Dydacomp®

Dressing for Success eBook

Best Practices in Apparel and Specialty Retailing

Specialty retailing is a highly competitive sector and those that succeed possess unique characteristics, selling strategies and customer service practices that set them apart from their competition. Apparel and specialty retailers must be experts in following consumer trends when it comes to spending and fashion in order to be ready with the right products when shoppers are ready to spend. They've also found a useful software trend to keep their advantage that can be found in the back office rather than on the selling floor or Web storefront.

Freestyle commerce™

M.O.M.® multichannel order manager

Best Practices in Apparel and Specialty Retailing

Executive Summary

There's good news on the horizon for apparel and specialty retailers. While consumers are still being careful about their spending, the National Retail Federation (NRF) has predicted that retail sales will show an increase of 4.1% in 2014, outpacing the 3.7% increase delivered in 2013. As a part of this increase, the NRF is predicting online sales to increase 9% to 12%, good news for online and multichannel merchants.

Specialty retailing is a highly competitive sector and those that succeed possess unique characteristics, selling strategies and customer service practices that set them apart from their competition. Apparel and specialty retailers must be experts in following consumer trends when it comes to spending and fashion in order to be ready with the right products when shoppers are ready to spend. They've also found a useful software trend to keep their advantage that can be found in the back office rather than on the selling floor or Web storefront. As a general rule, apparel retailers tend to do better when the economy is healthy as consumers go from buying just the basics to outfitting themselves seasonally and for special occasions when disposable income rises. Consumer income and fashion trends are the major drivers behind spending in this market.

Missing the mark in capturing shoppers' available dollars can't be an option in this competitive environment. As consumer confidence and disposable income rise, shoppers become more selective about where they buy clothing and other apparel and specialty retail items. Being able to purchase better quality, upscale and higher priced clothing from specialty retailers while leaving behind mass market merchandisers is a trend that shoppers are once again embracing.

You can prepare for a good year by determining where operational improvements can be made to help you to respond to sales opportunities. If you haven't already done so, now's the time to think about connecting your back office with your eCommerce store to simplify your day-to-day operations leaving you more time to source new products and reach new markets.

According to Lucintel, a leading global management consulting and market research firm, the global apparel and accessories retail industry is expected to witness modest growth during 2012 to 2017 and reach an estimated $1,369 billion in 2017 with a CAGR of 4% over the next five years.[1] The gains will not be easy for these retailers as they face competition from mass merchandisers and department stores in an already competitive market. The small to medium apparel retailer needs to keep pace with the larger retail competition and find ways to set themselves apart to attract and retain customers.

Dydacomp works with thousands of small and medium-sized apparel and specialty retailers to help simplify commerce and grow their business. Its customers collectively generate more than $200 million in sales each month, and Dydacomp has learned from them what has been most effective in helping them grow and

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[1] "Global Apparel and Accessories Retail Industry 2012-2017:Trend, Profit, and Forecast Analysis." Lucintel Estimates Global Apparel and Accessories Retail Industry Market to Reach US $1,369 Billion in 2017, PR Web, May 2012. http://news.yahoo.com/lucintel-estimates-global-apparel-accessories-retail-industry-market-130026420.html

succeed. It's that experience which has enabled the company to assemble this eBook entitled: "Dressing for Success – Best Practices in Apparel and Specialty Retailing."

This eBook addresses the benefits of finding and implementing a best-in-class order management solution for retail apparel operations so retailers and etailers alike can provide all the right functionality to create the ideal shopping experience to build customer loyalty and repeat business. Continue reading to learn how to improve business processes, increase efficiency across multiple sales channels, control costs and offer a unique customer experience for shoppers.

Trying on Technology

In today's competitive, multichannel apparel and specialty retail environment, retailers need to recognize how technology can be used to capture, integrate and utilize data across the entire operation to best understand and respond to consumer demands. The right technology will help to create a richer consumer shopping experience. At the same time, technology also contributes to creating higher shopper expectations that need to be met to stay competitive. In response, more and more apparel and specialty retailers have begun to embrace mobile technologies, email marketing and social media as they recognize that today's shoppers have better control over when and how they interact with the companies that they select to shop with.

