Modernising Your Supply Chain Legacy Systems to Gain Global Growth Profitably

Global retail satisfaction: going beyond legacy systems

Thoughtful investment in modern supply chain technology will assist retailers in streamlining activity across new channels and new geographies to better match supply and demand. With a highly agile supply chain, retailers can meet the challenges posed by global retailing and respond quickly to changes in the marketplace—but can they do this and ensure long-term profitability with their existing IT systems?

The global retail map is changing rapidly. To drive down costs and provide customer value and choice through a wider product range, no matter what the season, retailers have spread their supply chains out to the corners of the globe.

Containers full of stock from developing nations—such as China—continue to arrive at retail distribution centres (DCs) around the world. This far sourcing comes with risk and complexity, which farsighted retailers can mitigate and manage to their competitive advantage with the right IT systems. The more agile retailers can also leverage IT to allow individual goods to bypass the DC altogether and be delivered directly to the retail shelf or even to the customer’s front door.

As the economies of the far sourcing nations have grown, so too have their costs. Added to escalating fuel prices, this has led many retailers towards near sourcing. However, opportunities for cutting costs via global sourcing, particularly in new emerging territories such as the Middle East and Africa, remain for many. New supply chain developments, such as horizontal collaboration, are helping to meet the challenge of rising transport costs.

Meanwhile, increasing affluence in developing economies has created new opportunities for profitable growth for retailers—not least in North America and Europe—who are finding this to be elusive in their domestic markets.

So, in addition to providing innovation in products and service offerings at home, leading retailers are expanding into exciting and untapped international markets. The BRICs are continuing to show growth but small ‘gems’ such as Georgia, Oman, Azerbaijan and Mongolia are also becoming attractive destinations for global retailers, particularly specialty and luxury players, according to the 2012 Global Retail Development Index produced by A.T. Kearney consultants.
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However, while emerging economies will certainly offer growth opportunities in years to come, retailers should not divert their attention from developed territories, which will remain the most innovative and wealthiest. Australia, for example, is one of the biggest cross border markets for UK retailers. The country was slow to adopt eCommerce, but now that it is catching up, it is an attractive market for mature online retailers.

Meanwhile, in Europe, Middle East and Africa (EMEA), a recent study by commercial real estate services firm CBRE finds that global retailers will continue to expand store networks in 2013 alongside the development of multichannel strategies, with 20 percent aiming to open 30 stores or more in EMEA by the end of the year—and nearly three quarters aiming to open five or more stores.

With multichannel retailing becoming increasingly important, this study finds that online shopping remains an important area of growth alongside store expansion. Cross-border retailers will continue to develop online transactional capability in new markets in 2013, with 40 percent looking to expand their geographical online coverage, up from 28 percent last year. UK retailers with mature eCommerce capabilities are particularly advantaged among the English-speaking world.

For a retailer to expand successfully into new territories—whether the markets are emerging or mature—it must deal with the complexities of global supply chain management and this will require vital tools.

These include logistics systems such as warehouse management, which can offer supply chain visibility to view, link and manage a globalised retail operation and ensure product availability. These systems will also help manage the complexities involved in global sourcing for retailers striving for growth while driving costs out of their supply chains.

Actionable information that allows better decision-making is the key to accomplishing this and requires systems that allow a company to view what is going on in the global supply chain and become proactive rather than reactive.

The complexity of globalised retail supply chains should not be an excuse to treat an order as simply a box that needs to be expedited. All components of a successful global retail supply chain must be geared to delivering to the end consumer the precise product they desire, in the location they want it, at a prescribed date, and at a particular level of quality and price. The IT systems must be able to support this combination of objectives.

This will mean Interfacing with transport, production, carrier and forecasting systems with supply chain partners. The development of horizontal collaboration as a means towards making globalised retail more cost-effective will also make it necessary to communicate with competitors.

Therefore, having the ability to integrate systems to share and use data from multiple sources is an essential part of achieving successful growth through global retail.

For the many retail businesses still reliant on old, growth-inhibiting supply chain systems, international growth and the opportunity to source from global markets to optimise your supply chain are good reasons to spur change.
This was certainly the case at Okaïdi. To facilitate international growth, the leading player in the children’s apparel retail market replaced its proprietary system, which had become obsolete. Okaïdi opted for a robust, best-of-breed warehouse management solution operating in its distribution facility in Roubaix (located in the North of France), and to equip a second facility in the same region. Together, these two adjacent facilities serve as a combined hub for the French retailer’s pan-European distribution operations. The solutions optimise Okaïdi’s supply chain from source to consumption. In addition to improved accuracy and productivity, the distribution model can be replicated in any region of the world. By implementing the warehouse management solution in both its Roubaix warehouses in less than 12 months, Okaïdi has significantly improved its supply chain processes as well as making its business more agile and more international.

