Hive

THE RETAIL HIVE LIVE

Focus on Fulfilment

30 Euston Square, London
May 2018

A summary of the day...

We had a hugely successful Retail Hive Live at 30 Euston Square, London which focused on all aspects of Retail Fulfilment; from Prof. Jeremy Wyatt (University of Birmingham) talking about how robotics and AI can help the industry at all levels, to discussing the need for a 'supply chain rebrand' to attract new tech-savvy talent.

Our Chairman Ian Howes, (Supply Development & Imports Director at Sainsbury's Argos) opened the meeting highlighting the need for retailers to continue to connect with customers, despite the fact that nearly all aspects of fulfilment are highly digitised. Ian went on to add that "the human touch is just as important as technology – we still want to talk to and connect with our customers along their journey. Technology shouldn't take away from this; it should enhance it."

The result was a day of frank, open discussion that identified the obstacles and presented solutions. The roundtable discussion topics were:

1. Omnichannel Fulfilment
2. Robotics and Mechanisation of Fulfilment
3. Customer Experience of Delivery
4. AI & Supply Chain Digitisation
5. Click & Collect and Other Delivery Models
6. International Fulfilment & Returns
7. Final Mile & Fulfilment Flexibility

We'd like to thank everyone for their energy and contribution to this meeting and look forward to seeing you again in the future. And make sure you accept our invitation to **join the Retail Hive Community group** on LinkedIn, where we will be sharing the latest insights from conversations with our members!

With thanks,

Noj Mather and Sally Green
Co-Founders - The Hive Network

Thank you to our partners:

aramex global solutions   **DHL**   **iFORCE**   **Manhattan** Associates.   **softserve**   **XPOLogistics**

OMNICHANNEL FULFILMENT

Manhattan Associates

Discussion Summary:

1. Omnichannel fulfilment is simply a fulfilment strategy.
Consumers want choice and do not start a shopping journey thinking "I'm now an omni-shopper". Remember consumers may not be price sensitive to a particular service but they always want to be kept informed once the order is placed, whether by email, text or phone.

2. There are many common challenges faced.
Businesses want to test new propositions but by "failing fast" you have the benefit of learning from your mistakes and moving on. Technology is often a barrier where it should be the enabler, and initiating a cultural change within the business to allow technology to lead and remove internal silos will help progress. Lastly consider physical and network constraints when developing your omnichannel strategy.

3. Collaboration.
Once you understand your customer's needs and what is most important to them when it comes to their fulfilment expectations - i.e. timing, price, convenience you can then explore the opportunities available to you. For example, using a drop ship vendor, or leveraging relationships with other retailers think like ASDA To You, Argos and eBay.

Finally remember your customers do not know and do not need to know what omnichannel is! It should now be an outdated term as retailers should simply look at what channel best suits the customer, blur any lines of difference between those channels and offer a frictionless customer experience regardless of how the customer chooses to purchase their product. To achieve this effectively, the culture within your business needs to adapt – those offline/ online silos must disappear.

1 OMNICHANNEL FULFILMENT

Manhattan Associates

Top 10 Takeaways:

1. Hyper- local delivery; in order to offer same-day delivery or 'click and collect' consider setting up smaller/strategically located warehouse hubs e.g. John Lewis has a collection point at St Pancras station.

2. Identify trade vs retail customers and work out a strategy to fulfil each customer type and value each customer segment.

3. Use technology and training of staff to support store fulfilment and ensure they can handle volumes; availability of inventory is not the only limiting factor, businesses must consider resource as well.

4. To deliver omnichannel we need to think of our stores as warehouses, with the same system and space issues that warehouses have.

5. You must have a fully commercialised logistic network set up to allow stores to focus on delivering the best possible customer service.

