

Mastering Fulfillment from the Store with Inventory Visibility

The omnichannel movement offers many ways for retailers to enhance customer satisfaction and increase sales. One profitable avenue is being able to fulfill product from the store. With many online and traditional retail giants continuing to “up the ante” by offering same-day and next-day home delivery, retailers are increasingly exploring how to turn their stores into distribution centers in an effort to offer more flexible fulfillment options.

Fulfillment from the store — which includes shipping from the store or enabling in-store pickup — seems like a win-win strategy for consumers as well as retailers. Flexible fulfillment options can truly delight the time-pressed and cost-conscious consumer, and for retailers who excel at this practice, it can increase sales and expose a larger product assortment for sale. However, there are weak links in retailer supply chain operations that are being revealed every day through in-store fulfillment offerings. In fact, recent research by JDA Software found that of the 35 percent of online shoppers who opt to pick up their orders, half had problems. The same research revealed that despite significant investments and the prioritization of omnichannel, only 16 percent of companies say they can fulfill omnichannel demand profitably today.

The disconnect

Unsatisfactory customer experiences with store fulfillment have been well publicized recently, and it’s important to note that many of those experiences are caused by a variety of challenges, some unrelated to the supply chain. What could be at the heart of the disconnect is that some retail companies are simply failing to recognize that omnichannel fulfillment requires a more integrated, interoperable approach

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across all members of the supply chain. Fulfillment from the store relies heavily on one key pillar of omnichannel retailing — inventory visibility. Setting up a store fulfillment model without concentrating on the critical enablers of supply chain-wide inventory visibility would truly be a case of putting the proverbial cart before the horse.

Inventory visibility plays a major role in a store’s fulfillment capabilities. According

to a Forrester Consulting report, more than half of surveyed retailers cannot fulfill between 2 percent and 10 percent of in-store pickup orders. Ultimately, 52 percent cited inventory accuracy issues as a major barrier to rolling out pick-up in-store programs.

Ship-from-store models are also on the rise. In 2015, a study by Kurt Salmon revealed that with this fulfillment option retailers

experience a rise of 20 percent in their in-store sales as well as faster inventory turnover. Retailers have also found consumers are satisfied with the shipment of items directly from the store, as deliveries tend to be received faster than orders coming from traditional fulfillment centers. But this practice is also not without its growing pains. The main challenges of shipping from store are similar to the pick-up in-store models — challenges include ensuring retail store capability, providing employee training and viewing inventory in real time.

Enhancing store efficiency

Better accuracy can be achieved if the retailer knows the location of its inventory at all times. In fact, retailers currently implementing Electronic Product Code (EPC)-enabled Radio Frequency Identification (RFID) would agree that fulfilling from the store is nearly impossible without this level

of inventory visibility. RFID drives greater than 95 percent real-time inventory accuracy, improved sales, decreased out-of-stocks, increased margins and expedited returns, according to data from the RFID Lab at Auburn University. Retailers may not fill from every store, but those that are selected need a high degree of accuracy that only RFID can bring. It instills greater confidence in store operations to provide the highest level of customer service, as they are armed with continually updated information and real time inventory counts.

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VENDOR VIEWPOINT

Sarath Chandershaker, Vice President and General Manager, Checkpoint



Apparel: One of the “channels” that has become most prevalent as retailers have readjusted operations to keep pace with the omnichannel consumer is the fulfill-from-store model. Many apparel companies now have a fair amount of experience in this space and are working to refine and optimize the practice. What have you identified as some of the most effective methods employed by retailers to get the most out of their in-store fulfillment processes without detracting from customer engagement or the other demands of a brick-and-mortar store?

