



Catering to today's unpredictable consumers, who jump from channel to channel, is a tall order. It calls for strengthening the very core of your retail organization, from systems and processes to people.

# Strengthening the **RETAIL CORE**

How to Condition  
the Heart of Your  
Operations to Win  
Over Consumers



# THOUGHT LEADERSHIP REPORT

## RETAIL CORE STRENGTH

Just as the Internet has forever changed how people consume information, omnichannel retailing has transformed how shoppers consume products. In fact, people are consuming information and products in much the same way — with an expectation for instant gratification, always-on access, endless availability, infinite choice, and, oftentimes, entertainment.

In this context, providing reliable, accurate and enticing product information is not enough for fashion retailers today. They also need to deliver the physical product itself, on the exact terms defined by the consumer. This new scenario has turned the industry upside down.

Brian Kilcourse, managing partner, RSR Research LLC, observes that the rate of fashion change has accelerated. “It brings dual responsibility — to better predict demand and to quickly respond to changes in demand,” he says.

To adapt and compete amid such dramatic change, a retailer’s operational core, or heart, must be in top condition. Think of omnichannel as the body the retailer is powering. The heart must be strong enough to support it. To win hearts, you need a strong heart. Anything less than a solid foundation is at risk for failure. A weak core cannot support a unified commerce experience.

“Retail is changing at light speed,” says Rob Henneke, executive vice president at retail consulting firm RPE Solutions. “To quote Yogi Berra, ‘If you don’t know where you are going, you might wind up someplace else.’ Today’s retailers have to know where they are going and what changes they need to make to get there. And the same changes won’t work for every retailer.”

Kilcourse emphasizes the fundamental importance of defining the desired customer experience. “Retailers need to ask themselves, ‘What do we want the consumer to experience when she interacts with us?’ There is intentionality to the question. We know consumers will experience something. We know they will use both the digital and physical domains together to shop. So how can we be purposeful in defining and delivering what that total experience is going to be? How a company answers that question determines their tech investment priorities.”

In defining what their unified commerce experience must include, many apparel retailers and brands agree it needs to be a connected, convenient experience that builds customer loyalty. They are working to create seamless engagement that transcends channels and gives shoppers confidence the brand will always cater to their needs.

“Designing a new process can require a completely fresh approach, recognizing that the path to purchase may originate online or in the store,” says Kilcourse. Traditionally, retail systems have been structured around the assumption that the most important transactions occurred in the store. “All of our operational data was out in the store, close to the product,” he says. The omnichannel revolution has changed

all that. “Now the consumer interaction may be in the digital space, nowhere near the inventory. They may want the product shipped to their home, or they may have tried on an item in store A but want it in a certain color that is available in store B.

“All of these things require highly accurate inventory visibility, and that means recentralization of that information,” he adds. “It has to be pulled back together to where anyone can see it, in real time or close to it. It breaks the operational cycle of the old system, in which you track all of the ins and outs at the store, send a file out to the mainframe and update the stock ledgers once a day to know what’s in inventory and what’s gone. It’s the biggest IT-driven problem out there right now because it impacts every operational system that retailers have.”

### The Problem with a Piecemeal Approach

As they race to address these monumental issues, many fashion retailers find themselves in a frustrating position. They know they urgently need to fix the problems that are holding them back from unified commerce, but they have limited resources and can be reluctant to let go of legacy systems. This can lead them to adopting a piecemeal approach involving point solutions or bolt-on patches to older software.

Augmenting legacy systems with newer point solutions provides only a temporary fix, like a bandage applied to heal one part of the body when the cure needs to be much more systemic.

Building a roadmap to unified commerce can help retailers work through these tough issues. “With all of today’s consumer touchpoints, it’s essential for business objectives to drive the technical strategy,” says Craig Kempf, principal and account executive, Capgemini. “Rather than constantly putting out fires, it’s a good idea to be strategically planning: what do we want to accomplish in the next three to five years? How are we going to grow? Then with some clear objectives, retailers can determine how IT can be a partner in that growth and enable the business’ needs.”

