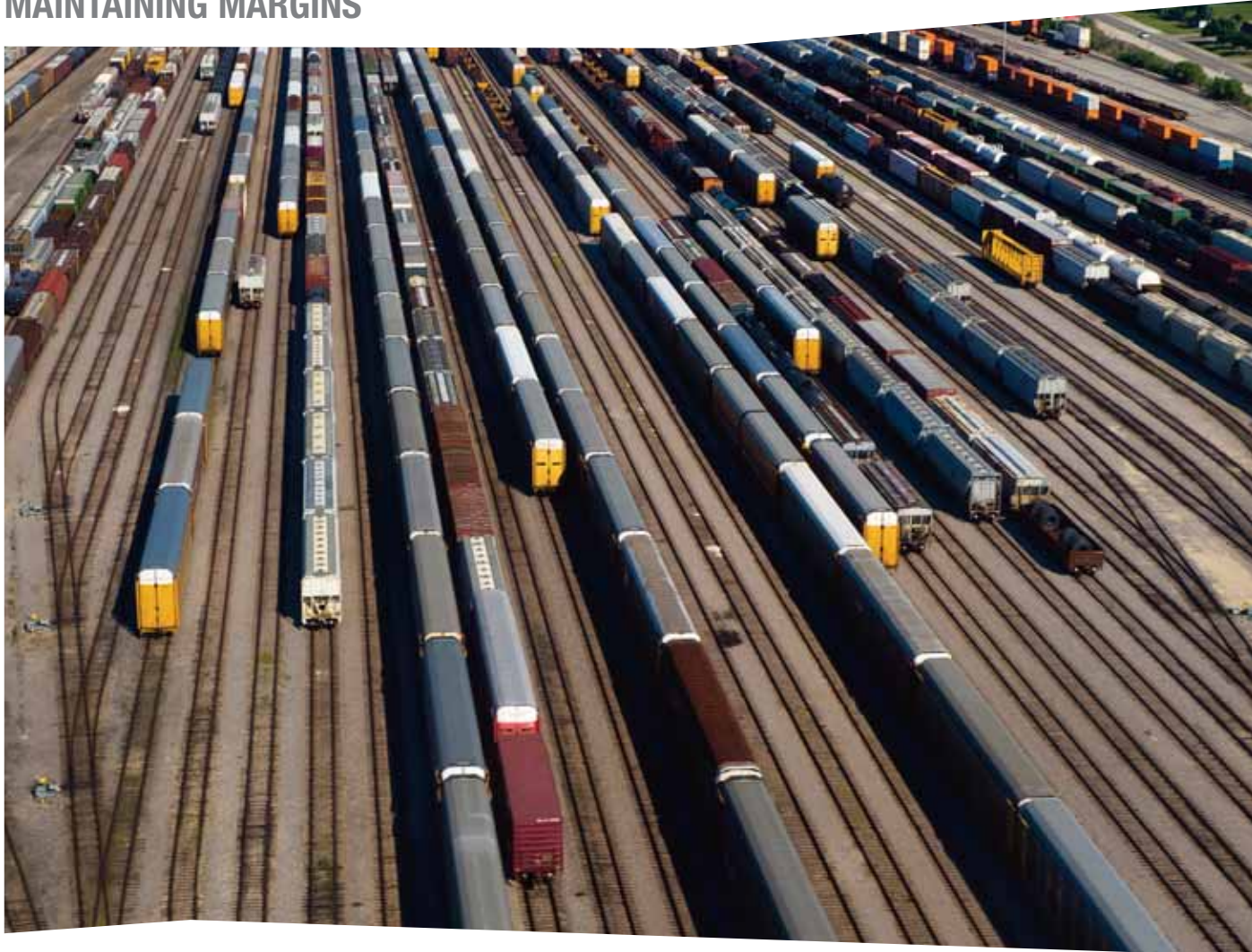


DELIVERING THE GOODS

WITH VIRTUAL STOCK, DROP-SHIP VENDORS, FULFILMENT FROM STORE OR WAREHOUSE, AND MULTIPLE CARRIER OPTIONS, ECOMMERCE LOGISTICS ARE INCREASINGLY COMPLEX. **PENELOPE ODY** FINDS OUT HOW RETAILERS CAN ENHANCE THE CUSTOMER EXPERIENCE WHILE MAINTAINING MARGINS



The days when online orders were picked and packed from a single warehouse and despatched via single carrier are long gone. Today not only may the website offer a greatly expanded product range, with goods shipped direct from suppliers but, as retailers cut inventory to reduce overheads, the chosen products may come from different stores, assorted warehouses or be placed on back-order for fulfilment when new stocks arrive.

Add to that customers who expect daily notification of order status or perfectly consolidated deliveries and will instantly phone the call centre if something appears to be missing, even if the despatch docket clearly states 'to follow,' and the demands on ecommerce platforms continue to grow.

