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REPORT POWERED BY

AVERY DENNISON

Retail 2020:
The Year of Transformation

The times, they are a-changin'...

Avery Dennison's head of RFID Market Development, Apparel Uwe Hennig discusses the significant shifts that have occurred in retail.

APPAREL RETAILERS HAVE seen incredible transformations over the past 10 to 15 years, and even more has been accelerated by the COVID-19 pandemic.

When you look back at the retail landscape of, let's say, 2005, you quickly realise how massive that change has been: back then the retailer was in the driver's seat. Customers could only shop on the high street or purchase through mail orders and printed catalogues. eCommerce was in its infancy and systems were far less complex.

Now online stores are ubiquitous. The high street is merely an option out of many. Customers are no longer passengers, instead, they have taken over the driver's seat. And it's up to you, the retailer, to avoid becoming a passenger and to instead become the map that leads the customer to the right destination.

> "You just need to make the most of it. Undoubtedly the retail industry has gone through seismic changes."

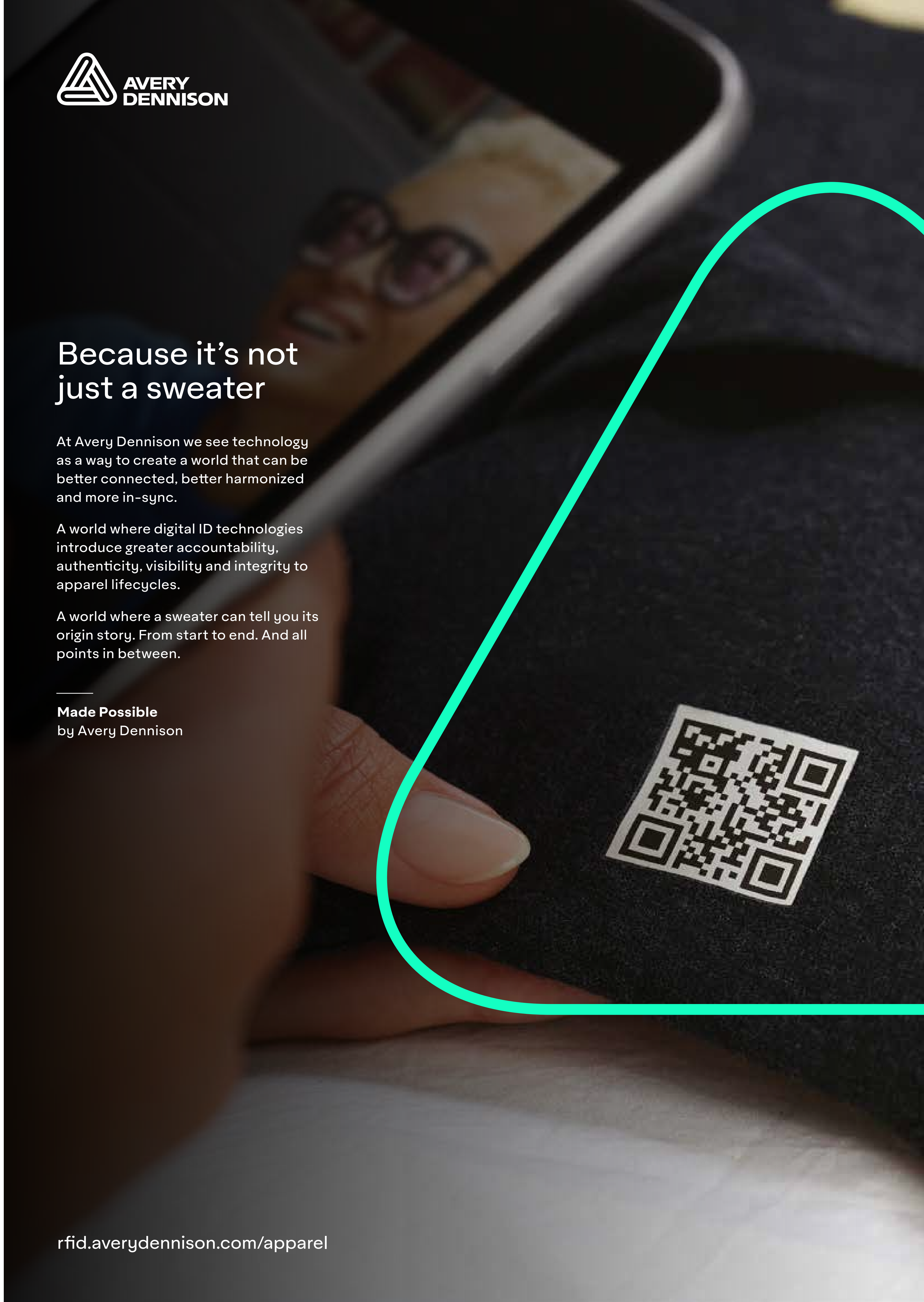
So, what do today's powerful customers want, and what do you need to guide them in the right direction? It is something that is available everywhere and extremely rare simultaneously: data. Customers want to know which products are available when and where, how they were produced, their ecological footprint, how they can be recycled... And all this information needs to be easily accessible – at their fingertips.

