RetailStore
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Retail
Reinvented
Market
Insights 2017

**Reshaping
Restructuring
Reconnecting**

Is it Time to Rethink things?

2016 has been a year of convergence, shrinkage and innovation as the UK's retail industry has reacted to the British shopper's passion for a heightened shopping experience and its drive for convenience. With Christmas sales figures reaffirming that those that get their omni-channel strategy and platform right, will be the ones to profitably grow and retain and expand customer bases.

It's survival of the fittest. Discounting has proven a dangerous tool for many and traditional retail models are increasingly becoming exposed to new emerging threats.

Legacy retail management software and systems are crumbling with the strain of multi-channel expansion plans. Profit margin battles between new service demands and their associated costs also continue to put extra pressure on technology for increased efficiency.

Contrary to what some think, the wave of consumer change that is happening across all demographics will affect every retailer, from independent boutiques, department stores through to jewellers and carpet shops alike. It's not a case of 'if' but when.

There have been winners and losers. The winners are those that hear the heart beat of the customer. They have rethought and restructured their retail management software to give their customers what they want.

It's time to reinvent retail for our own individual businesses and give today's shoppers what they need: experience, convenience and connected journeys.

Failure to do so, is the biggest risk for any retailer.

Now's the time to rethink what we do and how we do it. It's a time to disrupt or be disrupted. A time to challenge our traditional business models and drive new ways of operating and serving our customers.
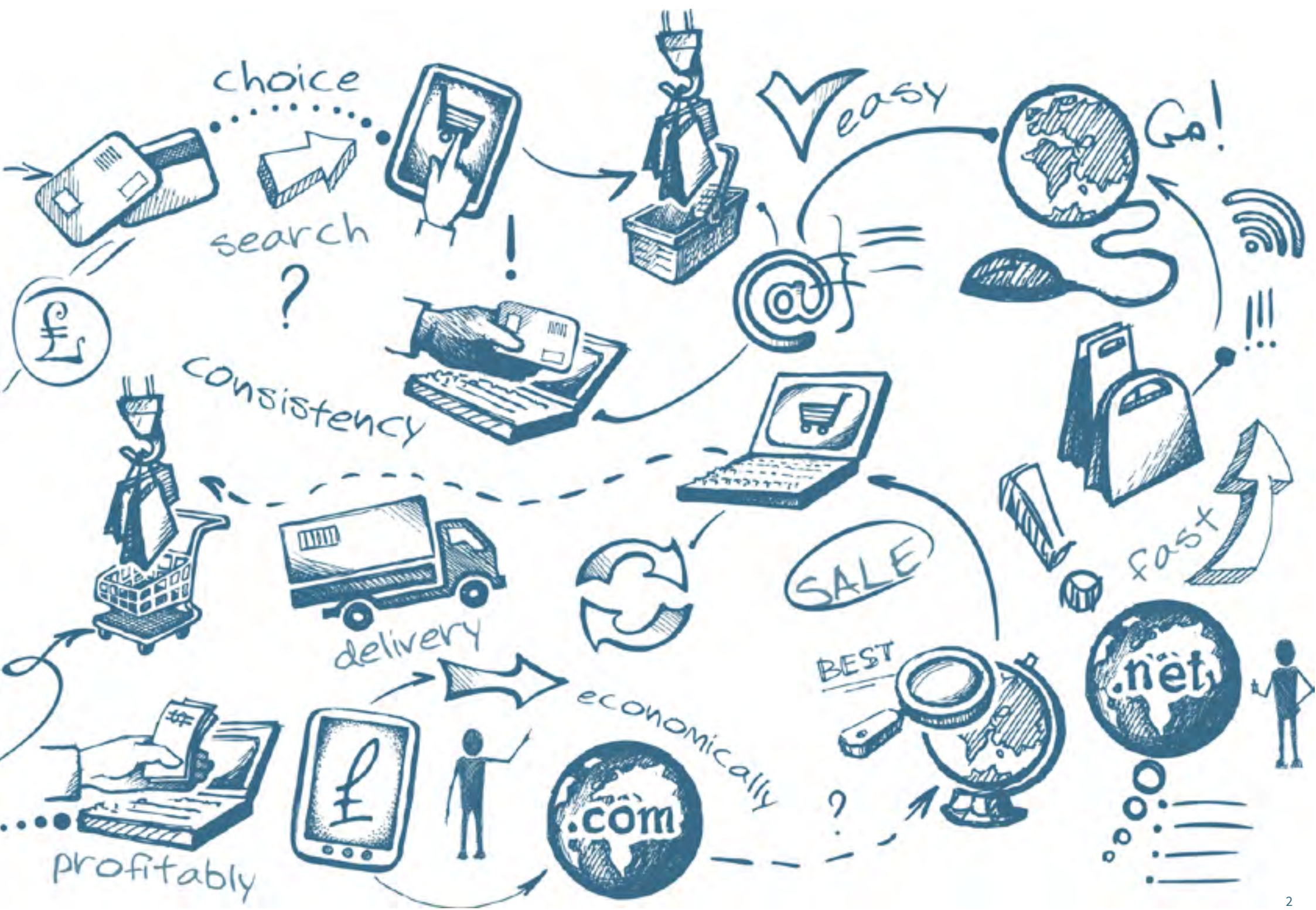
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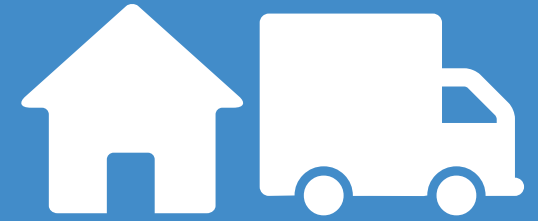*Now's the time to rethink what we do and how we do it.*

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What are you doing this year?

The consumer world and the technology that drives it, is changing faster than we think as multi-channel retail and the omni-channel experience becomes the norm not the exception. It's time to reshape what we do if we're to continue to retain our customers who now expect unprecedented levels of customer experience.

This guide sources the best retail research to give you an exclusive and up-to-date picture of the new retail landscape:

TOP TRENDS

1. **Inventory on the move**

2. **E-commerce goes in-store**

3. **Mobile experiences**

4. **One hour delivery collaboration**

5. **Social selling**

6. **Pre-selling**

Retail Reality 2017

Back in May 2013 the Retail Research Centre forecast a bleak high street by 2018 with a very much reshaped retail landscape. In 2017 how real are these forecasts of a 22% decline in stores and a near doubling of online sales?

