Fashion Retailer's Stairway to Customer Experience Nirvana

Deploying a Coherent Omnichannel Strategy

NETSUITE

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Introduction

The malls and shopping centers of America are littered with the ghosts of fashion retailers that once ran a thriving business—Fashion Bug, Cache, Casual Corner. Whether it was ecommerce, larger competition, a recession or the failure to embrace a new technology or fashion trend, they found themselves unable to adapt.

The latest trend in retail is already foisting similar change and disruption on retailers and most aren't ready for it. According to RIS News, more than 20 major brands have either declared bankruptcy or liquidated so far in 2015.[1]

Teen retailers Delia's and Deb who recently filed bankruptcy, struggled with offering products that identified with today's fast-fashion marketplace. Gap, the iconic t-shirt and jeans behemoth, announced the closure of 175 stores. Cache, who WSJ reports hasn't turned a profit since 2011 filed for bankruptcy, closing 21 of their stores this year. For these retailers and those akin, the stories are comparable.

Lagging sales are a result of the inability to fulfill orders, over-compensating promotions, dated fashions and the lack of product differentiation in the market.

Today more than ever, the success of your business is dependent upon pleasing the customer. Customer expectations are motivating retailers to deliver a best-in-class customer experience across channels. However, to achieve that goal, retailers need to strip away layered software solutions and get to the root of their business by implementing a one-touch inventory, customer and order management system that will enable them to hone in on developing the relevant experiences their customers are demanding.

Forward-thinking retailers and brand manufacturers looking to expand and unify their business across channels, brands and the globe, are seeking a complete commerce platform that will make operations from back-end systems to the POS, ecommerce and beyond more efficient, more personalized and conclusively more profitable.

NetSuite has developed the ideal path forward for fashion apparel retailers to achieve success in today's competitive market. Known as the Stairway to Customer Experience Nirvana, this method outlines five strategic steps for fashion apparel retailers to resolve technology obstacles that inhibit innovation and threaten desirable customer experiences.

[1] RIS News, "Retail Transformed, an Inspired Vision to Innovate, Differentiate and Accelerate," April 2015.

Today's Consumer vs. the Fashion Retailer

The modern consumer is well-informed and empowered with information readily available at their fingertips. They are researching, shopping, benchmarking and gaining peer insights all while standing in your store. Today's consumer has access to shop anywhere and at any time through their mobile device. Able to instantly locate the same product at a competitor, consumers can quickly take their business elsewhere putting incredible pressure on retailers to adapt swiftly.

In fact, numerous consumer studies have shown that upwards of 50 percent of sales are currently influenced by digital shopping behaviors.[2]

Fashion apparel retailers face unique challenges. Housing multiple SKUs, sizes, and assortments makes merchandising and inventory management tricky. Today's fast-fashion environment changes rapidly and forces apparel retailers, to make adjustments to accommodate these quickly shifting trends. Today's shopper maintains the 'want-it-now' mentality and is easy to disappoint if the item they want is unavailable. To preserve revenues, retailers must gain insight into their customers' purchasing habits in order to anticipate these changes.

Customers seek a journey free from interruptions and complex pricing strategies, all while receiving personalized and attentive service, but most retailers are using multiple disjointed and costly software solutions that can never be fully connected with other systems, resulting in incongruent data. That's left fashion retailers reluctant to invest in omnichannel solutions that could provide invaluable insight into their customer's needs.

As RSR Research writes in a recent report, "it's incredibly difficult to satiate a customer's needs when, should that customer decide to visit a store (where more than 90 percent of sales still conclude), virtually all of their online pre-purchase behavior is entirely invisible to in-store staff.[3] We also maintain that such information is needed in-store well before the customer reaches the POS.

> IN FACT, NUMEROUS CONSUMER STUDIES HAVE SHOWN THAT UPWARDS OF 50 PERCENT OF SALES ARE CURRENTLY INFLUENCED BY DIGITAL SHOPPING BEHAVIORS.[2]

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[2] RSR Research, "2015 Commerce Convergence: Closing the Gap Between Consumer and Brand, Benchmark Report," June 2015.

