

Introducing Accenture
Retail Fulfillment Solution

A new approach
to automated retail
order placement

High performance. Delivered.



Enhancing ordering systems for urban retailers

Urban retailers have to manage inventory in a challenging environment. Their stock turns over more rapidly in city stores than in suburban stores, and, given the high rents in cities, stores cannot afford to hold large amounts of merchandise in limited spaces.

The consequences of holding too much or too little stock can be disastrous. For example, a North American retailer was forced to cancel online customer orders during the critical holiday season due to an overwhelming demand for goods. Aside from the financial losses, retailers may not survive the reputational damage of such an incident.

To ensure stock levels are kept at optimum levels, many global retailers use automated order fulfillment systems. For instance, in 2012, Amazon paid approximately US\$775 million to acquire order fulfillment company Kiva Systems, which uses sophisticated control systems and autonomous mobile robots to organize retail orders.¹ In addition, American retailer Macy's used cutting-edge software to meet online orders directly from storerooms.² This would help lower shipping costs and boosts margins by shipping from locations with higher overstock, rather than having to place excess items in clearance bins.

Further, Pakistan's Al Rahim Textile Industries implemented automated systems to reduce the time it takes to get an order delivery ready by 40 percent.³ "Information technology is not a luxury, it is a need," said Khawaja Mudassir, IT General Manager at Al Rahim Group.

Given the power of this technology, and its widespread adoption, we believe it is now time for Asian retailers to consider how they can use automated ordering systems to help them succeed in their increasingly competitive environment.

As more people pour into Asia's cities, the battle for retail supremacy will grow fiercer in urban locations. The challenge for store owners will be to ensure the right stock arrives in the right location at the right time for customers. Accenture Retail Fulfillment Solution is a revolutionary approach that helps retailers address this challenge.



How Accenture Retail Fulfillment Solution works

Accenture Retail Fulfillment Solution is built in Asia and based on Asian-developed technology. Designed for retailers of all sizes, it can be rapidly introduced and integrated with your existing systems to forecast future inventory needs. In addition, it continually learns to improve inventory replenishment practices.

At the heart of Accenture Retail Fulfillment Solution is a patented forecasting engine that uses field tested logic processes to manage inventory across a range of product lines and levels of stock management. This dynamic system adjusts to fluctuating demand patterns to help ascertain your company's inventory needs.

For instance, if you experience a 1,000 percent jump in demand for a particular product, how should you respond? Is this a deeper trend or a temporary increase?

At present, many retailers leave this decision to human judgment and their current order placement systems. However, human judgment can be variable; and some order systems need to be extensively modified and updated by staff.

Accenture Retail Fulfillment Solution removes the guesswork, the need for manual entry and the uncertainty. By applying sophisticated analytics to existing data, the solution eliminates the noise from one-off demand spikes to identify long-term trends to underpin proper automated ordering.

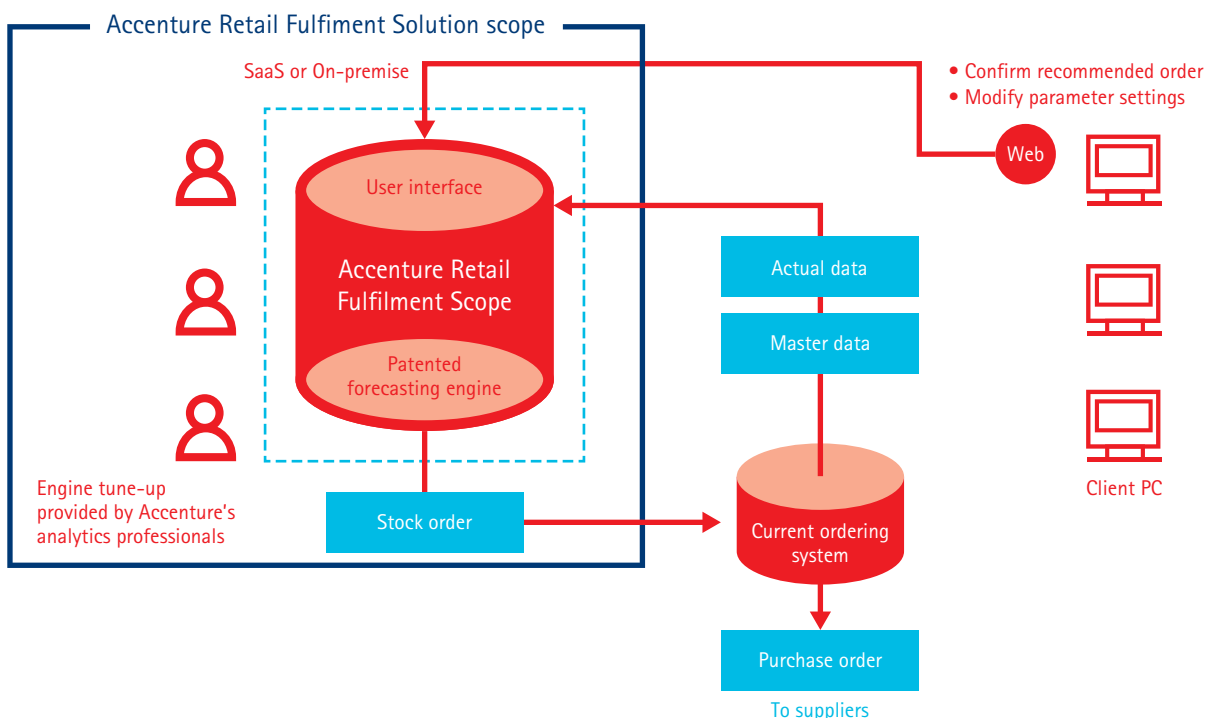
We know that every retailer is different – even if they supply similar merchandise in similar locations. Demand patterns and inventory needs can be vastly different. Accenture Retail Fulfillment Solution is highly flexible and can be easily tailored to your requirements. For instance, how do your customers shop? Do they primarily purchase from retail outlets, or are they 'non-stop customers' that mainly buy from online channels?

