Retail 2020:
The Year of Transformation
The times, they are a-changin’...

Avery Dennison’s head of RFID Market Development, Apparel Uwe Hennig discusses the significant shifts that have occurred in retail.

APPLIANCE RETAILERS have seen incredible transformations over the past 10 to 15 years, and even more has been accelerated by the COVID-19 pandemic. When you look back at the retail landscape of, let’s say, 2005, you quickly realise how massive that change has been: back then the retailer was in the driver’s seat. Customers could only shop on the high street or purchase through mail orders and printed catalogues. eCommerce was in its infancy and systems were far less complex.

Now online stores are ubiquitous. The high street is merely an option out of many. Customers are no longer passengers, instead, they have taken over the driver’s seat. And it’s up to you, the retailer, to avoid becoming a passenger and to instead become the map that leads the customer to the right destination.

So, what do today’s powerful customers want, and what do you need to guide them in the right direction? It is something that is available everywhere and extremely rare simultaneously: data. Customers want to know which products are available when and where, how they were produced, their ecological footprint, how they can be recycled… And all this information needs to be easily accessible – at their fingertips. Being a data-driven company does not mean just hoarding masses of data, it means anticipating needs, collecting information in real-time, and analysing it to present it back to customers at a time and place they are most receptive to it. Data can also help you develop digital micro-fulfilment solutions that are more flexible and efficient. This enables you to know how specific products are being moved across your value chain, or if a product is a bestseller in one store and a shelf warmer in the other. And you can learn this quickly, avoiding margin losses in an era where brands launch six to eight collections per year.

Some things, on the other hand, aren’t a-changin’. At the end of the day, you still want to please your customers, and get a good return on investment. Digital Identity technologies and the Internet of Things (IoT) can help you achieve both. They enable you to maximise the consumer experience so that your brand can anticipate, rather than follow, your customers’ needs. It all starts with a simple first step: adding digital identifiers to products, and connecting them to the IoT. In fact, the very first step is even simpler: checking out the articles in this report. I wish you a pleasant and insightful read!

"You just need to make the most of it. Undoubtedly the retail industry has gone through seismic changes."

Uwe Hennig,
RFID Market Development,
Apparel, EMEA,
Australia, India

Because it’s not just a sweater

At Avery Dennison we see technology as a way to create a world that can be better connected, better harmonized and more in-sync.

A world where digital ID technologies introduce greater accountability, authenticity, visibility and integrity to apparel lifecycles.

A world where a sweater can tell you its origin story. From start to end. And all points in between.

Made Possible by Avery Dennison

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World including Zara, H&M, Uniqlo, Nike, Adidas and Target. It has been less widely implemented in Australia’s billion dollar fashion retail industry, due to the cost of tags and readers and lack of computer processing capacity. However, with the cost shrinking dramatically in the past few years – from US$3 a tag to now less than 20 cents – the potential for Australian retailers is now ripe.

The goal is the right stock in the right place at the right time, and this cannot be achieved without RFID which provides an accurate view of stock in store, in the stock room, in transit and in the warehouse.

In Copenhagen, I watched a salesperson using a scanner to stocktake the ground floor of a Zara store in half an hour for the specific purpose of replenishment. Put simply, out of stocks and theft can be immediately identified and resolved. Retailers can now have accurate stock-takes completed in four to six weeks and at the same time use scanners tactically to identify out of stocks on the shop floor. This technology is available to all sized retailers and where stock issues are present. It is one of the easiest and quickest ways to start resolving these complex issues.

Zara’s parent company Inditex for example, has reported it has been able to reduce stock-in-trade by 5%. This is equal to $113 million cash flow improvement based on stock levels at 31 January 2020.

In my experience as a fashion retail consultant, I would classify at least 70% of Australian retail businesses as traditional analog businesses currently. Meanwhile, Amazon is driving customer experience via an R&D spend of US$42.6 billion per annum with approximately US$13 billion spent on IT.

To put this into perspective, the business has had several thousand engineers working on artificial intelligence for the last seven years. For the purpose of this report, we will focus on how digitised inventory can assist the retail metamorphosis required to survive 2020 and beyond.