Approaches to handling these various logistical challenges vary: cross-channel order management is complex and while ecommerce platforms can offer some functionality, much often depends on integration with core retail merchandising

systems which are not always capable of real-time reporting. Equally, adding insights into supplier stock levels for drop-shipments can be challenging, as can carrier management, making it difficult to give shoppers accurate and consistent information about deliveries.

KEEPING THE CUSTOMER UP-TO-DATE

Many of the 'nice-to-have' logistics services which customers are believed to want are provided through integration

with trading partners or come from highly niche IT tools that need to be integrated with the basic ecommerce platform.

Carriers, such as Yodel and CityLink, for example, are already working hard to improve the amount of real-time information that shoppers can access about their deliveries. “We’re developing a client portal for parcel information which will go live early next year,” says Greg Smith, chief information officer at Yodel. “This shows consumers more of the event flow in real time.”

While timed delivery slots for small parcels are unlikely to become reality in the foreseeable future, Yodel is looking to allow retailers selling big ticket lines to embed available delivery slots within their sites so that shoppers can book a delivery time when they place an order.

Patrick Wall, chief executive and co-founder of carrier management specialists MetaPack, compares conventional retail systems to a basic road map: “Ecommerce systems then add the ring roads and bypasses. They provide bridges to link systems.”

Customers, he argues, need a choice between despatching the goods as soon as possible or waiting until the order is complete and then consolidating into one consignment. In order to do that, he says, you need applications that understand the limitations and capabilities of the delivery options so that if, for example, a single consignment is required then an extra day is built into the schedule to cross-dock packages from various sources. Equally real-time stock management is essential in order to manage customer expectations. “Pick and pack based on real-time stock information is straightforward with warehouse management systems,” says Wall. “It is when you take stock from stores to fulfil online orders that it becomes more difficult and I know of some retailers who have had to abandon this type of fulfilment because of inaccuracies leading to poor customer services.”

While MetaPack focuses on managing multiple carriers for home deliveries, Axida’s systems link website orders to individual transport fleets, such as Ceva Logistics’ contract to deliver big ticket items for Tesco. Its long-established HDi application, also used by the likes of Ikea and Wincanton, takes the order information and matches it to carrier schedules and capabilities, in some cases powering the timed delivery options seen by shoppers when they place their orders.

“Many retailers still think of ecommerce as just the website. They don’t see that the ecommerce platform can offer the same window for a growing number of digital options”

PAY AS YOU GO

While HDi is used by the largest retailers, Axida introduced Pick, Pack and Despatch (PPD), a “software-as-a-service” (SaaS) product, earlier this summer, which is targeted at mid-tier operations and fulfilment houses. “HDi really started back in the late 1990s as a delivery and installation management tool for big ticket lines,” says commercial director, Wayne Holgate, “Technology has moved on, however, and now the system is increasingly used to improve the visibility of delivery information for consumers so they have a more accurate idea of delivery time and service issues.”

While MetaPack and Axida applications can provide the “bridge” between retail and carrier systems, IBM’s order management tool – part of its Smarter Commerce initiative – solves the “available to promise” issue for players such as Argos and Crocs. The order management suite, which came with IBM’s Sterling Commerce acquisition last year, was developed by Yantra more than a decade ago as one of the first dedicated cross-channel applications. It has now been fully integrated with the rest of the Smarter Commerce offering. It, too, acts as a ‘bridge,’ this time between store, warehouse, suppliers, carriers and digital channel platforms to track stock levels and purchases to give a ‘single truth’ about customer activity and inventory.

“Drop-shipment is increasingly used in the US to expand the product range online,” says David Hogg, ex-Sterling Commerce and now IBM’s commerce solutions lead, north-east integrated operating team. “Retailers have tried to cope with managing this manually using spread sheets based on the assumption that inventory is always available – which it obviously isn’t. Real-time inventory visibility is a pre-requisite to accurate availability to promise.”

The Sterling Commerce product is targeted at larger retailers but an SaaS offering is in the pipeline which would make it a practical option for mid-tier players as well.

Supply chain specialist, Manhattan Associates also provides order

management tools as part of its total suite. “Our distributed order management application integrates the ecommerce platform with the fulfilment centre,” says solutions consulting manager Alex MacPherson. “It helps to create a single stock pool and updates the central inventory file from stores every six to 12 hours, although warehouse stocks are in more real-time, so that orders can be fulfilled from different locations or collected from store.”

The system has been in use in the USA for six years but was only launched in Europe 18 months ago and is used by companies like Trois Suisse in France.

Creating such ‘bridges’ between applications is all very well if the core retail merchandising systems are robust and reliable, but there are still many retailers dependent on ageing legacy systems with limited capabilities.

