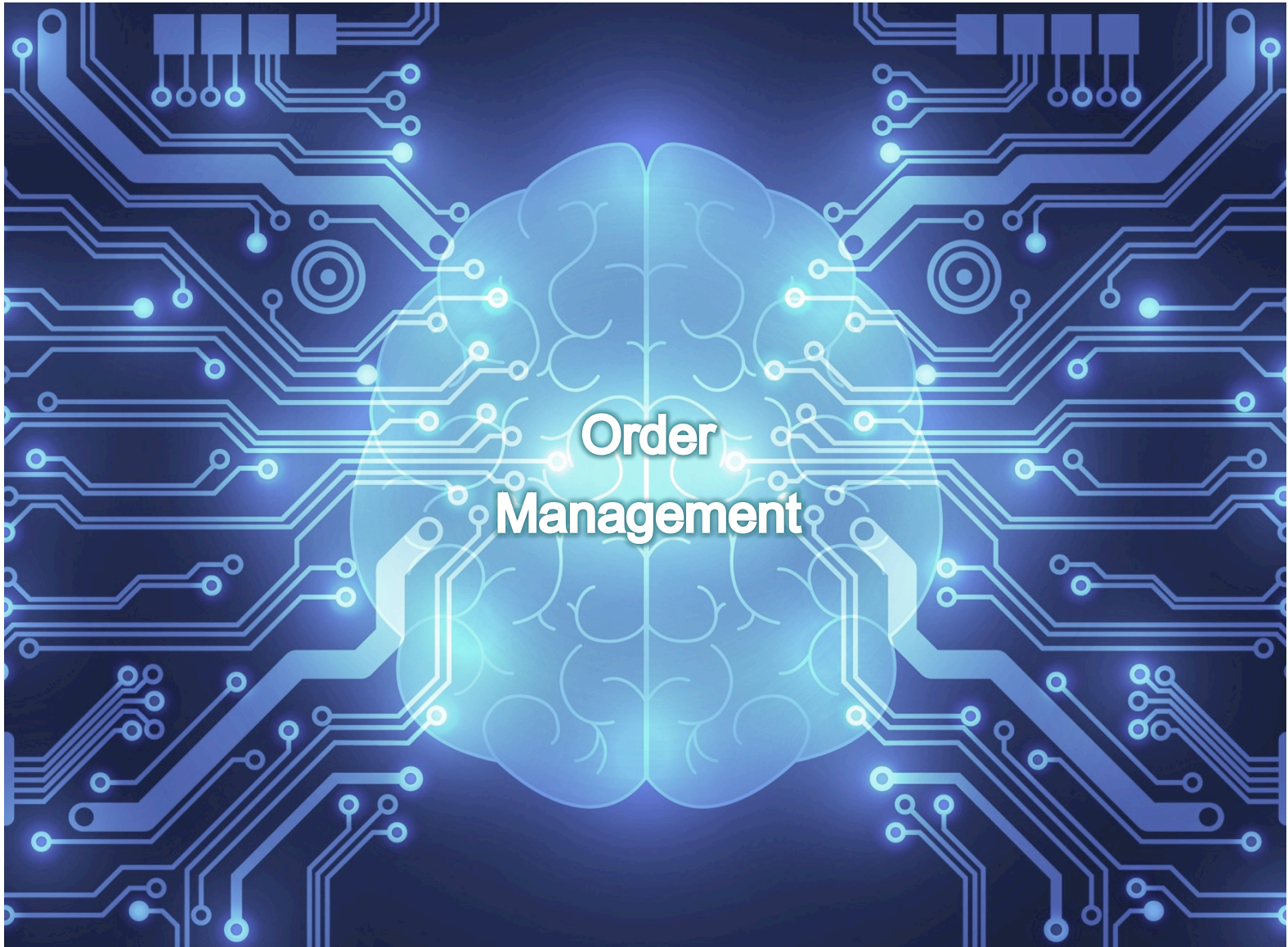




BOSTON RETAIL PARTNERS

Order Management is the New POS



BRP SPECIAL REPORT

A supplemental report based on findings from the
2015 POS/Customer Engagement Benchmarking Survey

