ERP in Retail

A One Stop Shop for Customer Satisfaction

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ERP in Retail: A One Stop Shop for Customer Satisfaction

Today's retail environment is in a state of evolution. Retailers are becoming more global and are dealing with an increasing amount of sales channels and logistics options. Much of this has been influenced by the increase in the number of retailers that are offering products online. This new business model brings a fresh set of challenges that force retailers to alter the ways in which they do business. While Aberdeen's 2013 Enterprise Resource Planning (ERP) Benchmark Survey notes that 84% of retailers are currently utilizing an ERP solution, simply relying on this technology as they have in the past is not enough for retailers in the new environment. Rather, top performers must utilize the technology to support a more collaborative model, one that enables the organization to better work with suppliers and customers to meet customer expectations and take advantage of the new opportunities that have presented themselves. This report, based on two Aberdeen surveys, identifies how Leading retailers use more advanced ERP to better manage their extended enterprise.

The New Retail Environment

The H1 2013 Aberdeen Business Review identified the top pressures facing retail organizations heading into 2014 (Figure 1).

Figure 1: Top Pressures in Retail

Percentage of Respondents, n = 42
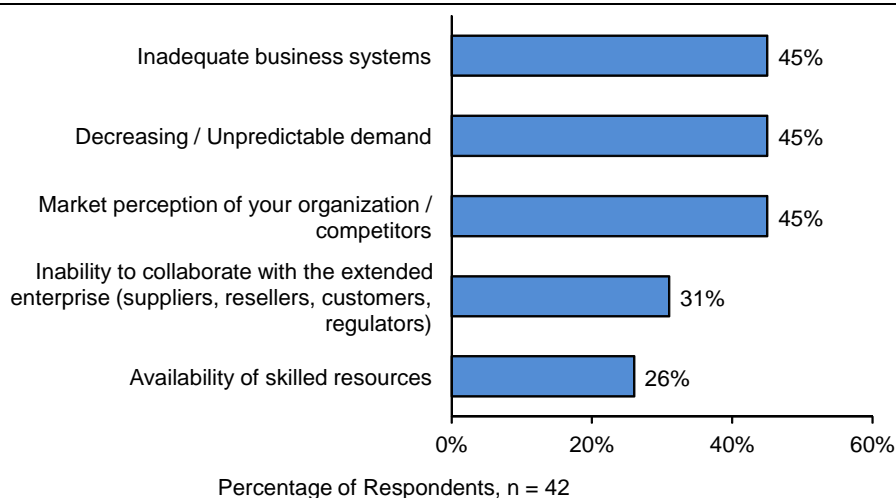
Source: Aberdeen Group, June 2013

One top pressure (45%) is inadequate business systems. Many retailers do not have systems that can support the new ways in which they do business.

Sector Insight

Aberdeen's Sector Insights provide strategic perspective and analysis of primary research results by industry, market segment, or geography.
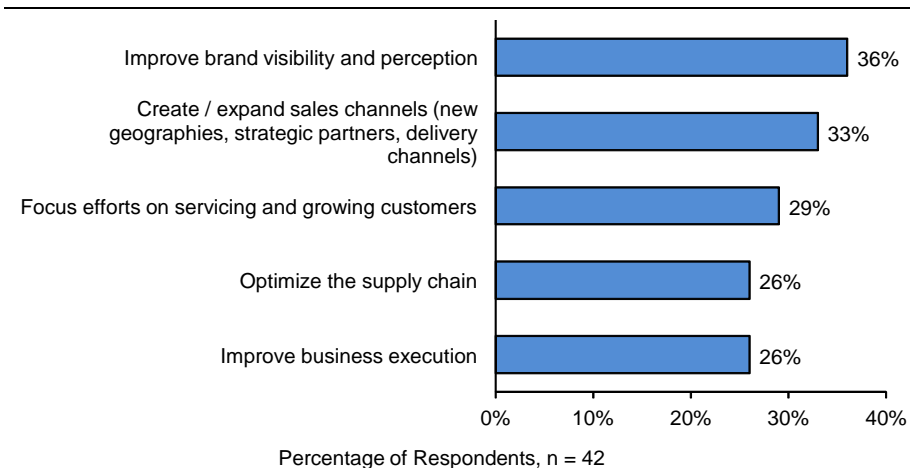
Aberdeen Methodology