Radio Frequency Identification (RFID) refers to a wireless system comprised of two components: tags and readers. The reader is a device that emits radio waves and receive signals back from the RFID tag.

One of the perennial issues for retailers is excessive stock, which normally eventuates as a result of poor demand planning, ineffective use of analytics to predict sell-through and inventory visibility problems. This is especially prevalent in the fashion industry.

There is nothing more frustrating for a consumer to visit a store and be told a specific item is out of stock. This problem has already been solved by the largest retailers in the world including Zara, H&M, Uniqlo, Nike, Adidas and Target.

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At the time, its RFID-equipped Bilbao store was selling more than four old sites combined even though it operated on less space and 20% less inventory.

The retail industry is digitising like many other industries, the question is are you a smart (phone) or an analog laggard (phone)? ■

Retail is becoming divided between the digital champions and the legacy laggards. COVID-19 has simply reduced the time span to be digitally enabled from five years to two years. Survival and success will depend on retailers’ digital and analytical capabilities, utilised to improve the customer experience, attract new customers and drive down costs.

Not having this capability is like analog phones (traditional retailers) having to compete against smart phones (digital enabled retailers). They will not be in the game and we all know what happened to Nokia and Blackberry’s phone businesses – they went from number one to oblivion overnight.

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The retail industry is digitising like many other industries, the question is are you a smart (phone) or an analog laggard (phone)?
Having pivoted its inventory management during COVID-19, Australian womenswear chain Kookai is now exploring RFID.

By Assia Benmedjdoub

When Rob Cromb and Danielle Vagner launched Kookai Australia in 1990, the brand’s trajectory was predicted to be a typical one. Under a franchise agreement with the French founders, the pair could scale its Australian operations and sell back to Paris.

Instead in 2017, Cromb struck a deal with Vivarte to purchase its global network and bring the brand’s 235 stores under a unified vision.

With its own factories in Fiji and Sri Lanka, Kookai Australia now produces collections for both regions globally through shared infrastructure.

Global brand manager Bianca Vagner-Cromb says COVID-19 has amplified this strict focus on inventory, as channels diversify.

“We have seen huge growth in our eCommerce channel this year,” she says.

“Given the lockdowns and shopping restrictions over the last few months and customers’ reluctance to physically be in stores, I do think it’s going to change the way customers shop in the future, and with this in mind we will continue to heavily invest and focus on this area of our business.”

As online is trending significantly up last year, we have since increased our online allocations to 30%-40% of our collection from 20%, which has definitely contributed to our growth in sales.

With its online business trend significantly up year on year, the Melbourne-headquartered brand has made a number of tech investments.

This includes an eCommerce search and merchandising solution decreasing search exit rates, increasing search conversion and overall site conversion.

It has also transitioned to a global digital marketing platform, allowing it to enhance CX via personalised communication through in-store and digital behaviour.

This will continue through to stock on hand, Vagner-Cromb says.

“We are currently looking into RFID technology to digitise our inventory, to increase our stock control not only on the shop floor but throughout manufacturing in our own factories.

“We expect this to have huge benefits to our business and to our customers, by ensuring we have the right product, at the right time, in the right store, all the time.”

“Our priority for our sales assistants is our customers, and by digitising the stock receipting process we can eliminate the need for manual counting of deliveries, leaving our sales assistants free to put the focus back on the customers rather than administration.”

“Ensuring the new stock can be placed on the shop floor or displayed online as soon as possible is critical, and by digitising the stock receipting process this can be done quickly and with more accuracy than in the past.”

This will grow in importance as the brand continues to evolve its global and regional collections.

“Throughout the year we’ve been testing the Australian collection in Europe and we’ve had an amazing response to our fashion and basics from consumers,” Vagner-Cromb says.

“Australian styles often feature in their top 10 best sellers every week and in an effort to align the collections and improve processes, there will be a lot more Australian product and styles ranged into their seasonal collections.”

“Now that our Fiji and Sri Lanka manufacturing facilities are producing collections for both regions globally, our factories are almost at full capacity with the increased quantities we’re now producing.”