Industry analysts have predicted that mobile devices will soon surpass PCs when it comes to accessing the Internet. With smartphone and tablet adoption rising at a brisk pace, consumers expect that apparel and specialty retailers will keep up with their mobile demands.   All technology options need to have a positive effect on the customer experience as well as provide increasing opportunities to engage with customers on a more regular and personal basis, especially when it comes to apparel shopping. Technology that enables improved customer support to help solve problems, engage and entice shoppers and grow customer relationships helps apparel and specialty retailers to improve customer loyalty and optimize revenue.

Previously, small independent apparel and specialty retailer business owners had found the cost of automation to be prohibitive and many delayed utilizing technology to streamline their business processes. Technology is often capital intensive and apparel retailers recognize that they are not experts in technology. They look to acquire and manage technology without requiring a high degree of technical expertise or a huge investment. Also, since inventory was often not that expensive and turned over relatively quickly, automating inventory and shipping procedures was not considered to be a priority for apparel retailers. As competition has increased, there has been tremendous technology catch up in the industry and even small to medium-sized (SMB) retailers are using the latest and best software and systems to help their businesses thrive. Retailers have recently invested heavily in multiple sales channels, greater market research and customer data capture to help build sales.

Technology tools such as multichannel order management systems, dashboards and business intelligence reporting have become necessary to the survival of today's SMB apparel and specialty retailers as they compete with the larger chains for customers and sales. Multichannel order management systems do more than automate order entry and processing from a variety of sales channels. They also provide shopping cart integration, selling tools, Payment Card Industry (PCI) compliance, fraud protection, inventory management, payment integration and order fulfillment. The right system can simplify day to day operations, leaving apparel retailers more time to keep up with fashion trends to aid in retaining and attracting customers to build the business.

Apparel and specialty retail operations are ramping up their use of mobile and email marketing along with social networking to reach shoppers to generate revenue. The Forbes Insights study, Taking Stock in Tough Times: U.S. Retail Sector Outlook, reports that 51% of retailers surveyed indicated that they are very active or active in their use of social media with 94% of these respondents indicating that they are undertaking social media campaigns and 31% offering discounts, such as Groupon. In addition, 43% of the survey respondents say they are very active or active in mobile marketing with 63% indicating that they have created mobile applications that feature their company's products. Just about half of these are using texting campaigns and many are increasing the use of handheld devices to deliver their marketing message.[2] Apparel and specialty retailers need to consider how best to take advantage of social media and mobile marketing tactics.

Retailers have recognized that the customer wants and expects the shopping experience to fit their lifestyle. They expect 24/7 availability and customer service with unlimited product and price options that deliver value across all platforms. As fashion comes and goes, there will always be opportunities in the apparel and specialty retail market – if retailers are responsive. The right technology will help retailers stay in touch with their customers, manage their inventory and shipping and differentiate their business.

Selling across multiple channels requires a system that will centrally process orders regardless of their source. Apparel retailers need to be sure that orders from all channels are automatically captured and centrally staged to eliminate multiple data entry errors that can occur while seamlessly integrating business operations into a single, efficient workflow from shopping to shipping.

Inventory – When Is Enough Enough?

The apparel and specialty retail sector concentrates on the sale of women's, men's, children's, and infant's clothing and accessories. Apparel retailers buy clothing and other items from manufacturers and/or wholesalers and make those items available to consumers. Some specialty apparel retailers sell only their own brands which are typically designed in-house and manufactured by contractors. In either case, it is getting the items noticed and desired by consumers that apparel retailers strive for.

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[2] Forbes Insight: Taking Stock in Tough Times: U.S. Retail Sector Outlook. In association with CIT. www.forbes.com/forbesinsights.

In the past few years, apparel and specialty retail businesses have seen manufacturing costs increase. This has led to lower margins in the industry and retailers are looking for initiatives to preserve and grow these margins whenever possible. Expanding product selection and tighter inventory control are two areas where the right technology has enabled retailers to positively impact their business. Apparel and specialty retailers looked to enhance operating efficiencies through greater use of technology to right-size inventories and are utilizing integrated point-of-service and inventory management systems to increase efficiency and reduce costs. Having accurate and timely inventory and order information will enable retailers to take the guess work out of merchandising and planning for future marketing activities.