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“Retailers need a single commerce platform to eliminate channel silos and a unified order management system may be the best answer - 250% more retailers plan to have a single order management solution in 3 years”

– Ken Morris, Principal, Boston Retail Partners

The evolution of technology

Retail continues to undergo rapid change as technology transforms the customer experience. The evolution of retail technology was impacted by a lack of robust network technology 45 years ago. At that point, networks were not evolved – they were unreliable, slow and expensive – thereby creating a decentralized store technology model based on necessity. This decentralized environment required 1001 data centers for a 1000 store chain and an infrastructure that is both expensive to maintain and difficult to secure.

During the 1990s and 2000s, when Web commerce became pervasive, new platforms were created and implemented to support this new channel. Similarly, when mobile commerce was introduced, many retailers have, in many cases, implemented new technology to support the mobile channel. The complexity now is even greater considering that other platforms that enable commerce are disparate solutions, like customer relationship management (CRM), order management and merchandising. Many retailers have ended up with disparate technologies at almost every customer touch point. The inherent weaknesses of this model have become very apparent, as retailers chasing omni-channel capabilities realize the inherent challenges necessary to overcome the cumbersome hurdle of integrating disparate legacy systems.

Fast-forward to today – we now have networks that are capable of supporting a centralized model to enable real-time retail and personalize the customer experience.

The banking industry transformed itself in the 1990s by taking advantage of better network

Parallel Case Study: How Networks Transformed Banking

Analogous to the advent of technology in the retail sector, the banking industry has been drastically revolutionized by advancements in technology and networking. Through the 1970s banking required personnel to handle a transaction, but everything changed with the development and utilization of automated teller machines (ATMs). Shortly thereafter shared networks were introduced, linking ATMs of varying financial institutions together and opening up all ATMs in a given network to cardholders. Not only did this aid in the convenience and reach of financial institutions but it reduced operating costs and increased efficiency at the same time.

This led to further progress a few years later when ATMs were tied into systems, facilitating access to and transfer of real-time cardholder account information. Today, ATMs are present on nearly every block and consumers rarely have a need to physically visit their bank. Networking developments completely transformed the banking industry and its structure for the better, never to be the same again.

availability and security by introducing ATMs (see sidebar). Now it is time for the retail industry to transform itself by leveraging advanced networks to serve as the foundation for the unified shopping experience that the customer wants. Centralized technology allows retailers to offer a holistic customer experience that transcends channels, what Boston Retail Partners calls “unified commerce.”

The shift to unified commerce

Retailers are shifting their focus from channel integration to a holistic customer experience. Retailers can no longer afford to operate from within channel silos, and must transform the organization, business processes and technology to align with the demands of their customers.

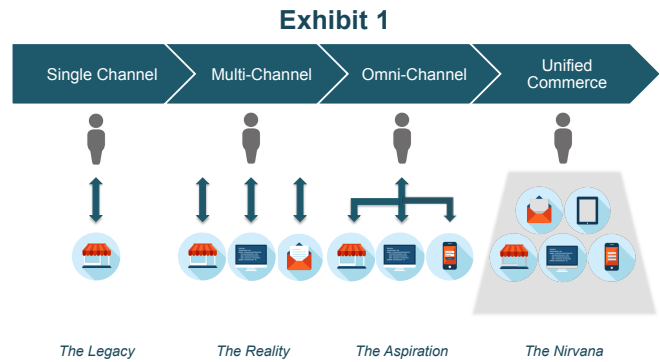
For example, let's say a customer is shopping online, puts items in her online shopping cart and then abandons the cart, choosing to visit that retailer's local store. Unified commerce means that when the customer walks into the store and identifies herself (opts-in), the associate can look up her shopping history, including that abandoned cart, in real-time and know what the customer was looking at online. Unified commerce transcends channels and enables the opportunity for a store associate to sell to a customer based on her digital footprint.

