CONNECT
WITH YOUR
COMMUNITY

THE RETAIL HIVE LIVE

Where eCommerce Meets Fulfilment

Kensington Roof Gardens
May 2017

About the day…

Senior Retail Executives gathered on a beautiful May morning at the stunning Kensington Roof Gardens to discuss industry-wide issues and challenges facing the Fulfilment sector, as well as taking a glimpse into the future with Professor Marc Hanheide, Reader in Robotics at the University of Lincoln.

Chaired by Robin Phillips, Director of Digital at Kurt Geiger, the day proved an overwhelming success with everyone participating in three interactive round tables, one to one business meetings and finishing with refreshments in the Oriental Garden.

We look forward to seeing you at our next Retail Hive Live in the Autumn.

Best wishes

Noj Mather and Sally Green
Co-Founders The Hive Network

> *Hive events are always uniquely structured, discussion focussed and fun!*
>
> **Ket Patel**
> House of Fraser

Our round table topics and hosts:

1. Omnichannel Fulfilment (Manhattan Associates).
2. Robotics, AI & Automation (Softserve).
3. Customer Experience & Collaboration (DHL).
4. Sustainability & Peak (Will Lockie).
5. Future of Fulfilment (SoftServe).
6. Click & Collect (Sorted Group).
7. International Fulfilment & Returns (Sorted Group).
8. Store Fulfilment (DAI Supply Chain).

Thank you to our event partners:

DAI DHL Manhattan Associates softserve Sorted.

1

OMNICHANNEL FULFILMENT

Manhattan Associates

Discussion Summary:

- One size 'does not fit all'; a customer centric approach is THE only way.
- How well do we know our customers? Do we offer speed and convenience because that IS what they want or because that is what we THINK they want?
- Need to collect more data and conduct analysis – replace customer assumptions with facts.
- Inventory Optimization is somewhat secondary and a byproduct. However, Larger Retailers place a strong emphasis on this element in order to drive profitable fulfilment models.
- The definition of "Omni" differs vastly based on the retailer:
  - Large store estate with void space vs smaller store formats.
  - Brand ethics and engagement model/customer experience.
  - Close collaboration with suppliers is a necessity.
- A poll in the room concluded the majority of retailers have an Omni Strategy which consists of "Lots of ideas but no clear plan to execute."

> *Outstanding opportunity to inform, network and benchmark.*
>
> **Kieran Donovan**
> Mountain Warehouse

1

OMNICHANNEL FULFILMENT

Manhattan Associates

Key Outcomes:

- Balancing efficiency, profitability & CX is difficult!
- One must give customers' options within clear business economics/practicalities.
- Number 1 solution; allocation of direct eCom orders based on delivery postcode to the closest store.
- Don't forget the margin, it's easy to 'hide' costs.
- Importance of store workforce in adopting omni-channel approach; mindset, skills, use of ordering tool/channel.
- Increasing need for customisation or greater functionality for POS to cope with a multichannel world?
- Complexity of assessing whether same-day delivery is appropriate.
- How do we fulfil our customer's needs without jeopardising your brand's own philosophy/ ethics? Ensure a consistent approach without diluting brand ethos.
- Could stock-less stores work for luxury?
  How would you educate store staff?
- How to balance stock fulfilment between inventory optimisation and CX.

"*A breath of fresh air in the world of conferencing.*

Gareth Strangwood
Charles Tyrwhitt"

2 ROBOTICS, AI & AUTOMATION

Softserve

Discussion Summary:
As table hosts, we ran a brief survey to discover business priorities in the adoption of emerging technologies like Robotics, AI, IoT and Self-driving cars & Drones. The results were: 1st - AI, 2nd - Robotics, 3rd - IoT, 4th - Self-driving cars and 5th - Drones respectively.

There are several reasons why we think AI is so popular in participants' votes:

1. AI is a part of any intelligent robotics.
2. Robotics still requires long term investments, so it needs to find proper justification from ROI standpoint. AI initiatives can be less expensive, as AI is mostly a software challenge and does not imply purchasing or leasing costly physical devices. From business results standpoint, it allows quick wins.
3. Robotics is still waiting for improvements in Safety (co-working with humans) and Manipulation accuracy (e.g. Amazon fulfillment packing is still a manual process) – thanks to Marc Hanheide (University of Lincoln) for providing these insights.