The need for up to date inventory is a crucial element of success for apparel and specialty retailers. This is driven by high technology supply chain management systems along with price pressure from major discounters. Retailers in this segment need to keep close tabs on every item in their inventory. Knowing when to reorder and restock those fast moving items is just as important as knowing when to discount or drop items that don't move. Keeping up with the fickle fashion demands of consumers is not an easy task and inventory tracking needs to be simplified, streamlined and automated.

Being able to identify sales trends, knowing when to make price adjustments, knowing what items have sold in each department by category, season, style, size, color or any other variable is extremely important to apparel retailers. An order management system that fully integrates true real-time inventory movement with sales by client will enable retailers to respond quickly to changing market and fashion demands.

Expanding the product selections and increasing the number of inventory items offered can be achieved through drop shipping or integration with third party order fulfillment centers which adds another layer of inventory management to the mix. With an automated inventory system, retailers will be better equipped to flexibly source inventory and handle complex supplier and multi-supplier fulfillment requirements to better meet customers' demands.

Integrating purchasing and inventory management processes enables specialty retailers to establish optimum inventory levels for each item stocked and helps make sure that purchases are made well enough in advance to keep inventory levels where they need to be. This provides greater inventory control and helps avoid out of stock situations. Whether shipping direct or drop shipping from a warehouse or fulfillment center, cross channel inventory and purchasing control are essential across all platforms including third party eCommerce options. With apparel items, a coordinated inventory assortment is vital – missing that matching belt or jacket can cost a retailer a sale and a potential customer. Integration of purchasing, production, inventory, warehousing, sales and shipping facilitate capturing up-to-date product information at every step in the order process.

In addition to physical inventory items, apparel selections can involve items for which no physical inventory exists such as personalizing or other forms of unique customization. An order management system enables retailers to manage the flow of items to better control response time, manage inventory allocation and create a quick and seamless process for order fulfillment so they will have the right products, at the right time, ready to ship to meet customers' expectations.

As a retailer's inventory grows, they may find that they need or want to have multiple warehouses which will enable them to get their products into customers' hands as quickly as possible. Automating inventory tracking across multiple warehouses and integrating this with an order management system will enable them to stage and transfer items between and within retail locations, or online warehouse locations, for more rapid order fulfillment and higher levels of customer satisfaction.

Getting to Know Customers and Preferences

In the early days of apparel retailing, the only way of getting apparel into consumers' hands was through brick and mortar storefronts. Apparel retailers have long since realized that shoppers are no longer limited to where and how they shop; whether it be in a favorite store, boutique clothing retailer, by electronic device or catalogue. Today's apparel and specialty retailers have to provide this array of options to attract the highest number of shoppers. Competition is tough in this market as customer demands continue to escalate in a complex and connected world. Like other retailers, apparel and specialty businesses must be active and visible in multiple channels to reach the widest variety of repeat and potential customers. Savvy apparel retailers are able to set themselves apart by quality, price, customer service, selection and targeted promotion across multiple platforms.

Having customer information readily available helps sell more items with each visit to a website, catalog or physical storefront. A system that will enable the retailer and their shoppers to access a complete history of their purchases, creating a virtual closet, delivers an enhanced level of personal service. Utilizing this information will enable them to up-sell and cross-sell and will also provide the ability to make relevant purchase suggestions based on customers' preferences from past shopping trips. Capturing this information will also enable retailers to create targeted mailings and promotions aimed directly at the customers most likely to buy from them. A consumer-facing website along with catalog sales and physical stores requires a high level of coordination and information management with the objective of creating a personal shopper experience across all retail platforms to encourage customers to return again and again for their apparel needs.

Having access to a complete history of customer orders, payments and other account specific information, will enable retailers to better anticipate their shoppers' needs. Knowing when a shopper has made a gift purchase, has had to exchange an item or needed items to be shipped to multiple locations provides the retailer with valuable information to help make their next shopping experience more targeted. Retailers will

have the data needed to be able to up-sell or cross-sell and can also send gift reminders along with letting them know when some of their favorites are on sale.