Integral to unified commerce is a unified commerce platform, meaning a single centralized commerce platform for all channels (**Exhibit 1**).

This single commerce platform promotes high efficiency by combining traditional point of sale, mobile, Web, clienteling, order management and fulfillment into a consolidated, real-time platform.

The unified commerce challenge

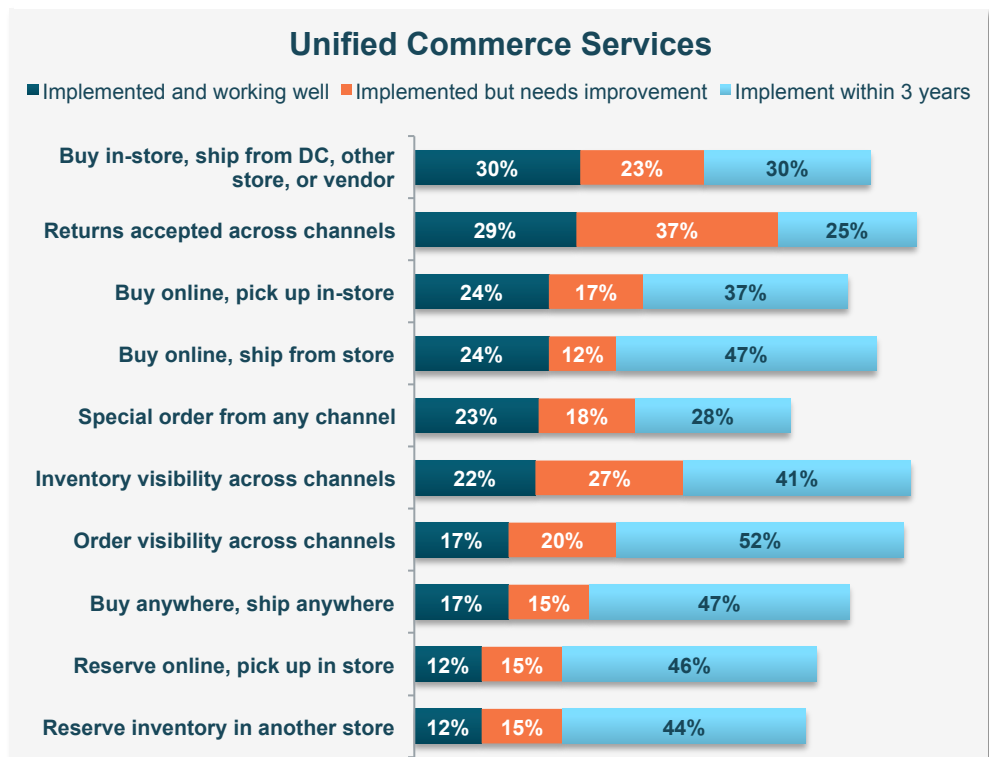
Many retailers have started down the unified commerce path by offering services that help provide the seamless holistic shopping experience the



customer expects, but most of these services still involve manual components and are not working well. In [BRP's 2014 Merchandise Planning & Allocation Benchmark Survey](#) we found that in most cases the processes that support cross-channel commerce are manual and labor intensive, with information pieced together from multiple systems and processes that don't function well in real-time.

In [BRP's 2015 POS/Customer Engagement Benchmarking Survey](#) of top North American retailers we found that though the ability to "buy anywhere, ship anywhere" has been implemented by 32% of retailers, nearly half of these retailers don't think it is working well

Exhibit 2



(Exhibit 2). In fact, many of the respondents indicated that the unified commerce services they currently offer “need improvement.”