RFID was another extremely popular topic around the Robotics, AI & Automation tables. It's a fundamental technology to drive digital transformation change – across the whole supply chain from manufacturing to POS. It enables more effective robotics and operation processes like inventory management, it allows better promoting goods and reducing returns. Basically, it serves as a glue between AI, IoT and Robotics.

RFID waited for decades to be widely adopted nowadays, and soon we can witness adoption (or be early adopters by ourselves) of more radical technologies like blockchain. Just look at startups www.provenance.org or www.skuchain.com to see what is possible.

> "*Easily the best network and learning event out there.*"
>
> **Will Lockie**
> Retail Leader

2

ROBOTICS, AI & AUTOMATION

Softserve

Key Outcomes:

- Consider how RFID could enhance data collation for the business.
- RFID inventory tracking is key – it's easier when you have an own-brand manufactured product. If you have several brands stocked you need them all to get on board!
- Is last mile automation really profitable/ beneficial?
- All retailers are sitting in similar situations with automation challenges.
- Full automation in distribution centres is a long way down the line... is it desirable? There is a significant health and safety risk. How could robotics really work within an operation with huge diversity of products?
- Warehouse automation isn't suitable for all types of products.

3

CUSTOMER EXPERIENCE & COLLABORATION

DHL

Discussion Summary (Customer Experience):

- Current approach is a one size fits all and having to keep raising the bar to keep up with the best in the market.
- Almost no segmentation / personalisation of CX offer.
- Most were unclear what mattered most to their consumer.
- The main customer experience focus is on delivery options – felt to be a key enabler of sales; due to the challenge of free delivery there is no visibility of the usual economic measure, ‘what is the consumer willing to pay?’
- The main focus of call centre activity is delivery issues but delivery is rarely a reason for returns.
- There is a trade-off to be found between choice and simplicity.
- Lots of debate on whether delivery costs should be seen as a margin cost or a customer acquisition investment.

Key Outcomes (Customer Experience):

- How do we align our retail proposition with customer expectations? What propositions can or should be softened?
- Online experience versus expectations of customers more used to traditional physical experience.
- Customer experience is very dependent on business model and product categories.
- Clarity of messages to customers and above all honesty with delivery updates for example communication with customers when you don’t meet their expectations.
- The impact of setting expectations with customers from our new ‘mobile’ world means every customer assumes they are a Top Tier client.
- How can small brands keep up with larger wholesalers/partners when it comes to CX of delivery?
- Delivery options and contact with the customer service team are key. As an example working out when same/next day delivery is relevant – if not, don’t offer the option.

3

CUSTOMER EXPERIENCE & COLLABORATION

DHL

Discussion Summary (Collaboration):

- Supply chain fragmentation from ecommerce is creating additional business case for collaborative efficiency.
- Whilst those participating in the discussion believe it was in principle good idea, there was little evidence of actual activity.
- Collaboration needs a shared challenge and above all trust between companies.
- 3PLs could be an enabler but old habits and fears are still more powerful.
- In summary there is a need to personalise delivery options and drive collaboration to rebalance the CX agenda with profitability.

Key Outcomes (Collaboration):

- Collaboration is inevitable to drive supply chain efficiencies, however how can retailers collaborate on the High Street?
- Collaboration can help with labour management and delivery times.
- Collaboration on retail is still a desire rather than a reality. Pressure on profitability will ultimately drive most collaborative initiatives with retailers in the future.
- How do we understand the barriers to collaboration and what can we do to break these down, change current mentality and being more open to collaboration?
- Things to consider: ownership of communications, control over delivery times, reliability, site journey.

> *The Retail Hive encourages much more constructive peer to peer engagement.*
>
> **Tristan Holiday**
> New Look

4

SUSTAINABILITY & PEAK

Will Lockie, Retail Leader

Discussion Summary (Sustainability):
Lots of debate over what sustainability means; it can mean reducing suppliers and making supply chain more efficient or it can mean a sustainable approach right through the business.
There is a clear tension between profitability and sustainability!

Key Outcomes (Sustainability):

HOW

- Reducing footprint to make supply chain more efficient.
- Brand led CSR approach.
- Awareness in supply chain of environment
  e.g. fuel emission free vehicles.
- Using recyclable packaging where possible.