In this report, Aberdeen groups respondents into two maturity classes:
√ **Leaders**: Top 35% of respondents based on performance
√ **Followers:** Bottom 65% of respondents based on performance

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This includes selling goods across multiple channels and working with third-party logistics vendors (3PL). We can see this reflected by the point that 31% of retailers noted an inability to collaborate with their extended enterprise, either up or downstream. This is important with, for example, "hot ticket" items. Take the case of the recent shortages with PlayStation 4 video game consoles. These items sell out everywhere as soon as they are in stock. Organizations that can better understand when they can expect shipments can better communicate to customers and ensure that those customers come to them when stock is secured. This example shows how a lack of advanced technology capabilities can impact demand planning and market perception.

The top strategies identified in the H1 2013 Aberdeen Business Review illustrate how retailers plan to address the above pressures.

Figure 2: Top Strategies of the Retailers

Strategy	Percentage
Improve brand visibility and perception	36%
Create / expand sales channels (new geographies, strategic partners, delivery channels)	33%
Focus efforts on servicing and growing customers	29%
Optimize the supply chain	26%
Improve business execution	26%

Percentage of Respondents, n = 42

Source: Aberdeen Group, June 2013

Three of these strategies are especially impacted by modern ERP initiatives, specifically the creation of new sales channels, the optimization of the supply chain, and improvement of business execution. Through ERP and its extensions, retailers can expand their organization geographically and virtually. This is because these solutions can help to better communicate, predict, and organize. These are keys to optimizing the supply chain through better demand planning and being able to provide product when needed through improved business execution. The next section will identify the key capabilities that are enabled through ERP in order to succeed in the new retail environment.

A Single Solution for the New Environment

Aberdeen's 2013 Enterprise Resource Planning (ERP) Benchmark Survey illustrates how Leading retailers utilize ERP to better work with customers and suppliers, which is a key strategy for taking advantage of the opportunities presented in the new environment (Figure 3).

Figure 3: Leaders Can Make Use of Important External Data
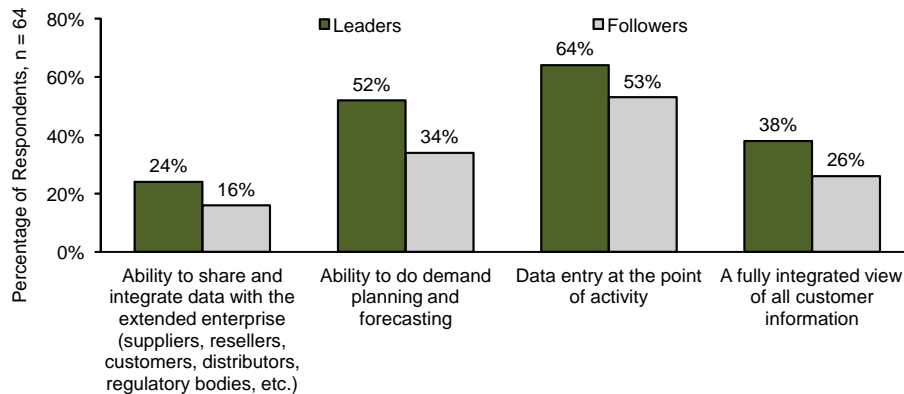
Source: Aberdeen Group, August 2013

Leading retailers are 50% more likely than Followers to have the ability to share and integrate data with the extended enterprise. This means suppliers *and* customers. They can understand which products are going to be in demand through things like pre-orders, and these organizations can also better understand when products will become available. This knowledge greatly enhances an organization's ability to do demand planning and forecasting, which is a capability that Leaders are 53% more likely than Followers to have. Effective planning ensures that the organization is able to avoid stock outs or a surplus, helping it to retain margins. This also has the ability to influence customer satisfaction, which is a differentiator in retail.

Delight and satisfaction keeps customers coming back. It is really all about making the shopping experience as simple and consistent as possible for the customer, regardless of the channel. In store, some organizations have enabled associates to come directly to the customer in order to complete transactions. Take, for example, Apple stores, where employees carry iPhones and iPads. Truly, 64% of Leaders have data entry at the point of activity, which also impacts efficiency.

