apparel™

THE DEFINITIVE GUIDE FOR CHOOSING OR RE-TOOLING YOUR ORDER MANAGEMENT SYSTEM

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INTRODUCTION

Distributed order management (DOM) and flexible fulfillment have become essential pillars of retail performance. In the quest to offer excellent customer service, apparel retailers realize that best-in-class order management and fulfillment is a differentiator and necessary for survival.

As the 2017 holiday shopping season has highlighted more brilliantly than ever, the race is on to win the consumer's dollar with convenience. Walmart is promising two-day free shipping on "millions of items," with free same-day pickup of must-have items. Even groceries can be ordered online and picked up curbside at many Walmart stores. Macy's offers select cardholders "free shipping, no minimums" on online orders and gives all shoppers the option to buy apparel online with free pickup at their store of choice.

Meanwhile, trailblazer and retail disrupter-in-chief Amazon continues to enthrall the market with promises of untold convenience in holidays yet to come. Preparing to exit beta testing, the Amazon Go store concept will offer "Just Walk Out Technology." "No lines, no checkout — just grab and go!"

Of course, these retailers are among the biggest names in the business. Yet even some of them have had well-publicized challenges in ramping up their omnichannel strategies. There are thousands of retailers, of all shapes and sizes, still deep in the throes of trying to solidify their omnichannel visions. The good news is there is a clear pathway now to execute best-in-class order management and fulfillment across channels. It is enabled by newer, cloud native technology that rolls out rapidly and generates fast return on investment. With the right tools, any retailer can create a compelling experience for the consumer, delivering greater convenience whether the customer is shopping online or in the store.

Today, DOM done right is not about either/or (online or in store, click-and-collect or home delivery) but more (online and instore, click-and-collect and home delivery and store transfers and omni-returns). More products. More fulfillment options. More choices.

"In the multichannel world, there will be hundreds if not thousands of viable options for fulfilling a single e-commerce order," according to the McKinsey & Company report, "The Future of Retail Supply Chains."[1] "Retailers will need to develop agile processes that can quickly optimize the fulfillment of an order based upon explicit business rules such as optimizing for customer service, revenue and inventory availability, or minimizing markdowns at a particular store."

Reflecting the importance of these processes for the near term, two of research firm IDC's top 10 technology predictions pertain to mastery of omnichannel retail and fulfillment. As *Apparel* Magazine recently reported, IDC said:

- "Half of retailers will have implemented an omnichannel platform by 2019, which will boost revenue while reducing inventory and operational costs, promotions and total cost of ownership. As a result, these retailers will see their omnichannel profits increase by about 30 percent."
- "Retail customer loyalty will be driven by flawless fulfillment execution for more than half of shoppers by 2020. To meet this expectation of a transparent, user-friendly fulfillment experience, retailers will increase this budget area by as much as 20 percent."[2]

Flawless fulfillment increasingly is characterized by flexible, personalized fulfillment — the kind that truly enhances the customer experience. Cloud-based order management and fulfillment technology can help retailers orchestrate these functions and remove boundaries between online and in-store shopping. This orchestration is just like it sounds: multifaceted but yielding a well-tuned, symphonic result. McKinsey's report said that omnichannel commerce complexities are "pushing retailers into a new role, similar to that of an orchestra conductor, in which the value comes not only from controlling the customer relationship but also from coordinating the numerous supply chain interactions of a web of suppliers, partners and shoppers."

Just what does such an orchestrated system look like? In its report, *"The Core of Omnichannel Retailing,"* management consulting firm Kurt Salmon, part of Accenture Strategy, summed it up this way:

"A robust store order fulfillment solution is designed to be performed by a workforce typically characterized as being young and modern and that, unfortunately, turns over frequently. It enables the following fulfillment workflows:

- Buy online, pick up in store
- Buy online, ship-from-store (to consumer)
- Site-to-store fulfillment (i.e., pick up in a store to which the inventory has been transferred from another facility)
- Store-to-store transfers
- Claims/recall shipments
- Returns (to DC, to vendor)"[3]

CONFRONTING CHALLENGES

Implementing all of these workflows is a huge challenge if core retail systems pre-date the omnichannel revolution. Most legacy retail systems and supply chains were not built with today's anytime-anywhere shopping behavior in mind. "Many of today's retail supply chains are simply not set up to handle this demand for the speed and convenience in a cost-effective way and are already creaking under the strain of the new multichannel world," said McKinsey's report.