[3] RSR Research, "2015 Commerce Convergence: Closing the Gap Between Consumer and Brand, Benchmark Report," June 2015.

Top 3 Business Challenges In Creating A Seamless Customer Experience

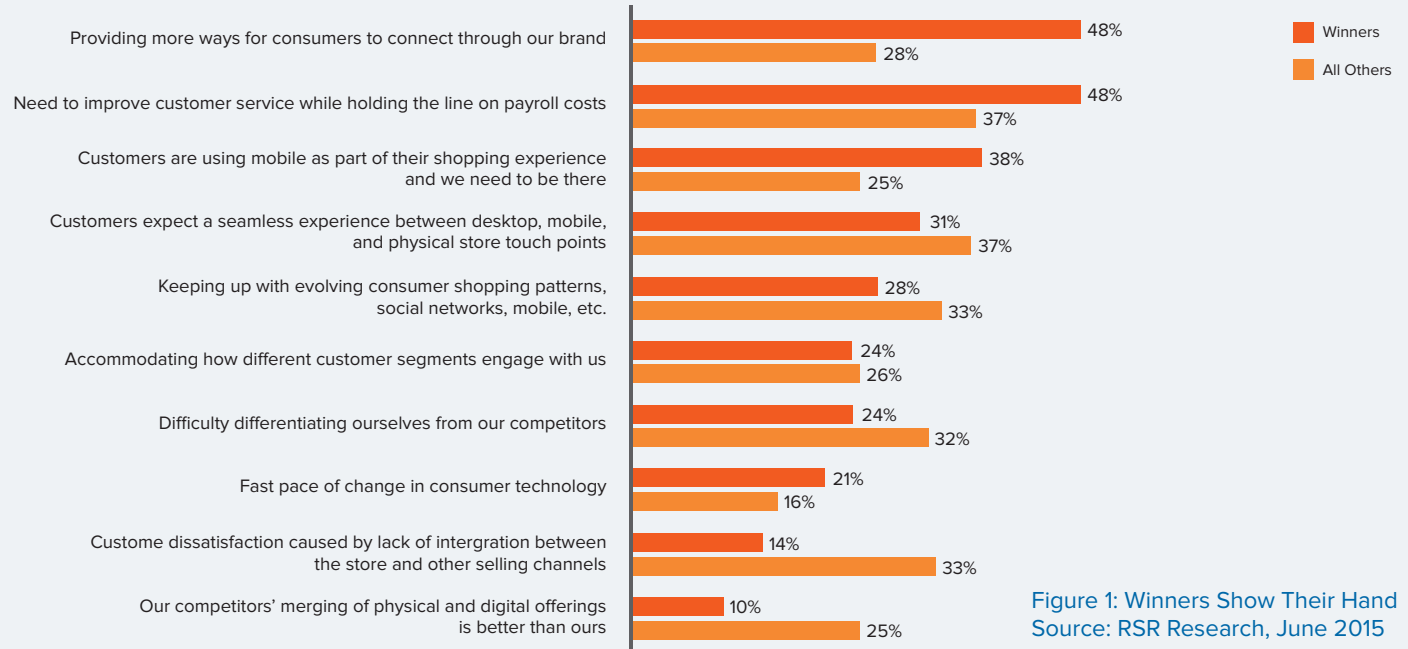| Challenge	Winners	All Others
Providing more ways for consumers to connect through our brand	48%	28%
Need to improve customer service while holding the line on payroll costs	48%	37%
Customers are using mobile as part of their shopping experience and we need to be there	38%	25%
Customers expect a seamless experience between desktop, mobile, and physical store touch points	31%	37%
Keeping up with evolving consumer shopping patterns, social networks, mobile, etc.	28%	33%
Accommodating how different customer segments engage with us	24%	26%
Difficulty differentiating ourselves from our competitors	24%	32%
Fast pace of change in consumer technology	21%	16%
Custome dissatisfaction caused by lack of intergration between the store and other selling channels	14%	33%
Our competitors' merging of physical and digital offerings is better than ours	10%	25%

Figure 1: Winners Show Their Hand
Source: RSR Research, June 2015

Fundamentals for Solving Omnichannel in Fashion Retail

Currently, many retailers are unsuccessfully combing through a hairball of fragmented integrations, where their brick and mortar stores are disconnected from their website and distribution centers.