With the iconic BHS going into administration in 2016 and re-emerging as a nimble and efficient online brand, Missguided and Notonthehighstreet entering the physical retail world, the pace of consumer and retail change is much faster than many of us are willing to accept.

The clock is ticking. Without doubt, what we are seeing amongst the big brand e-commerce and in-store retailers, will start trickling down down the retail tiers with more companies migrating to new retail management software, all-in-one platforms designed to breakdown system silos and budget barriers.

The multi-channel retail world is the new norm as the modern consumer distinguishes less and less between physical and digital relationships, social interactions and shopping experiences.

Mobile is King, personalisation is Queen and choice is a must if the customer of today is going to be kept satisfied and their thirst quenched for fast, interactive, comparative, convenient and any channel shopping.

A lot has changed in the last few years. The likes of Neal's Yard Remedies, F Hinds, Bags Etc, Argos, Tog 24 and John Lewis have reshaped themselves, overhauling their retail software management systems to accommodate multi-channel selling and thrive in the new market conditions. Meanwhile, many retailers are still lagging behind.

Retail physical spaces are shrinking and will continue to as big brands and smaller ones adopt instore online commerce and software to provide extended product choice through digital aisles, offering the shopper a larger array of choice and delivery options.

The old rules and boundaries are diminishing and distinction is no longer so much about online or instore but by an entire end-to-end experience built on convenience, instantaneous service and extended choice.

2017 will be the year that retailers up and down the country will follow the trends set in 2016 and expand and develop to deliver this urgency for a ubiquitous multi-channel journey.

Key themes 2017

- **Managing the omni-channel experience**
  How to get one view of the customer; how to deliver simplicity, speed and convenience for the customer; how to implement click and collect – expensive and disruptive but increasingly popular.

- **Prioritising new technologies**
  How to use cloud data as an intelligent core, how ERP, EPoS, CRM, warehousing and merchandising and increasingly diverse number of applications to all work as one. And how and when to use beacon, tablet, personalisation mirrors or AR technology.

- **Integrated IT architecture**
  How to achieve the holy grail of omni-experience and which design path to choose.

Reshaping Retail: Convergence, convenience and great customer experiences

> ❝ *The two main themes in retail at the moment are click and collect and the customer experience, which are both part of the overall omni-channel focus in retail at the moment.*
>
> Oliver Tress CEO of Oliver Bonas ❞

2017 will be the year of consolidation, blurring boundaries and colliding traditional retail sectors. Those that rethink and innovatively reshape what they do will be the retail winners of the future.

Innovation is about delivering a very high customer experience without spending a lot of money. In 2017 and beyond, the focus for retail is how we all deliver exceptional customer experiences through new and better ways of operating and integrated system infrastructure to excel in:

- Convenience
- Choice
- Personalisation
- Profit

2016 was a year of discussion and planning for many retailers and we can expect to see more imaginative customer experience centric initiatives rolled out as businesses progress from strategic planning and system restructuring to product and service launches.

By December 2016, we already witnessed new ideas come into fruition to deliver greater social, personal and delivery experiences including:

- Estee Lauder's Facebook order and one hour delivery service
- Personalisation mirrors in Heathrow
- NearSt's independent book retailer's one hour delivery platform
- Increased number of click and collect hubs

Excelling in customer experience: The in-store phenomena

The power of the instore experience with its social, sensory and personal elements is unyielding, whatever online price wars are being fought. The blurring of channel boundaries has been further fuelled by click and collect; providing customers with the greater choice offered online together with the convenience of trying, feeling and buying in-store.

The introduction of the click and collect service has been hugely successful for many of the UK's big retail brands, with 43% of consumers (and 52% of 21-35 year olds) agreeing that it means they now shop online. It has also been the catalyst for many independent retailers to review and invest in their software platforms to protect sales and retain customers.

The high street shop is certainly not dead and is a critical part of the shopping journey. Nearly half of consumers say they are more loyal to the brands they shop at in-store than they are online.

Pure e-commerce players are understanding more and more when it comes to satisfying customers, it all comes down to the fundamental need for help and exceptional experiences.

These traditional pure-play e-commerce retailers such as Missguided and Made.com are seizing and investing in this opportunity to provide 'real world' customer service by opening physical stores to enable the all-important 'feel and experience' part of the buying journey.

In fact, traditional pure e-commerce players are transforming and remoulding how they sell and operate for competitive advantage much quicker than traditional instore retailers.

Retail as a destination

The increasingly heightened consumer need for exceptional experiences is transforming many physical retailers and centres into destinations to attract the hospitality and leisure loving consumer of today by working together collaboratively for a collective experience.

Retail combined with leisure has the power to draw consumers in-store, even if they can buy items cheaper online. The success of Liverpool ONE is testament to this approach which blends everything from retail, hospitality, digital, convenience and experience, and nearly a decade since it opened its characteristics are being mirrored by individual retailers.

The Oasis relaunch of its flagship store on Tottenham Court Road, for example, tied the retail-hospitality knot more tightly, focusing on experience rather than produce with an in-house café-cum-cocktail bar and beauty salon, turning the retail experience into one of leisure.

Key questions for in-store retailers:

1. **Are you giving consumers a compelling reason to visit your store?**

2. **Are you rewarding your customers' loyalty?**

3. **Is an inefficient customer journey losing you sales?**

4. **How could you use technology to improve the shopping experience?**

5. **How frictionless is your shopping journey?**

Multi-channel is no longer a choice but a necessity

Today shoppers are taking technology for granted and expect retailers to offer flexible service that enable them to shop however they want, across any channel.

If retailers don't start adopting a truly multi-channel approach with exceptional omni-experiences, they risk losing their competitive edge. The modern consumer expects to be able to shop on their terms and see buying as one experience regardless of channel.

To achieve this requires a thorough and holistic review of existing operations and IT infrastructure. What will enable and drive omni-channel fulfilment, convenience and experience is the retail management software it is founded on.

Patching and silos must be eradicated to stay competitive through single, real time data visibility at every touch point and across operational divisions. Agility, scalability and stability of data flow infrastructure are the core foundations to retail operations of today and beyond.

Key questions for the omni-channel approach:

- **Can you offer better shopping experiences and services than your competition?**

- **Are you using technology to enhance the customer journey across channels?**

- **How integrated and consistent is your online and offline experience?**

> *The rising costs involved in providing an attractive and efficient omni-channel service is a growing threat that must be managed carefully. I see this as the biggest single issue for retailers at the moment.*
>
> Richard Lowe, Head of London,
> Barclays Corporate Banking.