It's quite common for inventory information to be confined within system silos, such as one software program for e-commerce and another for stores. Retailers then have to look in multiple places to see their overall inventory

HOW FLEXIBLE DISTRIBUTED ORDER MANAGEMENT TECH ENABLES MULTIPLE FULFILLMENT OPTIONS

Bill Friend
General Manager, North America
Fluent Commerce

Fluent Commerce specializes in solutions for retail order management and omnichannel fulfillment. The firm's native cloud-based platform helps retailers deliver a flexible and convenient fulfillment experience across channels. Bill Friend, who leads Fluent's North American business, shares his insights on the evolution of order management and the technology underpinning its success.

fluentcommerce

Q APPAREL: Where is order management headed for apparel retailers?

FRIEND: Fashion retailers need a great deal more flexibility and configurability in their order management. Today, many apparel retailers are relying on their commerce platforms to deliver an accurate view of inventory across the store network, but this approach has limitations. It is certainly helpful if the exact size and color combination for the desired product is available in a store nearby, but this may not be the case. Most retailers only enable inventory visibility of a single product at a time, which is also very limiting. What is needed, and where we are headed, is to a point where the distributed order management system is the brain that understands how to present convenient options to drive conversion for the entire shopping basket. With knowledge of inventory across the entire retail estate, this 'brain' can deliver a set of options, such as store-to-store transfer, that will both please the customer and ensure profitability for the retailer. In this way, order management has now become part of the discussion around optimizing the customer experience.

Q APPAREL: How have technology advances made it possible to roll out this type of solution faster?

FRIEND: With cloud native software, much of the basic computing infrastructure, including the database, are already set up when the retailer goes to implement the solution. In this way, the starting point out of the gate is much further along the deployment cycle than it would be with a more traditional, on-premises software implementation. Also, there's no need to spend time sizing up how much server capacity will be needed because you're not counting on servers located at your headquarters or even at the software provider's operations. Retailers should expect to go live within 10 weeks to 12 weeks, maybe as fast as four to six weeks — if the solution provider is familiar with all of the integrations that need to be established, and the retailer is taking advantage of some best-practice workflows. Rapid rollouts are essential to show quick return and then can be optimized and extended to support emerging trends.

Q APPAREL: What's one of the most critical considerations regarding best-in-class DOM?

FRIEND: Retailers need to know where all of their inventory lives and be able to expose it to the consumer in the form of an endless aisle of merchandise. To do this, they can't just have a snapshot of some of the inventory. They've got to build an accurate view of all of the products they have available by integrating all of the systems that have a view of inventory. If the retailer and, in turn, the consumer can only view part of that inventory, the whole experience will be less valuable.

positions. Furthermore, suppliers are accustomed to shipping large orders to retail distribution centers. "Today's retail supply chains are optimized for stores, with online often treated as a bolt-on, separate business," said the McKinsey report. "This legacy leads to poor cross-channel coordination across channel-specific inventory pools and fulfillment processes, causing higher out-of-stocks and markdowns in any given channel, especially during peak seasons."

To bring older systems into the new era, retailers can face the expensive, time-consuming prospect of systems integration, including potentially months of systems integrators working on-site to try to make legacy tools perform better. Even after such efforts, the resulting patchwork of software and processes can lead to a frustrating user experience for the in-store associates and managers who must navigate it all. Also, if any of the legacy software is hosted on premises, there will be scalability constraints. The retailer can be hemmed in by sizing decisions around how much volume its software and servers will need to support.

In short, it's important to evaluate which systems are worth preserving and which should be replaced altogether. Some software can be readily adapted to suit new purposes. For example, perhaps a certain legacy program can be connected to a modern, scalable solution designed to support omnichannel order management

and fulfillment. In other cases, it may not make sense to keep maintaining older systems. "The whole customer experience must embody a seamless, omnichannel approach to engaging customers and providing them with the service they've come to expect in a digitally connected world," according to EY Transaction Advisory Services. "Companies can't afford to duct-tape themselves together when addressing the customer's mobile experiences, transactions, purchase history or follow-up care. They must identify the issues that matter to their customers and focus on creating an integrated experience and value proposition." [4]

CREATING A COMPELLING CUSTOMER EXPERIENCE

To create this experience, retailers need to bring several core capabilities online — altogether and quickly. After all, Amazon is "setting a new industry service standard," McKinsey noted in its report. "Channel boundaries are blurring."

