



Right place, right time

*As competition between online and in-store heats up, many organisations are evaluating technology to improve their customer journey - and finding in-store is delivering increased profits and productivity. **David McNickel** investigates...*

How many times has this happened to you? You go into a store ready to buy. You want a blue shirt, but they've only got your size in green, or maybe you're looking at the latest 3D TV, but the floor model is out of stock. You ask the sales assistant if and when they'll be getting more in. They don't know, so they head out the back to check and finally return to say there's one at another branch if you want to drive over there. You're not sure if you should, because last time this happened the other store had, in the meantime, sold out. You decide to flag it and try somewhere else - after all, there's four other shops in the mall selling menswear.

Are you the only one? Far from it, in fact, according to a 2011 US survey by Research Now, 33 percent of shoppers will leave a store without buying what they wanted - resulting in an average loss of US\$125 per customer walkout. According to David Fenner, general manager for enterprise solutions at Motorola ANZ, this \$125 loss of business can usually be attributed to out-of-stocks or lack of selection, but can also be due to the "customer interaction" with shop assistants falling short of expectations (61 percent of shoppers said they were personally better informed about consumer information than in-store staff).

"Essentially it's a dissatisfied customer," says Fenner, "who's not spending that money for a number of reasons."

At mobile solutions provider Mobico, GM Aldas Palubinskas sums the walkout situation up nicely. "It always results in a sub-optimal experience for the customer," he says, "and a sub-optimal profitability experience for the retailer."

So what can be done to turn this story around, prevent

walkouts and retain the \$125? At Leopard Systems, managing director Alex Koumaras says mobile point-of-sale (MPOS) systems are at least part of the solution. "For a store manager this can mean real-time mobile access to back office systems," he says.

"They can be walking around with a tablet and a reasonable amount of information in a manageable, ergonomic fashion providing up-to-the-second sales analysis." MPOS delivers perhaps bigger bang-for-buck for sales staff, and in addition to product and promotional information, MPOS also enables them to transact a sale anywhere in the store.

"JB Hi-Fi would be one of a few that is pushing the envelope in that respect," Koumaras says. "For a store associate to be able to stand there with a customer and negotiate a final deal price at the point of activity - right next to a big screen TV or whatever - and close the sale, I think that's extremely valuable."

And of course it makes for shorter queues at the check outs. By now most people who've stood in line at a busy McDonalds will have seen queue busting in action. A staff member will walk up the line of customers with a handheld MPOS system, make a sale transaction on the spot and issue a receipt, while simultaneously beaming the order back to counter staff to prepare. Once they've ordered, customers leave the queue and collect their meal when it's ready.

The same concept can easily be applied in most big box retail environments says Fenner. "Part of the standard functionality that's on MPOS systems today is called suspend/resume and what that allows you to do is essentially scan ahead, suspend the transaction and then provide a docket with a barcode on it. When the customer gets to the till, »»



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Aldas Palubinskas
- General manager, Mobico

staff just scan that docket - everything is already scanned in and they pay and they're out the door. That's a very quick win from a queue busting perspective.”

To take MPOS even further, says Fenner, retailers can move away from a fixed till environment and make transactions in an aisle, which can be very beneficial when you're talking about bulky items. “Say you're standing in aisle three. You've seen a barbecue you like but you don't want to put it on a trolley, wheel it to the front of the store, pay for it and go through the rigmarole because that will be slow, you want to put that on a trolley scan it, pay for it and take it out the door - that's MPOS in its true sense.”

Self-service?

Interestingly, the experts all point to a growing enthusiasm on behalf of retailers in letting customers serve themselves. This is not the self service supermarket checkouts most are familiar with now (which are designed for customers with a small number of items) but instead, means allowing customers to scan their own items as they move through the store using a smartphone app.

“This is one of the things that's going to hit us,” says Motorola's Fenner, “and for some people it will be a collision. Whether it's using Apple Passbook or Google Wallet or using your phone for scanning. As the smartphone has become prevalent, retailers are looking at it and saying

‘well people are already used to using their phones, why not let them do it themselves?’”

Certainly, anecdotal evidence suggests that for people who have grown up with smartphones, this will be seen as a natural event. Fenner observes that from the perspective of in-store staff, it's already happening. “There are plenty of examples where staff are actually using their own mobile device and going on the retailer's website to help a customer, even though there are no ‘official’ systems in place. They're doing it because they're used to working that way.”

Although he understands the rationale, Palubinskas cautions that there's more to a handheld solution than an app on an iPhone - ergonomics is important too he says. “The problem with having your staff use their personal smartphones is that it forgets all the human factor stuff. Motorola has spent decades sorting out all the human factors involved in having a barcode scanner. It's a single handed function, whereas a smartphone is double-handed.”

Obviously aware of the impact of the smartphone interface, Fenner says the software operating on Motorola's handhelds will likely have the look and feel that the smartphone generation is comfortable with. “It will give them an app with the functionality they need to do their job,” he says, “but it's going to be simple. Large icons, so you press a button to jump to a price lookup, press another button to jump to the inventory management system. It will be easy,

especially for people who are used to working with apps.”

Palubinskas notes that one of the simplest ways to empower customers and boost sales is installing information kiosks – particularly pricing kiosks. “A lot of the big stores have so many promotions and offers going it’s hard for people to be sure what an item is going to cost them. We’ve found retailers will significantly increase sales as soon as they put price kiosks in. It’s a great example of empowering a customer to make a tactical purchase decision – once they know what something costs, they can buy it.”

Do we have the stock?