Restructuring for the omni-organisation: What it really takes

Key Drivers

- Drive towards click and collect/reserve
- One hour challenge
- Refining warehousing and fulfilment – single visibility

2016 has seen many retailers in a continual state of flux as they review internal processes, activities and IT structures in-order to drive efficiency and experience through consolidation, diversification and technology infrastructure.

For anyone selling through more than one channel, a cross channel single inventory with real time data flow is now critical. Retailers who have not restructured their IT software platform to cater for this necessity, are now scrambling to plan and implement an omni-channel strategy. This enables a 360 degree transaction, product visibility and increases operational efficiency for greater profitability.

What it takes to succeed in omni-fulfilment:

- Anytime, anywhere delivery and collection - fast
- Live cross channel visibility
- Inventory and warehouse agility and optimisation
- Universal in-store and online digital aisles
- Intelligent forecasting and suggestive purchase ordering
- Mobile strategy

Fulfilling The Multi-Channel Experience Profitably

The KPMG/Ipsos Retail Think Tank suggest that retailers will be further challenged to adapt business models and find new and better ways to serve customers.

Martin Newman, CEO of Practicology says: "Retailers will aim to deliver what we would describe as seamless multi-channel customer experience, where the shopper is supported and served irrespective of the mixture of channels they use."

Fulfilling this omni-channel experience profitably cannot be done from systems and process designed for just one or two channels. This means there is likely to be more investment in technology, mobile fulfilment options and convenience for consumers in the future.

Rethinking the business and IT model

An accurate and robust attribution of costs and value to a multi-channel retail business model can only be achieved by smashing of system silos though a single, intelligence based platform that is available in real time at any point, anywhere and always delivers a single and accurate view.

Everything from warehousing, merchandising, through to fulfilment processes and channel distribution must be driven by profit and efficiency. Through new real time, streamlined cloud retail management platforms an unparalleled amount of intelligent and intuitive automation, optimisation and personalisation can be achieved.

To allow the flow of business data and process across so many divergent departments and businesses a common thread is required. How you identify, capture and share your product, logistical and transaction data is key.

Data must be:

- Real time and ubiquitous
- Scalable, secure and stable
- Fluid, accessible and accurate

F Hinds: Blending the on-line and in-store offering

In 2013 F Hinds, a family run independent jewellers with over 116 stores across England and Wales, employing nearly 1,000 staff, made the decision to review and overhaul its legacy technology and hardware and move to a Cloud based retail platform to create a single, modular and scalable system to operate all its business and online and instore sales channels for:

- Enhanced customer experience, choice and convenience
- Real time product availability in-store and online
- Cost efficiency

Like many businesses, F Hinds' click and reserve service proved popular with its customers and for the first time the jeweller's e-commerce and in-store sales channels became entwined but with no underlying system integration. The complexity and strain on resources to deliver against heightened consumer expectations was a problem.

Top Three Priorities

- Immediate visibility of every transaction
- Operational efficiency
- In-store and online integration

In order to meet its short and long term objectives, F Hinds migrated to a single, Cloud platform to integrate its multi-channel inventory; to synchronise in-depth Head Office reporting, warehousing, workshop management, CRM, e-Receipts, multi-channel loyalty programs and gift cards and in-store digital aisles for extended produce choice.

Top Three Operational Benefits

- Instant and accurate overview of every transaction status in real time across multiple channels
- Quality and depth of reporting enabling deep data analysis profit improvement
- Scalability for growth and new process and feature rollouts via the ease of Cloud which requires little resource and time

"The options and future are so vast. What we need is stability in something that always works in the middle and a single platform built on Cloud technology gives us this and more."
Paul Hinds, IT Director, F Hinds.

Top Three Customer Service Benefits

- In-store extended aisle ordering, mobility and accuracy of stock location for increased customer choice and increased sales
- Click and reserve functionality, automation and till to website integration for quick, punctual and accurate collection
- Extended range unique customer reference number tracking for customised or specially ordered items

Neal's Yard Remedies: Cloud Technology for Multi-channel Retailing, Enhanced Experience and Manufacturing Efficiency

Neal's Yard Remedies was formed in 1981 and is driven by a passionate belief that health and beauty should be more natural, less synthetic. They also take this approach when sourcing ingredients and support and promote organic farming. Neal's Yard Remedies sells its products through its own proprietary distribution network, consisting of shops, e-commerce, mail order, pop-up shops and direct selling as well as through third party retailers.

In 2017 Neal's Yard Remedies migrated to a Cloud based retail management platform to create a highly integrated, real time and intelligent data core to drive its retail operation to:

• Synchronise and unite all multi-channel retail outlets
• Make manufacturing leaner
• Optimise stock levels
• Improve promotional performance

A Manufacturing Retailer

Before its migration to a new Cloud based retail platform, a lack of stock control impacted manufacturing, especially as Neal's Yard Remedies own retail operations which are such an important sales channel for the business. With traditional system silos, re-ordering of products and forecasting and thus manufacturing was problematic. Add to that the fact that Neal's Yard Remedies don't use synthetic ingredients, with many orders placed twenty-four months in advance.

"Our ingredients are fresh so their shelf life is quite short," explains Jason Cook, Head of IT, Neal's Yard Remedies "So you have to use it there and then and get it into your product. You can't have fresh herbs sitting around on the shelves for months waiting for production. Having an intelligent Cloud platform helps us be certain we get the ingredients we need, to manufacture them and get them to the shop. The whole manufacturing cycle, really relies on having good information coming from your shops and what your sales patterns are going to be so you can forecast what your growth is going to be. Our supplier orders are now placed based on intelligent data enabling our entire manufacturing process to become leaner."

Maximising Profit and Minimising Wastage with Stock Levels

To help Neal's Yard Remedies get the right stock levels across their stores they use a minimum and maximum inventory level application. This feeds through to the integrated purchase order system and this recommends what needs to be ordered based on the minimum and maximum levels. "This makes the whole process efficient," comments Jason.

"The min max levels get us through 90% of the year, but when we move into Christmas the sales patterns become more dynamic then we will use different mechanisms for restocking the shops, such as switching to the algorithm re-stocking tool. And we stock the shops more frequently, delivering twice weekly instead of the once."

Organic Growth Through Strategic Intelligence

Neal's Yard Remedies uses its highly integrated Cloud retail management system to drive promotions strategically to manage in-store offers. Jason Cook explains:

"We can now offer centralised, regional and individual promotions without having to wait overnight for the shops to download the promotion, they go live immediately".

Neal's Yard Remedies are meticulous in their analysis of all their promotions, so they can see what works as well as spot any emerging trends, as Jason explains.

