INTEGRATED SOLUTIONS AND AUTOMATION:
Mastering Omnichannel Order Management and Fulfillment

Many successful fashion brands are selling wholesale, running their own retail operations and drop shipping styles direct to consumer for retailers and online marketplaces. It's a complex proposition, but there is a way to manage it all with an integrated software system.

Lee Goldenberg worked in the fashion business for 40 years before retiring this June. He spent the past six years of his career as vice president and CIO at John Varvatos after serving in leadership roles at such venerable brands as Lord & Taylor, Theory, Donna Karan and Chaus.

Like many other apparel industry veterans, he remembers a time when you received orders from a retailer, made products to fill those orders, shipped the goods to the customer, issued an invoice and got paid. It wasn't always easy, of course, but the ground rules were pretty straightforward.

Fast forward to 2018, and "business as usual" is quite a different matter. Among other big changes, Goldenberg has seen inventory risk shift from retailers to fashion labels. That's because retail customers increasingly want brands to drop-ship online orders direct to consumers and supply more products on a consignment basis to select stores. "They want us to have the risk of the inventory without them actually purchasing it until they actually sell it," he says.

At the same time, he's watched bright new opportunities open up for brands like John Varvatos. They have a chance to seize on consumers' omnichannel love affair and connect with shoppers in myriad ways. That may be in a department store, off-price store, on Amazon, johnvarvatos.com or in a John Varvatos retail store. "Anybody who thinks the customer doesn't rule is crazy. The customer rules," he says. "Customers are so dear today because they're hard to find. They have so many options."

Steven Yong, director of business process and information system management for the iconic Halston Heritage label, feels the same way. "At the end of the day, the most important thing is to be able to capture that sale and fulfill it," he says. "To keep your sales up, the ideal methodology is to be connected with multiple platforms and different business models. … It's a lot of moving parts, but when you look at the benefits, it's a game changer. It's so flexible. You can control things much better, not only on the retail side but the wholesale side."

But to get there, brands must have the right integrated systems. The good news: These solutions exists today and are being used by firms such as John Varvatos, Halston and other fashion businesses to tame the complexities of omnichannel commerce.

CHALLENGES
MANAGING MANY DIFFERENT CHANNELS

In a typical workday, it's not unusual for a successful fashion brand to be fulfilling all of the following:

- **Wholesale orders from retailers**
  The "traditional" type of bulk orders of goods, usually shipped in cartons or pallets to a retailer's warehouse or directly to stores. The retailer owns the inventory upon receipt. The brand is paid by the retailer.

- **Retail customers' website orders from consumers**
  Orders placed by consumers on retailers' websites.

CHANNEL FULFILLMENT CHALLENGES

WHOLESALE ORDERS FROM RETAILERS

RETAIL CUSTOMERS' WEBSITE ORDERS

ONLINE MARKETPLACE ORDERS

ORDERS SUBMITTED VIA YOUR WEBSITE

STOCK FOR COMPANY-OWNED STORES/OUTLETS

STOCK SOLD ON CONSIGNMENT IN DEPARTMENT STORES

The brand drop ships the products from its warehouse, usually making it look as if the retailer filled the order. The brand owns the inventory until it ships. The brand is paid by the retailer after the retailer is paid by the consumer.

- **Online marketplace orders from consumers**
  Orders placed by consumers on Amazon, Farfetch and other online fashion shopping sites. The brand owns the inventory until it sells. The brand drop ships the products to the consumer and is paid by the marketplace after the marketplace is paid by the consumer.

- **Consumer orders from the brand's own website**
  Orders placed by consumers directly on the brand's e-commerce website. The brand owns the inventory until it sells. The brand is paid by the consumer.

- **Stock for company-owned stores and outlets**
  Bulk orders shipped to stores owned and operated by the brand. The brand owns the inventory until it sells. The brand is paid by the consumer.

- **Stock that will be sold on consignment or concession in department stores**
  Smaller bulk orders shipped to specific retail stores per assortments ordered by the retail customer. The brand owns the inventory until it sells. The brand is paid by the retailer.

Sometimes there are even more business models and channels to juggle, including international wholesale accounts, licensees, distributors and catalogs. A brand might be managing several different models (traditional wholesaling, consignment and drop-shipping) with a single retail customer. This diversity can be a good thing. The catch is that every single one of these channels has different requirements. The devil is in the details, as the old saying goes. For example, just as every retail customer has a certain way it wants bulk wholesale orders to be fulfilled, each one also has specific protocols for how drop-ship orders must be handled.

"It's very difficult to have one methodology across the back end of your business. So a lot of this becomes very specialized and very hand holding unless your software can take care of it," Goldenberg says.