WHY

- Profitability.
- Sustainability.
- Brand vs ethics vs efficiency debate.
- Is it even important to customers...
  when price and convenience are the key drivers?

WHAT

- Are we encouraging unsustainable behaviour?
  e.g. too generous returns policies.

WHO

- Suppliers.
- Supply chain.
- Internal drivers rather than external drivers?

“

A well planned day that made good use of time and provided value in exchange for a day away from the office.

Sam James
Screwfix

”

4

SUSTAINABILITY & PEAK

Will Lockie, Retail Leader

Discussion Summary (Peak):
Peak is clearly THE most important time in retail and for some retailers Peak represents 80% of revenue. Therefore getting it right is crucial, and it is essential that Peak is planned as meticulously as possible:

- Planning and forecasting - always using lessons learned and 'so what do we do about it' approach.
- Forecast as early as possible and provide these to carriers – Feb onwards.

Key Outcomes (Peak):
- Peak must be planned months in advance to deliver required revenue.
- Despite the pressure of peak, consumers must still receive their expected CX and brand proposition including delivery.
- Contingency planning is key; split across carriers – don't put all your eggs in one basket! Get carriers onsite if possible.
- 'People make peak'; treat temporary workers well, recruit as early as possible, particularly due to impact of Brexit.

5

FUTURE OF FULFILMENT

Softserve

Discussion Summary:
With the recent advances and improvements in Internet of Things (IoT) and Intelligent Machine (Intelligent Agents) technologies, retailers and consumer product goods (CPG) organizations can experience tangible, measurable improvements in operational efficiencies while driving higher levels of customer satisfaction through greater visibility and control regarding key interactions regarding fulfillment within their customer's purchasing lifecycle.

In our discussions, there was a strong consensus that the focus on a customer's needs in terms of the availability of product combined with the flexibility in fulfillment should be at the top concerns of retailers for this coming year. Positively, when asked 'who is leading the future fulfilment needs – customers or retailers?' 59% of our participants cited the customer; however this means 41% are focusing on the needs of the business first.

> "*Alternative event focussed on discussion rather than presentations encouraging openness and sharing one's challenges.*"
>
> **David Carter**
> Burberry

5 FUTURE OF FULFILMENT

Softserve

Key Outcomes:
Retailers should consider the following when developing their future fulfilment strategy:

General Retail Questions

- How do you evaluate your fulfillment offerings?
- Are you focused on the Customer or the Operations?
- Do you rely on delivery as a profit driver?

Customer-Centric Questions

- What offerings are you seeing as disruptive within your organization's focus/vertical?
- How are you embracing digital technologies to drive deeper understanding of your customers?
- Do we as retailers fully understand our customers' drivers in their selection of delivery/fulfillment methods?
- Does same-day really matter because of the customer or industry pressures (e.g. Amazon)?
- Would customers appreciate more focus on social/emotional drivers tied to fulfillment; Cut down on carbon footprints by pooling your deliveries with others? Show them the impact of their delivery choices (packaging waste, fuel, etc).
- Because you offer free shipment and returns, do customers order more than they actually need?
- How do your fulfillment choices affect your brand?
- Do your 3PL and Last Mile partners adversely or positively reflect your brand?
- Can technologies be used to better insure your customer's service by these partners?
- In the age of the unpackaging video, can better packaging choices drive your brand's value higher?
- Customers select the cheapest delivery option, even if it is not the most convenient for them and will result in dissatisfaction... simplify options and pricing to improve satisfaction.
- Looking into the future is still about making it easy for the customer; instant feedback from customers would be business-changing.
- Efficient use of available inventory – warehouse VS store inventory.
- Future of fulfilment is past & present; bricks & mortar merging with online.
- Turn Last Mile upside down – all deliveries pooled everyday for each customer from different vendors.
- Strong suggestion of the customer choosing a store to return an item to knowing they can replace via stock inventory.
- How can we work together to consolidate delivery? Is this about more retail collaboration?
- Tiered offerings dependant on the customer and what they, the customer, wants? Free versus paid time slots (and what will the cost be? What will customers pay?).
- Link fulfilment to data to drive it from store/online/most appropriate.
- Geo-location devices to trigger notifications; iBeacons at C&C.
- Price sensitivity, but how a cheaper route may lead to customer dissatisfaction. So what should we prioritise?