“We are in the process of expanding our current facilities and also exploring other potential locations across the world that make sense for us logistically and geographically.”

Kookai has also dabbled in on-demand local manufacturing during the pandemic, with success. As its Fiji and Sri Lankan factories ended lockdowns, it was able to source a Melbourne-based manufacturer to produce its new activewear line.

“Now that our factories are back to running at full capacity, we are able to produce our next activewear collection out of our own factory in Fiji, and in turn we’ve now got a local supplier should any issues arise again in future.”

In fact, Vagner-Cromb says longer-term disruption caused by COVID-19 will force retailers to digitise and reorganise their entire supply chains, from production to post.

“Our New Zealand online store was previously fulfilling orders from one of our New Zealand boutiques, however when they went into lockdown we had to quickly transition the fulfilment to our Australian 3PL,” she explains.

“This means our NZ customers now have access to a much larger collection with overnight delivery and we have seen huge growth in our New Zealand online sales.”

As retailers continue to grapple with the challenges presented by COVID-19, Vagner-Cromb says nimble and tech-first strategies will be key.

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INVENTORY

POWERED BY
One step ahead

Investment in technology is becoming a critical component to staying ahead in 2020.

By Assia Benmedjdoub

When times get tough, the tough get upgrading.

According to CB Insights, a market intelligence platform analysing tech funding deals, the retail industry is experiencing unprecedented levels of technology investment.

Its State of Retail report found financing increased nearly 60% to $3.7 billion in 2019, as retailers recognised the need to invest in systems to improve productivity and profitability.

It was at this time Myer expanded its use of RFID technology across stores in Victoria and Sydney, clocking a reduction in cycle time and associated labour costs by over 80% and 100% pickup accuracy.

Based on increased retail investments such as these, CB Insights predicts retailers in 2020 to become smarter, results-driven and equipped with new ways to match supply and demand.

For Cue Clothing Co CIO Shane Lenton, investment in IT projects this year will be crucial to weathering the challenges presented by COVID-19.

With a significant store and digital presence across its Cue and Veronika Maine brands, the retail group has been expanding its digitised inventory and unified commerce solutions.

“We have some really exciting digital transformation initiatives launching over the next few months,” Lenton says. “We have been focusing on an unified commerce for some time now, with key foundations such as single view of customer, endless aisle fulfilment and personalisation seeing us in the best possible position to capitalise on multichannel retailing.”

The use of inventory management solutions has been pivotal in navigating digital sales during lockdown.

An example of this has been the ability to turn locations on or off for fulfilment based on the data. “This has been more prevalent over the last six months during different stages of lockdown,” Lenton says. “For instance, if we had a particular focus on full priced items, the location with the suitable stock mix would be enabled, with locations that may have a higher volume of sale product being less of a focus. We didn’t want to send staff into store to pick orders at locations where the volume wasn’t there.”

This strategy has also extended to stock visibility for in-store shopping. “For those shoppers going into store, we have seen less browsing and more buying intent and solutions such as our store to door, where a customer can make a purchase there and then even if the store didn’t have the size or style they were looking for, with the items then delivered directly to their door,” Lenton adds.

Additional investments this year have included video-based stylist sessions, which have generated numerous sessions, which have generated an average of 40 session requests per week, a conversion rate of over 60% and an order value five times the standard. Cue is also expanding its cross border online business, with 20 new regions slated for opening in the next few months.

“We will continue with our focus on customer experience and personalisation in 2020,” Lenton says of future projects. “This has been made possible by capitalising on the opportunities created by our unified commerce solutions.”

For Myer, similar upgrades will be part of a ‘Customer First Covid-19 Response Plan’ which has six tenants including efficient factory to customer, simplified business processes and accelerated cost reduction.

CEO John King reports that improvements in managing inventory levels saw inventory down 26% to $256 million at the end of FY20, representing a significant achievement compared to FY19.

King adds that the rapid growth in online sales accelerated during 2020, particularly during the period of store closures.