On average, it costs companies five times as much to acquire a new customer than it does to retain an existing one. If a retailer is not accurately identifying and effectively marketing to maximize sales from existing customers, they are missing one of the biggest opportunities to grow the business. Their customer list can be one of their most valuable assets; but only if they are capturing relevant customer profile and past purchase information that they know how to use. Using this information to create customer loyalty is a key ingredient of retail apparel success.

To do this requires visibility into customer preferences and behaviors across all channels. This will enable apparel and specialty retailers to segment their customer list for targeted offers that can boost response rates and will also allow them to track and evaluate ad spend to measure response and determine the cost of acquiring and retaining customers, including PPC, email and online campaigns.

An order management system will simplify the process of collecting, managing and linking customer information. Retailers can use their system to generate target customer lists and develop campaigns and offers to select classes of customers, for example, those who have not ordered in the past six months, or those who have ordered one product but none of the coordinating items. This enables retailers to create and maintain personal relationships with customers and communicate relevant promotions at times when they are most likely to buy. Retailers can only capitalize on this if they have captured the right information in their system.

Dressing Up Back Office Processes

Once shoppers have selected their items, orders need to be processed and shipped. Multichannel apparel and specialty retailers have specific demands as far as shipping methods and order processing. At minimum, they need to be able to capture and stage orders automatically for all sales channels so that there are no delays in shipment – especially during holiday and gift giving seasons. Having a multichannel order management system will enable them to automatically download new orders from all sources, publish product information and keep inventory synchronized.

They also need to be able to process multiple and mixed payment methods including credit cards, PayPal, store credit, gift certificates, coupons and other discounts that may be applicable. Being able to automatically queue orders for processing based on available inventory, being able to track the orders by stage – from picking and packing to delivery – and being able to keep shoppers informed every step of the way is one way to differentiate service after an order is placed. Doing all of this effectively requires full and complete information automatically available from each link in the process - from inventory planning,

purchasing and warehousing, to shopping and shipping. Distribution networks and logistics take on increased importance for the specialty retail and apparel business along with the ability to integrate inventory from multiple suppliers and locations across all channels to know what is in stock and ready for shipment.

Today's connected environment enables even the smallest apparel and specialty retailers to reach vast audiences for their products. To take advantage of the many channels available to grow the business an order management system needs to be able to address the following crucial requirements for a growing business:

- Automate order processing flows
- Capture and stage orders automatically for all sales channels
- Quickly track, view and expedite orders
- Integrate directly with leading shippers

Effective back office order and inventory management, warehousing and payment integration coupled with efficient logistics help apparel and specialty retail operations to utilize technology to control their business while providing superior customer service to win and retain shoppers.

The ability to simplify and track gift card usage is becoming more important and having a system that enables you to set up and manage multiple gift cards across your network of channels will help to increase sales. Giving shoppers the option to re-charge gift cards for future purchases or get cash back if desired will greatly enhance gift card usage. An automated system that supports card or paper based gift cards will increase customer loyalty.

Customer service is especially critical in this age of the empowered customer. To succeed, apparel and specialty retail businesses must be able to effectively engage with their customers and provide a pleasant, effective and efficient user experience. An integrated order management system gives retailers visibility into orders across channels and lets them provide instant responses to inquiries. Customer service teams can use the information to deliver the best possible customer experience by having immediate access to accurate customer, order, shipping and inventory information when needed.

> **Best in Class Apparel and Specialty Retailers:**
> - **Effectively Track Inventory** – never miss a sale by having the latest fashion items
> - **Increase Customer Satisfaction** – solve problems before they happen
> - **Are Proactive** – anticipate shoppers' wants and needs
> - **Deliver Convenience** – shopping that fits the customer's schedule
> - **Promote Value** – offer ways to save and stretch customer dollars

In the near term, shoppers will continue to look for ways to stretch their buying power and will continue to be drawn to retailer incentives. Free shipping is a widely used incentive in the apparel and specialty retail industry and it has been found to be an effective marketing tool for increasing sales. Free shipping is a tremendous draw for shoppers and often determines where they shop. In a recent study commissioned by UPS, Forrester Research interviewed 13 Web retailers of varying sizes about their experiences with free

shipping offers. Forrester's study, "Smarter Strategies on Free Shipping," found strong evidence that free shipping attracts new customers and helps to improve customer loyalty. Customers are also less likely to abandon their shopping carts and buy more when free shipping is offered.