Henneke says it’s important for executives to agree on their definition of unified commerce, including their desired destination, and then align on their priorities for getting there. “Then once you get your roadmap done, you need to review it often because what you planned today may need to be tweaked tomorrow,” he says.

Fashion retailers can collaborate with an enterprise retail IT vendor to decide where to start to ensure they build a strong foundation, think about the long term and avoid potential pitfalls. Vendors often can explain the pros and cons of a phased implementation vs. a comprehensive rip-and-replace rollout. For instance, it may make sense to install an omnichannel-enabled merchandising system before a new POS solution in order to get the best ROI. ▶



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“Unified commerce is going to fail at the weakest link,” Henneke says. “If your strategy is to replace POS but you don’t address CRM, marketing or how information is going to flow between the DC and the stores or between stores, it isn’t going to work. You need to be able to share product, customer and inventory information. It all has to be connected, preferably in real time.”

### Speed of Service Matters

Another debilitating side effect of the piecemeal IT approach is that disparate systems can lead to delays and confusion in serving customers, whether in store or online. For example, when there are different systems running e-commerce vs. stores vs. catalogs, a single customer may turn up under multiple records, Kempf says. For large organizations operating more than one retail brand, the situation becomes even more complex, making it difficult to see a holistic view of the customer’s activity and total expenditures. “The customer doesn’t expect to have to set up separate accounts for this brand or that brand,” he says. “They expect a unified customer data hub.”

A strong retail core, built on an omnichannel-enabled IT platform, ensures a faster, smoother flow of both customer data and product data. For instance, a fashion retailer should be able to let a customer know, in real time, if a certain style and size is available for in-store pickup, for transfer from one store to another or for home delivery. “If customers get frustrated, they will go another direction, and they won’t come back,” says Kempf.

Henneke says the old model in which retailers had separate teams of buyers, merchants and allocators running different channels is no longer viable. “The retailer today has to act as a unified business. Customer information, pricing, marketing, management — it all has to be under the same umbrella to enhance the customer experience,” says Henneke. “In a lot of cases, there are systems that were designed for e-commerce or for stores, and it’s very hard to communicate across the two. Those silos and systems have to be changed to allow information to flow across all the different branches of the business.”

Ultimately, Henneke says, retailers are likely to be more successful if they evaluate and evolve their enterprises with the customer’s perspective front and center. “It’s important to step back and say, ‘How are we treating the consumer?’ If you are marketing e-commerce separate from stores, or offering a different merchandise mix or pricing on your website than you are in your stores, that sends confusing messages to the consumer.”

### The Cost-Resource Problem

Fashion retailers understandably may worry about potential expense of a major systems overhaul and fear the strain it

might put on internal resources. Perhaps the greatest concern is achieving the desired ROI.

However, to alleviate these concerns, some retail solutions vendors are offering cloud-based software with out-of-the-box functionality. These IT companies have taken years of experiences with their overall clientele and packed best practices into their software. Because the tools can be accessed through the web and paid for on a subscription basis, retailers are spared from high capital expenditures and intensive in-house IT maintenance.

With greater flexibility to finance their IT reinvention, more fashion retailers are willing to take the rip-and-replace IT path. They have set their sights on bagging a significant big win instead of multiple small wins. With a cloud-based rollout, they find they can quickly achieve the retail core strength they seek with faster ROI than they could with a staggered implementation of point solutions.

### Making Change Management Priority No. 1

In such a dramatically changing retail landscape, it must be a top priority to manage change, or any new technology solutions will have limited success. Identifying and rolling out the right technologies and process changes requires close partnership across departments and disciplines. Kempf points to the importance of alignment between brands, individual leaders and between IT and business teams. “If the business and IT are not engaged with each other, it can cost time and money,” he says.

Change management is another area in which a seasoned technology vendor can offer guidance. For example, a systems provider may be able to help the retailer determine an implementation path that will offer the biggest benefits with the least impact on teams’ daily routines. Alternatively, an IT partner could suggest ways to introduce process change in a positive, non-threatening manner.