CHANDERSHAKER: In-store fulfillment enables brick-and-mortar retailers to compete with online retailers with convenient, local delivery, while providing a high-touch in-store experience. Many retailers are investing heavily in BOPUS (Buy Online Pick Up in Store) to bring shoppers into stores. But making a store act like an efficient DC needs quite a bit of work. Stores have added more labor and more inventory buffer to fulfill orders from stores, but this is costly and inefficient without automation. Worse still, there is a risk of a lost sale (or a lost customer) if orders are incomplete or not ready for pick-up at the promised time. RFID technology

provides the foundation for inventory accuracy in stores. But that's only the first step to effective omnichannel fulfillment. Coupling RFID inventory management with accurate locationing, task management and process automation can enable store associates to quickly and accurately pick omnichannel orders without extensive training or disrupting the customer experience. We've found that most store associates, whether long-standing employees or seasonal help, are very receptive to using mobile apps to prioritize, locate and pick inventory for a customer order. And when these orders are opt-in tasks that they can initiate any time of the day, it helps stores deal with order variability and enables them to better meet customer promises.

Apparel: Success in a fulfill-from-store model requires support from the entire apparel supply chain. How can apparel companies best align their factory-to-store logistics processes to make this model efficient and profitable?

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dence in inventory planning procedures also means a reduced need for safety stock and less risk of over-ordering merchandise.

Sales opportunities

Fulfillment from the store, or any omnichannel initiative, truly requires a retail company to change its way of thinking and operating. Item-level RFID implementation breaks through traditional manual procedures to get product into the hands of consumers faster. Aside from cost savings due to efficiency, inventory visibility via item level RFID has the potential to significantly boost sales.

To be successful, in-store fulfillment strategies must fully leverage the power of the store, particularly in pick-up in-store scenarios. Retailers who excel at these strategies maximize the consumer's time spent within their four walls and look for opportunities to increase "basket size" with additional impulse buys. But first things first — what the consumer originally sought after must be delivered without issue, or the retailer risks loss of loyalty and poor online reviews. Reviews can do serious damage in today's increasingly hyper-connected world, particularly at a time when, according to Mintel, seven out

of 10 Americans seek out others' opinions before making a purchase.

With greater collaboration on critical enablers such as RFID, retailers can fully take advantage of this new era of retail fulfillment and wow consumers with flexible pick-up and delivery options. With true inventory visibility, retailers can move closer to providing the seamless customer experience. ■

Melanie Nuce is Vice President of Apparel and General Merchandise at GS1 US and leads the GS1 US Apparel & General Merchandise Initiative.

CHANDERSHAKER: We've found that a good portion of store shipments are incorrect. Which gives over-burdened stores even more to sort out on their end. Ensuring shipping and receiving accuracy before merchandise reaches stores is half the battle. Which is one reason that we are increasingly working with retailers to automate DC operations with RFID. Regardless of how automated a DC may be, there are missed opportunity costs everywhere — from reworking incorrect shipments, to auditing vendor shipments and managing internal theft. As retail operations become more and more complex and supply chains become less linear, it is too difficult to run a DC without RFID.

Apparel: Looking out one to two years, how do you see the role of the retail store continuing to evolve, and what technologies do you think will play a major role in their transformation?

CHANDERSHAKER: Many forward thinking retailers have increasing control over their omnichannel operations, and they have instrumented their stores with RFID and other sensors to better track inventory and customer touchpoints. They are generating lots and lots of sensor data to help them in daily operations. In getting through the day, the week, the holiday

season, they are overlooking a potential gold mine of information that can be used to better engage, interact and build strong relationships with shoppers. The retail store fills many roles beyond pure commerce — and retailers that are getting it right are building upon the sense of community and place, and exchange of new ideas that a store provides. Some retailers such as Urban Outfitters and Ikea are making stores weekend destinations, where family can shop, dine, even get a new hairstyle, do laundry and get their car detailed. But in order for stores to be more successful in this new world, they need to rapidly understand and adapt to consumer needs, at the local level. Data will level the playing field, enabling retailers to think globally and act locally. Predictive analytics and machine learning will enable smaller retailers to compete with the planning, sourcing and merchandising teams of much larger corporations.

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