STAYING RELEVANT IN A FAST-PACED INDUSTRY:
A FASHION RETAILER'S GUIDE
FOR SOLVING REAL-WORLD OMNICHANNEL CHALLENGES

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Introduction

In trying to keep up with the modern consumer, many fashion retailers have implemented multiple departmental solutions piecemeal, without fully considering the consequences of how these disparate systems will interact with each other. The result is a hodgepodge of processes, which require significant resources to maintain. The inefficiencies and the demands they place on the organization leave retailers stuck in the past, inhibiting growth and innovation.

They can be the difference between whether a retailer fails or thrives in today's hyper-competitive shopping environment, where failing to fulfill a promise of delivering an order can diminish brand loyalty and get a retailer removed from third party marketplaces such as Amazon.

This white paper reflects on real stories from the frontlines and the challenges retailers are facing in creating a consistent and enjoyable shopping experience with advice on how to turn these challenges into opportunities.

The main roadblock to achieving relevancy with consumers is point solutions.

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TALES FROM THE TRADE

Over the next three years, 45% of retailers plan to implement inventory visibility across channels.[1]

Fashion brands face challenges unlike any other industry, where they must maintain a seasonal assortment of multiple sizes and SKUs to accommodate both their business customers (B2B) as well as their direct customers (B2C). Additionally, brands must fulfill the right products at the right place and time in an industry where trends are constantly changing, making their inventory available for purchase no matter where the consumer shops.

Some fashion brands are increasingly turning to a single system that can handle the complexities of customer, financial and inventory data across business processes from production to payment. If retail brands don't have a system that can keep up, the result is similar to the below example of an unnamed retailer who faced significant challenges fulfilling orders on time and significant consequences.
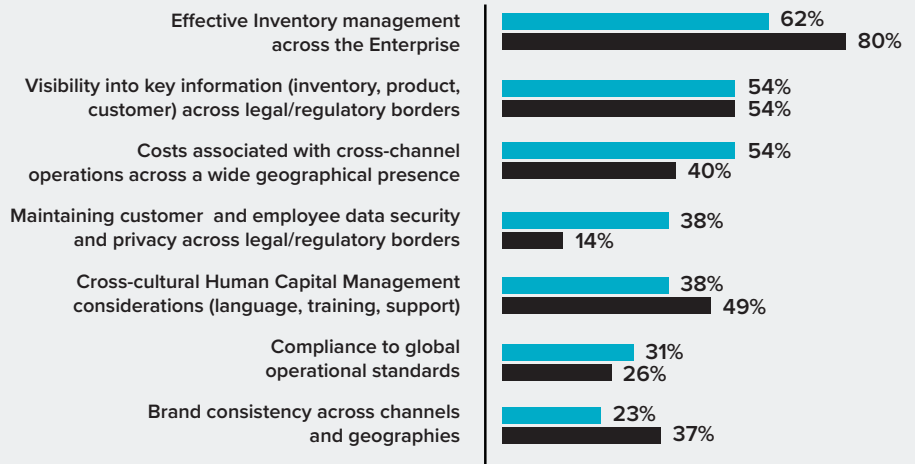
Figure 1: Technology, Process and People

Top Three Operational Challenges Affecting Execution of Growth Strategy

■ Retail Winners

■ Others

Retail winners are defined as having sales growth of 3.5% or more.

Source: RSR Research, June 2016

	Retail Winners	Others
Effective Inventory management across the Enterprise	62%	80%
Visibility into key information (inventory, product, customer) across legal/regulatory borders	54%	54%
Costs associated with cross-channel operations across a wide geographical presence	54%	40%
Maintaining customer and employee data security and privacy across legal/regulatory borders	38%	14%
Cross-cultural Human Capital Management considerations (language, training, support)	38%	49%
Compliance to global operational standards	31%	26%
Brand consistency across channels and geographies	23%	37%

[1] **Boston Retail Partners, "2016 Customer Experience/ Unified Commerce Survey,"** July 2016.

Dropped from Amazon Before the Holidays

The holiday season accounts for 30 percent of annual retail sales, according to NRF, presenting a huge challenge for one women's specialty retailer when its products were removed from Amazon because they repeatedly failed to fulfill orders on time. This particular retailer had already suffered from a recent bankruptcy and this additional setback tugged on its ability to survive.