Whether you opt to implement a brand new order management solution or retool existing systems, it's important for your solution provider to address three core requirements.

REQUIREMENT #1
Deliver a single, live view of inventory. To succeed in omnichannel, retailers must be able to see their products wherever

they exist, whether in stores, DCs or the supply chain. "Retailers will need a unified view of their supply chains that shows what is available at each point and channel at any time," said McKinsey's report. "This should start by unifying distribution assets between online and retail. … Dedicated online-only and store-only inventories will need to become single, shared inventory pools."

Kurt Salmon's report affirms the importance of a unified inventory view. "The standard requirements of order sourcing technology are to provide a single view of inventory across channels and rules-based processing that determines the best fulfillment source across DCs and stores," the report said.

Within a modern order fulfillment solution, application programming interfaces (APIs) act as ecosystem connectors. For example, an API can quickly be set up between the retailer's POS and inventory management systems. Then the order management platform can show the retailer — and ultimately the consumer — the different places an item is located (i.e., in Store A, Store B, in the West Coast DC, at the factory, etc.).

REQUIREMENT #2
Offer personalized fulfillment options. Best-in-class DOM goes beyond offering click-and-collect. In addition to in-store pickup, it includes the ability to offer store-to-store transfers, ship from store, omni-returns and drop shipping

from the supply chain. Newer order management technologies employ option orchestration. In other words, the software dynamically calculates and offers the shopper multiple options tailored to his or her individual convenience. The tools leverage workflows, rules and business logic that make sense for each retailer's business, down to the store and shopper level. For example, the retailer can configure workflows that take into account whether a shopper is a high-dollar customer or high-margin items are in the online cart. If one or both of these variables is in play, the system can be set up to expose more fulfillment options to the consumer. For instance, with the prospect of earning a solid profit on such orders, the retailer can direct the system to automatically calculate the cost and delivery time associated with transferring a product to the consumer's closest store if the item is not already there.

Then again, if the contents of the online shopping basket do not meet pre-defined profit thresholds or a customer frequently returns merchandise, the merchant may not be willing to assume greater fulfillment costs associated with a store-to-store transfer. Retailers need to "shift their traditional focus on availability to incorporate increasingly refined, dynamic trade-offs among availability, delivery times and margins," said the McKinsey report.

Mastery of best-in-class order

management also means offering different fulfillment options for different items in the basket. In this way, the retailer meets the consumer on a whole new level, providing greater levels of flexibility, convenience and choice. It can take a phased approach to achieve this caliber of personalized fulfillment. The key is to work with the order management solution provider to iterate over time with a goal of continually enhancing the customer experience.

"A robust order management solution will intelligently determine the optimal source for a customer order based on highly configurable rules that control the availability of inventory across channels," the Kurt Salmon report said.

REQUIREMENT #3
Give associates great in-store tooling. In-store tooling refers to the user experience for the store teams who will be using the order management solution on a daily basis to serve customers. These teams benefit from a highly intuitive user interface and appreciate single-system simplicity. They want an efficient, streamlined procedure for supporting flexible fulfillment and return services. "It's no small feat to design and implement the store-level processes required to execute the ship-from-store concept," said Kurt Salmon's report.

The in-store tooling of an order management platform should give individual stores a good level of control and autonomy. For example, the store manager ideally should be able to configure how his or her store prioritizes online order picking and shipping. After all, the manager has the strongest knowledge of that store location, its demand patterns and workforce capabilities.

"Retailers have the ability to configure specific business rules, or sourcing templates, to meet the specific needs of their business but, most importantly, they can quickly and easily alter them to meet changing business needs," Kurt Salmon's report said. "Consider, for example, a situation where a critical store gets overwhelmed with shoppers during a key promotional event and needs to be excluded temporarily as an inventory source."