6. To enable click and collect in store, extend last order time for next day delivery.

7. There is a huge opportunity around collection points if businesses collaborate to improve their customer proposition.

8. Stock accuracy is key to a seamless omnichannel customer experience.

9. Need to find correct KPI's for omnichannel and this may be more than money.

10. By opening a new store, eCommerce in the surrounding area increases dramatically.

> "
> *Very useful event. My highlight was the conversation with peers and networking. I picked up great tips from the roundtables.*
>
> **Antony Comyns**
> Hawes & Curtis
> "

2 ROBOTICS AND MECHANISATION OF FULFILMENT
DHL

Discussion Summary:

The challenges driving interest in this area were similar across most Retail Hive members from staff availability to a greater push towards omnichannel and next / same day delivery.

Delegates had a mix of current operations from purely manual to very sophisticated, fully automated solutions. Their requirements of the day were equally varied from just understanding what was out there in the market place and how it could apply to them, what to invest in and how much it will cost, to those who wanted to know how to develop their mature solutions to reflect new demands in their supply chains.

There was much discussion about approach, fully automated in central warehouses or move to local stockholding with limited or no mechanisation. They had a lot of interest in modular and scalable solutions, especially where they may fit into existing operations such as zonal picking and 'Kiva' type robots.

Also of interest to many was the idea of a multi user fulfilment centre which would allow those medium size organisations to enjoy the benefits of automation that they currently find too prohibitive to implement on their own.

There were some 'watch outs' shared, in particular systems, how complex it is to integrate automation systems to existing and the time it takes, also data and how anyone thinking of automation needs to be on top of their data well in advance.

2 ROBOTICS AND MECHANISATION OF FULFILMENT

DHL

Top 10 Takeaways:

1. Co-operation possibilities; shared DCs rather than dependency on 3PLs ; potential 'death of the traditional 3PLs'.
2. Product types can be a barrier to how much automation is possible.
3. Robotics should not replace people but to make them more effective.
4. Cost is a huge barrier and convincing the accountants of a long term ROI. ROI might be less of a driver than hitting peak.
5. Data is essential to automation and resilience of automation solutions is improving.
6. Will future labour issues force us to invest in automation, robotics and mechanisation?
7. The potential for a rentable robotic/automation commodity.
8. Do not purchase a full automated solution- Go Modular!
9. Integrating legacy system is key and work around building space and configuration.
10. Rapid pace of change in the technology and ability to now have agile, bespoke, modular and flexible solutions makes robotics more accessible.

> "
> *Unparalleled opportunity to talk openly about solutions facing our business. Highlight was meeting experts from a range of industries facing similar challenges.*
>
> **Rory Scallan**
> Cru Kafe
> "

CUSTOMER EXPERIENCE OF DELIVERY

3

DHL

Discussion Summary:

On the topic of Customer Experience of Delivery, we heard from a broad spectrum of retailers and a diverse mix of market sectors. While there were some specific unique challenges shared, there were also a number of consistent themes.

Is convenience king – does it personify customer experience?

Over the course of our discussions exchanged the considerations, learnings and pitfalls in managing customer experience, whether operating in-house or outsourcing, on a marketplace model or direct.

Regardless of whether a brand's USP is speed and range, or premium white glove experience, a common theme was that customer experience may have many different measures, but that success is dependent on the retailer understanding their customer, and successfully tailoring the delivery experience to the typical lifestyle and expectation of that demographic.

Returns is clearly an unresolved pain point – whether as a result of consumer 'fitting room at home' buying habits, or due to failed deliveries. A general consensus was that right first time is more important than speed, and that there remains a gap in solutions that genuinely achieve this, particularly once control is handed over to couriers.

Amongst the tools and technologies available to understand customer expectation, perception and satisfaction, a common view was that success really depends on people and quality training, and that to tackle the pitfalls associated with the loss of control when outsourcing and using marketplace channels, retailers and 3PLs must work in partnership to achieve right first time.

A memorable comment in summary was "What will come first, the demand or the solution – as consumer expectation is borne from what we give them". Amazon we see being the first to make the move to block 'problematic' customers. Will the industry follow?