Many retailers, operating in multiple channels, manage their inventory and orders independently across their stores and Web commerce. Unfortunately, this results in many challenges for retailers including:

- Lost revenue due to backorder cancellations and inventory shortages
- Lost sales opportunities by not maximizing cross-channel fulfillment options available to customers
- Increased cost of fulfilling special orders
- Inefficient merchandise distribution
- High carrying costs of sub-optimal inventory levels
- Lower customer satisfaction

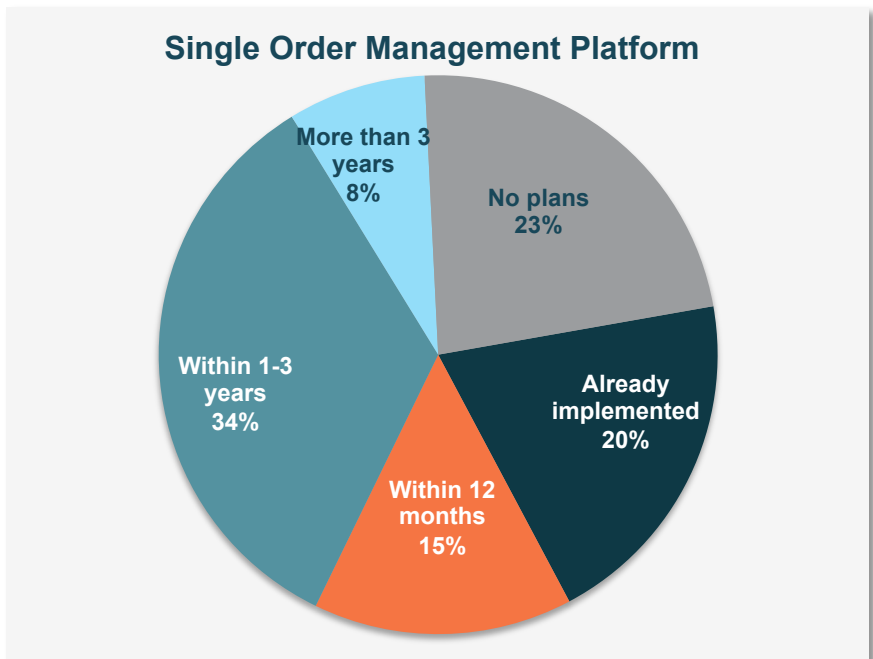
A single commerce platform is needed

The solution to handling orders, fulfillment, and inventory in one location is a single commerce platform. A single commerce platform provides a single version of the truth across all channels to enable visibility and availability of accurate inventory and customer information. In the POS/Customer Engagement Survey we found that retailers are working towards this goal with 663% more retailers planning to implement a single commerce platform for store, mobile and web in the next few years (8% have implemented, 28% will implement in less than two years, 25% will implement in more than two years) **(Exhibit 3).**

The brains of the operation

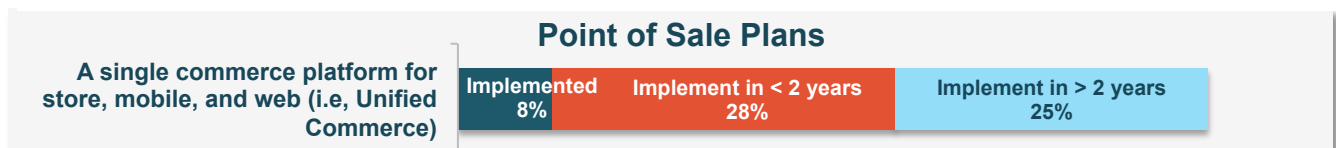
An order management solution (OMS) is the best solution to offer a single unified commerce platform, and retailers realize this with a reported 250% increase in the implementation of single order management platforms in the next three years (POS/Customer Engagement Survey). 20% of the retailers surveyed have already implemented a single order management platform to facilitate unified commerce, allowing them to engage customers wherever and whenever they want to shop **(Exhibit 4).**

Exhibit 4



Order management solutions have evolved over the years and can now support unified commerce order fulfillment scenarios including buy online, pick up in-store or buy online, ship from store. Some retailers have started utilizing their OMS as an enterprise wide order capture hub or “single cart,” which allows retailers to view and access their customers’ order history,

Exhibit 3



wish lists and purchase behavior across channels. This approach has the added benefit of enabling the retailer to control a customized set of business rules within a central engine to support complex requirements at every touch point and the flexibility to quickly adapt to changes. The OMS can be viewed as the brains of the operation with all transaction and customer data coming in and going out of the system to run the business.