These preferences will play a major role in determining the right fulfillment arrangements for your business and how Accenture Retail Fulfillment Solution operates.

Accenture's top analytics professionals will also work with you to fine-tune Accenture Retail Fulfillment Solution's predictive capabilities, modifying the patented engine to take account of your company's strategic focus and corporate goals. We also provide ongoing support to help confirm that you get the maximum benefit possible from Accenture Retail Fulfillment Solution, including improving your supply chains.

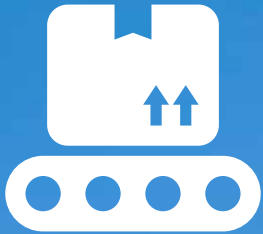
As can be seen in Figure 1, Accenture Retail Fulfillment Solution easily integrates with your current systems. As it operates in the cloud, there's no need to buy expensive capital equipment or overhaul your ordering framework. This helps confirm that you can implement the solution at speed, and quickly realize benefits. You can deploy Accenture Retail Fulfillment Solution as a service (SaaS model) or host it at your premises. Further, key reporting functions are customized to your company's needs.

Figure 1 (Illustrative): How Accenture Retail Fulfillment Solution operates



The benefits of Accenture Retail Fulfillment Solution

Accenture Retail Fulfillment Solution has substantial benefits for retailers of all sizes across six key areas.



Optimizing Efficiency

At its core, Accenture Retail Fulfillment Solution helps organizations become more efficient by improving their automated fulfillment systems. We provide analytics services to fine-tune the parameters of Accenture Retail Fulfillment Solution, and ongoing support (including access to a help desk) to assist retailers in taking full advantage of the solution. Accenture delivers this process at speed with an appropriate initial cost.

Further, Accenture Retail Fulfillment Solution allows retailers to monitor stock movements and generate tailored reports that can drive actionable insights around inventory management, and underpin evidence-based process improvements.



An Astute Algorithm

At the heart of Accenture Fulfillment Solution is Accenture's patented algorithm which is able to calculate optimum order quantities. The superiority of this approach lies in its ability to manage agile variation of the stock volume to be stored, including the safety component, which is essential for coping with day-to-day fluctuations in demand.



Demonstrating Value

We have helped retailers gain substantial financial benefits by implementing Accenture Retail Fulfillment Solution. Collectively this group of companies had sales of approximately US\$5.3 billion and realized:

- annual sales growth of between US\$21 million and US\$106 million
- inventory cost savings ranging from US\$32 million to \$127 million
- labor cost savings of US\$5.3 million to US\$10.6 million, gained from reducing man-hour requirements by as much as approximately 80 percent.

Also, Accenture Retail Fulfillment Solution has helped companies reduce their missing goods as a proportion of sales ratio by up to 3.4 percent, and to cut out-of-stock ratios by approximately 20 percent while keeping inventory turnover constant.





Flexible and Effective Pricing

Accenture Retail Fulfillment Solution pricing is based on the number of transactions – which is calculated by the number of items ordered per day. This means retailers' costs are linked to their business volumes. This is a more cost-effective approach than a full-time equivalent pricing model which is based on an estimated level of labor hours.

More details on pricing can be found in the next section.



Connection via Cloud

Accenture Retail Fulfillment Solution is hosted in the cloud and uses Fujitsu's industry-leading infrastructure as a service platform. We then deliver this solution to clients in the form of software as a service. This allows retailers to take full advantage of Accenture Retail Fulfillment Solution without having to invest in large-scale capital equipment; and to scale the solution up or down as business conditions dictate.



Insights for Accuracy

Accenture Retail Fulfillment Solution generates actionable insights to identify optimum order quantities on a daily basis. Retailers can then consistently avoid situations of stock shortages and overstocks, and calculate safety-stock levels. These quantities can be adjusted to take into account promotions and other factors. In addition, Accenture Retail Fulfillment Solution continuously learns and improves its accuracy in estimating order quantities.