“Online sales grew by 98.8% in 2020 compared to the prior year.

“During the past two years, Myer has undertaken significant improvements to the website including enhancing infrastructure and peak capacity and improved search and check out functionality.

“Together with improved fulfilment, these enhancements have underpinned the significant growth in sales as well as a 50 basis point improvement in conversion, and an improved gross profit for the online channel.”

In August, Myer announced a multi-year agreement with Australia Post to hasten this strategy through warehousing and online fulfilment services.

The move will provide extra capacity to support online growth, particularly during peak trading periods, with more than 50,000 products to be housed at the 26,000sqm facility.

For Myer, the priorities being accelerated are online and factory to customer alongside refocused merchandise. Similarly to Lenton, King believes 2020 is the time to fast track technology transformation.

“While the Customer First Plan remains the right plan, it has been adapted for the current operating environment and to ensure Myer can capitalise on all available opportunities as restrictions are eased.”
Catch and Target are a prime example of digital transformation, with a number of integrations in the pipeline. By Imogen Bailey

"The partnership allows us to take a wider omnichannel approach, leveraging the physical store network to provide click-and-collect services to our 2.3 million customers."

"Catch provided Target with tech support for the entire process with our dedicated Catch marketplace onboarding team, working alongside the development teams, project management and marketing teams on both sides for a seamless onboarding experience," she says.

"Catch customers can also choose to collect their Target orders placed on Catch from Target stores across Australia, offering our customers more flexibility to shop online and access their products in the most convenient way for them," she says.

"With a huge range of products already available on Catch, Target's inclusion in our marketplace allows us to offer our customers more variety in both product selections and brands to give our consumers even more reasons to shop with Catch."

"The inclusion of Target on Catch's marketplace has provided a fantastic opportunity for collaboration between Kmart Group businesses, allowing both Catch and Target to leverage each other's strongest assets across brand, customer experience and product offering."

"The partnership allows us to take a wider omnichannel approach, leveraging the physical store network to provide click-and-collect services to our 2.3 million customers."
Digital transformation: The Force Multiplier

Accent Group’s former CIO, Mark Teperson was responsible for a united inventory strategy across over 500 stores and 18 brand websites. He explains how he did it.

Customers were offered click and collect, click and dispatch, endless aisle and same day delivery. This flexibility is at the core of The Force Multiplier: it captures demand utilising all inventory supplies to gain benefit. It’s the integration of those two channels—the deep integration—in real time that creates the omnichannel experience. Otherwise, a retailer is really just a retailer with a website. This became even deeper when retail locations were converted into dark stores during lockdown. It enabled teams, who were completely safe, to send one person into each location to pick and pack online orders and dispatch to customers. It enabled the company to process large volume increases in online sales with staff safety front of mind. Accent Group publicly stated that average digital sales went from $250,000 a day pre-COVID to between $800,000 and $1.1 million a day during the COVID period. This was a three to four fold increase in the digital sales space.

As an omnichannel retailer, it created employment opportunities for team members and a reliance on in-store retail ops teams to support the digital growth. It wasn’t about physical or digital, it was about how the whole business came together. It helped bring down inventory levels and generated cash while the rest of the business was closed.

Omnichannel retail is ultimately about creating and integrating those two very distinct assets that result not in $1 + $1 = 2 but $1 + $1 = 5. That is, the bringing together of product–experience centres for customers, as well as distribution centres for product. Already, you can see nearly 50% more traffic coming to the online business than going to stores. But it’s combining those two things that creates the Force Multiplier. By creating and integrating those businesses together, Accent Group uncovered real time access to $130 million worth of inventory across all assets. This allowed stores to act as experience centres for customers, as well as distribution centres for product. Therefore, there is a real distinction between what it means to be an omnichannel retailer and a retailer that just has a website. I talk about omnichannel in the context of a Force Multiplier.

The transformative power of digital identities

- Full inventory visibility thanks to RFID tagging at source
- Flexibility to move inventory where the demand is
- Opportunity to engage with customers beyond POS
- Develop a consumer centric strategy that provides accurate insights and data

Sources
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