3 CUSTOMER EXPERIENCE OF DELIVERY

DHL

Top 10 Takeaways:

1. People element is the key- people need to be attracted and retained, and be fully engaged with your brand.
2. Temps should be treated as pure gold; consider the timing of temps and who should have a point of contact with your customer.
3. Stronger focus on the environment and environmental concerns; make your packaging environmentally friendly, use eco vans.
4. As a pure play retailer, the 'delivery' is the only physical touch-point in the journey. Therefore it is key for couriers to understand brand and drive advocacy.
5. Concern with 3PLs ability to deliver your brand experience vs own operation.
6. If you value good customer service, keep delivery in house rather than outsource, if you can (i.e. domestic) particularly in concentrated urban areas.
7. Sweat the small stuff; important to get the details rights to surprise and delight your customers. E.g. Train your drivers to provide a personalised service "Good morning Madam".
8. Could we offer a super-premium timed service (based out of store)?
9. Be clear with your couriers about your requirement and don't sell a service to a customer that you cannot deliver.
10. Communicate and manage customer expectations- talk to them before they talk to you; don't under promise, don't over promise, just be accurate.

> " *The Hive Network is able to bring together wide and varied professionals with interesting and varied experiences.* "
>
> **Ian Baker**
> Aromatherapy Associates

4 AI AND SUPPLY CHAIN DIGITISATION
Softserve

Discussion Summary:

The majority of retailers today were discussing major challenges and ideas around artificial intelligence (AI) and machine learning (ML) implementation to support fulfilment, supply chain and retail in general.

The discussions brought a list of outcomes which we hope will help to save Retail Hive members time, energy and money during AI/ML project implementation.

1. AI and Machine Learning-based projects vs Traditional Analytics. We came to conclusion that traditional analytics are used to support hypothesis and what is already known, while AI and ML are tailored to provide yet unknown insights, opening new horizons for business improvement.

2. Main focus of AI/ML projects in retail. Demand prediction and forecasting, promotion and marketing campaign optimisation, price optimisation and personalisation are the main areas of focus for these and many other companies.

3. An algorithm is only as good as the data it is using, so good quality, variety and sufficient volume of data is a pre-requisite to any successful AI/ML project.

4. Look at existing data from a different angle. When we speak about "obvious" data sources like weather reports and forecasts, try to think out of the box and look at traditional data from another angle. A good example is when you count humidity, cloud coverage, wind speed and direction, not only classical indicators such as temperature and chance of rain.

5. Prepare data first, then hire Data Science and Machine Learning engineers. Use data engineers to build the data infrastructure, make sure that data is cleansed and only then hire data science engineers. Start building relations with Data Science communities and Universities now to build brand connection and attract the best data science engineers. Remember to give them a challenge and freedom. These two components are crucial to get amazing results that will dramatically exceed your expectations.

6. Keep calm and manage expectations. Machine Learning and AI projects are time consuming and normally take several iterations before they bring massive value, so be ready to manage expectation, seek for longer commitment and bring even small, but constant improvements in insights quality to keep AI/ML projects going.

7. ML/AI doesn't replace existing solutions, but rather compliments them and increases the quality and variety of insights. As an example, machine learning-based recommendation system can ran in-parallel with existing systems and supply e-commerce web-sites with most relevant recommendations to customers.

8. Dream big and beat the leader. The majority of retailers are in competition with Amazon in terms of innovations. Our recommendations would be to think bigger and try to think where the next battlefield is, instead of catching biggest competitors.

9. Ultimate goal – automatic decisions and actions. While AI and ML algorithms can provide unbelievable insights, they might be limited in scalability until you make sure that insights are being automatically picked up and used. Try to put an ultimate goal for your ML/AI projects to eventually automatically push promotion campaigns, change price, submit order requests to vendor, once you are comfortable with accuracy of insights.