"Our Cloud platform has given us a greater insight into how promotions are working and how people are buying products. For example, are they combining products in baskets we didn't expect, so we can then do a basket analysis. We can look across the entire business, and then drill down using a business tool, which gives us a great insight into how the business is working. And because the data is live it means we can respond instantly to emerging trends. We have three people solely focused on analysing the information which comes out.

Having an intelligent Cloud core enriches the company's decision making process about what we might promote together, and we can see the impact of our promotions in the sales figures."

"Our Cloud platform has given us a greater insight into how promotions are working and how people are buying products."

Reconnecting The customer journey: No matter the channel, place or time

> *All retailers must make deliberate decisions on what to do next and agility will be crucial. Faster delivery, low friction transactions and excellent customer service are at the core of retail. There are no longer retailers that do multi-channel and those that don't.*
>
> Darryl Adie, Managing Director at Ampersand.

Retailers must embrace:

- **Connectivity across digital and in-store** – the growth of click and collect means retailers will need to adapt in-store design to cope with extra volumes and increase warehousing and merchandising efficiency.

- **PoS as the hub** – retailers will need to run a variety of customer-related aspects through their PoS touch points, using them as a hub through which they can push and pull a host of real time and accurate data, relevant product information and stock levels, as well as dealing with returns, issuing refunds and adjusting inventory levels across the channel mix.

- **Personalisation through blending digital and physical** – a number of retailers have been trialling and rolling out applications such as GoInStore to connect in-store sales experts in the stores with online customers. Expert advice in the buying journey is important, but until recently online channels have only just caught up with plug-ins such as Live Chat.

- **Extended choice through blending digital and physical** – as retailers migrate to multi-channel retail management software systems, more and more are introducing digital in-store aisles to secure and cross-sell product sales.

- **Connected customer relationships** –consumer's see no barriers between channels only a single brand. Loyalty cards, clubs, points and all customer retention initiatives must today work seamlessly across all channels. Retailers must ensure 100% transaction and communication visibility whatever point of sale a customer chooses to engage with at a given time.

Across the entire retail world great customer experiences are top of the agenda. Shoppers are now taking technology for granted and expect retailers to offer flexible and convenient services that enable them to shop however they want, across any channel and at any time.
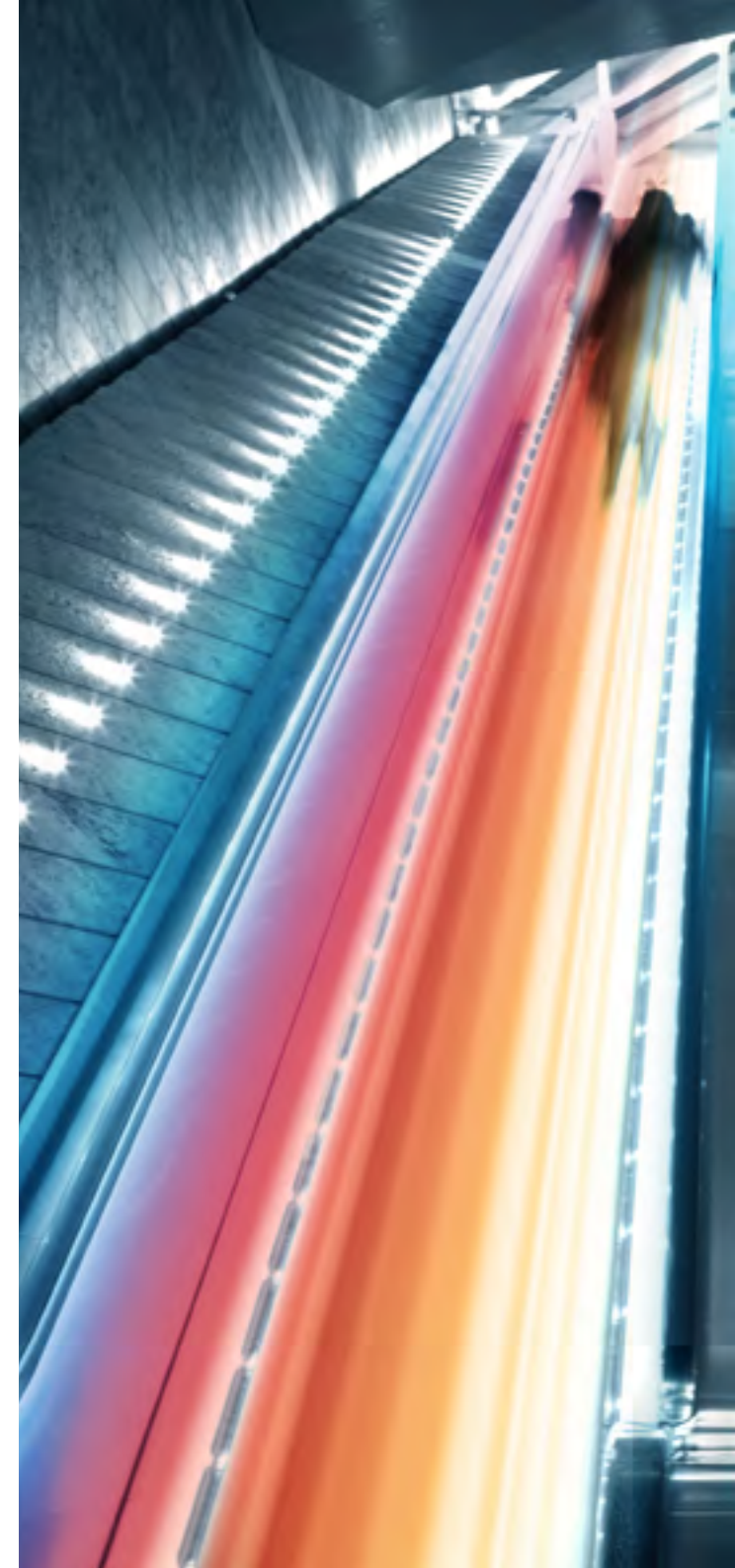
In fact, according to Worldpay, 92% would like to be able to check stock availability on a retailer's website before they visit the store. The blurring of channels have been further fuelled by click and collect, providing customers with the greater choice offered online together with the convenience of trying and buying in-store. The introduction of the click and collect service has been highly successful for most of the UK's big retail brands, with 43% of our consumers (and 52% of the 21-35 year olds) agreeing that it means they now shop online more.

If retailers don't adopt a truly omni-channel approach, they risk losing their competitive edge. Consumers expect to be able to shop on their terms, and see buying as one experience regardless of channel.