Because the retailer didn't have a reliable view of inventory across its multiple channels: in-store, online and third party marketplaces, it confronted lengthy delays in shipping out orders. A cursory look at the retailer's IT systems revealed the heart of the problem: a tangled web of outdated systems that were patched together through manual processes, which obscured its view of inventory. This retailer used a homegrown system that could never adapt quickly or cost-effectively enough to adequately perform the most essential functions of business.

78% of retailers plan to have a unified commerce platform within five years.[2]

RSR Research reports that fashion and seasonal brands' top three opportunities include; expanding digital direct-to-consumer capabilities, enhancing the in-store experience with digital touchpoints, and to broaden assortments with endless aisle.[3]
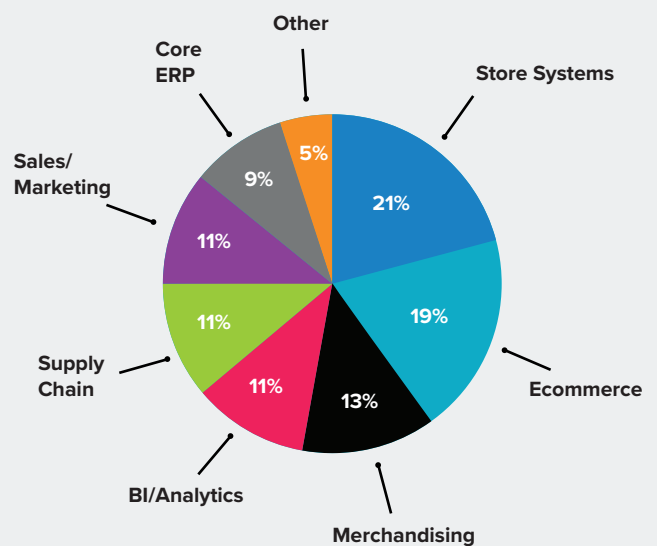
Thousands of rows of data were routinely exported then imported between Excel spreadsheets and disparate other programs in an effort to manage the multiple channels of business. The resultant data lead to a host of problems that would make it nearly impossible to get customers the goods they wanted within the promised time frame. Safety stock was too high, assortments were wrong, orders were unfulfilled or incorrectly fulfilled, and adequate staffing levels couldn't be ensured in the stores. This left the retailer with empty shelves and empty pockets.

Unfortunately, this is not an uncommon tale from the trade. Many retail executives are haunted by these same issues. For this particular retailer, being removed from Amazon was catastrophic to the business, especially after emerging from a state of bankruptcy.

Unable to respond to customer's demands; sales, customer service and brand loyalty all eroded. This is not an uncommon theme for

fashion brands, where so many have legacy systems that just can't keep up with the speed or intricacy of the business. This retailer, like many others, struggled to make a trustworthy connection with the shopper due to its lack of visibility. There was clearly opportunity for this retailer to upgrade its systems.

Figure 2: Top Software Spending Categories for 2016

Other
Core ERP
Store Systems 21%
Sales/ Marketing 11%
9%
5%
Ecommerce 19%
Supply Chain 11%
11%
Merchandising 13%
BI/Analytics

Source: 2016 RIS News and Gartner Technology Study, "Personalization: It's All About Me!," April 2016.

Looked at from a 30-thousand-foot perspective, individual investment plans show an industry struggling to develop methods to become personally relevant to shoppers and consolidate systems in a way that breaks down tech stacks into a new architecture that is truly interoperable and unified into platforms or broad application suites.[4]

Disconnected Online, In-Store Stifles Omnichannel Ambitions

Our next story comes from a men's fashion brand, who in an attempt to quickly catch up with its competitors' omnichannel edge, deployed several different best-of-breed solutions that were attached to different channel specific data sets. While the ecommerce platform has met its needs, the in-store experiences continues to erode because the two systems couldn't communicate. The inconsistencies in the customer and inventory records left store associates with tools that couldn't provide customer order history and stock availability.

Delivering the seamless experience their customers expect today, including buy online pick up in store, return anywhere, ship from store, and endless aisle, were all unattainable. These challenges have stalled growth as the retailer continues to lose new business and opportunities from existing customers; "we cannot even focus on being innovative," one executive said.