Implementing Accenture Retail Fulfillment Solution

We understand Accenture Retail Fulfillment Solution can represent a major change for retailers.

We offer a free simulation to demonstrate how Accenture Retail Fulfillment Solution can help your business, and integrate with your existing systems to deliver benefits (see Figure 2). We can also simulate a range of scenarios encompassing different merchandise items under various conditions.

Using our field tested approach, we can then tailor an Accenture Retail Fulfillment Solution solution for your business. Accenture has a strong track record in rolling out Accenture Retail Fulfillment Solution at speed, minimizing disruptions and confirming that your company reaps benefits at an early stage.

We also offer flexible billing options for Accenture Retail Fulfillment Solution clients (see Figure 3). The service involves a fixed monthly expense, and then clients can choose between:

Transaction-based fees

Based on the number of items and categories covered

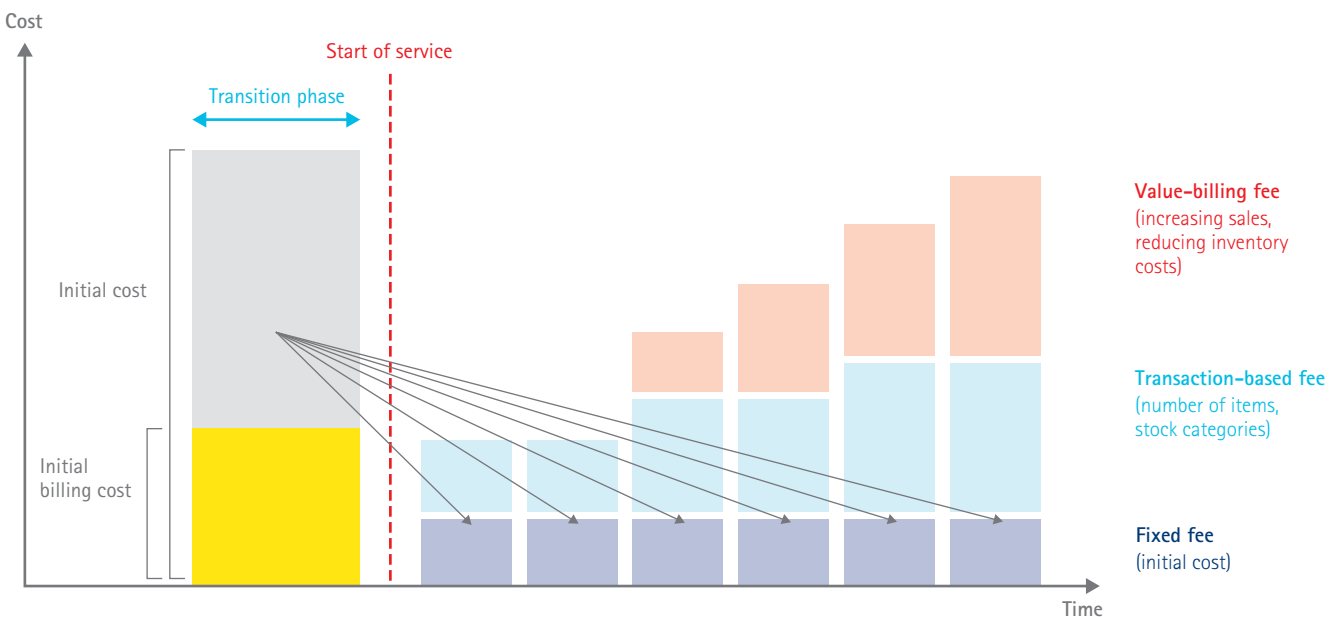
Value-billing fees

A contingent-fee structure where Accenture receives payments based on its performance against key performance indicators (including sales, missing goods and stock volume).

Figure 2 (Illustrative): Implementing Accenture Retail Fulfillment Solution



Figure 3 (Illustrative): Accenture Retail Fulfillment Solution billing options



Case study

A large consumer electronics retailer in Asia Pacific with more than 100 stores.

In 2011, the company engaged Accenture to implement Accenture Retail Fulfillment Solution to reduce the number of instances products were out of stock, and to cut the level of inventory being held.

We have already helped the company achieve significant benefits, including a 50% reduction in its stock-out ratio on constant turnover, and operation times for order management has been reduced by 86%.

Your next steps

Accenture Retail Fulfillment Solution represents a major opportunity for your company to transform its approach to inventory management. The first step in this process is to assess the performance of your current arrangements. We can meet with you to demonstrate how Accenture Retail Fulfillment Solution may benefit your business – including boosting sales and customer satisfaction.

Please contact our team for more information.

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3. Baloch, F, A new era dawns: one tech solution helps Al Rahim Textile double its growth rate, The Express Tribune, 18 June 2013, www.tribune.com.pk/story/564460/a-new-era-dawns-one-tech-solution-helps-al-rahim-textile-double-its-growth-rate/?print=true.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 275,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$28.6 billion for the fiscal year ended Aug. 31, 2013. Its home page is www.accenture.com.