Key questions for the Omni-Channel Approach:

- Can you offer better shopping experiences than your competition?
- Are you using technology to enhance the customer journey across channels?
- How integrated and consistent is your online and offline experience?

A Seamless, Reconnected Multi-Channel Experience

The KPMG/IPOS Retail Think Tank suggests that retailers will be further challenged to adapt business models and find new ways to better serve customers.

"Retailers will aim to deliver what we would describe as a seamless multi-channel customer experience where the shopper is supported and served irrespective of the mixture of channels they use," says Martin Newman, CEO of Practicology.

Fulfilling this reconnected omni-channel experience profitably cannot be done from systems and processes designed for just one or two channels, which means there is likely to be more investment in technology, mobile, fulfilment options and convenience for consumer in the future.

"The rising costs involved in providing an attractive and efficient omni-channel service is a growing threat that must be managed carefully. I see this as the biggest single issue for retailers at the moment," says Richard Lowe, Head of London, Barclays Corporate Banking.

Cloud based retail management platforms will become key to successfully orchestrating a connected omni-channel experience in real time with the agility, scalability and stability to act an intelligent data core across all departments and retail channels.

"The technology drive is integral to future. Stripping out complexity on the one hand, to make shopping easier and quicker, and adding intelligence on the other, to make it more personal and rewarding. Bringing intelligence of current customer behaviour to the heart of the business, making big data effective to deliver on-demand service through retail analytics will be instrumental in making retailers more agile and responsive. "
Dr Tim Denison, Director of Retail Intelligence, Ipos Retail Performance.

> ❝ *Mobile really does bridge the gap between the online and offline worlds.*
>
> Sarah Stagg, Director of Digital Product, House of Fraser ❞

Mobile Matters: The age of the smart shopper.

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Just as EPoS is no longer just about transaction, mobile is no longer just about browsing, payments and queue busting. It is now the central connector between the online and physical worlds enabling the pure blend omni-channel experience anywhere, any time and at any place. Mobile opens up new windows of opportunity for both independent and national brands as they seek to please and retain customers through convenience, choice and an enhanced digital experience.

Top Trends of Mobile Application

- M-commerce
- Frictionless payments
- In-store digital aisles
- Search and reserve
- Loyalty apps
- Social selling

The Mobile Connector For Digital and in-store

As the smartphone continues to become increasingly powerful and with larger screens and even faster mobile data availability, our love affair and attachment to this savvy piece of technology continues to grow stronger, and with it so does its function in the shopping experience.

These developments are turning the smartphone into an essential platform that can support the entire shopping journey, from product search and discovery to comparisons, recommendations, payments, collections and loyalty. In fact, mobile is beginning to span and impact on every element of the shopping journey and retail operation.

Many retailers are already well underway with their mobile strategies which encompass a range of applications from payments, AR product information and in-store experience, extended in-store digital aisles, m-commerce, social mobile selling and clienteling.

In 2016, Heathrow's new personal shopping lounge, with its personalised and socially integrated mirrors, allows passengers to post photos and stream live videos from the mirror to their preferred social media feeds, with likes and comments appearing in the mirror's refection in real time.

By the mid-2020s, we can expect to see contextual location to be an integral part of the retail experience, providing a way for retailers to deliver targeted, timely, contextually relevant messages to consumers through their mobile location, smartphone interactions and intelligent, highly personalised customer histories.

The growth of click and collect is having an increasing impact on physical stores and the management of inventory. Retailers must be aware that as click and collect grows they will need to adapt their store bases to cope with the extra volumes and to ensure customer service levels are maintained.

A virtual Cloud based inventory is becoming critical to drive efficiency and and ensure the operational processes are underpinned by multi-channel retail software. Retailers of varying sizes are working with system software providers to group products together for picking at the same time. When the goods have been found and scanned they can be taken out the store's inventory in real-time.

'Clienteling' For Enhanced Customer Service

Mobile in-store will impact on the way sales assistants work. Connectivity and Cloud EPoS and retail management systems are empowering them to deliver a much richer experience for customer's in-store, delivering tailor-made service to shoppers through access to their central shopping history. This is known as 'clienteling' and continues to be an important omni-channel development for retailers as they seek to provide a more unified and heightened experience.

Sarah Stagg, Director of Digital Product, House of Fraser
"Mobile drives the smart shopper and we have increasingly seen show-rooming blossom over the past two years. But increasingly we are seeing "reverse show-rooming" where shoppers are coming to the store, touching and trying the goods then buying them online. This is an important move and we are determined that our digital strategy will aid this. Shoppers are three times more likely to buy if they can self-fulfil, and 21% of people who try on an item go on to buy it – we have to drive digital instore to take full advantage of this. It's a cliché, but mobile really does bridge the gap between the online and offline worlds."

Is This The End Of The 'Purse' as we know it?

Reducing Transaction Friction

Whilst there has been much hype around Apple Pay in 2016, more and more retailers are looking for ways to reduce the amount of friction at the tills and tap and pay is likely to grow in adoption. Self service machines, a staple to almost every supermarket chain, started the craze and despite the confusing interfaces and long waits for staff approval, the consumer has been put in control of their shopping experience, which reduces stress and frustration.

Fast forward ten years and we have seen little in the way of development from these machines, but experts predict that it will only be a matter of a few short years before the face of the high street changes completely and in turn the way we spend our money will also change.

The adoption and proliferation of mobile payments has seen non-payment technology firms enter the market (eg. Financial technology start-ups such as Ripple and Chain). Some industry insiders predict that mobile payments will become further integrated into technology, leaving checkout to eventually disappear altogether.

Going forward, Capgemini believes that retailers will look to use new technologies such as the IoT to leverage real-time transaction data, to better understand shopper behaviour. The implementation of immediate payments systems will continue to accelerate globally, hidden payments volume. There will also be increased investment in security and authentication measures to avoid fraud and data breaches.

A futuristic glance at how your 'purse' could look:

Retina and Iris Scanners:

No you aren't in a version of Demolition Man, this is reality. The scanners have been trailed in America, with versions shown at many tech shows in recent years. The technology scans and detects the retina or iris and links it back to the unique algorithm connected to your bank details and pays for the goods in quite literally the blink of an eye.

Fingerprint Scanners:

Biometrics isn't exactly something you hear of every day on the high street, but with the increasing need to make transactions more seamless and easy, retailers could follow in the footsteps of the smartphone technology generation and use fingerprint recognition to pay for goods in-store.

Quick Scan:

How would you feel if you were in a store, you could scan an item you wanted to buy on your phone and pay for it on your phone and walk out? Whilst many today may feel uncomfortable with not acknowledging at least a shop worker the payment has been made, in the future if predictions are right, we could be doing this on a daily or hourly basis.