6 CLICK & COLLECT

Sorted Group

Discussion Summary:
The discussion around C&C very clearly centred around five areas, some of which overlap. The one thing they all had in common is that there is more pressure on the offline fulfilment than the online.

> *I have never seen a better line-up of retailers at any other event. Big brands, and a very senior level of contact.*
>
> **Guy Meisl**
> Supply Chain Director, EMEA at Deckers

Stock and demand - Naturally the crucial sticking point for C&C is that a retailer has to have a precise and complete single view of stock if they are going to fulfil it from their own stores. There's little room for discrepancy in numbers, particularly if you have stock across multiple locations. Also, the size and storage systems for stock must be considered. There needs to be physically enough room to meet demand – especially for larger items or at peak. However, if a retailer manages to solve this, then the rewards can be huge.

Getting in the mind of the customer - To make sure you're offering the right services, you need to understand what your customers want. Offering C&C for the sake of it is useless, so it's important to be clear on what the demand is, why you're doing it and then assess whether it's right for your business and will actually add value. Further, successfully setting customer expectation on costings, timings and availability will save lots of headaches.

Synergy of online and offline experience - Consistency is key. Customers want to have a seamless experience, even if that means a hybrid of dealing with software, systems and instore staff. Your people on the ground need to know how everything works and what the systems are doing to make sure they can fully complement the customer journey. From sale, to collection to refund. When you've got the customer through the door of your shop, that is where the real value is added.

Physicality of collection - There needs to be the right opening hours, queuing areas, tills, help desks and staff numbers to accommodate growing demand. When the service is launched, there is no 'turning it off' – it becomes an expectation. Setting up to ensure there is the appropriate level of physical space in any owned locations will be a make or break for retailers offering the service to their customers.

Partnerships and 3rd Parties - Using partner networks can be an advantage to achieve a local service for the customer. The trick is to choose the right one. Some aren't mature enough to handle the right scale or volume. Initial integration is a hurdle that can be extremely rewarding if done right, as there are plenty advantages to outsourcing C&C. However, you'll need to establish a large network for speed and convenience. Collaborating and partnering with other retailers can be the answer.

6

CLICK & COLLECT

Sorted Group

Key Outcomes:

- Understand what is driving the demand for C&C; customers expect it for free, but it's not free.
- Why are you doing C&C? Is it right for your business? It is hard for marketplaces to offer C&C and to integrate 3rd party C&C with your own stores.
- You HAVE to have a single view of stock for this to work most efficiently.
- Points of presence for C&C to work effectively and have a big impact – retailers also need to offer stock at many locations.
- 3rd party networks are not mature enough for some business' scale.
- Use it only during certain times and only offer C&C if it genuinely adds value; the moment it becomes an available service, the expectation begins – it can be difficult to 'turn off'.
- Speed and convenience matter – no point offering C&C if you don't have a large network (either your own or with 3rd parties).
- How the customer in-store process is handled is very important. It presents different challenges to different retailers; dependencies around visibility, staff, opening hours, refunds, and space.
- Focus on the in-store experience; manned collection points, tills, kiosks; how best to deliver a consistent brand experience for your customer.
- Online & offline teams; synergy needed for C&C, train staff and use the same system to be successful.
- Space in-store for C&C area – can cause lots of problems at peak/other key gifting times.

> *All the prep and conversation in advance ensures everyone is highly engaged and the event is relevant and interesting.*
>
> **Julia Bindley**
> NOTHS

7

INTERNATIONAL FULFILMENT & RETURNS

Sorted Group

Discussion Summary:
The conversation around international included lots of different opinions and viewpoints, however there was one thing everyone agreed on: international is key for growth. One of the main themes of the discussion was the importance of marketplaces – and their role as both a cure and a curse.

There's a unique opportunity to use marketplaces as a vehicle for international expansion. Platforms such as Fulfilment by Amazon and Amazon Marketplace are excellent for international shipping and management of new business, particularly if the retailer chops up the approach into work flows. However, management can be difficult and high maintenance. One participant in the discussion even suggested that brands should come together to make a stand against Amazon.

While there are certainly challenges to marketplaces, the platforms are still the best option to test and grow in new markets and territories. The overall message was clear; make the most out of the opportunities they offer, but exercise caution in the long run.

Third party partnerships were highlighted as needing precise reporting and tight SLAs to ensure smooth running. Duty and taxes, currency and packaging are key considerations for global shipping too.