Customers have come to expect free or very low cost shipping options and apparel and specialty retailers need to be responsive to this expectation. As with all programs and incentives, there are costs associated with shipping promotions and creating a free or promotional shipping strategy requires the right balance. The success of shipping promotions depends on factors including product value, supply chain design and current market conditions and offering free shipping can become costly if too much additional IT is needed to support the promotion. A company's logistics strategy needs to be the foundation for creating competitive advantages with the shipping promotions offered. Having the right data to analyze and evaluate the feasibility of free or low cost shipping is required to make this a positive business driver.

Free shipping, sale prices, coupons and other promotions are powerful draws in the apparel market. Having a total order management system in place across all shopping channels and business lines will give retailers the ability to create customer awareness for featured product offerings, develop a reliable customer base and work toward building customer loyalty and referrals that will decrease customer acquisition costs and increase the bottom line.

Finding the Best Solution to Fit the Business Issues

Putting technology to work to capture, integrate and utilize data across the entire operation to understand and respond to consumer demands can give small to medium-size multichannel merchants a definite advantage. Immediate access to data across the entire operation helps retailers streamline business operations, take control of the business and gain the competitive edge they need.

Dydacomp provides small to medium-sized (SMB) retail businesses worldwide with a choice in order management solutions, in the cloud or on premise, to meet their business needs. Over 2,000 merchants rely on Dydacomp's *Freestyle Commerce™*, **Multichannel Order Manager (M.O.M.)** and **SiteLINK** solutions to automate their back office operations and drive business growth.

Freestyle Commerce is built upon a foundation of experience, know-how and usability allowing you to accelerate growth, process and fulfill orders, manage inventory and access customer information over the Internet. No more hassles of having to buy and maintain your own servers, pay for software licenses and track upgrades. *Freestyle's* dashboards give you at-a-glance business information to report on trends and spot areas needing attention so you can capitalize on growth opportunities.

Multichannel Order Manager (M.O.M.) is the leading PCI compliant order management software built for multi-channel retail and distribution businesses. **M.O.M.** enables you to effectively handle order entry and import, inventory management, order fulfillment, and customer information management to streamline processes, cut costs, improve customer service and increase revenue. With thousands of customers, **M.O.M.**

set the standard for order management software for small to mid-size operations. Through our open API, **M.O.M.** connects on-premise customers to virtually any eCommerce platform including **SiteLINK®**, Dydacomp's own eCommerce solution.

Dydacomp's solutions allow customers to manage the critical aspects of their business - including essential integrations with carriers, payment card processing and accounting systems - so retailers can be sure that inventory is always accurate, orders ship smoothly and their customer service team can respond with confidence and focus on meeting their customers' needs.

About Dydacomp

Dydacomp provides essential order, inventory and customer management solutions to growing multichannel retailers that integrate easily with eCommerce platforms to drive efficiency, productivity, insight and growth. Dydacomp's proven on premise & cloud-based solutions enable small to medium sized retail & fulfillment businesses to grow faster by expanding their eCommerce presence & automating back office operations to manage critical aspects of their business: multichannel order management; inventory visibility & control across multiple channels; drop ship management; rapid, reliable order fulfillment; customer management; integration with Magento, eBay & more.

Freestyle Commerce is Dydacomp's latest cloud-based innovation. Freestyle is tightly integrated with third-party eCommerce software Magento, providing users with the smartest order management dashboards for the always up-to-date business insight they need to grow sales.

Over 2,000 multichannel merchants already rely on Dydacomp's Freestyle Commerce, Multichannel Order Manager (M.O.M.) and SiteLINK solutions to automate their back office operations and drive business growth. Dydacomp's clients engage over a million shoppers daily, generating nearly 10 million in gross merchandise sales every day. For more information, visit www.dydacomp.com and follow us on Twitter @dydacomp.