Screenless ATM's:

Without the need to jeopardise security by punching in a PIN at an ATM, screenless ATM's, these screen less ATM's work on a tap from an iPhone, which must be opened with fingerprint before hand, in order to dispense cash.

Loyalty Cards:

Carrying around several loyalty cards in a purse or wallet will be a thing of the past as technology surges forward with the introduction of loyalty apps. The schemes will also see a shift in the way they reward points, with many being focused on earning points through shared experience on social channels, aiding marketing and brand promotion. The move will not only help retailers to take a single view to drive personalisation of their in-store experience but gather information to help up-sell and find out more about their habits.

> *Delivery can make or break an entire experience for customers, yet it's part of the supply chain retailers have the least control over.*
>
> Darryl Adie, Managing Director, Ampersand

The Future of Fulfilment: Convenience Counts

Following the launch of Amazon's one hour delivery in 2015 we are now beginning to see the disruptive impact of this online giant in the UK retail market both in the independent and big brand sector. With Amazon's plans for drone delivery and flying warehousing, what we once thought of as science fiction could soon become the new reality.

The phrase 'survival of the fittest' really couldn't be more apt for the retail landscape right now as retailers embark on strategies to get every aspect of fulfilment, warehousing and merchandising as integrated, lean and as efficient as possible to meet the ever-escalating challenges of convenience, speed and experience.

Key retail topics:

• Cross channel inventory management

• In-store fulfilment and shipping

• Save the sale

• The last mile

• Drones

• Personalisation

• Post-Brexit supply chain issues

Growth of Convenience, Choice and Innovation

A few years ago, no one could have predicted the shape of the current fulfilment market; the dizzying array of options continues to evolve as consumers become more demanding and existing software systems no longer fit for purpose.

According to Retail Systems Research, 65% of retailers report that customers who shop across multiple channels are more profitable and have a greater lifetime value than single-channel shoppers. In this new and critical multi-channel environment, omni-channel fulfilment will be the defining factor as will the ability to delivery at exception speed and convenience. Until recently, many retailer's efforts to provide a unified, compelling experience for customers online and in-store has been hampered by pre-existing, siloed technologies and stores using manual processes.

To meet these customer expectations for a seamless omni-channel experience, retailers require centralised inventory, order processing and fulfilment capabilities, combined with intelligent sourcing, suggestive purchase ordering and fulfilment, pick and ship efficiency and consistent customer order status notification.

Most Innovative UK Fulfilment Ideas:

• **Doddle Runner** – currently only available as an iPhone app, allows users to take up to five pictures items they want and to send and a runner will pick up the items within an hour, wrapping and posting them overnight to be delivered the next morning.

• **Shutl** – offers a choice of delivery options with access to 90% of the UK population and delivers within a set distance of its retail partners

• **NearSt** - a newly launched local online book market place platform for independent book retailers that allows customers in London to enter their postcode and the name of the book they're looking for on the website or app. They can then order the book for instant collection from a local store or have it speedily delivered.

• **Ground Drones** – London based Starship Technologies has started trialling 'ground drones' robots; battery-powered boxes on wheels which make their own way through streets, naviaging around objects and people;

Virtual Inventory and Warehousing

Retailers offering click and collect who have not already migrated away from separated, legacy systems, will need to re-design their operations and systems around consumers, working to provide them with new flows of real time information, products, transactions and experience. Whilst establishing strong courier partnerships is essential, to meet customer expectations for a seamless omni-channel experience, retailers must have a centralised inventory, order processing and fulfilment capabilities coupled with intelligent sourcing and workforce management to execute flexible fulfilment strategies in the most efficient and cost effective manner.

And the benefits go way beyond the customer experience to impact on the gross profit and HR efficiency by enabling retailers to use business intelligence reporting to prioritise and allocate labour and effectively pick and ship orders. Cash flow is also improved as stock and warehousing can be accurately forecast across the entire organisation through predictive sales and suggestive purchase ordering through to optimisation of all warehousing and merchandising.

Retailers who have redesigned and rolled out customer centric systems and processes for speed, convenience and omni-channel customer experience, will be the winners in 2017 and beyond. With "virtual" inventories of stock which can be seen, located, ordered, delivered at speed and returned from any channel and at any time, these modern retailers have what it takes to profitably overcome the stress points of the new and ever demanding consumer.

The cost of not investing in the right solution is potentially as severe as it is quantifiable. From losing clients to inefficiency the potential pitfalls of improvising and relying on manual processes are many:

- **Inefficiency**

- **Out of stocks**

- **Ageing product**

- **Returns**

Gift and Homeware companies importing products are using virtual inventories to increase gross profit by making available products online and in-store wherever the product is, including on a container ship at sea. Not only does this increase product choice and availability for the customer but critically, logistic and storage costs are reduced.

Contrary what most retailers thought and research claimed, home delivery is not the big preference – choice and convenience is. We can expect to see the continuation of the shift towards click and collect with the option for click and reserve, home delivery and new forms of convenience.

The attraction of click and collect and services such as Fast Track and Prime Now is the convenience factor. "We think the big prize is not immediacy, but dependability in timing," says City Sprint boss Partrick Gallagher.

