



Aptean Retail ERP

Elucid Edition

Chain Reaction: Maximizing Margins in a **Connected** Retail Economy



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Next, Now[®]**

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Price, Profit and the Connected Commerce Value Chain

In a multi-channel world, maximizing margin has become an increasingly complex challenge.

When consumers can shop across any channel and order to any location - profitability can fluctuate greatly. How retailers market, transact and fulfill orders from the growing number of touchpoints available to shoppers forms part of a broader value chain. Each decision they make along the connected commerce journey can set off a 'chain reaction,' which will either optimize or reduce the profit margin on every product sold.

Senior retail personnel are acutely aware of this chain reaction, but not all of them can identify where better decisions can be made.

This guide will break down the value chain, analyzing opportunities to increase margin at each stage of the customer purchasing journey - and look at why the ability to drive operational efficiency and financial gain relies on the right commerce platform.

“It is the consumer, not the channel, that has defined and will continue to define retailing.”

Mastercard



“Businesses need to become more agile and flexible to respond to consumer demands in real-time. Focusing the entire company on delivering a positive consumer experience will be critical for future growth.”

Deloitte

Single-Minded Thinking

Optimizing the end-to-end product journey is impossible without first being able to view business activity across all channels.

A holistic view of stock, customers, data, and orders across all channels is critical to connected commerce. It provides the 360-degree insight needed to enable effective order management and increase customer conversions.

To respond quickly enough in the fast-moving retail market, those insights also need to be constantly up-to-date. And having real-time cross-channel inventory management systems to match supply to demand accurately is vital to the successful running of your operation and in achieving a single view of your customers.

To optimize their operational infrastructure, retailers need the technology platform to achieve a holistic view of stock, customers, data and orders in real-time – so that every business decision is being made based on accurate, integrated data insights.

Once this is achieved, they then need to ensure this infrastructure is agile enough to enable quick responses. Any technology platform needs to be fit for tomorrow, as well as today. The number of retail channels and touchpoints will only continue to grow, and consumer demands will only increase.

Top Tips

- › Make sure your business has a complete view of all customer, inventory and order activity in real-time.
- › Put the technology platform in place to ensure this real-time overview can be shared across your business and acted upon quickly to turn insights into decisions.
- › Invest in an infrastructure that can flex and scale as the retail market becomes more complex, so customer expectations do not outgrow your technology capabilities.



(Ful)fill Me In

A single, real-time view of customer activity and product availability is the baseline retailers require for their business to function efficiently – and nowhere is this more apparent than fulfillment.

A closer supply and demand relationship reduces overstocks and out-of-stocks, decreases the need for markdowns, and optimizes availability in each needed channel. Not only that, managing supply through the right order management system enables retailers to pick orders from the most profitable fulfillment point based on real-time insights.