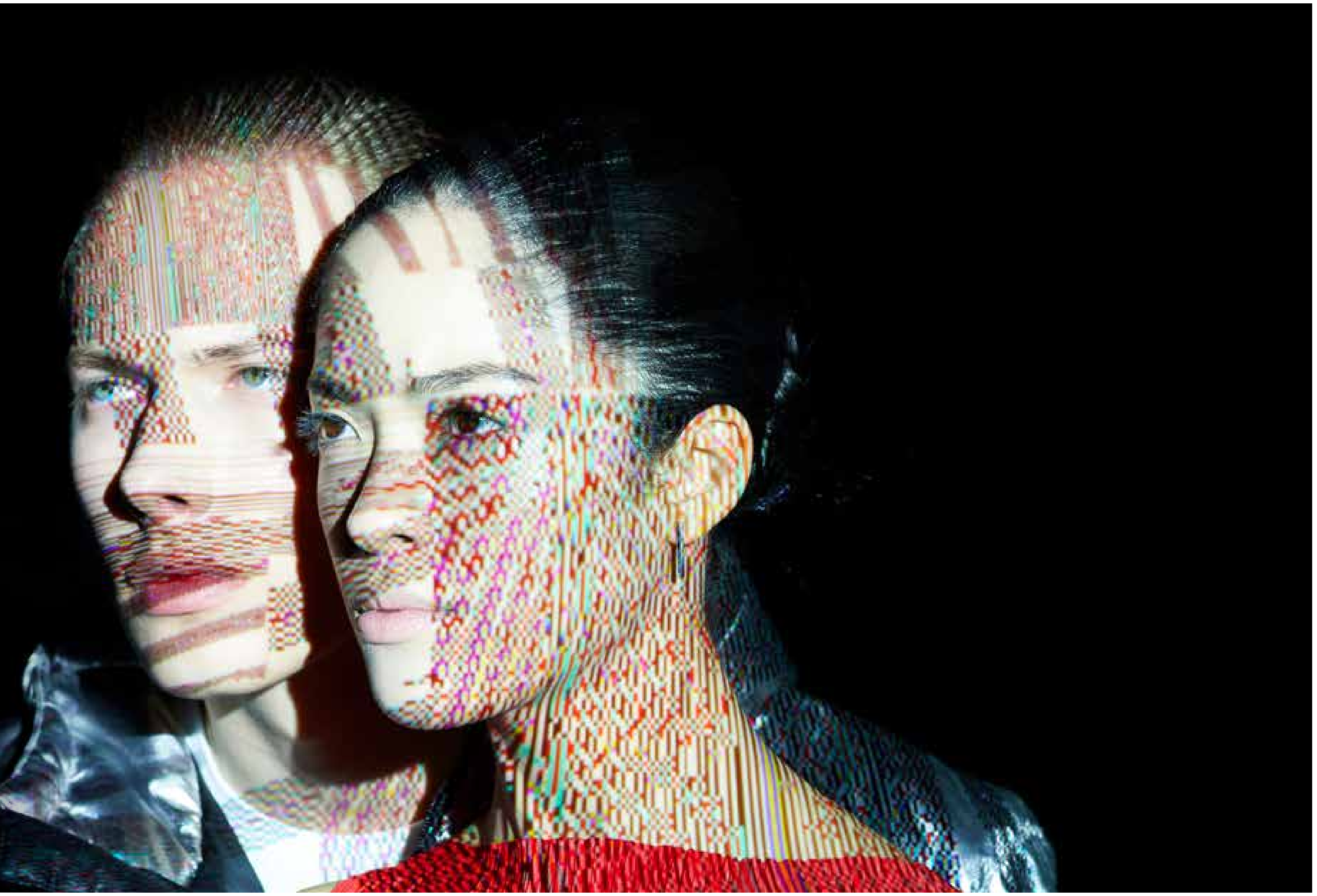
Being a data-driven company does not mean just hoarding masses of data, it means anticipating needs, collecting information in real-time, and analysing it to present it back to customers at a time and place they are most receptive to it. Data can also help you develop digital micro-fulfilment solutions that are more flexible and efficient. This enables you to know how specific products are being moved across your value chain, or if a product is a bestseller in one store and a shelf warmer in the other. And you can learn this quickly, avoiding margin losses in an era where brands launch six to eight collections per year.