"Customers want to be able to choose the time they receive a parcel, whenever that is, rather than having it dictated to them."
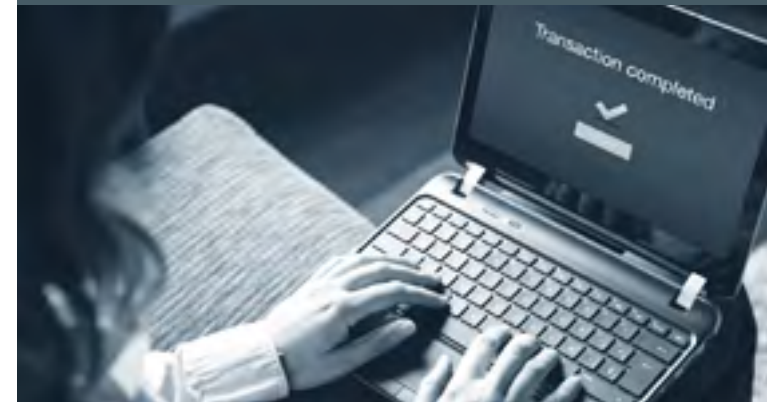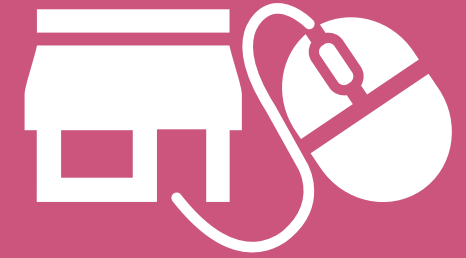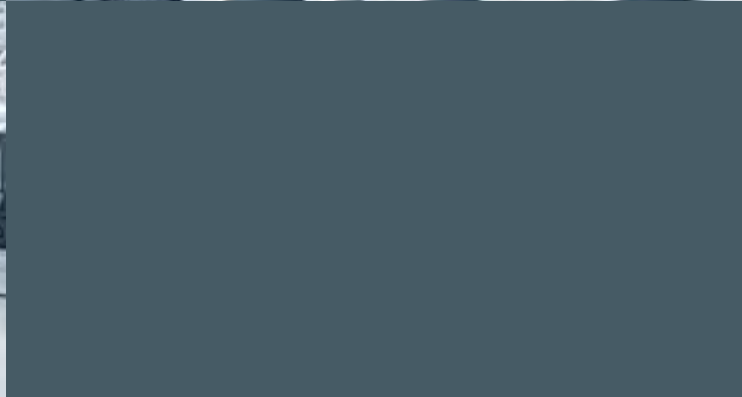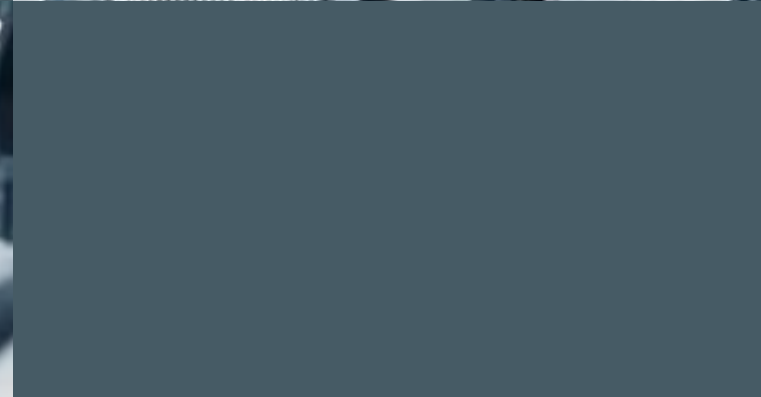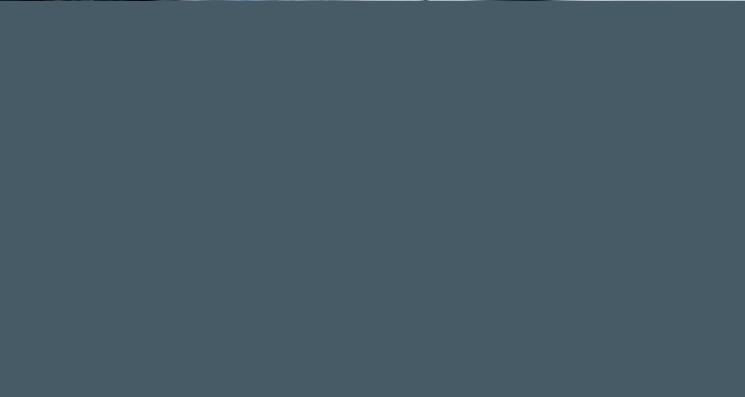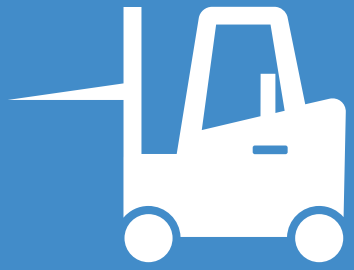
Intelligent Foundations

Creating an intelligent, stable, scalable Cloud data core will become increasingly critical to retailers of all sectors and sizes as consumer technology adoption and multi-channel shopping becomes the norm and the demand for choice, speed and convenience spirals. Being able to manage, streamline, access and intelligently report on from any point or time, demands new data competencies, system architecture and business intelligence tools.

An intelligent Cloud data core can deliver:

- Real time online and in-store data and inventory synchronisation
- Optimised fulfilment
- Increased gross profit
- Leaner manufacturing and supply chains
- Enhanced customer experience
- Personalisation
- Click and collect
- New business models including pre-selling

Big data and analytics are creating competitive advantage for retailers, the most effective strategies built on intelligent data, then tailoring infrastructure, data sources and analytics to support their business. To be competitive in a retail world driven by consumers and their passion for technology, immediacy and choice, retailers must use data to gain a comprehensive understanding of their markets, customers, products, distribution locations, competitors, employees and more.

> *In order for retailers to create engagement, experience, personalisation, choice, convenience and cost savings, it takes more than traditional summarised reports and single department thinking. Integration and live availability of business and customer intelligence, predictive analytics and suggestive ordering provides the opportunity for all types of retailers to become more profitable and serve their customers in the way they want to be served.*
>
> Ian Tomlinson, CEO, Cybertill.

Knowledge is power and knowing your customer's shopping habits and preferences and being able to swiftly fulfil their needs at their convenience will become paramount. A recent McKinsey study found that organisations using data-driven were "5% more productive and 6% more profitable than their competitors".

Big data can be used to:

- Drive strategic decision making and forecasting
- Drive customer loyalty and retention
- Achieve a 360 degree view of the customer in real time
- Build innovative marketing and e-commerce strategies
- Enhance customer experience strategy
- Boost sales performance via mobile strategy
- Increase merchandising and supply chain productivity via predictive analytics
- Increase merchandising and supply chain productivity via predictive analytics

> *We will see more brands sell on independent channels, more people will set up their own brands and factories will even start to focus on creating their own brands.*
>
> Emma Watkinson, CEO, SilkFred

Rise of the British Independent Online Market Place

Representing £60.04 bn in 2016 the UK's e-commerce is estimated to be 16.8% of retail trade. How this monolithic sector is broken down is less focused, as are the new vertical sectors being born with it.

Top Predications:

- More UK fashion etailers and portals will use or consider British manufacturing to reduce delivery times
- Online independent brand market portals will become a competitive space
- Social selling will play a critical role
- Power of designer brand selection will be migrated away from big brand outlets and manufacturing
- Online fashion portals will introduce digital and physical fashion shows, Pop-up events and high street showcases for brand engagement

The online fashion market place is one such vertical which is not only attracting consumers from traditional fashion etailers but importantly, opening up massive opportunities for British independent brands, boutiques and manufacturing through the growth and popularity of fashion portals such as SilkFred and Farfetch.

