As retail channels proliferate, managing separate supply chains for each becomes ever more complex. Technology that enables a virtual 'single stock pool', with inventory moved between channels as need be, could provide the solution

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Multichannel with a one-track mind

Having the right styles in the right place at the right time has always been core to retail success. Difficult enough when the 'right place' is one of a number of high street outlets, but ever more challenging as the 'places' proliferate, with websites, concessions, catalogues, international franchises and so on. At the same time, the downturn has resulted in retailers holding less stock, while faster fashion means shorter selling times, so depth of stock tends to be shallower and, when it's gone, repeat orders are unlikely. The trick, of course, is to sell as much as possible at full price by having it in the right place at the right time.

As a result, Roger Burns, development director for supply chain at logistics specialist DHL, believes new models of rapid replenishment could emerge, especially in major conurbations where feeder stores – those with stock rooms large enough to feed smaller stores – or satellite warehouses, possibly as collaborative ventures, not confined to a single business, could develop. "Next-day delivery will not be good enough," he says. "Shoppers are checking on availability using their mobile phones and they won't go to the store if the item

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isn't there. We expect there to be demand for moving stock closer to stores – perhaps one larger store acting as backup for others in the area so product can be delivered within an hour or two."

Such models require accurate real-time stock information and ultimately the development of a single real-time stock database: a virtual inventory combining stock records from warehouse, stores, or even goods in transit so merchandise can be picked from any point to be delivered when and wherever it is needed.

Stocking up
The key challenges are 'real time' and 'accurate'. Typically, by halfway through any selling season stock accuracy – your understanding of exactly how much stock is left – can be reduced by 30% or more. "Real-time inventory is still an aspiration for many retailers," says Tim Robinson, partner at consultancy Kurt Salmon. "But with online sales growing at around 10% a year, the impact on supply chains is massive and retailers need to move quickly to develop their strategies for online growth – especially given the time it can take to put the necessary support networks and infrastructure in place."

While some argue the case for a single stock database, others suggest
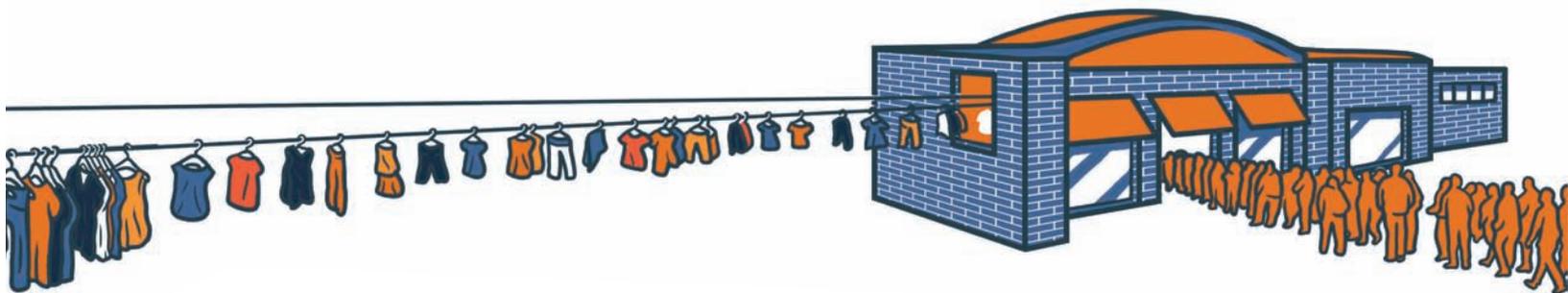
better demand forecasting to support a ring-fenced approach with dedicated stock resources for each channel reflecting the different demands from the shoppers that specific channels tend to attract. While this can ensure merchandise is always available to meet variable demand cycles – especially when trading internationally – it can also mean tying up significant sums in stock for a dedicated web warehouse while stores run out of product or vice versa.

Robin Cole, director of supply chain consulting at BT Expedite, says: "Stock needs to be seen as an enterprise resource, available to all channels at all times. Rapid replenishment and easy inter-branch transfers mean the store can be a shop window with much lower stockholding and shoppers confident that if the item they want isn't available there it can either be sent for home delivery or collected at the store next day or even within a few hours."

DSV Solutions, which ships product for the likes of Kurt Geiger and Benetton, also stresses the ease of inter-branch transfers to meet consumer demand. "We are definitely seeing a trend to collect and move more stock," says logistics director Derek Gibson. "IT has made this a lot simpler and the cost is cheaper than it has ever been."

In the 'single database' camp are retailers like John Bovill, who stepped down as group IT director at Aurora Fashions, whose fascias include Oasis and Warehouse, at the end of June after more than 12 years overseeing the multichannel operation for the chain.

"In a multichannel environment you can't just push sales where you want them, you have to react quickly to wherever demand comes from," he says. "So you need a single stock pool with inte-grated systems and real-time inventory information to ensure you can fulfil orders in whichever channel consumers choose to shop."

At Aurora, stock records are updated every 15 minutes, so an online shopper wanting to reserve and collect in store has reasonably accurate information about where the required items may be available at that time or could be within 24 hours if inter-branch transfers are needed.

Multichannel solution

This 'single stock pool' concept is also not confined to the major chains. Six years ago Steve Waller was running Little London Boutique, a womenswear mini-chain of 11 shops in the Southeast, when he decided to move online. Realising that a single stock database was vital and unable to find a suitable IT system, Waller set about developing his own. Today, he is sales and marketing director of LOIS Systems, which supplies some 30 small UK fashion chains with a multichannel solution that can handle online orders direct from the till point.

Rather cleverly, the system uses complex algorithms to match online orders with store availability. As shoppers add items to their online baskets the system can find the best fit from available store stock. Once complete, the order is sent direct to the till point in the relevant store, all necessary paperwork is printed automatically and staff simply have to pack the goods and summon a courier. The return label with the pack will also automatically identify the best store for goods to go back to – either the issuing shop or one that is short of merchandise – creating a seamless inter-branch transfer with minimal effort.

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Says Waller: "Poor merchandising can kill a retailer, so the system knows not to supply the trousers, say, if that leaves an odd jacket in a store which will then be unsaleable. Online shoppers tend to buy a complete outfit so if one item is out of stock you have probably lost them."

For Anna Parks, owner of seven-store womenswear independent Anna, the LOIS system has significantly streamlined online operations.

"Before LOIS it needed so much manpower to deal with online orders, to check where the goods were available, to produce the paperwork, print labels and so on, that we hated it," she says. "Now the whole system is automated. Staff love it as they know they'll not be asked to sell a garment that they haven't got in stock and all that they need to do is put the goods in a bag. The system knows that if we have, say, five small-sized items in one shop and only one small in another, then it will take the item from where stocks are highest, so it helps to regulate our store stock."

This need for accurate real-time stock records is already driving greater interest in radio frequency identification (RFID) systems which can track what is available on the shelves, but also what is in a changing room or on its way to the till point. BT is already involved in several trials with fashion customers, for example.

"The price of RFID has fallen significantly," says Robinson, "and its ability to track products could have a substantial impact on meeting consumer demand and changing shopping behaviour. Accurate stock records and master data are essential to cope with cross-channel demands. You have to make sales whenever you have the chance and multichannel is the way forward." ●