Some things, on the other hand, aren't a-changin'. At the end of the day, you still want to please your customers, and get a good return on investment. Digital Identity technologies and the Internet of Things (IoT) can help you achieve both. They enable you to maximise the consumer experience so that your brand can anticipate, rather than follow, your customers' needs.

It all starts with a simple first step: adding digital identifiers to products, and connecting them to the IoT. In fact, the very first step is even simpler: checking out the articles in this report. I wish you a pleasant and insightful read! ■

Uwe Hennig, RFID Market Development, Apparel, EMEA, Australia, India





Australia, time to innovate

6one5 Retail Consulting Group director Bill Rooney believes it's time for local retailers to reap the rewards of tech transformation.

RETAIL IS BECOMING divided between the digital champions and the legacy laggards.

COVID-19 has simply reduced the time span to be digitally enabled from five years to two years.

Survival and success will depend on retailers' digital and analytical capabilities, utilised to improve the customer experience, attract new customers and drive down costs.

Not having this capability is like analog phones (traditional retailers) having to compete against smart phones (digital enabled retailers).

They will not be in the game and we all know what happened to Nokia and Blackberry's phone businesses – they went from number one to oblivion overnight.

In my experience as a fashion retail consultant, I would classify at least 70% of Australian retail businesses as traditional analog businesses currently.

Meanwhile, Amazon is driving customer experience via an R&D spend of US$22.62 billion per annum with approximately US$13 billion spent on IT.

To put this into perspective, the business has had several thousand engineers working on artificial intelligence for the last seven years.

For the purpose of this report, we will focus on how digitised inventory can assist the retail metamorphosis required to survive 2020 and beyond.

Radio Frequency Identification (RFID) refers to a wireless system comprised of two components: tags and readers.

The reader is a device that has one or more antennas that emit radio waves and receive signals back from the RFID tag.

Used in the fashion industry, they can take the form of large tags that are removed at the checkout, right through to the new chip the size of a dust grain that are permanently sewn into the garment.

One of the perennial issues for retailers is excessive stock, which normally eventuates as a result of poor demand planning, ineffective use of analytics to predict sell-through and minimise margin shrinkage and inventory visibility problems.