Benefits of a unified order management system

A single order management solution – or unified order management solution – provides many benefits to help solve cross-channel challenges for retailers, including increased sales by offering more purchasing options and decreased costs by simplifying the store-level technology environment.

Cross-channel inventory visibility and availability

The most significant benefit is increased sales driven by enabling ‘endless aisle’ capabilities and the ability to ‘save the sale’ by selling merchandise across channels or even selling merchandise that is not normally carried within the chain. Cross-channel inventory availability can also reduce inventory management costs and enhance customer service by giving customers further purchasing options. Providing shoppers with more fulfillment options in addition to the added purchasing choices will also increase customer satisfaction.

Flexible ordering and delivery options

By offering customers the ability to purchase an item online and pick up in the store, the customer benefits by spending less time at the store checkout since the item has already been picked and purchased. Retailers can also benefit from increased store traffic by customers picking up items at the store, which may result in additional shopping. Studies have shown that when customers visit stores to pick up items previously reserved or purchased,

they spend an additional 20 to 40% on other items.

Simplified and flexible technology

A unified order management solution also offers retailers a leaner, more flexible store-level technology environment. Current technologies allow for real-time integration and a dynamic systems architecture supporting the on-demand services expected by today’s customers. By centralizing systems to either a data center or the cloud, there are fewer devices and licenses to maintain, application updates can be centrally deployed and there is only one system to secure.

Customer experience personalization

The ability to have all channels access a singular view of the customer’s shopping behaviors and history is the cornerstone to building a persona-based shopping experience.

Glass pipeline

One of the most interesting benefits is the ability to enable a glass pipeline or “make the invisible visible.” With one version of the truth supporting all channels, this enables visibility into inventory, sales, task management, etc. in real-time across the chain.

Using the analogy of the unified order management solution as the brain, this visibility allows the brain to react to stimuli immediately. If an item is out-of-stock in one store, the OMS can immediately identify where the item is in stock and direct fulfillment from another store or warehouse. If an item that should be selling is not (for example, cranberry sauce on the day before Thanksgiving), the OMS can identify the problem in real-time based on established rules.

A unified order management solution allows the retailer to act in real-time to ensure that the chain is functioning as efficiently as possible. And if there are issues, it enables the retailer to immediately react to fix the problem. A unified management solution allows the retailer to constantly have their fingers on the pulse of the business.

Unified order management system considerations

In order for a unified order management system to fully supplant a current POS system there are several considerations that need to be addressed. Some key areas of focus needed for the unified order management system to evolve into the new POS include:

Network infrastructure

As previously noted, due to massive investments in infrastructure, we have robust networks available today that are far faster and more reliable and resilient than anything we have seen in the past. The reliability of these networks is higher than the electric grid and is the most critical factor to enabling a unified commerce platform that encompasses store operations. To fully realize this goal though, retailers may still need significant investment in upgrades to the network infrastructure servicing their stores. Additionally, the unified OMS must be capable of leveraging all network options such as 3G or 4G, to minimize downtime as much as possible.

Offline considerations

Despite the high reliability of today's networks, stores still need to account for potential offline scenarios. As a result, the unified OMS requires capabilities to allow stores to continue processing sales transactions while in a disconnected state, albeit with functionality limited to only critical functions.

Cash management

Cash management (cash accountability, sales audit, etc.) is a function unique to store operations that needs to be addressed in a unified OMS.