According to Innovative Retail Technologies, 86 percent of midmarket retailers ($250m-$1b) say their biggest inhibitor in achieving omnichannel success is that their supply chain isn't designed to support omnichannel fulfillment.[4]

That's left vital processes disconnected from one another resulting in lackluster results in inventory management, order fulfillment, marketing campaigns, and ultimately revenues. Retailers need one system that manages multiple touchpoints so they can promptly deploy accurate operations. To gain optimal value with this technology, NetSuite advises one coherent path forward—The Stairway to Customer Experience.

[4] Innovative Retail Technologies, "Can You Meet Customer Expectations at any Cost," April 2014.

Stairway to Customer Experience Nirvana

Step One, Remediate

The first step in achieving customer experience nirvana is remediating tangled systems and inaugurating a one-system approach. To achieve success in today's digitally competitive marketplace, retailers need to simplify processes by consolidating systems. This strategy will eliminate duplication and fragmentation while delivering real-time data and creating efficiencies and opportunities to improve the customer experience through enhanced loyalty programs and greater levels of personalization.

Stairway to Customer Experience Nirvana

A strategy for fashion brands to deliver personalized and engaging journeys for shoppers.

TRANSFORM YOUR BUSINESS

VISIONARY

TRENDSETTER

ESSENTIAL

70% of successful digital business models will rely on processes designed to shift with customers' needs.[5]

50% of consumer product investments will be redirected to the customer experience by 2017.[4]

42% of online shoppers want the ability to return items to a nearby store.[3]

40% of shoppers say the in-store experience needs the most improvement and 42% wish to order out of stock items.[2]

86% of retailers say their supply chain isn't designed to support omnichannel fulfillment.[1]

DISRUPT — Technology is no longer the inhibitor.

INNOVATE — Leverage a 360° view of the customer to deliver personalized and intelligent campaigns.

ENHANCE — Connect all shopping channels, enabling customers to buy and return anywhere.

UNIFY — Deploy technology in-store for full customer and inventory visibility with cross-channel fulfillment.

REMEDIATE — Standardize customer, items, and inventory onto one cloud-platform.

1 Integrated Solutions for Retailers, "Can You Meet Customer Expectations at any Cost," April 2014
2 Accenture, 2015 Seamless Retail Research Survey, 2015
3 Accenture, 2015 Seamless Retail Research Survey, 2015
4 Gartner, Top 10 Strategic Predictions for 2015 and Beyond: Digital Business Is Driving 'Big Change', October 2014
5 Gartner, Top 10 Strategic Predictions for 2015 and Beyond: Digital Business Is Driving 'Big Change', October 2014

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STANDARDIZE CUSTOMER, ITEMS, AND INVENTORY ONTO A SINGLE RETAIL MANAGEMENT SYSTEM PLATFORM FOR A FLUID CUSTOMER EXPERIENCE.

Step One on the Stairway to Customer Experience Nirvana is establishing a single system for order, customer and inventory data. This step focuses on the heart of the business; those core processes that are essential to daily operations. Once implemented, this back-end system will funnel data to all existing and future channels, which is why it takes precedence as the first step towards achieving omnichannel success.

Customer: Fashion retailers need a source of customer data that provides access to a 360-degree view of the customer to provide innovative, personalized and targeted experiences, offers and communication.

"According to RSR Research, "just over half (54 percent) of retailers say that their biggest inhibitor is that they do not have a single view of the customer across channels.[5]"

Shoppers no longer access one channel before making a purchasing decision, they leverage multiple-mobile, desktop and in-store channels. Before these marketing campaigns can be launched, retailers must first have a means of storing information in one central engagement hub that is reachable from any shopping channel, because identifying the customer is an integral part of satisfying their needs.

"ONLINE OUT-OF-STOCK ISSUES ARE THE NO. 1 REASON FOR ABANDONED CARTS. IF THE REST OF THE ALLOCATION IS GOING TO STORES, IT SEEMS LOGICAL TO ROLL OUT STORE-BASED FULFILLMENT, ENABLING STORES TO BECOME MINI ECOMMERCE WAREHOUSES."