Other discussions centred around the issues to consider when making international work for businesses, such as:
- Hybrid fulfilment and returns models.
- Global returns propositions.
- Testing and learning.
- Different customer needs and UX in different countries.

7

INTERNATIONAL FULFILMENT & RETURNS

Sorted Group

Key Outcomes:

- Amazon (FBA) can be a great introduction to a new market but be cautious in the long term; Marketplaces are still the best option to test new markets.
- Challenges; duty & taxes & returns from/ for the global market.
- Global E sounds like the best way forward to grow into direct business.
- Hybrid models for new territories.
- Be cautious when entering marketplaces – they require high management.
- Reporting and tight SLA is very important for international 3P management.
- Many Retailers are using international expansion as a currency hedge and believe International is key for growth.
- 3rd Party partnerships or do it in house? Customer expectations of brand are consistent so if using a 3rd party there must be constant controls in place.
- Ecological packaging – an opportunity and challenges internationally due to laws and restrictions.
- How to cater for different customer needs across different countries?

> *Unique, engaging and insightful - get involved!*
>
> **Ian Howes**
> Sainsbury's Argos

8

STORE FULFILMENT

DAI

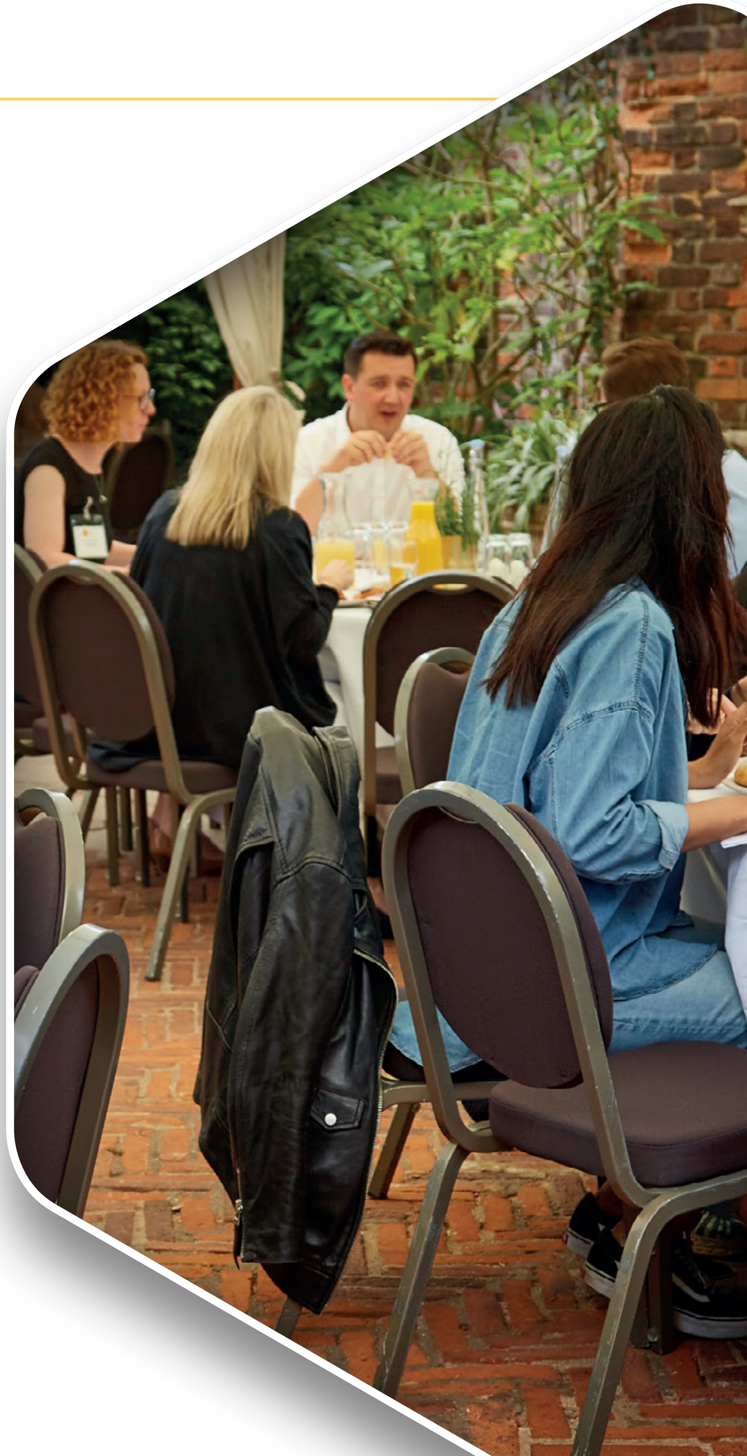
Discussion Summary:
Why do retailers consider in-store fulfilment?
The most obvious driver is speed, the ability to fulfil click and collect/online orders local to consumers, speed being a key driver that enables omni-channel retailers to successfully compete against pure play e-tailer's who lack bricks and mortar outlets.

