL
ManhAssocFR
Manhattan Associates

Page concept and publishing:
RetailTrends Media
Postbus 78
NL-6720 AB Bennekom
Lindelaan 8, Bennekom, the Netherlands
Editor: T +31 (0)318-431557
Management administration:
T +31 (0)318-431553
E info@retailtrends.nl
retailtrends.nl, retailnews.nl
@RetailNews_NL

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