Most apparel companies would relish the prospect of starting a new drop-shipping business with a major retailer such as Nordstrom or Bloomingdale's. Sometimes these relationships can be the start of something much bigger, such as wholesale orders for exposure in stores nationwide. But whether you're a seasoned fashion executive or a start-up entrepreneur, the same question often casts a shadow of doubt: How are we going to handle all of the behind-the-scenes data, technicalities, processes and steps necessary to support this new business? No one wants to see their best managers and dedicated customer service staff drowning

in a sea of omnichannel orders, with inventory visibility swirling into an ever-murkier, muddier state.

It's common for fashion firms to lack holistic inventory visibility. Instead, many have silos of inventory data — one pool for wholesale, another for their own e-commerce site, another for their own retail stores, etc. If this sounds familiar and you are relying on spreadsheets and different software programs to track products and see what's available to sell, you are not alone. Pulling in data manually from different systems has become a default norm over the years at a lot of fashion brands. Considerable time and resources are consumed by manual data entry, order management and financial reporting.

Drop-shipping programs put a greater strain on the already stretched status quo. In the absence of a system to fulfill these orders automatically, the brand's team must manage incoming orders manually through portals set up by each retailer. This approach can be very time consuming and error prone. It's not just a matter of filling the orders, which involves multiple steps in itself. The fashion brand also must regularly "push up" its inventory data to the retailer so that the retailer knows what styles are available to be purchased by online shoppers. Without automation, someone must constantly check the retail portal for new orders and keep updating the available inventory status. It's easy to see how this process could become very inefficient. That's if you're supporting one retail drop-shipping program. The complexity intensifies exponentially when you're serving a dozen different programs — all with different requirements.

SOLUTIONS
BEST PRACTICES AND TECHNOLOGY

Omnichannel commerce can be very fruitful for a fashion label — if it's managed efficiently and with automation. Companies that have transitioned to integrated, omnichannel ERP systems can take on new customers, channels and drop-shipping programs — whatever the market throws their way — without worrying about whether the added business will eat away at profitability or overload their workforce.

Integrated ERP: To win at omnichannel, you need a single source of product data, housed in an ERP solution that provides a full view of all business channels, from both the inventory and financial vantage points. Such a single-solution ERP technology should encompass warehousing and logistics, sales and delivery, EDI, e-commerce, financials and planning.
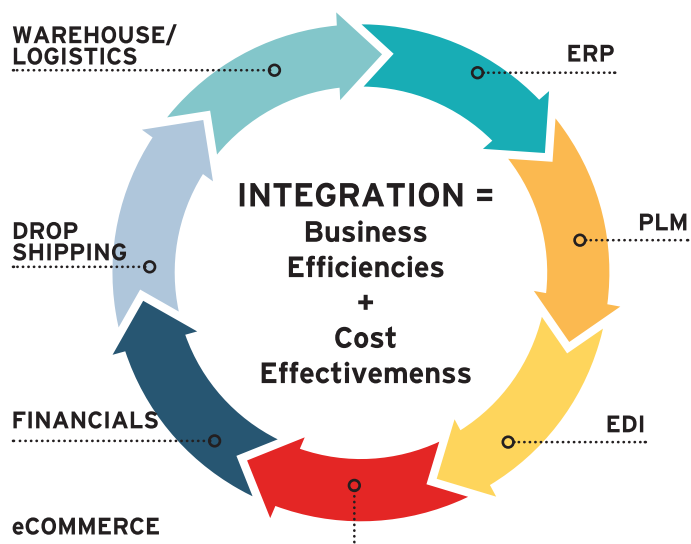
"You can hold more of your inventory at your own facility and be more flexible in how you manage it," Yong says, referring to Halston's use of RLM Apparel Software. "We have clear visibility in real time of what we have in inventory, what has been fulfilled and what we have in orders. It's fantastic. We can track everything down to the last SKU, the last piece, the last size."

This visibility extends to inventory held by retail customers

in their stores. For example, Halston can now easily transfer products from one concession shop in Bloomingdale's to a concession stop in another Bloomingdale's location where there is greater demand. Or it can fulfill Bloomingdales.com orders from in-store inventory. "Before, if a store didn't have the goods, it couldn't be sold. You lost the sale completely," Yong says. "Now if we see demand at Store A, and Store B isn't selling those goods, we can transfer the units."

The key is to look for an ERP solution provider that has pre-built application programming interfaces (API) — or a willingness and proven ability to build APIs — for each of the most essential software programs you are using to do business with your customers. For example, Shopify and Magento are popular e-commerce programs used by fashion labels. Amazon and Farfetch are popular websites frequented by apparel shoppers. All the better department stores (Neiman Marcus, Nordstrom, Bloomingdale's, etc.) have drop-ship programs. It's important to make sure your ERP solution can automatically plug into and start exchanging data with these systems, marketplaces and retailers. With pre-built API, the ERP system not only automates a lot of the business processes, it also automatically upgrades any time the customer tweaks a requirement. There is little need for custom programming to keep track of day-to-day changes.