This is especially prevalent in the fashion industry.

There is nothing more frustrating for a consumer to visit a store and be told a specific item is out of stock.

This problem has already been solved by the largest retailers in the world including Zara, H&M, Uniqlo, Nike, Adidas and Target.

It has been less widely implemented in Australia's billion dollar fashion retail industry, due to the cost of tags and readers and lack of computer processing capacity.

However, with the cost shrinking dramatically in the past few years – from US$3 a tag to now less than 20 cents – the potential for Australian retailers is now ripe.

The goal is the right stock in the right place at the right time, and this cannot be achieved without RFID which provides an accurate view of stock in store, in the stock room, in transit and in the warehouse.

In Copenhagen, I watched a salesperson using a scanner to stocktake the ground floor of a Zara store in half an hour for the specific purpose of replenishment.

Put simply, out of stocks and theft can be immediately identified and resolved.

Retailers can now have accurate stocktakes completed in four to six weeks and at the same time use scanners tactically to identify out of stocks on the shop floor.

This technology is available to all sized retailers and where stock issues are present. It is one of the easiest and quickest ways to start resolving these complex issues.

Zara's parent company Inditex for example, has reported it has been able to reduce stock-in-trade by 5%.

This is equal to $113 million cash flow improvement based on stock levels at 31 January 2020.

> “Its RFID-equipped Bilbao store was selling more than four old sites combined even though it operated on less space and 20% less inventory.

In an interview last year, Inditex chairman Pablo Isla said the business model relied on low inventory and quick sell-through.

At the time, its RFID-equipped Bilbao store was selling more than four old sites combined even though it operated on less space and 20% less inventory.

The retail industry is digitising like many other industries, the question is are you a smart (phone) or an analog laggard (phone)? ■

Future Forward: 2020 and beyond

Having pivoted its inventory management during COVID-19, Australian womenswear chain Kookai is now exploring RFID.
By Assia Benmedjdoub

WHEN ROB CROMB and Danielle Vagner launched Kookai Australia in 1990, the brand's trajectory was predicted to be a typical one.

Under a franchise agreement with the French founders, the pair could scale its Australian operations and sell back to Paris.

Instead in 2017, Cromb struck a deal with Vivarte to purchase its global network and bring the brand's 235 stores under a united vision.

With its own factories in Fiji and Sri Lanka, Kookai Australia now produces collections for both regions globally through shared infrastructure.

Global brand manager Bianca Vagner-Cromb says COVID-19 has amplified this strict focus on inventory, as channels diversify.

"We have seen huge growth in our eCommerce channel this year," she says.

"Given the lockdowns and shopping restrictions over the last few months and customers' reluctance to physically be in stores, I do think it's going to change the way customers shop in the future, and with this in mind we will continue to heavily invest and focus on this area of our business.

"As online is trending significantly up on last year, we have since increased our online allocations to 30%-40% of our collection from 20% which has definitely contributed to our growth in sales."

With its online business trending significantly up year on year, the Melbourne-headquartered brand has made a number of tech investments.

This includes an eCommerce search and merchandising solution decreasing search exit rates, increasing search conversion and overall site conversion.

It has also transitioned to a global digital marketing platform, allowing it to enhance CX via personalised communication through in-store and digital behaviour.

This will continue through to stock on hand, Vagner-Cromb says.

"We are currently looking into RFID technology to digitise our inventory, to increase our stock control not only on the shop floor but throughout manufacturing in our own factories.

"We expect this to have huge benefits to our business and to our customers, by ensuring we have the right product, at the right time, in the right store, all the time."

"Our priority for our sales assistants is our customers, and by digitising the stock receipting process we can eliminate the need for manual counting of deliveries, leaving our sales assistants free to put the focus back on the customers rather than administration.

"Ensuring the new stock can be placed on the shop floor or displayed online as soon as possible is critical, and by digitising the stock receipting process this can be done quickly and with more accuracy than in the past."