At the register (or online), customers are satisfied when they feel as if the retailer they are purchasing from knows them. Having an integrated view of customer data enables things like loyalty programs and speeds up transactions and service.

So how are these capabilities enabled in a modern retail environment? Aberdeen's research finds that Leaders are over twice as likely to utilize ERP and its extensions to create a complete and auditable system of record (Figure 4).

How Do You Compare?

Wholesale and distribution respondents to the 2013 ERP Benchmark survey were ranked on the following criteria:

√ **Days to close a month:**
Leaders – 3.5,
Followers – 7.2

√ **Complete and on-time delivery:**
Leaders – 97%,
Followers – 89%

√ **Internal schedule compliance:**
Leaders – 96%,
Followers – 90%

√ **Inventory accuracy:**
Leaders – 94%,
Followers – 92%

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Figure 4: A "One Stop Shop" for Data
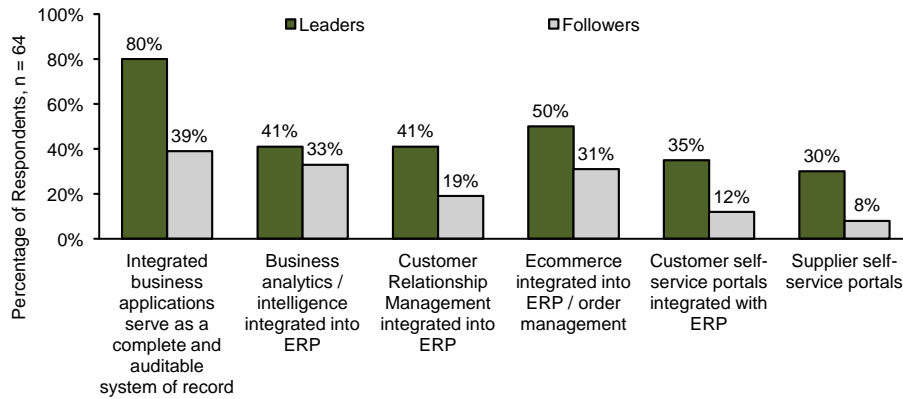
Source: Aberdeen Group, August 2013

By connecting ERP with a variety of technologies, Leaders can better manage the new environment for retail. In order to become more predictive and understand their customers and suppliers better, 41% of Leaders have integrated business analytics with ERP. They can then better identify opportunities, offer improved promotions, and effectively forecast for demand. Further, there are a variety of technologies that help them optimize the supply chain. Leaders have implemented these at a significantly higher rate than Followers. For example, Leaders are twice as likely as Followers to have integrated Customer Relationship Management CRM) with ERP. This is particularly important for supporting new channels. For example, Leaders are 61% more likely than Followers to have integrated Ecommerce and almost four times as likely to have supplier self-service portals. This technology environment provides retailers with instant access to all of the information they need to better interact with the extended enterprise and keep customers coming back.

Key Takeaways

Many of today's retailers are hindered by inadequate business systems that are unable to support the ever-evolving retail environment. Success requires working with the extended enterprise to accurately plan for demand. The goal is to maintain profit margins while keeping customers coming back for more. Note the following data points:

- Leading retailers are 50% more likely than Followers to have the ability to share and integrate data with the extended enterprise.

- Leaders are 53% more likely than Followers to have the ability to plan and forecast for demand.

- Leaders are 46% more likely than Followers to have a fully integrated view of all customer information.

These capabilities are attained by creating a technology environment that connects essential retail information with the organization's ERP backbone.

Creating a "one stop shop" for data will help to create a shop that
customers keep coming back to.

For more information on this or other research topics, please visit
www.aberdeen.com.

Related Research	
ERP in Wholesale and Distribution: A Logical Solution to Logistical Challenges; September 2013 _The Outside-in Approach to Order Fulfillment: Providing a Seamless Customer Experience_; April 2013	_Improving S&OP with Planning and Forecasting Technology: An Integrated Look at Financial and Business Planning_; October 2012 _ERP in Retail_; February 2012
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