4 AI AND SUPPLY CHAIN DIGITISATION
Softserve

Top 10 Takeaways:

1. SKU planning is important. How and when to move products closer to and further from a customer when balancing space, speed and cost.
2. Use AI to plan- 'what if' the weather is good alternative outcome.
3. High value from AI for stock deployment.
4. You can utilise data science skills from one area and apply in another; therefore data science should become a skillset businesses invest in, start networking with local universities.
5. Take an interactive approach to automation and machine learning/AI- more data leads to better results. You also need to be reactive, trust the data and embrace change.
6. Constantly learn to fail, if you want to win big on optimisation. Take a philosophical approach and don't be afraid to fail at the first few attempts.
7. AI is a reality. The benefit comes when you apply it to the real business needs; understand what data you actually need and how you will use it.
8. Find a way to humanise the data.
9. AI may not be the right fit for every business and AI is not for every product category.
10. Invest in AI and machine learning for the long term.

"
Great opportunity to meet people with similar challenges and areas of focus.

Marcus Liberman
Boden
"

CLICK & COLLECT

5

iForce

Discussion Summary:
The overwhelming impressions from Retail Hive members were that given the level of choice and convenience Click & Collect offers a consumer, it is now an intrinsic part of the Customer Proposition for Retailers.

There were various views on how evolved a Click & Collect proposition was across the retail base, but general consensus that no-one has "cracked" the proposition. Customer demands constantly evolve and even John Lewis who arguably leads the way is constantly adding to the services they offer.

We focused on how to seamlessly integrate the Consumer Experience element of Click & Collect within the wider brand promise. Again there were many contrasting views about how this has worked well, e.g. some Retailers had integrated the solution to be front of house for customer convenience, others had located it towards the back of the stores so you need to walk through the store and (hopefully) purchase stock in store at the same time. Again the overall view was neither is right or wrong, but you need to understand the customer preference and deliver against this.

Obviously large contrasts between the Pureplay model where you are relying on external resources such as Newsagents to deliver this proposition. Many were struggling to launch Click & Collect and to link it to their proposition.

Pricing strategy seems the main factor customer's use Click & Collect - when offered as the free of charge delivery option the take up increased. Take up fell when the pricing strategy matched with delivery to home.

Multi-channel retailers definitely see an upside through the "Halo" effect through offering Click & Collect. Many suggested it was their most profitable stream - although challenges around whether they are allocating costs correctly.

Technology plays a huge part in the process, not just through inventory management but within the stock room process. Many customers want to just walk in, pick up the item and walk out and some retailers suggested the wait times to pick the order were prohibitive.

There is definite scope for collaboration - Multi channel retailers receive the additional revenue stream, and pureplay retailers are struggling to launch Click & Collect so a perceived win: win through targeted collaboration.

Finally whilst the delivery element of the Click & Collect proposition is quite mature, the feeling was Returns options needs work, both in terms of the options available, technology to underpin and also the staff training elements.

CLICK & COLLECT

5

iForce

Top 10 Takeaways:

1. Click & Collect is more retail driven to increase in-store upselling.
2. Brand experience around Click & Collect; does it fit with your brand particularly if collaborating with another retailer?
3. Click & Collect is offered as door delivery does not work; therefore what are the other options?
4. How to provide a Click & Collect offering outside the UK?
5. Reverse logistics is a primary consideration for in store returns.
6. For the Pureplay retailer, is the additional complexity and divergence of delivery experience for the customer justified by the convenience and cost saving of Click & Collect?
7. Make Click & Collect the primary option online to reduce home delivery costs.
8. Supply Click & Collect stock from store or warehouse? Consider the implications in-store if the former?
9. Click & Collect is pushed by retailers because it saves money and drives people in store, not necessary from customer demands.
10. Variation is key to satisfy different consumer's needs: some consumers want an experience, and some want convenience.