Other drivers include:

- The ability to balance peak work load between dedicated fulfilment centres and stores, thus reducing the investment level required for dedicated fulfilment centres.
- Managing end of line stock which can potentially be sold online and fulfilled from store at full price, without the need to pull back to a dedicated fulfilment facility.
- Increased availability for online customers by making store inventory available online.
- Efficient utilisation of in-store staff during non-busy periods.
  The back drop to this requirement is the ever increasing expectation of consumers, spoiled for choice due to the eternal competition between retailers driven in part by online providers.

The challenges:

- The cultural and operational challenge of repurposing store staff towards this activity, which is more usually undertaken in dedicated fulfilment centres.
- Within existing stores having sufficient space to prepare product in a presentable condition.
- The way that stores are incentivized to process online orders and there are various ways this can be done:
  (i) online profit margins are attributed to the stores (with a shadow online P&L in place),
  (ii) a collaborative process whereby stores are asked on a daily basis how many online orders they would like to fulfil on that day.
  (iii) Some stores with a larger footprint are purposed to fulfil online orders.



8

STORE FULFILMENT

DAI

Discussion Summary (continued):

Operationally and systemically the major challenge is accuracy of inventory holding to guarantee the promise made to the customer when he/she clicks online. Another challenge is that in many cases the product may be sitting in a customer's basket in store. This challenge is amplified by levels of inventory available in store vs those published to websites.

In the world of online food in Supermarkets the stock is available to both online and in-store shoppers alike, coupled with a process substitutions for unavailable products then the concept is more than viable.

Others e.g. footwear retailers, hold the majority of their inventory in the back room of their store and thus it is available either to the store customer or for online fulfilment (requires accurate inventory levels to be maintained systemically).

The store of the future may place greater importance on the use of back rooms that hold inventory that is available to both the online customer and those who prefer the traditional approach to shopping.

Methods to improve inventory accuracy include:

- Systemically supported operational processes such as scanning product on receipt in store.
- Use of RFID tags in apparel and other non-food items, these facilitate regular less onerous stock checks.

What if the retailer gets in-store fulfilment right – services levels are improved and customer demand grows, how to continue to maintain these?

We may look to online food retailers, initially customer orders are fulfilled in store alongside shoppers, when demand increases particularly in areas of high population density then dedicated urban fulfilment centres (dark-stores) may be built. Is this model viable for other types of retail?

What is clear despite the challenges, instore fulfilment correctly executed is a significant vehicle for Omni-channel retailers to compete with some of today's online behemoths.

Key Outcomes:

- The drivers are increased stock availability, resilience in network and spreading peak between DC and stores.
- Store inventory accuracy is key – in fashion you also have to factor in safety stock levels.
- Ability to direct orders to shops based on capacity helps to manage customer expectations.
- Switch on/off fulfilment from store at busy times.
- Product quality – it's not necessarily pristine in store, should you pick from backroom only? We must consider customer expectation.
- Store management systems need improving to drive accuracy and productivity.
- Network impact if volume grows; staff, SKUs, inbound delivery.
- All sales/ profits to stores if fulfilling from store.

Taking Our Collective Digital Pulse...

Keeping the consumer front of mind, the importance of having a clear strategy and Brexit were some of the issues discussed by the panel following our interactive voting session to discover our collective take on opportunities, challenges and priorities for ecommerce fufilment.

This session was moderated by
Robin Phillips (Director of Digital, Kurt Geiger)
and the panel were:

David Williams Former Director of Digital, Asos
Mayank Shukla Head of eCommerce, crocus.co.uk
Ian Howes Supply Development & Imports Director, Sainsbury's Argos

Consumers are demanding an ever more seamless experience regardless of channel, but no one is nailing it. What is preventing your organisation from delivering it?