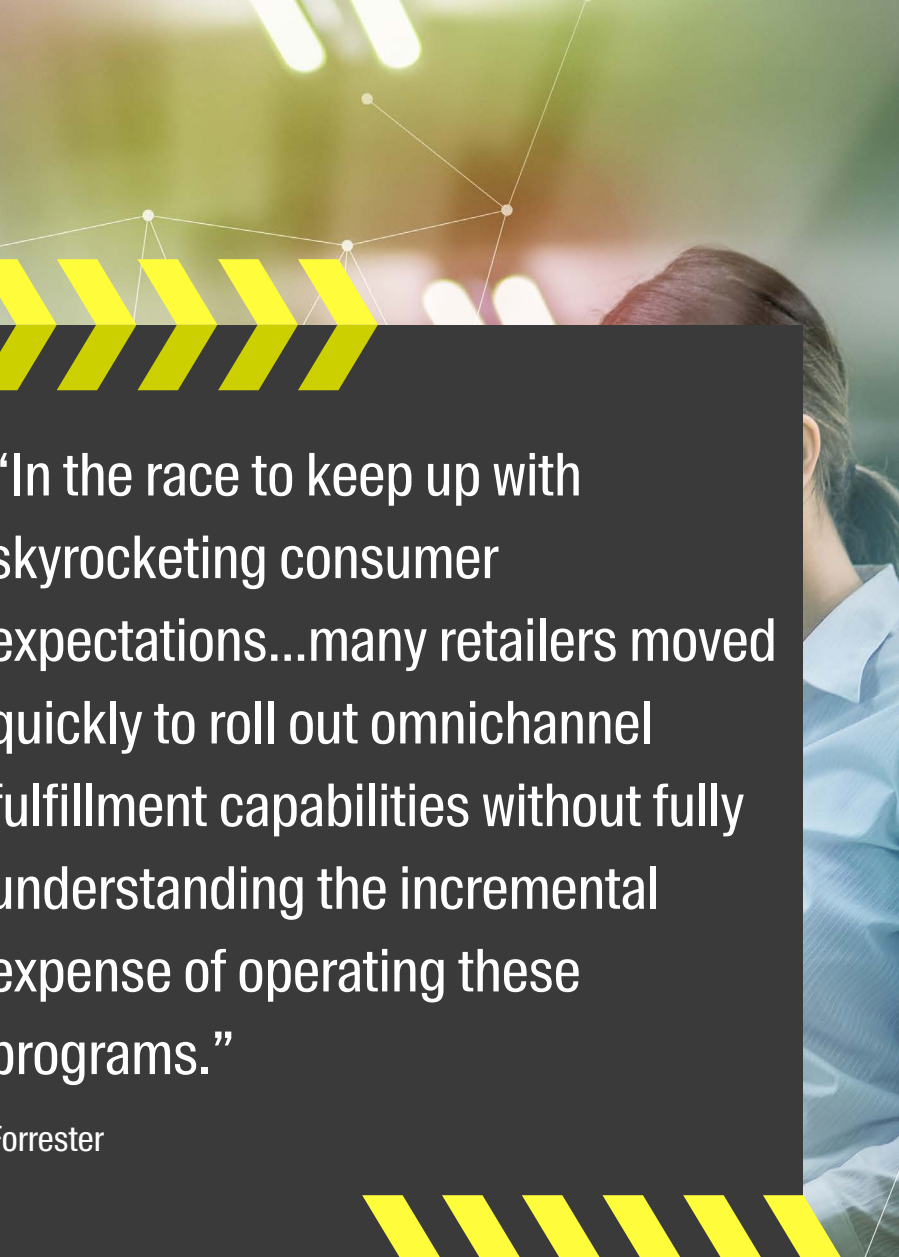
However, in the connected commerce environment, these decisions are becoming increasingly complex. One reason for this is that a growing number of retailers are using ship from store capabilities alongside warehouse and/or distribution center fulfillment to leverage store inventory.

With any fulfillment method, it is not simply a question of finding the cheapest pick location. Retailers must use a real-time view of activity to make contextual decisions, assessing availability in each channel versus the customers' lifetime value when placing the order.

Prioritizing quicker but more expensive pick points is worth the expense for frequent or high spend customers if it enhances a valuable brand relationship.

Top Tips

- › Invest in order management technology to closely match supply and demand across channels to reduce out-of-stocks/overstocks/lost sales.
- › Enhance ship from store capabilities to make fulfillment easier and more profitable by leveraging store stock availability.
- › Select the best fulfillment choice based on lifetime customer value—sometimes a quicker but more expensive option is the better choice for a high-value customer.



“In the race to keep up with skyrocketing consumer expectations...many retailers moved quickly to roll out omnichannel fulfillment capabilities without fully understanding the incremental expense of operating these programs.”

Forrester



“Retailers’ marketplaces need to deliver consistently high-quality service or risk the wrath of online reviewers and potentially undermining the trust they have established with their customers.”

Forrester

New World Order

In the complex connected commerce world, retailers have to optimize customer activity and fulfillment challenges in their direct sales channels, and they have to balance this activity with demands from other channels.

Marketplaces are a prime example of this – many consumers today are using Amazon to shop and place orders, which are subsequently sold via Amazon through third-party merchants. And although they offer another sales channel, everything from stock quantities and prices to product ranges and descriptions must be consistent with other touchpoints to ensure a consistent experience – wherever consumers choose to shop.

In addition, there are individual channel complexities to consider. Marketplaces have their own operational legislation and data policies. Many set strict delivery criteria for purchases, which means retailers often need to prioritize picks for these customers over their direct web sales.

Top Tips

- › Ensure the customer experience is consistent across all sales platforms enabling shoppers to have the same relationship wherever they choose to shop.
- › Be aware of additional costs of sales and impact on margins within your pricing model, to ensure that you can still trade profitably through third-party channels.
- › Understand how marketplace operations will affect your broader business model to prevent them from negatively impacting other sales opportunities.

Pass The Parcel

Even if retailers effectively match supply and demand across all channels and have selected the optimum fulfillment point, there are still considerable margins to be won and lost during delivery.

The last mile is still one of the most significant areas for improvement in retail. Many of the abandoned online baskets are due to delivery-related issues while increasing costs associated with the last mile are expected to decrease retailers' margins by 1.5% by 2025. Among other factors, this is being generated largely by the increasing focus around next-day delivery, as retailers seek to beat their competition on speed.