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The networking opportunity was excellent all attendees were welcoming open and honest thoroughly worthwhile.

Guy Sambrook
The Entertainer

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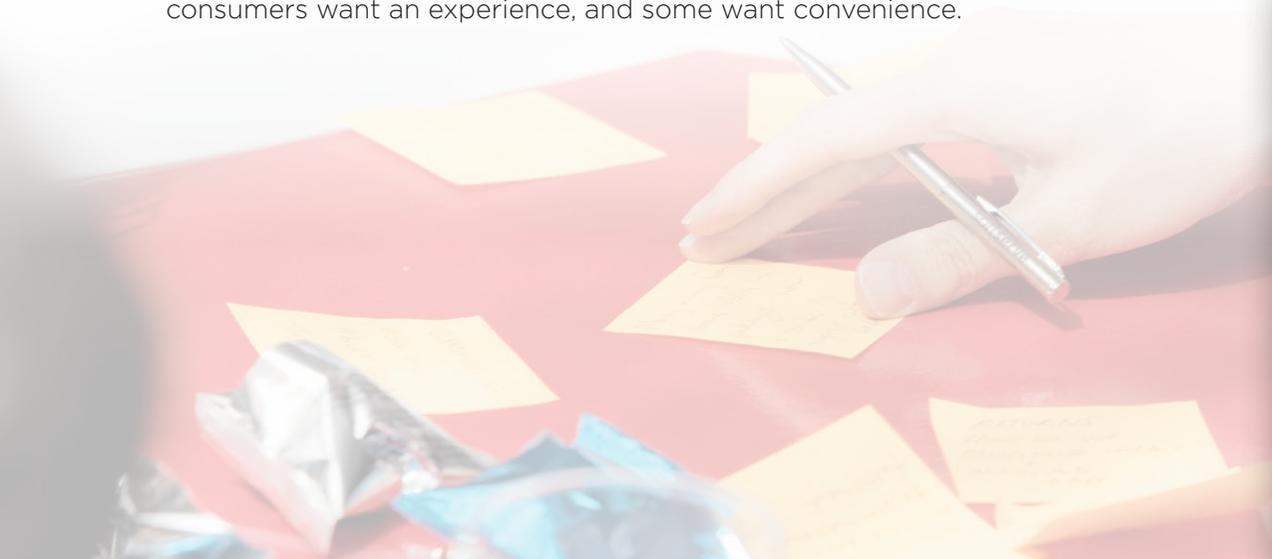
6 INTERNATIONAL DELIVERY & RETURNS

Aramex Global Solutions

Discussion Summary:

We had a variety of retailers who all had different challenges within their business.

The focus was on Returns and topics discussed included 1st scan refund or on receipt back to the retailer? How to gain more visibility? Using data from the Returns Portal to understand trends, Paperless Returns appeal and should Returns even be returned due to the cost?

Whilst there was not one simple answer to each issue, depending on the type of product sold, the varying different options available in the market were discussed.

Discussions regarding International Fulfilment included understanding how to gain a global presence and meet local consumer delivery demands, how to deliver "difficult" goods such as beauty products and lithium batteries and whether a business should have their own DC in strategic locations or use 3PL. Lastly a big question was always how to increase overseas sales outside of Amazon and other marketplaces? Of course this must focus attention on your own website and if handling fulfilment yourself, you must tackle the issue of duties and taxes for cross border deliveries to provide a frictionless journey; pay in advance to reduce the waiting time of duties and taxes.

With more and more choice now available to overseas consumers; next day delivery, standard delivery and visibility of fulfilment, as retailers you must be willing to compete on this level and meet consumer's high expectations (which clearly will be unique to each location) if you are going to be successful at winning a slice of the global etail market.

