

E-commerce gives logistics a voice at the top table

How do you configure a retail logistics operation to make the most of the opportunities available with e-commerce - and provide the flexibility and agility to handle changes in the future? That was the question facing a team of retail experts in our round table sponsored by Vocollect, part of Honeywell International Inc.



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The impact of e-commerce on retail operations poses many questions: What are the differences between distribution operations for the high street and for online? What does it take to reconfigure a DC to handle omni-channel? How do you deal with returns? And most importantly- how do you get all this right?

“Workers are always going to remain key to the agility and ability you have to satisfy customers and create loyalty within a brand,” said Darrel Williams, Northern Region Director at Vocollect, the specialist in voice-enabled workflow and data collection solutions.

“Vocollect looks at simplifying processes in both modern and traditional warehouses, and optimising the resources available and no matter what technology you use, it all comes down to those resources being people.”

Meet the panelists

One size does not fit all

But people have an initial fear of online according to head of logistics at Matalan, Nigel Prescott. “Although there comes a point where you realise you need it,” he said. “Then you have to ask yourself why. Nowadays at one end of the scale we have the market online leaders, then at the other, we have the people morphing and trying to understand what online actually means. This shows that one size does not fit all, and one model does not fit all- it depends on where you are in the marketplace, what your demographics are, and what your customer expects. To succeed in e-commerce you have to understand your own business before you get to a place you may not need to be at that point in time – it’s about creating a road map into your future.”

From high street to online

Director of logistics at Debenhams, Michael George, agreed: “We’re all going through the journey, from having a traditional high street model, to our customer suddenly wanting it sent to their house. There is also this fear that customer expectations are seeing a trend in free delivery and returns, but market leaders are managing these expectations and because of their household name, customers will pay for these services with them when they wouldn’t elsewhere. The big challenge for retail in terms of multi-channel is dealing with the economics of a high street business with heavy fixed costs that’s in the decline and an online business with heavy variable costs that’s on the increase, while remaining profitable. It’s an interesting landscape to play in and there is a focus on logistics and supply chain like never before.”

Every channel has its challenges

For World Duty Free Group, there are some unique challenges. “World Duty Free has a slightly different problem because we are constrained and can only sell to people who are flying, you can only buy our product with



Alan Clarke, managing director, Trademaid



Chris Heslop, regional marketing manager, EMEA, Vocollect



Dan Curran, head of supply chain, UK World Duty Free Group



Dan Corrigan, Head of Operations Development, Wiggle



Darrel Williams, regional director Northern Europe, Vocollect

a boarding pass,” said head of supply chain UK there, Dan Curran. “So omni-channel for us means reserve and collect, we can’t even offer click and collect services because we can’t charge in advance. It then becomes about what products you make available through this limited route of reserve and collect. If you’re flying within the EU you have a different product range to customers flying outside of the EU, and of course there is only a window of an hour or so for the customer to collect the product. We have unique constraints but equally unique opportunities.”

Stuart Beeby, worldwide head of logistics at Sotheby’s, also has to deal with unique constraints. “Our challenge is the culture change, because our clients expect to get shipping costs for free, for example, we need to cover these in the actual deals we make with them, and this can cost around \$13 million a year. As an auction house we don’t run the trucks, the trains, the planes, so the culture change has led to the question of brand democratisation. In terms of online developments, we have introduced an online auction, where you can bid online in a real time, but this is really quite niche.”

Catering and cleaning supplies provider Trademaids is the opposite of niche according to the firm’s managing director, Alan Clarke. “We were purely online, everything about the company was about customer convenience, part of our strategy was you can order it online from anywhere and everywhere. When we started the business we had great success with just the online channel, but we’re now finding people are reverting back to the traditional shopping experience – they want to see their product, they want that face-to-face interaction. We are now becoming more fixed because of the way customer perception is, because of the way they want to buy things.”

The not-so-simple online purchase

Even modern developments are reverting back to traditional ways, according to Dan Corrigan, head of operations development at Wiggle, the online cycle retailer. “There has been talk of new developments, such as putting up pop-up points but with a dressing room attached to it. This differs from the standard collection point of ‘man in corner shop’, and will see the return function happen then and there, coming directly back through the network.”

Corrigan questioned today’s online shopping when it comes to expensive purchases: “The cheapest bike we sell is £500, but we’ve also sold one for £10,000- it’s all very high spec equipment, so would you buy one of our bikes just by looking at a picture on a web site?”