Got the agility for global retail success?
Whether providing a single global range from a worldwide hub or a locally oriented and distributed range, supply chains need to be as agile as they are efficient if they are to contend with the complexity of cross-border retailing. At the same time retailers will also need to meet their domestic customers’ escalating expectations on service, quality and price, while constantly developing new service offerings to outpace the competition. Rather than simply investing in increased turnover, it is vital for retailers when building this agility to also maintain their focus on minimising supply chain costs to maximise profitable growth.

Customer Example: Jockey
Jockey, the iconic supplier of underwear products sold in more than 120 countries, is a good example of a nimble global retailer that must be quick to capture market trends and new territories with larger companies vying for its channels. Adept at keeping pace with the ever-changing retail industry, Jockey delivers products quickly among its various distribution channels. These include retail and wholesale channels, such as department and chain stores, mass channels, direct channels and licensed channels. A flexible Warehouse Management solution enabled Jockey to meet channel demands and receive goods from suppliers faster, lowering lead times by as much as 80 percent.

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For many companies, however, the ability to adapt and respond to market demands and new opportunities is frequently hampered by inflexible legacy systems, leading to inaccurate views on product availability and disappointed customers. Moreover, they will be ill-suited to future needs.

Just think how only in the recent past global multichannel retailers would operate siloed systems based around individual operations or an individual DC. Today they benefit from IT systems that can gather supply chain...
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The costs of supplying specific customer groups from different sourcing points can be evaluated using Extended Enterprise Management (EEM) solutions as retailers seek to gain control of their supply chain from source through to consumption. EEM provides real-time visibility across their distribution network to allow capabilities such as supplier enablement, drop shipping, visibility of imports, use of hub management and to also drive better performance through internal key performance indicators. By extending this to automating the order to pay cycle, which will involve hundreds or thousands of multi-currency purchase orders, savvy retailers can turn this cycle into a high-velocity process that saves time and money.

Customer Example: Under Amour

Take the sportswear company, Under Amour. With more than 40 retail and factory direct stores in the US, and DCs in Baltimore, Long Beach and Tilburg, The Netherlands, it is well on its way to becoming a multi-billion dollar organisation. Its DCs are running lean and mean since it deployed a Warehouse Management solution but to gain even more visibility into its inventory and enhance communication with vendors, the company has leveraged Extended Enterprise Management to direct ship more than 15 million units thus far, and estimates that number will climb several million more by year-end.

Only modern systems will optimise inventory across channels, provide the ability to source from the most cost-effective suppliers and enable the service offerings demanded by informed and discerning consumers. To remain competitive and to benefit from potential global growth, retailers must look at their supply chain systems to assess if they are capable of achieving this without jeopardising supply and product availability in their domestic market.

They will find that achieving profitable growth through globalised retail will require a more functionally rich, easily configurable and upgradable platform, built to embrace domestic market demands, along with opportunities to expand internationally now or in the future, which can be maintained at a lower cost.

Platforms for profitable globalised retail

With modular applications set on the same platform there is no integration to be undertaken—all modules are pre-integrated, so cost, functionality and time to go-live will always be faster than developing systems from scratch. This is the key to creating an agile business.

Customer Example: Tally Weijl

One like Tally Weijl, one of the most successful women’s clothing fashion retailers in Europe. Tally Weijl designs and distributes its collections through more than 350 stores located in 24 countries across Europe and the Middle East. A major factor in the company’s selection of Manhattan Associates’ supply chain solutions was that it offered a number of powerful pre-integrated supply chain solution components.
The solutions integrate with and complement Tally Weijl’s ERP system. The pre-integration of all three Manhattan solutions made the process of interfacing them with Tally Weijl’s host systems fairly straightforward. The new system has allowed Tally Weijl to meet its twin objectives of streamlining and optimising its distribution operations.

The vision advantage
International expansion and the ability to drive down supply chain cost through sourcing abroad is a tremendous opportunity for enlightened retailers. Embracing new supply chain technology will make them better equipped to achieve this profitably and be better able to respond swiftly to market change. Right now, forward thinking retailers are investing in this technology, taking advantage of the exceptionally low cost of capital. They recognise that to compete, they must make their supply chains more responsive and agile because the channels to global markets and from global suppliers are varied, interconnected and complex. They understand that it is imperative to have systems that provide the visibility required to profit from global retail—from sourcing the product through to the product being in customer hands. All retailers looking for profitable international expansion must ask themselves: will my IT systems allow this?

If retailers opt for a gradual migration, ensuring data is shared between systems during the transition phase is critical. As long as all communications between the applications are managed through a robust framework then it is a much simpler task.

About Manhattan Associates, Inc.
Manhattan Associates continues to deliver on its 23-year heritage of providing global supply chain excellence to more than 1,200 customers worldwide that consider supply chain optimization core to their strategic market leadership. The company’s supply chain innovations include: Manhattan SCOPE®, a portfolio of software solutions and technology that leverages a Supply Chain Process Platform to help organizations optimize their supply chains from planning through execution; Manhattan SCALE™, a portfolio of distribution management and transportation management solutions built on Microsoft .NET technology; and Manhattan Carrier™, a suite of supply chain solutions specifically addressing the needs of the motor carrier industry. For more information, please visit www.manh.com.