This will grow in importance as the brand continues to evolve its global and regional collections.

"Throughout the year we've been testing the Australian collection in Europe and we've had an amazing response to our fashion and basics from consumers," Vagner-Cromb says.

"Australian styles often feature in their top 10 best sellers every week and in an effort to align the collections and improve processes, there will be a lot more Australian product and styles ranged into their seasonal collections.

"Now that our Fiji and Sri Lanka manufacturing facilities are producing collections for both regions globally, our factories are almost at full capacity with the increased quantities we're now producing.

"We are in the process of expanding our current facilities and also exploring other potential locations across the world that make sense for us logistically and geographically."

Kookai has also dabbled in on-demand local manufacturing during the pandemic, with success. As its Fiji and Sri Lankan factories endured lockdowns, it was able to source a Melbourne-based manufacturer to produce its new activewear line.

Kookai Active launched as an online exclusive in May, along with a small loungewear capsule collection featuring trackies, shorts and sweaters. This was extended in August due to consumer demand.

"We were introduced to a Melbourne-based manufacturer by one of our local fabric suppliers and were able to work with them on our first activewear collection, which in turn helped us get this collection to market quite quickly," Vagner-Cromb explains.

"Now that our factories are back to running at full capacity, we are able to produce our next activewear collection out of our own factory in Fiji, and in turn we've now got a local supplier should any issues arise again in future."

In fact, Vagner-Cromb says long-term disruption caused by COVID-19 will force retailers to digitise and reorganise their entire supply chains, from production to post.

"Our New Zealand online store was previously fulfilling orders from one of our New Zealand boutiques, however when they went into lockdown we had to quickly transition the fulfilment to our Australian 3PL," she explains.

> "We have since increased our online allocations to 30%-40% of our collection from 20% which has definitely contributed to our growth in sales.

"This means our NZ customers now have access to a much larger collection with overnight delivery and we have seen huge growth in our New Zealand online sales since."

As retailers continue to grapple with the challenges presented by COVID-19, Vagner-Cromb says nimble and tech-first strategies will be key.

"We want to ensure we have the right product at the right time in the right store all the time." ■

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One step ahead

Investment in technology is becoming a critical component to staying ahead in 2020. By Assia Benmedjdoub

WHEN TIMES GET tough, the tough get upgrading.

According to CB Insights, a market intelligence platform analysing tech funding deals, the retail industry is experiencing unprecedented levels of technology investment.

Its State of Retail report found financing increased nearly 60% to $3.7 billion in 2019, as retailers recognised the need to invest in systems to improve productivity and profitability.

It was at this time Myer expanded its use of RFID technology across stores in Victoria and Sydney, clocking a reduction in cycle time and associated labour costs by over 80% and 100% pickup accuracy.

Based on increased retail investments such as these, CB Insights predicts retailers in 2020 to become smarter, results-driven and equipped with new ways to match supply and demand.

For Cue Clothing Co CIO Shane Lenton, investment in IT projects this year will be crucial to weathering the challenges presented by COVID-19.

With a significant store and digital presence across its Cue and Veronika Maine brands, the retail group has been expanding its digitised inventory and unified commerce solutions.

"We have some really exciting digital transformation initiatives launching over the next few months," Lenton says. "We have been focusing on unified commerce for some time now, with key foundations such as single view of customer, endless aisle fulfilment and personalisation seeing us in the best possible position to capitalise on multichannel retailing."

The use of inventory management solutions has been pivotal in navigating digital sales during lockdown. An example of this has been the ability to turn locations on or off for fulfilment based on the data.

"This has been more prevalent over the last six months during different stages of lockdown," Lenton says. "For instance, if we had a particular focus on full priced items, the location with the suitable stock mix would be enabled, with locations that may have had a higher volume of sale product being less of a focus. We didn't want to send staff into store to pick orders at locations where the volume wasn't there."

This strategy has also extended to stock visibility for in-store shopping.