6 INTERNATIONAL DELIVERY & RETURNS

Aramex Global Solutions

Top 10 Takeaways:

1. International expansion through cities and not countries.
2. Deliver a local experience on an international scale.
3. Returns must be part of your customer proposition as it is such an emotive experience. How do you minimise impact and maximise ease? Is offering 'free return' a necessary evil?
4. IP-driven fulfilment is key.
5. Australia and New Zealand present opportunities for expansion.
6. Reverse logistics can grade the product before sending back. Prevent unnecessary international returns.
7. Credit on delivery to return centre rather than main DC. Use a portal to generate return labels.
8. Moving away for return labels in packages- how to counter the negative customer experience.
9. Do you make returns easy for the customer or make it harder to discourage returns? Or even develop your returns policy as way to boost sales - take the hit and refund without return?
10. Zig Zag helps retailers manage and resell their returned stock: they take pressure from the DC to make decision for suitable goods.

> "
> *A great event where I got to see what other people are doing, share ideas and meet some really good suppliers who might not have been on my radar before.*
>
> **Scott Robertson**
> Superdry
> "
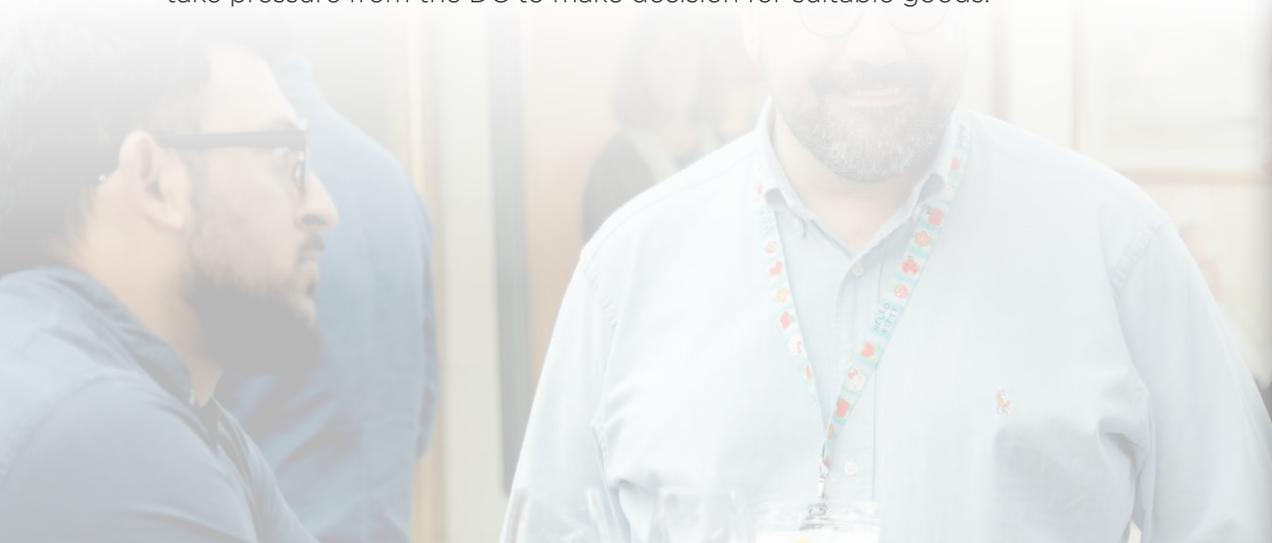
7 FINAL MILE AND FLEXIBILITY

XPO Logistics

Discussion Summary:
The discussion was informed and lively, with great levels of participation and energy by all those who joined the XPO Logistics table. During the 5 round tables discussions, including the one dedicated to Amazon, the following key points were discussed;

Collaboration: Working in partnership with a 3PL can unlock knowledge benefits and help to reduce overall cost; but it is vital that retailers "know your customer" and ultimately manage the final mile experience according to what the final consumer wants. Process mapping and joint planning with your last mile partner and your 3PL is critical.