The retailer spent a year attempting to add omnichannel visibility through enhancements to reporting and analytics software with the goal of expanding intelligent marketing. The effort was stymied by incompatible data across systems and unmanageable integrations. The CEO then mandated a revamped omnichannel strategy, but the retailer's team quickly realized their disparate systems could not deliver.

The CIO insisted a "centralized order management system is key to running a cohesive ecommerce and retail experience." Turning this challenge into an opportunity, the first step will now begin with a single order management system on the back-end. From there, the retailer will be able to gather data and deploy marketing campaigns tailored to its customers' needs, ultimately enabling it to grow and innovate with ease.
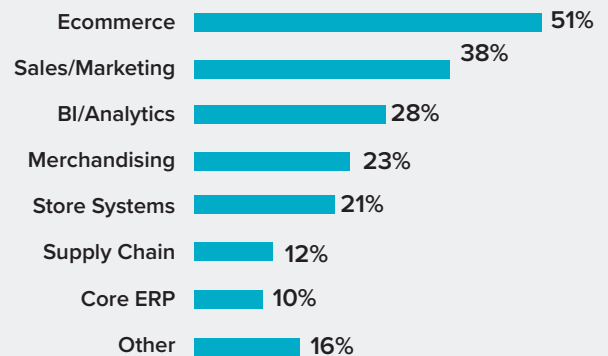
STAYING RELEVANT IN A FAST-PACED INDUSTRY

According to the 2016 Retail Info Systems and IHL Group's Store Systems Study, 26 percent of all retailer's software spend for 2016 will go to cloud-based solutions.[5]

Retailers that have been doing business for over 15 years have likely built a foundation of IT infrastructure that was never designed to handle sales beyond the physical store. As additional shopping channels evolved, the need for a central repository of data was created, forcing retailers to find ways to weld these channels together.

Every day, customers are demanding improved service and greater speed of delivery, while start-up companies are quickly seizing market share by being able to meet these demands while launching new offerings and expanding to new geographies faster. These young retailers haven't had to overcome decades of retail change, which require hefty resources. They can spend more time and money innovating rather than remediating.

Figure 3: Cloud Portion of Software Spending in 2016

Ecommerce	51%
Sales/Marketing	38%
BI/Analytics	28%
Merchandising	23%
Store Systems	21%
Supply Chain	12%
Core ERP	10%
Other	16%

OVERALL

26% **of software spending will be cloud-based**

Source: RIS News and IHL Group, "2016 Store Systems Study: Brave New World of Unified Commerce," January 2016.

Achieving ambitious growth and expansion goals requires operating differently than your competitors. It requires breaking down the silos which have been created out of haste, establishing one version of reliable data with real-time visibility to make fast, informed decisions. Retailers need speed, visibility, adaptability and scalability as never before. This requires a modern IT infrastructure that supports the need to operate differently. The on-premise systems of the past don't meet the business needs of the present and future. This is why innovative retailers are moving to the cloud.

Any retailer with good sense can't stomach the thought of investing in technology that is destined to become outdated in five to 10 years. Ripping and replacing entire systems this frequently is unsustainable and expensive.

With cloud technology, the software upgrades happen often and effortlessly, helping retailers stay current despite changing market conditions and consumer behaviors.

The cloud offers the flexibility retailers need to quickly react to new and unforeseen changes in the market and consumer behavior. Cloud technology enables retailers to spend less time worrying about the costs and complexities associated with managing, patching and upgrading on-premise software and hardware. No longer having to deal with the frustration of version lock, retailers are always using the latest version, providing shoppers with the best experiences. When updates do happen, a retailer's customizations are automatically migrated.

FINDING A SOLUTION WITH TRUE UNIFIED COMMERCE

Fifty-eight percent of businesses use at least eight channels to capture customer data. This brings the perfect storm in blending structured and unstructured insights to build a truly unified view of customer data.[6]