Online fashion retail is only still a very young market and it's easy to forget that because so much has changed rapidly in a short period of time. The market is exploding and the opportunity to expand into new territories, leverage new and innovative retail channels is huge.

Standing strong in Retail Weeks Top 10 Fast-growth UK retailers is Farfetch which operates an online fashion website portal to more than 400 independent boutiques and showcases more than 1,000 brands. Following its acquisition of the London-based Browns boutique, Farfetch has now moved into the physical space.

Social Selling

Throughout 2016 we saw the independent fashion, home, gift and furnishing market, portals penetrate their target markets with cost effective and highly targeted social selling and sponsored posts, culminating in Christmas 2016's successful Christmas social campaigns based on showing their unique collections of individual designs to give the consumer choice, alternatives and value over big brands.

For the likes of SilkFred, Fern & Grey and Farfetch digital is at the heart of everything that they do and the technology and platforms they operate with are integral to their growth, as is customer data intelligence, design and brand selections. These new companies are brands not built on legacy system architecture but specifically designed for their new business models and the new consumer.

Pure E-commerce Player's March on to the High Street

Predictions:

- More pure-player brands pop-up shops will appear in 2017
- Physical show-rooming will become a key etailer strategy
- Role of the extended digital aisle will grow
- Reversed click and collect service will grow
- Pure-play e-commerce will expand into omni-channel

Pure-play e-commerce retailers have used pop-up shops as a way to test the market and reach out physically to their consumers for the past decade.

However, in the past year, the likes of young fashion retail brand Missguided has opened up a flagship store; gifting and homeware giant Notonthehighstreet has rolled out a Pop-Up regional Christmas tour; and Loaf the fast growth furniture etaileris developing a series of "Loaf Shacks".

As the front runners, it is only a matter of years before other online retailers catch up and we see a true convergence of the online and physical retail worlds.

Show-rooming and flagship stores will be the first ways we will see brands roll out their physical strategies, with the aim to eventually close the loop on the true omni-channel consumer experience. What we do know is that for online retailers to survive on the high street, they must invest in the 'stage of the shop floor' - tactile and sensory experience that are both inviting, memorable and reaffirm the brand messages.

Customer service and the 'human element' will be paramount to connecting and creating those essential brand buy-ins too. What a sales person on a shop floor can offer is far reaching from even a Live Chat pop up.

Top 10 Fastest-growing UK retailers 2017

Etailers marching on the high street represent 50% of Retail Week's Top 10 fastest-growing UK retailers 2017 shortlist:
In alphabetical order are:

- Loaf
- Made.com
- Missguided
- Notonthehighstreet
- Oak Furniture Land

Missguided

As a rapidly growing fast-fashion etailer, Missguided describes itself not as fast fashion, "but a rapid fashion specialist that celebrates everything it means to be a girl in a digitally immersed world today." Founded by Nitin Passi in 2009, sales reached £117.2m in 2005/16 and it now delivers to 160 countries.

Following its debut on the high street through concessions in department stores, it opened its standalone store in the Westfield Stratford City shopping centre in November 2016.

Speed to market and value for money are at the heart of Missguided's offer. The retailer says on its website that it has "thousands of styles live at one time and fresh new threads hitting down every single day."

Passi said in an interview in May 2015 that he believes Missguided can generate turnover of £1bn within five years. The question now should be, who will be the financial losers of Missguided's gain?

The Future

"By 2020 shoppers will have to pay for home delivery; traditional points-based loyalty cards will become a thing of the past; pure play retail will largely cease to exist; and checkout-less stores will become a reality." Natalie Berg, Retail Insights Director at Planet Retail.

Drones zooming across are skies, launching from large drone warehouses to deliver us packages within minutes of ordering might seem far away but only a few years ago the idea of ordering something online and collecting it in-store seemed ludicrous.

Consumer convenience and the technology that plays a central role in it, is drastically changing how we engage and service our customers and operate every element of our retail operation to make it as efficient and fast as possible.

Top Predictions:

- Shrinkage of in-store footprint
- Rise of digital aisles
- Increase in click and collect hubs
- Expansion of pure e-commerce players on the high street
- Continued growth of British independent fashion brands online
- New hybrid retail models

Amazon has set the UK's one hour delivery challenge and we're seeing more and more innovative ways for British retailers to fight their corner from Sainsburys' cycle delivery Chop Chop app, New Look's one-hour, consumer controlled next day delivery, whilst Argos reformats its stores and infrastructure to beat the race in package delivery speed, choice and convenience.

Whilst many of the changes due to happen seem too futuristic, many of the big changes are already happening as the retail industry explores new was to enhance the customer experience, reduce overheads, increase gross profit, compete with new types of retail models and accommodate the uncertain economic and political backdrop.

Traditional sectors are being smashed as businesses merge their offerings to give their customers the experiences they want. With the online and in-store boundary diminishing, the consumer need for physical brand engagement, unprecedented levels of experiences, product choice, delivery and instantaneous shopping requirements, the winners of the today and beyond will be those who can reinvent, reshape and restructure in these changing and turbulent times.

The traditional status quo has broken forever. Now is the time to prepare and be part of the new retail landscape.

"Contrary to what some think, the wave of consumer change that is happening across all demographics will affect every retailer, from independent boutiques, department stores through to jewellers and carpet shops alike.

"The winners are those that hear the heartbeat of the customer. They have rethought and restructured their retail management software to give their customers what they want.

"It's time to reinvent retail for our own individual businesses and give today's shoppers what they need: experience, convenience and connected journeys. Failure to do so, is the biggest risk for any retailer." Ian Tomlinson, CEO, Cybertill.

> *With passion, service and commitment we create great shopping experiences using our scalable, innovative, secure Cloud technology in one platform, one solution.*
>
> Ian Tomlinson, CEO, Cybertill.

RetailStore

Powered by **Cybertill**

Since it was established in 2001 Cybertill has been at the forefront of high street retail software, pioneering the use of Cloud technology for a better way to manage the challenges and synchronisation of live data from across an estate, online, in-store and mobile.

Constantly updating and expanding its software offering to evolve EPoS and multi-channel retail systems for an ever-changing world, it's single and modular platform, RetailStore, is now a recognised and proven enterprise retail management software solution.

Working with retailers of all sizes and shapes to adapt and grow in the dynamic consumer and retail landscape, RetailStore continues to explore and innovate new ways to improve EPoS and retail management and create opportunities to further increase gross profit, make operations leaner, enhance business intelligence and importantly, deliver exceptional customer experiences.

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