More discussion and innovation is needed around Supply Chain flexibility: How can we influence the delivery slot that the customer chooses? The online consumer is constantly balancing and evaluating choice vs speed vs cost. Analytics of consumer choices and their feedback post-delivery can lead to a more intelligent and personalised fulfilment and last mile proposition.

Plan for peak! It will almost certainly be different from the rest of the year. Share your plans for sale events with your 3PL partner. Also remember that an uplift in online sales can bring a corresponding uplift in returns!

Extend the sale or cyber weekend period; so not all energy focused on one day e.g. Black Friday. Use trading teams to spread demand, by putting different product categories on 'sale' at different times. Also don't be afraid to push out the service promise when offering significant discounts – this will help to smooth demand and reduce pressure on fulfilment.

People are huge part of a successful 3PL; so ensure you take them on the brand journey and make them feel as part of your brand as your store/ Head Office staff, even those temporary peak warehouse staff. Coaching of the temporary team members by permanent colleagues, as well as specific training on brand values and expectations, can go a long way to creating a high quality and flexible solution at peak.

Take a monolithic view of your whole retail network; have a single view of the inventory, work backwards from the customer promise and make sure that your technology and proposition is finely tuned to customer requirements. You may need a mixture of 3PL and in-house fulfilment options to achieve this "total" viewpoint.

If you are competing with Amazon; try not to compete on speed and price. Offer the customer value in different ways; loyalty discounts, enhanced proposition for repeat business or exclusive offers. Relate things back to your service proposition.

7 FINAL MILE AND FLEXIBILITY
XPO Logistics

Top 10 Takeaways:

1. Customer expectation is elastic e.g. Peak and Black Friday.
2. In house vs out source- managing the last mile experience requires flexibility and full understanding of your customer's expectations.
3. Matching demands to fulfilment capacity i.e. Black Friday, do you offer a different weekend service level/proposition?
4. Supply chain flexibility is a newly complicated topic, needs more discussion around innovation whilst constantly trying to improve flexibility.
5. Staff engagement is key to delivery and service; pay close attention to the on board process so that temp staff are retained and feel part of your brand so you become the 'employer of choice'.
6. Process mapping with 3PLs is critical; look at adaptability, resource and lead times to meet customer expectation.
7. Delivery cost vs product cost- which is important to the customer? How can we influence the "delivery slot" customers choose to potentially reduce delivery cost so product proposition is not affected?
8. During peak, give 100% attention to your fulfilment team; attendance bonus, productivity bonus and guaranteed hours.
9. Focus on growth in urban areas which can provide a different customer proposition.
10. Play off between availability/ delivery expectation and working capital and the effect on NPS.

> "
> *The roundtable format is unusual but welcome and avoids hours of PowerPoint - it is a much more engaging format.*
>
> **Nick Marsh**
> Sainsbury's Argos
> "

Future Retail Hive Live Meetings...

Omnichannel Customer Journeys in an Amazon World
New York City - 12 September 2018

The Retail Hive heads to the USA for the first time to bring together senior retail leaders to discuss the challenges and opportunities across the retail landscape. Focusing on in-store innovation and the future of fulfilment this meeting aims to examine how retailers can best deliver a seamless experience for today's digital–savvy and increasingly demanding consumers.

Engaging the Connected Customer
Stockholm - 6 November 2018

This meeting will provide you with invaluable insights across the digital marketing landscape; you will discuss the latest cutting-edge concepts and share best practice with senior retail executives around topics including: AI-driven merchandising, marketing through influencers, 1-1 personalisation, delivering seamless customer journeys, conversational commerce and finally speed, security and UX of your e-commerce offering.

Innovation & Collaboration in Retail
London - 25 September 2018

Held at London's stunning Skyloft, this Retail Hive Live meeting will provide members with insight into innovations on the horizon and the way in which the retail world is being transformed by new technologies and responding to the digital age.

To register your interest or refer a colleague for any of our meetings please contact:
Amy Phoenix by phone on +44 (0)203 948 1623 or email: amy@thehive-network.com