Peter Sheldon
VP and Principal Analyst, Forrester

Order: For an effective order management system, fashion retailers must leverage intelligent order orchestration to deliver on the customer promise of fulfilling, buying and returning anywhere without breaking the bank—domestically and globally. This strategy will harmonize customer expectations, and vendor profitability.

Inventory: Retailers need a real-time view of inventory levels across all channels; by knowing what's selling, retailers can optimize critical product decisions based on purchases across the landscape and avoid costly markdowns and over-stocked items by implementing logistics based on localization data rather than intuition. Traditional integration strategies linking inventory sources and commerce engines will never allow a retailer to meet the real-time needs for omnichannel supply chains. If information lives in more than one system, it's wrong in one of them. Retailers just won't know which one until a customer makes a purchase and the item can't be fulfilled. Retailers often miss out on sales opportunities because of inadequately stocked merchandise and inefficient modes of tracking product levels. This leads to broken customer loyalty and ultimately, dwindling profits.

[5] RSR Research, "Omni-Channel 2013: The Long Road to Adoption," June 2014.

According to a survey from Innovative Retail Technologies, 67 percent of retailers surveyed found direct-to-consumer fulfillment very valuable and 77 percent valued online visibility into in-store inventory. Yet, a mere 37 percent of retailers were attempting to solve that issue.[6]

Step Two & Three, Unify & Enhance

While many retailers are eager to replace existing POS and ecommerce solutions, it is essential to remediate the ecosystem of data on the back end first. Once you have a solid and reliable system of record in place, you can then deploy more modern and advanced channels that will seamlessly connect within any extension of your business.

Step Two, POS – Naturally, the point of sale system has become the most valuable hardware used in brick and mortar stores today. With most transactions occurring on a traditional POS system, its financial worth is apparent. Step two connects the POS to all other systems within the company, providing instant access to inventory levels and customer data throughout all stores and distribution centers. Sales associates will now be able to quickly leverage this data to provide pleasant in-store experiences for customers.

Step Three, Ecommerce and Beyond – With a solid back-end system in place and a fully integrated POS system in stores, you are ready to roll out a complete omnichannel experience for your customers. This third step will connect any remaining channels to the back-end and POS including; ecommerce, pop-up stores, catalogs, call centers and kiosks. No matter which channel your customer chooses to shop, they will have the same seamless experience with access to buy anywhere and return anywhere.

> IMPLEMENT A POS SYSTEM THAT INTELLIGENTLY SYNCHRONIZES WITH BACK-END OPERATIONS FOR FULL INVENTORY VISIBILITY AND CROSS-CHANNEL FULFILLMENT.

Over 66 percent of retailers are currently in the midst of a major POS upgrade or will begin one over the next two years, according to RIS News' "Your Last Traditional POS" report.

- 63 percent of all retailers say their next POS will be a unified transaction engine also used for m-commerce and ecommerce.[7]
- 57 percent of midmarket retailers say there is a lack of coordination between supply chain, merchandising, and marketing.[8]

[6] RSR Research, "Innovative Retail Technologies, Can You Meet Customer Expectations at any Cost," April 2014.

[7] RIS News/IHL Group, "11th Annual Store Systems Study 2014: Stores Reinvented" August, 2014.

[8] RSR Research, "Innovative Retail Technologies, Can You Meet Customer Expectations at any Cost" April 2014.

> CONNECT ALL SHOPPING CHANNELS FOR A TRUE OMNICHANNEL EXPERIENCE, ENABLING CUSTOMERS TO BUY-ANYWHERE AND RETURN-ANYWHERE.

> LEVERAGE A 360° VIEW OF THE CUSTOMER TO DELIVER PERSONALIZED, INTELLIGENT AND AUTOMATED MARKETING AND LOYALTY CAMPAIGNS.

Combined, steps one through three enable your sales associates to increase average dollar sale (ADS) with targeted upselling based on shopping cart history and previous purchases. You will no longer turn away sales due to obscure inventory levels, leaving your customers' needs fulfilled.

Step Four, Innovate

Delivering truly innovative customer experiences demands a comprehensive approach to all channels a customer interacts with. By using mobile, social, web and in-store tools, retailers can provide an engaging and relevant brand experience that exceeds customer expectations.