- **40%** STRATEGY - LOTS OF IDEAS AND NO CLEAR PLANS
- **25%** TECHNOLOGY - WE CAN'T FIND THE RIGHT SOLUTIONS
- **28%** CULTURE/ ORGANISATIONAL STRUCTURE
- **7%** NONE OF THE ABOVE, WE ARE NAILING IT!

Which of these trends will be most concerning to your business over the next 12 months?

- **40%** BREXIT
- **13%** NEW DISRUPTIVE TECHNOLOGY
- **20%** COMPETITION
- **7%** AMAZON
- **20%** OMNICHANNEL
- **0%** DELIVERY/ SHIPPING CHANGES

What is the main driver behind decisions you make about digital and technology?

- **60%** IMPROVING CUSTOMER EXPERIENCE
- **5%** DRIVING INNOVATION
- **18%** OPERATIONAL EFFICIENCY
- **5%** COST
- **12%** KEEPING UP WITH THE JONES'

Future Hive Live Meetings...

Innovation & Collaboration
September 21, 2017

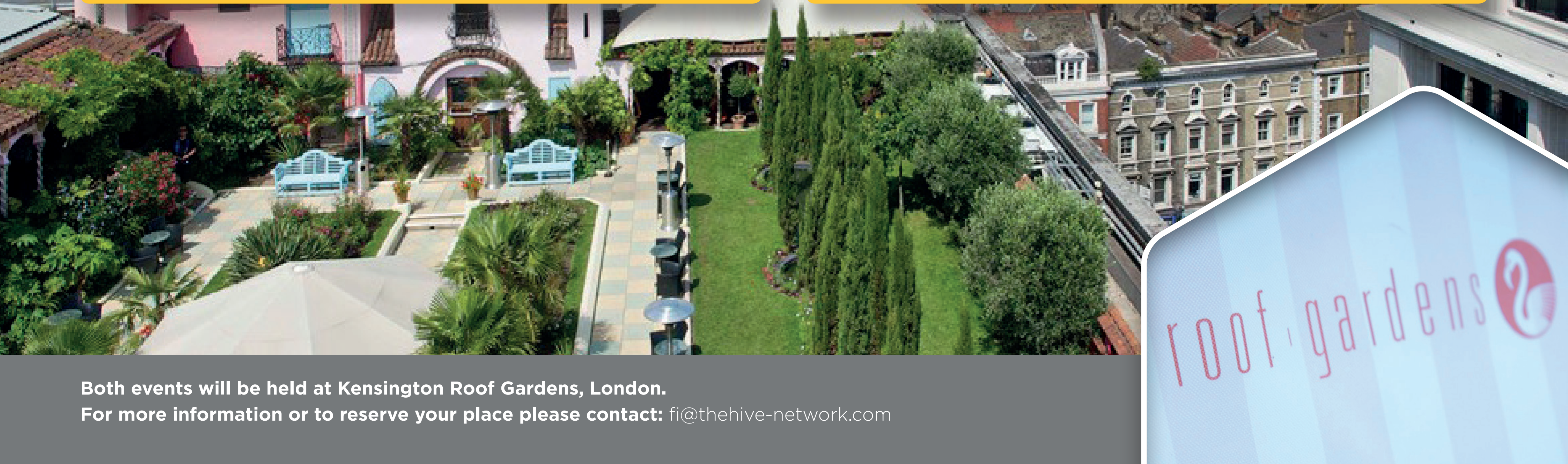
Being innovative is no easy task. Invitation-only meeting for retailers to collaborate and brainstorm practical applications for disruptive new technology.

- Insight into how the retail world is being transformed by new technologies.
- Retailer case studies showing unique customer personalisation through collaboration.
- Interactive sessions looking at how technology is transforming retail from virtual reality and robots to visual search and GPS.

Cracking International Markets
October 10, 2017

The international roll-out of your digital offering is a huge opportunity for growth. This meeting will explore the complex issues associated with cross border eCommerce:

- Fulfilment
- Local Marketing
- Payments
- Resourcing
- Tech Infrastructure
- Language
- Pricing
- Returns
- Shopping



Both events will be held at Kensington Roof Gardens, London.
For more information or to reserve your place please contact: fi@thehive-network.com