



RETAIL SYSTEM READINESS FOR THE HOLIDAY SEASON

SYNOPSIS:

Businesses in the retail industry are constantly making improvements to their systems, processes, sales channels and strategies. Timing is important, though, as everything needs to be ready to go when the busiest shopping season of the year rolls around.

The end of third quarter is when retailers, grocers, suppliers, distributors and others are completing and fine tuning their retail system readiness. No one wants to have a critical system or process failure after the holiday shopping ramps up.

David Verette, who has helped businesses in the retail industry perfect their trading partner relationships for nearly 20 years, explores retail system readiness for the holiday shopping season.

ON THIS EPISODE:



Host: Kristin Ploetz, Senior Manager for Customer Success, SPS Commerce

Kristin is a results-oriented leader with over 20 years of experience developing, motivating, and directing high-performing teams, while managing multi-million dollar programs. She has extensive experience in building customer partnerships for Fortune 100 level clients with a proven track record of achieving results. Previous to her time at SPS Commerce, she worked in director roles at Digital River and Knoa Software.



Guest: David Verette, Vice President of Partner Sales, SPS Commerce

David has been at SPS Commerce since 2000, having held several sales and management positions, most recently serving as Vice President of Partner Sales. Prior to joining SPS Commerce, he was in sales management at Lucent Technologies. At SPS Commerce, he has excelled in creating and expanding a team that works alongside merchandising, supply chain and IT executives at retailers, grocers, and distributors to optimize their supply chain processes through improved trading partner connectivity and insight.



Kristin Ploetz (KP): Welcome to Mastering the Retail Game podcast from SPS Commerce, where we explore the new rules of retail and provide real-world advice on how to win by learning from your peers and industry experts.

I'm Kristin Ploetz, your host for today's podcast.

In this episode, we'll be talking about how retailers are preparing their technology and processes for the coming holiday shopping season.

Throughout the year, retailers and their trading partners have been adjusting technology, processes, sales channels and strategies, with the goal of having everything in place in preparation for fourth quarter.

Many organizations will designate a "tech freeze" in the weeks leading up to Thanksgiving, where they are "freezing" all changes to systems, and usually only making exceptions for critical issues.

That means by the end of third quarter, everything needs to be ready to go to avoid the risk of failure during the busiest shopping days of the year.

So July, August and September are a common time for completing and fine tuning those updates before everything gets locked down for holiday.

To discuss this in more detail, I've invited my colleague David Verette to explore the process and critical factors involved. David is the Vice President of Retail Sales at SPS Commerce and has been here for close to twenty years leading the teams who help retailer's distributors and grocers perfect their trading partner relationships.

KP: Welcome to the show, David.

David Verette (DV): Thanks for having me, Kristin.

KP: David, in past blogs and podcasts, we've talked about the seasonality of retail technology updates. We're nearing the end of the third quarter now, so retailers who are implementing technology changes are finishing them up before the big holiday shopping season. Would you say the back to school shopping season is a good time to assess how new technology or processes are performing?

"...by the end of third quarter, everything needs to be ready to go to avoid the risk of failure during the busiest shopping days of the year."



DV: Absolutely. At this time of the year order volumes are starting to increase, but not to the levels we'll see in the coming months. As you would expect, we are seeing people shop in a variety of ways, both in store and online. For retailers who have made key investments in their omnichannel strategy, they are using this time to pilot the full range of order fulfillment models, such as buy online, pickup in store, drop ship from their own inventory in their DCs or stores, and certainly working out the kinks in their direct ship from vendor to consumer fulfillment model. Getting this all tested and any associated change management processes worked out well in advance is essential for the holiday season. The variety of volume of the way people are shopping is very similar between these two seasons, clearly with bigger volumes coming in Q4.

KP: **There's a lot of layers here. Let's unpack that a little bit. What areas should retailers be reviewing right now to predict how well their processes and systems are going to perform during the increased volume of the upcoming holiday shopping season?**

"Is there a confidence level that every possible inventory location across their supply chain can fulfill orders successfully in order to provide the desired customer experience?"

DV: Good question. They really need to look at what is their weakest link in their current fulfillment processes. For those processes still being handled manually, what are those manual processes impacting in terms of efficiency? Do they have the required visibility and communications streams with their drop ship suppliers and fulfillment centers, in order to optimize inventory across the entire supply chain? That's one question. If you're still deploying changes, are suppliers ready for these changes that still require maybe work and change management on their end? Have they determined and implemented the correct score carding metrics to secure the desired engagement levels required by all parties across the fulfillment process? I know I've mentioned this before. however, is there a confidence level that every possible inventory location across their supply chain can fulfill orders successfully in order to provide the desired customer experience?