AVOID RETURN TO SENDER

“Delivery options can be complex,” says Sarah Lynch, development director at Snow Valley, “especially when it comes to international customers, and older retail systems cannot always cope.” Address fields, for example, may be inadequate for differently formatted overseas locations and the last thing any retailer wants is a shipment to come all the way back from São Paulo because the label format lacked enough characters to include the house number so the parcel was undeliverable.

In such cases, vendors, such as Snow Valley, argue that adopting the platform as the core retail system can be the solution. “With all new clients we want to find out what sort of systems they have and how robust they are,” says Lynch. “If they are good, then fine, integrate basic ecommerce tools; but if they are ‘just OK’ then a more comprehensive ecommerce platform to manage supply chain could be the answer. Many retailers still think of ecommerce as just the website. They don’t see that the ecommerce platform can offer the same window for a growing number of digital options – iPhones, iPads, whatever – so they just dip a toe in the water.”

Hybris, too, stresses the international capabilities of its platform for despatch

and multiple-currencies, as well as the importance of real-time information. “We certainly see a bigger role for the multichannel applications layer in future,” says Kees de Vos, vice-president, business consulting at Hybris. The company’s recently launched Multichannel Accelerator, for example, is an integrated suite that incorporates order management and merchandising.

The system taps into the information in other retail applications, such as store stock, and ERP, as well as drop-shipment needs, and aggregates the information to deliver a single stock picture which enables availability to promise. “Of course we would like users to regard Hybris as their core retail application,” adds de Vos, “and we can integrate with EPoS systems for store pick-up but we don’t do financials and we don’t have a complete merchandising suite or carrier management so for some functions we are currently quite thin – but the system will only become thicker in future. We already have customers like Adidas and Nikon and growing interest from suppliers who want to sell direct to consumers.”

As de Vos rightly says, cross-channel order management is vital for any ecommerce platform so it is not surprising that traditional retail systems players are also eager to stress their capabilities here.

Sarah Taylor, retail industry director at Oracle, believes that stock information needs to reside on the traditional core retail merchandising suites and this can then enable the newer niche tools. “Argos uses Oracle as its core system,” she says, “and this integrates with Sterling Commerce order management. Different retailers tackle the problems in different ways but integration to core applications is key.”

Taylor maintains that traditional merchandising attributes, which feed into supply chain and logistics tools, are the vital driving force for multichannel fulfilment and while Oracle’s web front end – its ATG acquisition last year – provides a viable ecommerce solution, the supply chain functionality comes from the core retail suite.

MANAGING EXPECTATIONS

Opinion is divided, too, on other aspects of supply chain that some ecommerce systems providers believe are essential. “Most of our users are in the fashion sector,” says Robin Coles, director of supply chain consulting at BT Expedite, “and consolidation of consignments really

FROM THE HEART

“The ecommerce platform can become the hub of operations and can cope with the fact that stock is not simply in a single warehouse but can be anywhere and must also be delivered to just about anywhere as well.”

Sarah Lynch, development director, Snow Valley



WHAT THE EXPERTS SAY



MANAGING ORDERS

“Unless users are pureplay with a single fulfilment option they need order management tools and this functionality really drives cross-channel fulfilment.”

Kees de Vos, VP, business consulting, Hybris

BUILDING UP

“Retail merchandising systems are like the plumbing and wiring of a building. Just because you expand into the loft you don’t put in separate wiring. You need to integrate the ecommerce platform with existing retail merchandising systems to meet supply chain needs”

Robin Cole, director of supply chain consulting, BT Expedite



GIVE SATISFACTION

“Real-time order management provides the call centre with instant information about order status and customer history. Shoppers’ patience runs out pretty rapidly when they are calling about the whereabouts of their orders and this allows call centres, even when outsourced, to see a full order history.”

David Hogg, commerce solutions lead, north-east integrated operating team, IBM

doesn’t seem to be something people expect or retailers provide.”

Tim Robinson, partner at consultants Kurt Salmon agrees: “Consolidation of consignments is really an aspiration,” he says. “It would be lovely if we knew when our goods would be delivered or when and where we needed to collect the entire order but it’s not the key priority. It is more important to manage expectations

and keep customers fully informed.” While Robinson argues that occasionally a consolidated consignment is seen as essential – for DIY or gardening projects, for example, where a missing vital component can cause problems – online shoppers are used to buying from marketplaces such as Amazon where goods inevitably arrive at different times from multiple sources.

“Priorities for most multichannel retailers are much more fundamental,” he says. “They need to maximise stock availability, manage the cost of the delivery and manage that expectation. We also have no idea when the current recession is going to end so cutting stocks to release working capital is often an urgent requirement. IT applications which can help do that without impacting service levels are currently far more important than nice-to-have functions like consolidating consignments.” ■

“ Real-time stock management is essential in order to manage customer expectations ”