Henneke reiterates the significance of getting internal teams on the same page. “If you sit in a retail board room and have eight different people from management describe ‘unified commerce,’ you will often get eight different answers,” he says. “When you have a roadmap, it helps you get aligned internally around what customers are looking for and what the business needs to do to get there.”

A strong retail core means an IT “heart” or comprehensive retail management system, conditioned to provide a real-time, 360-degree view of customers and inventory. From creating a unified commerce roadmap to implementing the right technology solution, all of these core strengthening exercises ultimately enhance the customers’ brand experience, paving the way for customer loyalty. The right IT heart powered by the right people can help overcome the tough challenge of winning your customer’s hearts — no matter how unpredictable. ■



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### **What important considerations should be part of planning a roadmap to delivering an omnichannel experience?**

Every business should have its own unique omnichannel journey based on its individual brand and customers. Enabling unified commerce can involve incorporating multiple capabilities, from cross-channel fulfillment and in-store returns to consistent product information and pricing across channels. The essence lies in fully understanding your customers and their needs. Begin your omnichannel transformation by identifying the missing pieces in your shopper's current experience and making it a priority to enable these missing capabilities. Other features can be incrementally added for an enhanced brand journey. The next step is to evaluate your existing technology solution for functionality gaps. For example, even with the most sophisticated mobile POS, you can't have complete inventory visibility if you are managing inventory with disparate legacy systems. It's also crucial to consider how your journey will be executed. Should you do it in phases or take a total rip-and-replace approach? Change management is another critical aspect, especially on the people side of the business. Unified commerce requires extensive training and companywide orientation to the new direction. There should be well-defined project management parameters, such as progress and success metrics, resource plans and ROI timelines. Delivering an omnichannel experience requires meticulous planning as it touches every aspect of your business. Setting clear goals and defined milestones will ensure a successful and sustainable transition.

### **On the path to unified commerce, is it better to have a broad systems replacement vs. a piecemeal approach?**

The path to unified commerce is as much about the journey as the destination. It isn't about the shortest path between A and B but the best route between the two, depending on criteria defined by the business and its customers. Therefore, there is no better or worse method as long as you break down all silos in your back-end operations for a seamless front-end customer experience. However, the way a piecemeal approach is defined is important. If you keep adding point solutions as interim fixes instead of adopting a phased approach to implement a single integrated solution, you could end up with multiple disparate systems that do not talk to each other and are very costly to maintain. This can result in an unstable foundation and financial losses. For example, if you invest in an advanced clienteling software, but all your channels are siloed, running on different systems, incapable of supplying accurate and detailed data to your clienteling software, you will not achieve the desired results. Depending on your budget and timelines, you can opt for a phased or broad system replacement. The advantage of a broad system replacement is that even though the initial cost is high, it eliminates silos in one shot. As a result, it can enable a faster turnaround in optimizing your operations, thus improving the experience for your employees and customers, ultimately driving a higher and quicker ROI.

### **In times of significant process and system change, how can IT vendors help their apparel retail customers with change management?**

Moving to unified commerce isn't just a technical undertaking; there is a significant human element to it as well. Change often becomes a major roadblock to omnichannel success, so selecting the right IT vendor partner is important. The first course of action is to achieve executive-level alignment between the vendor and the retailer. C-suite support sets the stage for a culture change to take hold and flow through the organization from the top down. An established technology vendor has both the knowledge and experience to help retailers who may be going through this kind of transition for the first time. Sharing best practices and lessons learned from past implementations helps clients navigate the uncharted territory. A solid technology partner provides retailers with access to invaluable resources, both in terms of information and people. This partner offers hands-on support and training resources to assist the retailer with the organizational changes that follow a system overhaul. Finally, the software itself plays a major role in the process. An intuitive and user friendly system makes for a smoother adoption and, ultimately, an easier transition to help organizations deal with the myriad changes that follow.