"For those shoppers going into store, we have seen less browsing and more buying intent and solutions such as our store to door, where a customer can make a purchase there and then even if the store didn't have the size or style they were looking for, with the items then delivered directly to their door," Lenton adds.

Additional investments this year have included video-based stylist sessions, which have generated an average of 40 session requests per week, a conversion rate of over 60% and an order value five times the standard. Cue is also expanding its cross border online business, with 20 new regions slated for opening in the next few months.

"We will continue with our focus on customer experience and personalisation in 2020," Lenton says of future projects. "This has been made possible by capitalising on the opportunities created by our unified commerce solution."

For Myer, similar upgrades will be part of a 'Customer First Covid-19 Response Plan' which has six tenants including efficient factory to customer, simplified business processes and accelerated cost reduction.

CEO John King reports that improvements in managing inventory levels saw inventory down 26% to $256 million at the end of FY20, representing a significant achievement compared to FY19.

King adds that the rapid growth in online sales accelerated during 2020, particularly during the period of store closures.

"Online sales grew by 98.8% in 2020 compared to the prior year.

"During the past two years, Myer has undertaken significant improvements to the website including enhancing infrastructure and peak capacity and improved search and check out functionality.

"Together with improved fulfilment, these enhancements have underpinned the significant growth in sales as well as a 50 basis point improvement in conversion, and an improved gross profit for the online channel."

> "Together with improved fulfilment, these enhancements have underpinned the significant growth in sales as well as a 50 basis point improvement in conversion.

In August, Myer announced a multi-year agreement with Australia Post to hasten this strategy through warehousing and online fulfilment services.

The move will provide extra capacity to support online growth, particularly during peak trading periods, with more than 90,000 products to be housed at the 26,000sqm facility.

For Myer, the priorities being accelerated are online and factory to customer alongside refocused merchandise. Similarly to Lenton, King believes 2020 is the time to fast track technology transformation.

"While the Customer First Plan remains the right plan, it has been adapted for the current operating environment and to ensure Myer can capitalise on all available opportunities as restrictions are eased." ■

Partners in profit

Catch and Target are a prime example of digital transformation, with a number of integrations in the pipeline. By Imogen Bailey

IT WAS THE $230 million acquisition that shook up the Wesfarmers portfolio.

Acquiring pureplay eTailer Catch in mid-2019, the business was the first pureplay eCommerce retailer to join Wesfarmers' traditional bricks-and-mortar brands.

And it wasn't without strategy that Wesfarmers snapped up the rapidly growing eTailer.

Recognising Catch as, "a leading eCommerce platform with quality fulfilment assets," MD Rob Scott said the business was looking to accelerate Wesfarmers and Kmart Group's digital and eCommerce capabilities.

Now in 2020, it has made good on that promise: Target is available to purchase from on the Catch website.

The benefits from both sides stack up; Target has access to Catch's large customer base and adds another channel to its digital offering, while Catch widens its product offering and also gains access to a physical store network.

Target GM of digital Mark Scatena says the integration with Catch helps the business realise key elements of its digital strategy.

"At Target we have a big focus on accelerating our omnichannel proposition and providing options across all channels to existing customers and acquiring and retaining new online customers.

"New channel activation is one element of our broader digital and eCommerce strategy and extending our existing partnership with Catch provides a number of benefits to both businesses and mostly to our customers.

"For Target, accessing new customers is the key focus of our participation in Catch's marketplace, and we think Target's inclusion as a seller on Catch's marketplace provides Catch's customers with access to an iconic Australian retailer's large range of products," he says.

Catch Marketplace partnerships and category manager Tali Lederman agrees and says that the partnership has come at an opportune time for Target when many of its customers may not be able to shop in-store.

> "The partnership allows us to take a wider omnichannel approach, leveraging the physical store network to provide click-and-collect services to our 2.3 million customers.