Michael George argued that such a decision comes down to the customer doing their research. “Customers can visit the company’s site, visit other retailers, and do a certain amount of touch and feel in the shop before making a decision,” he said. “Omni-channel is about embracing the customer who wants to try something on and shop around before making their final decision online- it’s about the customer journey no longer just being the simple transaction of the store, you must now

keep on top of what the customer is actually doing.”

Consumer behaviour doesn’t change, said Matalan’s Prescott. “If a customer is going to buy an expensive product like a £5,000 bike, they would have done their research; it’s the impulse buys that cause problems in terms of returns. To deal with the rate of returns, it is important to look at your own business and watch customer behaviour very carefully. You begin to see certain trends, and in Matalan’s case, this is probably linked to our price point and our customers’ expectations.”

He points out that Matalan uses click and collect to encourage people to go into the stores. And, he says, click and collect customers aren’t concerned about next-day pick-up, even though 95 per cent of them can achieve this in the UK. “It’s not just about time anymore, it’s about convenience.”

George believes it is important to not label a customer, because people have different shopping missions at different times. “Customers may have a certain lack of confidence of next-day delivery or they may not be there to pick it up, so they may choose click and collect because that is guaranteed – it’s for certainty, not for speed,” he said. “But then another customer will choose the cheapest option and wait however long it takes for it. Different people have different expectations, you

need to be able to provide a range of services to maximise these shopping missions. Customers may not want click and collect next-day service now, but in a year’s time they could be groomed by the trend and deem your offer weak if you don’t provide it. Online has refined what difficult is in logistics, logistics is a lot harder than it used to be, and it’s a great time to be in the industry. We’re all constantly evolving and focusing on how to deal with growth. In the future I imagine more and more people will go automated, and more and more SMEs will be able to get access to shared user automated facilities.”

Right every time, on time

The group discussed the change in outsourcing trends, saying several years ago everyone outsourced everything – it was fashionable, but then as times got tough and businesses became more complicated, people brought these operations back in house.

Darrel Williams of Vocollect now believes this trend has reversed and organisations are looking to outsourcing once again. But before outsourcing you must be sure that it works for you.

“With technology enabling shopping like it’s never been before, and that constant question of what is going to happen tomorrow, more companies will look at trying to outsource that expertise,” said George. “We almost want the right to be as demanding as our customers are, and say ‘I want this, today’, but the challenge for 3PLs will be how they service that. 3PL has a strong future, but a

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Guy Meisl, head of European distribution, Deckers Outdoor Corporation



Michael George, director of logistics, Debenhams



Nigel Prescott, head of logistics, Matalan



Stuart Beeby, worldwide head of logistics, Sotheby's

tough job on its hands.”

There is also the challenge of seasonality, said head of European distribution at Deckers Outdoor Corporation, Guy Meisl. “Say for example, 40 per cent of my business is in December only – should I have my own shed with an inflatable bit on the side to deal with that peak? The 3PL model has more flexibility and multiple sites. And the ultimate business case for 3PL would be to balance the demand cycles of the various trades and industries, which would see a warehouse full of ice-cream in the summer and full of boots in the winter.”

But Curran argued that you are essentially making the same decision and investment, whether you do it alone or through the 3PL. “Plus, 3PLs are bred for stability, which can cause problems in this new world which is about dynamic and change,” he said.

“But there is the utilisation of assets that a 3PL would be able to do better than your own company,” said George. “Experience in 3PL is relevant to the technology available. It’s simple economy and scale. The 3PL has a deck of cards which is the tools available to them, and a deck of cards which is their customers, and they know how to play the cards best. When you’re trying to service your own needs, you have one card that works today, but it may not work tomorrow, so what do you do with it? And what do you do with the rest of the deck?”

Prescott believes it is best to break down the process: “There is the true operational end and the clever bit; the clever bit is all about the marketing and the customer and the tools, understanding what we think the customer needs, so how that drives your platform and the channels available to the customer. Customer experience is vital.”

The differentiator has become how you think about it moving around instead of how it actually moves around, according to Corrigan. He said essentially boxes go in and boxes go out; that hasn’t and never will change.

The big change experienced by the industry is that this now happens in real-time only hours later, every day.