Ultimately, strong yet flexible in-store tooling empowers store teams to easily access and fulfill merchandise for shoppers anywhere in the supply chain — without the need to navigate through a maze of workarounds. This kind of capability and simplicity often comes from cloud native order management platforms. "More efficient projects and [fewer] operational issues allow your employees to spend their time on other more useful activities that may offer a greater potential value to your business," said the Wired post, *"5 Cloud Business Benefits."* "People are an organization's biggest asset and this allows you to better utilize this asset." [5]

PRIORITIZING SPEED AND SCALABILITY: CLOUD NATIVE COMPUTING

The order management platform should serve as an orchestration engine, bringing together all of the pieces necessary to provide a best-in-class fulfillment experience for the consumer. In what may come as a surprise to retailers accustomed to lengthy technology initiatives, a brand new order management and fulfillment platform can be put into place in a matter of weeks, not months. This is especially true if the retailer can take advantage of a software provider's pre-built workflows for common order management and fulfillment scenarios.

Part of the reason behind this implementation speed is a cloud native (also referred to as "cloud native") IT model. With native cloud solutions, retailers can quickly plug into the technology. The computing infrastructure and databases are set up in the cloud, ready to be populated and activated. Updates occur seamlessly, even when there are differentiated configurations of the software running at different companies. If a certain workflow or business rule needs to be adjusted, it can be altered rapidly, without a lot of custom, time-consuming coding or maintenance downtime.

"Cloud native provides organizations with the capability to rapidly develop and deploy software that adapts to changing operational conditions automatically," according to the Deloitte Consulting LP report *"Cloud Native Applications: The Intersection of Agile Development and Cloud Platforms."* [6]

With cloud native technology, there also is dynamic scalability. The retailer has no worries with regard to server sizing to handle the ebb and flow of demand. "Cloud is the flexible facility that can be turned up, down or off depending upon circumstances," said a blog post by cloud security solutions provider Skyhigh. "For example, a sales promotion might be wildly popular, and capacity can be added quickly to avoid crashing servers and losing sales. When the sale is over, capacity can shrink to reduce costs."

The Skyhigh post highlighted 11 advantages of cloud computing as identified by research firm Vanson Bourne, which interviewed 460 senior-level decision makers in the finance discipline from businesses across different industries. Among the compelling findings:

Wins by Companies Using Cloud Computing *(results on average)*

20.6 percent
improvement in time to market

19.63 percent
increase in company growth

18.8 percent
increase in productivity [7]

In its article, "Why Cloud Computing Should Be at the Heart of Your Business," The Telegraph cited findings from a Cloud Industry Forum poll of 250 senior IT and business decision makers. The poll found that the most popular reasons for using cloud computing were:

Flexibility	**77 percent**
Scalability	**76 percent**
Reliability	**74 percent**
Supporting Innovation	**≈ 50 percent**
Business Continuity	**37 percent**
Customer Service	**31 percent**

CONCLUSIONS

Best-in-class order management and fulfillment are major differentiators for retailers. Consumers expect flexibility and convenience in how they shop and will reward retailers who remove boundaries that get in the way of a seamless experience.

Whether a retailer is retooling its order management system or rolling out a brand new platform, it is important that the strategy encompass:

- A single view of the endless aisle of inventory;
- Personalized fulfillment options such as in-store pickup for online orders, ship-from-store, store transfers and omni-returns; and
- A great user experience for store managers and associates on the front lines of serving customers.

The benefits of embracing best-in-class order management and fulfillment are many, including:

- Increased conversions through the delivery of more convenient options to fulfill an order, presented before the buy button.

- Gaining an edge over competitors by offering customers a greater level of convenience and more options for how they receive products
- Generating additional store traffic and the chance to upsell goods
- Maximizing the range of your product selection and availability through an endless aisle of inventory
- Gaining better insight into global inventory
- Expanding your online business by connecting channels and offering a ship-from-store option
- Minimizing markdowns and improving inventory turnover by selling store stock through your e-commerce site
- Reducing transportation costs by using smart fulfillment rules to ship items from a location closest to the consumer
- Decreasing warehouse expenses by maximizing the potential to fulfill from store inventory
- Reducing time between when an item is returned and available for re-sale
- Maintaining greater visibility on all returned items to better track global inventory
- Capturing more customer insights
- Responding to real-time trend results more efficiently
- Improving both customer satisfaction and job satisfaction for store teams

Finally, order management software capable of delivering these benefits can be deployed in the cloud in a matter of weeks. Within a single apparel season, a retailer can be on its way to being a best-in-class performer. For those who flip the switch, a world of opportunity awaits. ●

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