"With a huge range of products already available on Catch, Target's inclusion in our marketplace allows us to offer our customers more variety in both product selections and brands to give our consumers even more reasons to shop with Catch.

"The inclusion of Target on Catch's marketplace has provided a fantastic opportunity for collaboration between Kmart Group businesses, allowing both Catch and Target to leverage each other's strongest assets across brand, customer experience and product offering.

"The partnership allows us to take a wider omnichannel approach, leveraging the physical store network to provide click-and-collect services to our 2.3 million customers.

"For Target, this expanded online presence comes at an opportune time, allowing customers who are unable to access physical locations the opportunity to shop the range on Catch," she says.

Before going live with the integration the businesses had to ensure that their systems communicated effectively, requiring the support from multiple teams across both Target and Catch, Scatena explains.

"Like any partnership, we focused on ensuring our systems supporting product feed, product description, fulfilment, returns and customer service interfaced with the Catch platform.

"This was something that we did with great collaboration between the digital technology, product development, commercial, fulfilment and merchandise planning teams across both businesses. Catch's support for Target as a marketplace seller has been fantastic, and we have thoroughly enjoyed forming and commissioning our selling partnership with them," he says.

Lederman adds that the businesses used Catch's existing application programming interface (API) to onboard Target.

"With all our marketplace partnerships, Catch offers an open and API integration for retailers.

"Working with Target and their in-house development teams we were able to utilise the API to integrate their product content, order management and store fulfilment solutions with the Catch marketplace SaaS platform.

"Catch provided Target with tech support for the entire process with our dedicated Catch marketplace onboarding team, working alongside the development teams, project management and marketing teams on both sides for a seamless onboarding experience," she says.

While integrated at other levels and being owned by the same parent, Targe t operates as a standalone marketplace seller on Catch, meaning that it fulfils all orders from Catch itself using its fulfilment network of distribution centres and stores, Lederman says.

"Target has been able to integrate an agile fulfilment solution which includes distribution centres, as well as fulfilment from stores around Australia.

"Catch customers can also choose to collect their Target orders placed on Catch from Target stores across Australia, offering our customers more flexibility to shop online and access their products in the most convenient way for them," she says.

And since going live, Target's key product categories are already selling well on Catch, Scatena says.

"We have seen pleasing responses across many of the 11,000 Target products available.

"We have been pleased with the level of participation we have seen from customers for Target product on the marketplace.

"We are seeing customers participate across our extensive range and we think we are offering Catch's customers with great ranges of value, quality and style across apparel, home and toys.

"We are excited by the number of customers new to Target that we have accessed by the marketplace," he says.

Similarly, Catch is benefitting from Target's key brands too.

"We have had a great response since Target launched on the marketplace.

"Through the Target range, we have been able to offer our customers a wider range of brands such Lego, Fisher-Price, Breville and more giving consumers even more reasons to shop at Catch.

"We have also seen particular success across a broader range of categories such as kidswear and womenswear," Lederman says.

The partnership between the businesses is only set to prosper further, with both working together to build on the existing integration through special deals, Lederman adds.

"Since Catch's acquisition by Wesfarmers, we have worked to build a great relationship with Target and are always looking for new ways we can add value and build on the relationship.

"We are expanding the Click and Collection collaboration to include Target orders placed on Catch, on top of the Catch products you can already pick up from Target for greater flexibility for our customers.

"We will also have ongoing special deals and promotions for Target exclusively on Catch to continually improve our offering for customers who shop online with Catch," she says.

Scatena adds that Catch will help to continue Target's digital growth.

"As Target continues to improve and grow its digital offer and eCommerce proposition, sharing best practice and collaboration across areas such as fulfilment, digital marketing, technology and data analytics with Catch will continue to be an important part of our relationship," he says. ■

Digital transformation: The Force Multiplier

Accent Group's former CIO, Mark Teperson was responsible for a united inventory strategy across over 500 stores and 18 brand websites. He explains how he did it.