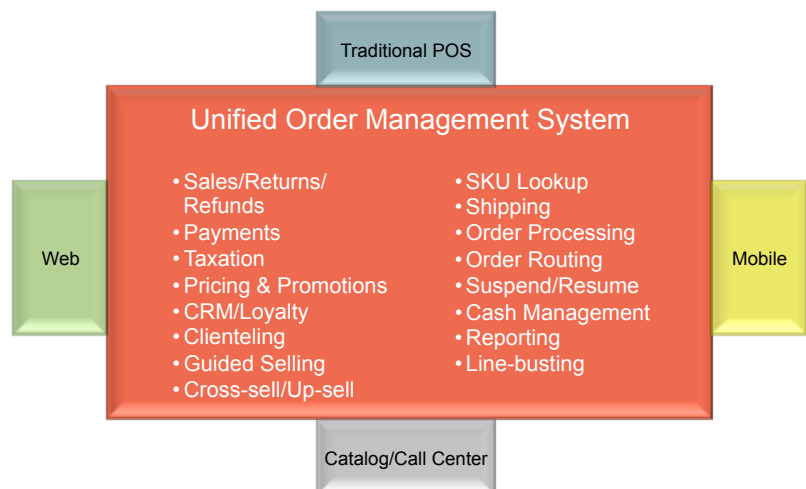
While retailers and vendors are realizing the need for a unified order management solution and we are seeing movement in the space as

vendors work towards this solution, there is still work to be done to create a true single commerce platform to meet the retailer and customer's needs (**Exhibit 5**). We have seen several recent mergers and acquisitions among vendors to expand capabilities to deliver a unified order management platform and we will likely see additional moves in this area.

Conclusion

Retailers can no longer afford to operate within channel silos. Now is the time for retailers to transform the organization, business processes and technology to align with the new shopping behaviors and expectations of today's customers. A single commerce platform is the new imperative for handling orders, fulfillment and inventory across channels in real-time. A unified commerce platform is the end goal and a unified order management system is the best approach to achieve that goal. Order management systems are designed to handle complex fulfillment options for ecommerce orders and can evolve to handle transactions in the store and are well suited to be a unified commerce engine across all channels. After all, when thinking about placing online orders vs. a sale in the store, it is easy to see that a POS transaction is essentially just an order processed in real-time.

Exhibit 5



Unified order management consolidates capabilities and becomes the central commerce hub hosting the single shopping cart across channels

About Boston Retail Partners

Boston Retail Partners (BRP) is an innovative and independent retail management consulting firm dedicated to providing superior service and enduring value to our clients. BRP combines its consultants' deep retail business knowledge and cross-functional capabilities to deliver superior design and implementation of strategy, technology, and process solutions. The firm's unique combination of industry focus, knowledge-based approach, and rapid, end-to-end solution deployment helps clients to achieve their business potential.

BRP's consulting services include:

Strategy
Point of Sale (POS)
CRM
Order Management
Supply Chain

Business Intelligence
Mobile POS
Unified Commerce
eCommerce
Information Technology

Business Process Optimization
Store Systems and Operations
Customer Experience & Engagement
Merchandise Management
Private Equity

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To download the 2015 POS/Customer Engagement Benchmarking Survey please go to:
www.bostonretailpartners.com/resources/2015-poscustomer-engagement-benchmarking-survey/

To download the 2014 Merchandise Planning & Allocation Benchmark Survey please go to:
<http://bostonretailpartners.com/resources/2014-merchandise-planning-allocation-benchmark-survey/>

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About OrderDynamics

OrderDynamics is the world's leading cloud Retail Order Management Suite provider with its distributed order orchestration, enterprise inventory visibility, customer service, and store fulfillment modules. Brick and mortar retailers and branded manufacturers deploy solutions like in-store pickup and ship-from-store to create exceptional shopping experiences.

Iconic brands including Speedo, Quiksilver, J.McLaughlin and Bouclair Home leverage OrderDynamics technology to power Omni-Channel solutions across North America, Europe and Asia.

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