What does all of this buy you? For starters, you will know in real time what is available to promise and available to ship, and you can make inventory transfers seamlessly. For example, if the brand is seeing a spike in demand from its e-commerce website, it can easily shift available inventory from one pool (say, excess inventory tentatively reserved for

WAREHOUSE/ LOGISTICS

ERP

PLM

INTEGRATION = Business Efficiencies + Cost Effectivemenss

DROP SHIPPING

EDI

FINANCIALS

eCOMMERCE

the wholesale business) to satisfy the incoming orders.

CASE IN POINT: Around the holiday 2017 shopping season, John Varvatos activated a drop-ship program for its own website, leveraging capabilities of its ERP solution from RLM Apparel Software. "Now if we have the product in the warehouse, and it's not reserved for a specific customer, it goes to the web as available inventory," Goldenberg says. At a new Los Angeles distribution center (DC), "there is no 'e-comm inventory,' there's no separate 'retail inventory' and there's no separate 'wholesale inventory.' It's all one pool of inventory controlled by orders and reserved goods, and then everything else is open to all of the different channels. Whoever sells it first, sells it," he says. "We have a true omnichannel inventory solution in place."

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>
> **– STEVEN YONG, HALSTON HERITAGE**

In addition, John Varvatos store associates can have live chats with online shoppers, who can see what actual inventory is at the store and reserve it. That opens the door for upselling and cross-selling when customers visit the store location to pick up their Internet order. "If you're in the store and you want a product we don't have in stock, the store associate can go into the system, see if the goods exist anywhere in the chain (in another store or in our warehouse) and place your order while you're checking out, while you're in the store. We will ship it to you free of charge."

"This is all built around exposing your inventory in different iterations on different platforms, whether they be yours or somebody else's," says Goldenberg. "The backbone to all of those processes [for us] is RLM. That feeds all of the other systems."

INTEGRATED FINANCIALS: A seamless data flow from ERP to integrated financial IT tools gives apparel brands a clear view of gross profitability, streamlined reporting and easy consolidation of data from different channels. Fashion companies can look at their business in whatever way they want, in real time. There is no need to wait a day for a report of inventory, actual sales or gross profitability. For instance,

some brands are interested in breaking out sales by full-price vs. off-price retail accounts. Their software systems should give them the flexibility to see this view as well as other dissections they desire, such as cost of goods sold and profitability by channel.

AUTOMATED DROP SHIPPING: With a highly integrated enterprise software platform, fashion lifestyle brands can take the manual intervention out of drop shipping to ensure it is done efficiently and accurately. They should expect automated EDI transactions and email notifications at every step of the way, for themelves, the consumer and their retail customer, if applicable. Look for built-in integration with small parcel shippers such as FedEx, UPS, Purolator (in Canada) and others.

And that aforementioned need to "push up" inventory so retail customers' website shoppers have a transparent view into what is available? It can be handled automatically by the single-source ERP solution. Fast-growing Canadian footwear distributor Trend Marketing has first-hand experience with this. The company keeps about 50 leading footwear labels in stock in retail customers' stores across Canada, serving specialty retailers as well as large merchants including Hudson's Bay Co., Amazon and Nordstrom. It went live with RLM Apparel Software's enterprise solution in January 2016. Then in fall 2017, it began rolling out RLM's Enhanced WMS at its 60,000-square-foot DC in Toronto. "Trend Marketing Wholesale prides itself on our ability to meet our customers' needs. In today's market, this concept goes beyond just being responsive to calls and emails or providing retailers with great product at a great price," says Michael Weinberger, director of operations. "We must give them easy access to our inventory. They need to be able to draw on our inventory for both their brick-and-mortar stores as well as their e-commerce platforms. The most effective way to achieve this is through integration.

"This means a company's available inventory should push in either real time or on a frequent schedule to the retailer," he says. "The retailer should leverage this information to keep their website accurate and current, offering their customer the most available product every hour of the day. Orders should push into the supplier's ERP and, if credit worthy, the pick tickets should automatically become available to the warehouse. This will allow inventory to be allocated and update the inventory feed even when there isn't anyone in the office available to enter orders. You're keeping that inventory feed live and accurate for omnichannel selling."

In conclusion, the business of fashion is more complex than ever. Apparel lifestyle brands must be able to fulfill orders through many different channels. An integrated software system can automate much of the behind-the-scenes work required to be an omnichannel fashion success. **APP**