THERE IS A real distinction between what it means to be an omnichannel retailer and a retailer that just has a website.

I talk about omnichannel in the context of a Force Multiplier.

That is, the bringing together of two very distinct assets that result not in 1 + 1 = 2 but 1 + 1 = 5.

Accent Group has more than 500 stores and forecasts about 47 million customer store visits every 12 months.

On the digital side, there are 18 websites and about 64 million site visits.

Already, you can see nearly 50% more traffic coming to the online business than going to stores.

But it's combining those two things that creates the Force Multiplier.

By creating and integrating those businesses together, Accent Group uncovered real time access to $130 million worth of inventory across all assets.

This allowed stores to act as experience centres for customers, as well as distribution centres for product.

Customers were offered click and collect, click and dispatch, endless aisle and same day delivery.

This flexibility is at the core of The Force Multiplier: it captures demand utilising all inventory supplies to gain benefit.

It's the integration of those two channels – the deep integration – in real time that creates the omnichannel experience.

Otherwise, a retailer is really just a retailer with a website.

This became even deeper when retail locations were converted into dark stores during lockdown.

It enabled teams, who were completely safe, to send one person into each location to pick and pack online orders and dispatch to customers.

It enabled the company to process large volume increases in online sales with staff safety front of mind.

Accent Group publicly stated that average digital sales went from $250,000 a day pre-COVID to between $800,000 and $1.1 million a day during the COVID period.

This was a three to four fold increase in the digital sales space.

As an omnichannel retailer, it created employment opportunities for team members and a reliance on in-store retail ops teams to support the digital growth.

It wasn't about physical or digital, it was about how the whole business came together.

It helped bring down inventory levels and generated cash while the rest of the business was closed.

Omnichannel retail is ultimately setting up for success. ■

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Retail reinvented

Digital transformation that connects the physical and digital retail world, offering full inventory accuracy and richer consumer experiences.

With COVID-19 Australia's shopping habits have changed. Australians have historically been slower in adopting e-commerce but the pandemic has caused a seismic shift: they are now shopping online more than ever. Click and Collect and Buy Online and Pick Up in Store (BOPIS) are also on the rise, as brands focus on providing a more seamless, more satisfying and safer customer experience. Enterprise wide inventory accuracy and a robust omnichannel strategy are key to ensure retailers and brands stay ahead of the curve and future proof their business.

COVID-19 changing habits

41% growth in online shopping in April 2020.[1]

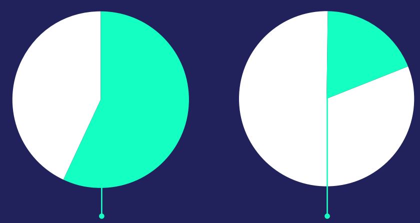
23% growth in BOPIS sales in July 2020 compared to June.[4]

+ Australians will increasingly shop online even after social distancing is lifted.[3]

+ Retailers with truly omnichannel experiences will be best positioned to benefit from these changes.[6]

However...

omnichannel is still an emerging concept in Australia.[5]



57% of retail is still offline.[2]

Only **19%** of top 250 retailers profitably fulfil omnichannel demand.[5]

What does this mean?

- Lack of inventory visibility
- Missed sales
- Lower margins
- Negative brand perception

The transformative power of digital identities

+ Full inventory visibility thanks to RFID tagging at source
+ Flexibility to move inventory where the demand is
+ Opportunity to engage with customers beyond POS
+ Develop a consumer centric strategy that provides accurate insights and data

Standard inventory accuracy[7] **65%**

RFID inventory accuracy **+99%**

Get in touch for more information about our digital ID solutions

Sources
1: Australia Post 2020 eCommerce Industry Report. 2: Retailbiz.com.au. 3: IBISWorld.
4: digitalcommerce360. 5: Australia Omni-Channel Revolution Report. 6: KPMG. 7: Auburn University

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