But even with MPOS and other technologies enhancing and empowering staff and customers, problems of stock-outs will not be addressed unless store personnel can be confident about the accuracy of stock information. Palubinskas says the root cause of these inaccuracies is usually not occurring somewhere further up the supply chain, like in a factory or a warehouse, but is actually happening in-store, with many retailers not being able to efficiently answer three simple questions: How much is it, do we have it in stock and where is it? The reason, he says, is while a SKU’s journey from the factory to inwards goods is tightly monitored, once it arrives on a store’s loading dock, things can go awry.

“There are a million processes that don’t go into the system. Somebody might have just returned a TV for example, or one might have come back from repair and been shipped to the wrong store. There may have been an

extra delivery that no one has noticed and it’s been sitting there for a week.”

Nonetheless, the holy grail of stock accuracy can be achieved relatively easily he says. “Stores need to be using hand-held scanners so everything that comes in (deliveries, returns, repairs etc) gets scanned in and everything that goes out (sales, damaged goods, incorrect deliveries) gets scanned out. They also need to be doing high-frequency stock takes. You see them doing this in supermarkets with a handheld scanner at the start or the end of the day. It’s not a full stock take – maybe just a category or an aisle or a fixture count – but the point here is to make sure that the data in the computer matches what is physically in store.”

What is it really costing you?

Although the concept of an efficient supply chain is nothing new, the ANZ managing director for supply chain optimisation specialist Manhattan Associates, Raghav Sibal, says many organisations are now looking beyond mere efficiency, to true optimisation. Software apps like Manhattan’s ‘Total Cost To Serve’ give supply chain managers the ability to never be selling at a loss (by mistake anyway).

Sibal says in a typical supply chain ‘1.0’ scenario, around 20 percent of SKUs actually lose money at retail because supply chain costs per SKU are calculated on an average. “The idea is ‘what is the total cost to serve an individual item rather than all the items’ through the supply chain with the total cost applied as an average,” he says. “A pre-

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Raghav Sibal – Managing director
ANZ, Manhattan Associates

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fabricated furniture set has a very different supply chain cost to a laptop, so getting the integration complete and having the ability to truly evaluate the total cost of servicing an item through the supply chain and then applying that to the pricing is a big opportunity for companies to gain an edge.”

At Motorola, Fenner says the theme of item-level tracking is also applicable in retail stores, with many forward thinking retailers in the US now tagging each item with an RFID chip. “One benefit is you do a real-time inventory view so as soon as that item is taken from the shelf an alert can be sent so you can return the same shape, size and colour to the shelves. So you’re minimising the shelf space you’re taking up, but at the same time you’re maximising the opportunity to make a sale because you’ve got all the sizes, colours and variants available all the time.”

System integration

In terms of integration with legacy ERP, warehousing, logistics and transport solutions, all the implementers say a supply chain optimisation solution can be layered on top of an existing installation, delivering similar efficiencies to implementing a bespoke application.

“Either way is a valid alternative,” says Leopard System’s Koumaras, “but if for whatever reason an organisation wants to stick with their legacy solution we are quite capable of coming in and layering a front end on top to enable that sophistication and then integrate that with a system that might already be there.” There may be some compromises, however. “You might not be able to achieve 100 percent of what you would if you built from the ground up,

but you should get to 95 percent, and that could be fine for many organisations. I’d stress that we’d be upfront and honest in relation to any benefits or potential shortcomings of that solution as opposed to starting afresh.”

Of course, supply chain adjustments can be targeted at specific inefficiencies. For example ‘voice picking’ is a simple solution for warehouse operators who need their staff to to have their hand free (for picking up items) and operate efficiently in terms of picking route optimisation. “It depends on the sophistication of your warehouse management system,” says Palubinskas, “but it can direct pickers to a row and a shelf. They will be wearing a headset and it tells them where to go next after each item. A simulated voice reads the next location into their ear and when they get there they can say ‘confirmed’ or scan it. It’s not hard to do.”

Discussing the entire supply chain, Manhattan’s Sibel says a one- to three-year ROI is achievable, depending on the scale of an initiative – and some specific elements can deliver an impressive return. “In transport, the ROI can be significant, depending on how one optimises it, especially for retailers with their own fleet of trucks. With optimisation modules and transport planning done correctly, we can get a 15 to 20 percent payback from some of these solutions.”

Of course, economies of scale apply say the experts. “If you’re starting from a low baseline there are definitely huge leaps that can be made,” says Koumaras, “and if an operation is quite large then even small gains can amount to significant dollar savings, because when you’re doing so many line items per day, by X amount of stock, by X amount of locations, it can add up quite quickly.”

At Motorola, Fenner sums up the essence of supply chain optimisation. “It’s all about information,” he says. “Irrespective of whether it’s retail, transport, warehousing or manufacturing, the principle is the same. You’re using different devices for collecting data from either a process you’re doing or a movement of goods, then you work out how to achieve the optimal result for the data that you have. So everything we do is directed at the collection and dissemination of data to make people’s jobs more efficient. It doesn’t matter which part of the supply chain it’s in, the more data you gain the better decisions you can make. In today’s world most organisations have data collection systems in place, but what we’re working towards is ensuring that they’re gathering the right data – data that’s going to give them an edge on their competitors.”

THE MORE YOU KNOW

83% of associates surveyed agreed that “shoppers can easily find a better deal, so customer service is more important than ever.” *(Source: Research Now)*

68% of shoppers are likely to buy before they leave the store if store staff have an out-of-stock item delivered to a shopper’s home. *(Source: Research Now)*

61% of shoppers surveyed said they were better connected to consumer information – coupons, competitive pricing, and product availability – than were shop assistants. *(Source: Research Now)*

60% of in-store shoppers don’t purchase before they have done online research. *(Source: Manhattan Associates)*

50% of shoppers who switched shopping channels (in-store to online for example) also switched brands. *(Source: IBM)*