At this stage of the stairway; with a single source for item, inventory, customer, order, and a single customer interaction platform in place, retailers are ready to start providing innovative customer experiences. That begins by engaging with customers via real-time conversations through selling channels, moving into offline engagement and ultimately creating omnichannel marketing campaigns that can close any remaining gaps. With one central communication hub, marketing campaigns are now an easy extension of the omnichannel story, rather than a futile attempt to stitch it together, as many retailers are doing today. With targeted and effective campaigns, retailers will no longer feel burdened to execute excessive promotions in order to salvage sales, rather initiatives can be built around cultivating relationships while gaining trust from the consumer.

Retailers have to be forthcoming about the customer experience. Shoppers today are looking beyond price comparison; they are seeking retailers that can relate to them, providing the most relevant and engaging customer journey. The customer experience is a brand differentiator.

Yet, as many as 27 percent of retailers are not able to identify customers when they are standing in front of the POS, according to Boston Retail Partners in its report 2014 Customer Engagement Survey.

Additionally, fewer than half of retailers plan to implement personalized promotions, based on real-time data, within the next two years. There's clearly an opportunity for forward-thinking retailers to get on board with the latest solutions that can help improve the customer experience.

Indeed, according to RSR Research, omnichannel is making an impact on retailers' marketing efforts. Of retail leaders who implemented omnichannel initiatives, 47 percent had more customer retention from deploying cross-channel loyalty card reward programs while acquiring 41 percent more customers.[9]

> TECHNOLOGY IS NO LONGER THE INHIBITOR, ALLOWING RETAILERS TO CREATE THEIR OWN CUSTOMER EXPERIENCE ROADMAPS WITH THE FLEXIBILITY TO ADAPT TO AN EVER-CHANGING INDUSTRY.
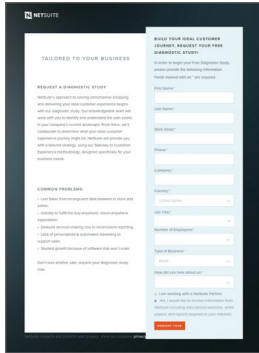
Step Five, Disrupt

Fashion brands disrupt every day with new looks and styles, but constantly face some of the harshest competition from agile new startups taking advantage of constantly shifting technologies. To compete, forward thinking retailers need to disrupt digitally and can do so once they have a clear perspective on their daily operations. With the proper software in place, technology will no longer be the limiting factor, and fashion apparel retailers can point their focus towards more creative endeavors.

Customer Experience Nirvana arrives when you're no longer dependent on a technology provider to help you create and engage in new disruptive ways. But taking disruption into your own hands, and having the confidence that your omnichannel engagement hub and retail management systems will only aide in your ability to innovate, rather than be the source of frustration and/or the reason you cannot keep pace with competitors.

Multiple systems with heavy integration are the direct enemy of customer experience innovation, squeezing out the time and opportunity for invention. They require businesses to work in a least common denominator mode, absorbing company resources which are held back by all the various customer engagement systems.

By removing traditional onsite implementations, tangled together in a complex hairball of integrations, and leveraging a singular view to all aspects of the buying experience on one platform, retailers can take the final step toward customer experience nirvana, delivering superior customer engagement experiences.

[9] RSR Research, "Innovative Retail Technologies, Can You Meet Customer Expectations at any Cost" April, 2014

Build Your Ideal Customer Journey:
Request a free diagnostic study.

Explore NetSuite for Fashion:
Watch our webcast recording.

Conclusion

Fashion apparel and accessory retailers undergo more challenges than other industries. Their market is swarming with competition and the pressure to deliver on product and service has never been more apparent. If retailers want to remain contenders in today's omni-environment, they must replace their current legacy software systems and in an order that makes sense. Only then can retailers begin to focus on innovation.

About NetSuite

NetSuite Inc. is the industry's leading provider of cloud-based financials/and omnichannel commerce software suites. Today, more than 24,000 companies and subsidiaries around the world depend on NetSuite to run complex, mission-critical business processes that allow them to transform their businesses.