

Credit Crunch Will Expose E-Laggards

Recent retail figures show that those with on-line offerings have fared far better than their bricks and mortar rivals. Martin Brickell, e-logistics specialist at Total Logistics, believes that the recession will force retailers without genuine multi-channel strategies to embrace e-tailing or face extinction.

“It’s with more than a hint of irony that Woolworths recently announced the imminent relaunch of the brand – as a purely online retailer - following the collapse of the 800-strong outlet business in November 2008. And while the list of high street retailers that are facing collapse continues to grow, looking to those with multi-channel operations provides the industry with a potential model for future growth.

“Clearly, recent figures on retail spend this Christmas backs the assertion that online retailers are far better placed to weather the storm than their bricks and mortar counterparts. Shoppers spent £4.7bn online in December, according to figures from IMRG and Cap Gemini, over 14 per cent more than last year. Most traditional retailers, which collectively experienced the worst Christmas on record, would kill for this kind of growth.

“However, for the online world it represents a sharp slowdown. Online spending in December was lower than the month before, the first time it has fallen since December 2002. IMRG and Cap Gemini, which track the online sales of 75 retailers, said this was because many people did the bulk of their Christmas shopping at the end of November.

“The broader picture shows steadily slowing growth, from 50 per cent in the second half of 2007 to 15 per cent in the second half of 2008.

“The ‘sweet spot’ for development in the retail industry at the moment is to be found among that rare breed of bricks and mortar retailers, which have not yet embraced the online ethos, and have failed to see the huge benefit such a strategy could bring. While inefficient supply chain and retail practices could be carried in better times, with the recession now really biting hard, many previously unconvinced retailers are now having to look to multi-channel strategies as a way of survival, for example GAP recently confirmed its move to multi-channel will now occur.

“There are a number of key areas that the likes of John Lewis Direct, Boots and Tesco Direct are getting right, while many other retailers are missing the target. While the star players in the multi-channel world are reaping the benefits of higher stock utilisation, better customer service levels, higher customer retention and healthier profits, their less advanced counterparts are still grappling with inefficiencies, disappointed customers and diluted margins.

“So, where are the key areas that merit attention from e-tail laggards that want to join the elite? Let's firstly look at a retailer – who will remain nameless – that is not getting the multi-channel thing quite right. Retailer X, as we'll call them, has been a bricks and mortar retailer for years and has established a website that at first glance ticks all of the e-tail boxes. Dig deeper though and it's easy to see that they are not truly e-enabled and using the internet for competitive advantage as some of its competition are.

“Examples of poor e-fulfilment practices include insufficient stock availability for the e-fulfilment operation, as the online store is only able to sell surplus stock, due to the fact that it has no dedicated inventory system. This results in back orders where stock is not available, with customers getting multi-drops if they have ordered several items at once. This adds to logistics costs and also irritates customers, giving them a poor retail experience.

“Other examples of bad practice include not giving web stock priority, preferring to keep stock ready for the traditional in-store route, which is still too often seen as the crown jewel in retailing terms.

“When it comes to the dispatching of goods, we also too often see delivery of products from several locations, again increasing the instances of the irritating ‘multi-drop’ phenomenon, that often leads to dissatisfied customers. Likewise, poor website tracking that provides no information once the order status is ‘despatched’ can lead to delivery date myopia that does little to establish trust between retailer and customer.

“Making the collection business for the customer has been proven over and over to improve customer satisfaction and trust on the retail brand. Failing to provide a ‘click and collect’ or ‘reserve and collect’ facility is another sure way of undermining customer confidence.

“In the final analysis, it's all about providing those small, but vital services such as a gift wrapping service (for Christmas, birthdays and Valentine's Day), as well as an efficient returns/collection

service. In our experience, too many retailers focus on getting the product to the door, without following through and providing a complete, professional and hassle-free returns service.

“Alternatively, the savvy high street retailers that are getting the best out of their e-tail infrastructures are able to provide accurate stock availability for the customer and the e-warehouse. This enlightened approach also enables retailers to provide additional and specific internet stock (SKU) items over and above bricks and mortar stores.

“Far from being a millstone around the retailer’s neck, an on-line offering provides another string to the bow, allowing the internet to be used to test market new products and to clear out old stock via special on-line offers.

“Retailers with strong multi-channel strategies can also use the internet to drive volume – dropping prices on certain lines quickly mid-week (and having the stock available), to drive sales for those all important numbers. Having intelligent management reporting systems in place can also enable marketing departments to track buying patterns and even suggest substitute items in cases of stock-outs. This is a vital tool within the online retailer’s armoury to continue to satisfy the customer, even if they cannot buy the exact product.

“Finally, on the supply chain side, it is important for multi-channel retailers to assess their use of automation, which can often be used to scale up operations and deliver significant cost savings.

“A well designed multi-channel strategy, delivered through operational best practice can bring added reliability, efficiency, scalability and credibility to your brand. Time is not on the side of those still looking to embrace e-retailing in its complete form”.