“It’s what we’ve always done but now it’s harder,” said

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George. “We have to react faster, there’s more transparency and visibility within the business, and customers care a lot more. We’re all trying to tackle e-commerce, but it’s constantly developing – different models are evolving; the automated solution, the multiple-sourced manual solution, and our own store fulfilment model where we’re increasingly trying to move our store product out to customers because we have such a low rate of sale. Avoiding mark-down has become a logistical problem for the first time.”

Prescott said this remains relative to what your business is. “You need to think what you want to be, what you need to be, what your future is – it’s a journey, it’s about understanding your business and managing the pace of change,” he said.

A flexible logistics and supply chain

Meisl described this journey as the industry itself becoming much more involved in the overall business sector, saying logistics and supply chain used to be something that just went on in the background.

“We have gone from being that annoying relative to a business’s best friend,” agreed Clarke.

The success of any operation comes down to your business, continued Meisl. “If you get the contract and the standards right, and you set up a framework that works for you, it will be a successful operation. It’s when there is no control and understanding in house and you just leave the 3PL to outsource and get on with it, for example, that’s when problems occur.”

George said: “The logistics frontline is changing, it’s no longer just in the warehouse; it has extended into the customers’ home. If you’re looking for an environment where there’s a lot of people, processes, and manual tasks, that used to be the warehouse, but stores are taking over. We are making best use of what we have, WMS are more configurable than ever, they have a great deal of flexibility which you can now use to deliver new concepts.”

Flexibility and agility: it’s all about your people

But exactly how much flexibility within our current organisations are we using, asked Darrel Williams. “When you’ve got people who need to do other things to make your operation more efficient, how much more multi-skilling is needed and is used by your company?”

“My experience is that you employ someone, they work on an area, they work on a shift, they do that for 52 weeks a year, and then you bring in a load of seasonal temps, which tend to be students,” said George.

“Some retail footprints are going to have some cultural challenges on their hands about multi-skilling, multiple hours, and embracing new skills and processes. It’s culture first.”

It has become a strategic function to choose the right people, and the right talent, according to Beeby, with collaboration remaining key.

“You need more people, and you need good people in your business,” agreed Clarke. “You can’t automate everything or you start losing that expertise. It is important to invest in individuals - in the warehouse, in purchasing, in sales, everywhere.”

So from customers to employees, people seem to be at the forefront of the industry, no matter what technological innovations come and go. Empowering those resources, our people, supporting them to perform at consistently higher levels is the challenge that faces business leaders.

“The store of the future isn’t just about the technology and layout, it’s about how the customer moves through the store,” said George.

“In the next five years customers’ expectations will lead to the shopping experience becoming more of a social engagement, they will browse but may not buy, they will want to be entertained, perhaps we will see more theatre in store, more food offerings, who knows... Either way the role of the store will have to change to keep up with the popularity of online.”

Helping you run a better business.

Vocollect by Honeywell is the leading provider of innovative voice-enabled workflow and data collection solutions that help companies with mobile workers run a better business. Together with a global team of over 2,000 Vocollect Certified Professionals, Vocollect enables companies to save more than US\$20 billion annually by further optimising operations, improving business decision capabilities and delivering the industry’s premier worker experience to nearly one million mobile workers who process more than US \$5 billion of products every day in challenging industrial environments.

Vocollect understands warehouse and distribution centre operations.

In challenging times, it’s a balancing act to drive profitable growth and streamline existing processes to reduce costs and make an efficient business run even better. Our voice-enabled technology can dramatically increase performance, which in turn helps you to improve business efficiency and reduce operating costs, with worker productivity boosts of up to 35 per cent. Warehouse workflow errors are also reduced by up to 25 per cent and operations are better equipped to support industry best practices.

Vocollect Voice communicates with

warehouse staff through headsets and wearable mobile computers, leaving their hands and eyes free to focus on the various warehouse processes and achieve targets faster. Vocollect solutions purposely do not include screens or keyboards because voice is able to more efficiently confirm steps in a workflow process than a keyboard, and voice enables workers to operate with both hands-free. It makes no sense to force a worker to carry a large device with them all day, when 95 per cent of a worker’s tasks can be performed with voice and scanning.

Vocollect’s innovative voice solution is specifically designed to fully leverage existing ERP & WMS technology investments with the industry’s broadest and deepest data integration solution portfolio. We provide an elegantly integrated solution from the headset to host data system for maximum worker confidence and ergonomics. Vocollect integrates with all major WMS and ERP systems and supports the industry’s leading handheld computing devices.

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