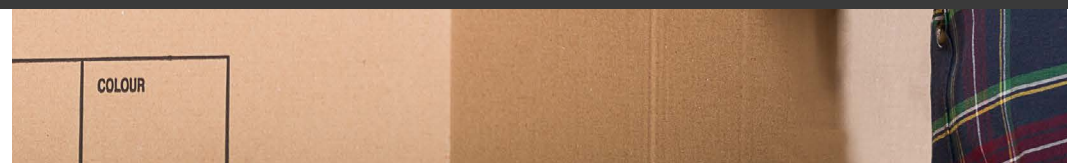
Many retailers are counteracting the increasing cost of fulfillment by leveraging the store. In addition to rolling out ship-from-store capabilities, many more are drawing traffic to their brick-and-mortar footprint by turning them into click-and-collect points.

With the right technology and infrastructure, click-and-collect can be a lucrative channel for retailers; customers have an 11% higher average basket value compared to home delivery, while 30% of customers make an additional purchase when collecting an item in-store.



“Multi-channel retailers need to urgently review their last mile strategy. Ultimately, the level of convenience in accessing products is going to be one of the key drivers for success over the coming decade.”

OC&C Strategy Consultants



Customers use click-and-collect not just because it is sometimes cheaper than delivery.

Convenience is another driving factor – and customers expect the in-store experience to be quick and slick.

Retailers need to ensure their front line staff are equipped with the technology and data required to serve collection customers, in addition to securing sales.

Top Tips

- › Prioritize investment in the last mile; if it drains profitability now, the problem will only worsen as the number of retail channels grows.
- › Incentivize customers to choose more cost-effective delivery options like click-and-collect – but ensure store associates are prepared to manage the additional footfall this generates.
- › Maximize the value of customer relationships by upselling delivery options, and creating opportunities to generate additional purchases as part of this process.



Point of No Return

While delivery has been traditionally viewed as the end of the purchasing journey, retailers need to consider multi-channel returns to truly optimize the profitability of customer relationships.

The burden that returns place on retailers is not consistently recognized in its entirety.

One challenge retailers face is that customers do not always want to send back goods to the place where they bought them.


Many online shoppers prefer to return goods to the store. This not only results in the sale being lost but the item ends up in a different location from its origin or in a channel with comparatively low demand.

There is value to making the returns process smooth and flexible. Returns can indicate new customers familiarizing themselves with a brand. And in some cases can lead to that customer going on to actually purchase something else.

Retailers must embrace shoppers' desire to return items and look at the most profitable way to manage items coming back into their stock pool. If returned items can be sold again, retail organizations need to know where demand is highest and reduce the number of goods that end up being marked down due to languishing in the wrong location.

Top Tips

- › Leverage metrics to understand the true cost of returns to your business; this benchmarking is vital to making improvements.
- › Distinguish between positive and negative return behaviors – it could be the sign of a new customer getting to know your brand.
- › Give shoppers the flexibility to return items they want while investing in the order management tools needed to return items back to the best location for re-sale.



“The product returns policies offered by many multi-channel retailers are one of the main reasons why shoppers abandon their intended online purchases, causing significant lost sales for retailers.”

Gartner



Optimizing the Retail Value Chain

There are moments throughout the purchasing experience that, if optimized, can add up to significantly greater profit margins on each item sold.

Many retailers are currently looking at aspects of this journey in isolation. However, to truly maximize margins, it needs to be viewed holistically, to see the chain reaction - how changes and optimizations in one area impact their broader business capabilities.

Every retailer should be striving for connected commerce. Not just in terms of connecting the customer experience but connecting the back-end operation within your organization.

Success in this area relies on having the right technology platform – the digital backbone – to increase visibility, flexibility, scalability, and speed of response. These key objectives must be at the heart of your IT strategy to ensure that technology investment supports quality customer experiences across all channels; and to create a future-proof platform for maximizing profit margins in the connected commerce economy.



Are You Ready to Learn More?

Aptean Retail ERP can help you maximize your profit and deliver a seamless retail experience. Find out how, now.

Contact us at info@aptean.com or visit www.aptean.com.



Aptean is one of the world's leading providers of purpose-built, industry-specific software that helps manufacturers and distributors effectively run and grow their businesses. With both cloud and on-premise deployment options, Aptean's products, services and unmatched expertise help businesses of all sizes to be Ready for What's Next, Now®. Aptean is headquartered in Alpharetta, Georgia and has offices in North America, Europe and Asia-Pacific.

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