KP: **That's a lot to consider. What are the most common trouble spots, where system and processes are likely to break down and cause a negative impact?**



DV: Well, to be sure the implementation of the new technologies and associated change management processes do heighten the chance for some fire drills during go live experiences, which is oftentimes why retailers have kind of an all hands on deck during this time period. Anytime you modify existing requirements or change the way you are processing orders and the resulting fulfillment activities of these orders, you do introduce risk. For everything to work in unison, retailers must determine the balance of maintaining one foot in the old world while piloting new processes that require supplier engagement in the new world. It is rare that a retailer would ever cut over everything in one fell swoop. However, this makes it all the more challenging, as those impacted within the retailer now have to manage two distinct processes as the retailer stages the transformation over time.

“Anytime you modify existing requirements or change the way you are processing orders and the resulting fulfillment activities of these orders, you do introduce risk.”

KP: Sure. Okay. Then on the other side of the supply chain, what should suppliers and distributors be doing now to maximize their success when drop shipping for their retailers during the high volume of holiday?

DV: Well, if they leverage a 3PL for e-commerce fulfillment, are they compliant with the retailer’s drop ship requirements? Do they provide inventory status per the schedule specified by the retailer? Are they providing tracking information within the ASN, branded packing slips and label requirements? If they are filling all order types out of their own inventory, are they set up for success in terms of automation of communication, order and fulfillment processes, accurate inventory updates?

For drop ship, speed to order fulfillment and delivery are critical. Fulfillment centers no longer have the luxury of staging orders over several days. To meet today’s requirements orders must be shipped the same day they are received. The faster the better. Failing to do so can increase transportation costs, as sellers turn to expedited shipping to keep customer satisfaction high. Plus, the faster you can process orders as late into the day as possible, the more orders you can accept for standard delivery, creating the potential for increased sales and improved margin. Regardless of fulfillment method, it is critical to have systems in place that provide constant visibility to the order status for all parties.



KP: David, these processes may have most recently been tested during Amazon Prime Day or Prime Days, as it was. We're not looking at dollars so much as we're looking at the spike in transactions, but at SPS we saw a shift of 13% on Monday and 16% on Tuesday of Amazon Prime Days, compared to our previous Monday and Tuesday volumes. Do you think these numbers help predict the volume of the upcoming holiday shopping season?

DV: Well, anybody in retail knows 'tis the season for order volume spikes, that's for sure. It really depends on what you're offering and what your discount or sales strategy is. Amazon Prime Day is one big sale over just one or two days. There might be a ramp up with other sales happening ahead of time, but it's a week at most. The holiday shopping season starts earlier and earlier, with Black Friday still being the official kickoff, followed immediately by Small Business Saturday and Cyber Monday. But then it fits and starts until Christmas Eve. I think there will be more volume spikes on those three days, depending on what type of retailer you are, and then probably just higher than normal sales for the following weeks. It's not over really then, as you know. You then have the post-holiday markdown rush of customers and the flood of returns starting on December 26th and into the New Year.

KP: Let's focus on the critical inventory portion of the holiday shopping season. By now, retailers have had their orders in, and products from overseas are on their way or have already arrived. With anticipation of high demand and sometimes long lead times for delivery, is there anything retailers can do now to lower the risk of inventory issues in Q4?

"Escalating consumer expectations is the key challenge for businesses, especially around the drop ship order fulfillment model."

DV: Escalating consumer expectations is the key challenge for businesses, especially around the drop ship order fulfillment model. This challenge focuses around the pressure to deliver excellent customer service, ease and convenience of ordering and tracking shipments, really kind of near instant service levels. The partnership and communication between retailers and suppliers is critical to ensure both parties are prepared for operational excellence during this time period, beginning with consistent and accurate visibility in inventory. Ability to meet demands across all order models.

The retailer has to trust that the supplier can provide visibility to current inventory levels, so product is not oversold and they can handle the forecasted volume in all fulfillment models during peak periods. If you're planning to source additional trading partners or SKUs, confirming the supplier has the ability to fully support order models with automation, in order to avoid expansion of manual processes over this increased volume, is essential. Last, define up front how returns are going to be handled with the supplier. You need to have that established from the start.



KP: That's a great deal of information to consider, David. Do you have any other advice that you'd like to offer for retailers and suppliers as we close out today?

DV: Well, certainly you can implement technologies, process, communicate these requirements clearly, but to assume that the supplier is capable of stepping into these new order fulfillment models without fully vetting out the process and capability could lead to catastrophe. Putting the time and effort into these validations in advance will help increase the odds of a smooth holiday shopping season.

KP: This has been some great information, David. Thank you so much for sharing your expertise and joining us on the podcast today.

DV: It was great to be here, and thanks for having me.

Thanks for listening to this episode of Mastering the Retail Game. You can read transcripts of the podcast, review show notes and listen to other episodes by visiting spscommerce.com/podcast or by subscribing wherever podcasts can be found. Join us on the next episode of Mastering the Retail Game for more tips on how to win in the new retail environment.

“Putting the time and effort into these validations in advance will help increase the odds of a smooth holiday shopping season.”