Your customers don't see channels when they're shopping for a new outfit. They just want something they like and a convenient method of getting it. For retailers, that requires a consistent layer of data that includes financials, inventory, orders, items and customer information that feeds into all customer interactions. Otherwise, a retailer isn't truly achieving unified commerce and can never create a personalized connection with the customer.
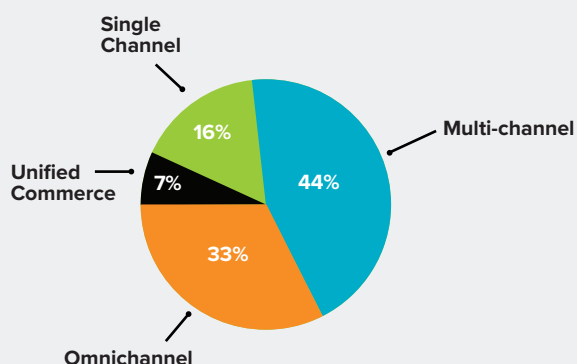
Buyers beware, there are many vendors that tout having a unified platform when in reality this is just marketing jargon. To be a true unified commerce platform, only one layer of data can exist. Otherwise, retailers run the risk of potential inconsistencies and redundancies when software updates occur. With an authentic unified commerce platform, there are no integration issues and the customer-facing experience appears smooth and

effortless because data is easily exchanged across channels.

When back-end processes are strengthened and supported by a unified commerce engine, retailers can begin to innovate knowing that their most basic and crucial business systems tie back to a single source of data.

Figure 4: Cross-Channel Capabilities

Only 7% of Retailers indicated they already operate in a unified commerce model.

Single Channel 16%
Unified Commerce 7%
Multi-channel 44%
Omnichannel 33%

Source: Boston Retail Partners, "2016 Customer Experience Unified Commerce Survey," July 2016

6 Aberdeen Group, "Getting Ahead in Customer Analytics: Which Technologies do you Need to Succeed?," June 2016.

7 WAYS FASHION RETAILERS CAN KEEP PACE USING UNIFIED CLOUD COMMERCE

Challenge Systems that don't support in-store returns from items purchased online.

Solution Deploy an order management system that centrally manages orders for all channels.

Challenge Increasing online conversions and reducing abandoned shopping carts.

Solution Send timely communications, tailored to the customer's preferences to re-engage the customer and bring them back to the website to complete their order.

Challenge An item is out of stock online but available at a nearby store.

Solution Display inventory visibility on your website, enabling your customers to make a trip to the nearest location with the item in stock. Be certain there is only a single set of inventory data to pull from for every channel of business.

Challenge Finding budget to replace years of costly, disparate systems.

Challenge Providing customers the same experience online as they receive in-store.

Solution Contain all of your customer order data in one central repository. From there you can feed it into intelligent and personalized email campaigns and innovative applications to ensure the digital experience is just as great as the in-store experience.

Challenge Sending personalized upsell and cross sell email campaigns.

Solution House only one set of customer, order and inventory data. Use this single source of data to feed to all of your customer touchpoints, enabling timely and relevant email campaigns.

Challenge Fear of investing in technology that will become outdated in the next 5-10 years.

Solution Invest in cloud technology, where updates take place in real-time and your company will always be on the latest software version. Cloud technology is the antidote to future-proofing your business.

Solution Start with the essentials. First, tackle the foundational problems by implementing a unified retail management system. The front-end systems such as POS and ecommerce are not as critical and can be deployed subsequently down the road. Also consider the cost-effectiveness and flexibility of cloud technology.

CONCLUSION

Some retailers have been convinced that deploying channel-specific solutions is a shortcut to becoming an omnichannel business. Unfortunately, this approach is too costly and far too labor intensive to maintain.

The only way to deliver a true omnichannel brand experience that scales with your business needs and shifts with your customers' demands, is with a unified cloud commerce foundation that seamlessly ties together customer, inventory, financial and order data, with customer-facing systems such as Point Of Sale and ecommerce.

To keep pace in this dynamic environment and to lay the groundwork for growth, retailers are realizing that these historical processes and on-premise systems are not adequate to handle current business needs and most certainly aren't equipped to handle the next 15 years of retailing. Retailers must modernize their IT infrastructure, beginning with a foundation for financials, customers, inventory and orders, to provide the visibility and scalability for growth.

Retailers can't meet their customer's needs unless they first address the web of siloed, channel-specific solutions they've implemented over the years.

About NetSuite

NetSuite is helping today's fashion brands deliver personalized and engaging customer experiences with the only unified cloud-based commerce platform that brings together all the capabilities required to deliver a true omnichannel business solution from ecommerce and point of sale, to marketing, financials, inventory and order management.

To learn more about NetSuite for Fashion, visit www.netsuite.com/fashion.

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