



Child's play

At baby products and accessories retailer Kiddicare, it is considered a cardinal sin to promise a product to a customer without being 100 per cent sure that the company has it in stock, as Jessica Twentyman discovers

"You don't take money from a pregnant woman or her stressed-out partner without first checking you can fulfil your part of the deal," jokes Kiddicare partner, Scott Weavers-Wright.

But for a company in the midst of an ambitious expansion, living up to its commitments can sometimes be a challenge. Kiddicare is a big online success, with a recently revamped website that attracts 25,000 unique visitors and 1,000 orders per day. And it is soon to open a new showroom in Peterborough, which, at 45,000 square feet, will expand the company's physical retail floor space by a factor of three.

The £12 million building, meanwhile, will also contain a new warehouse and distribution centre, capable of handling up to 8,000 pallets, compared with 2,000 today. That flurry of activity has called for a rethink of the way that Kiddicare handles inventory control and replenishment. "To be honest, our stock system until now has been largely manual and our legacy systems haven't kept up with what we need to do in terms of operating via two channels – the Internet and the real world," says Weavers-Wright. "At any one time, we hold around

£6 million in inventory, and of course we keep safety stock, but we do get down to one or two products in some lines, which means it would be perfectly possible to oversell."

As a result, the retailer has made a £1 million investment in software from Microsoft Dynamics, which will be implemented by systems integration specialist K3. "This will be the backbone of our operation," he says.

The new software will replace the existing stock and sales system at Kiddicare, enabling the company to better manage stock, sales, promotions, buying, warehousing and accounting, according to Gary Copping, fashion sector sales executive at K3. "It will provide a single, consolidated view of all inventory – something that many retailers simply don't have – and that will mean that Kiddicare employees can be completely confident that they have a product to sell when the customer asks for it," he says.

At the same time as avoiding out-of-stock situations, he adds, Kiddicare will be able to better optimise the amount of inventory that it holds. That is important because, just as no modern retailer can afford to risk lost sales and dissatisfied customers due to out-of-stocks, nor can they afford to tie up capital unnecessarily in excess inventory.

But most find that they suffer from one – or both – of these problems. According to figures from market research company AMR Research, retailers experience out-of-stock (OOS) rates

of between six per cent and ten per cent for non-promotional items. For promoted products, meanwhile, OOS rates of between 18 per cent and 24 per cent "are not uncommon", they say.

And in a recent survey of consumers, AMR analysts found that almost two-thirds (70 per cent) said they would shop for OOS items at a competitor's store or website. "Customers have so much choice these days, and there are so many channels through which they can obtain a product that they require, that lean inventory management is a must-have for any retailer that wants to maintain a competitive edge," says Izabella Seroczynska, a retail specialist at systems integration company Morse.

Reappraisal required

For many retailers, then, a reappraisal of

the systems and methods that they use to optimise inventory is urgently required. "The traditional retail approach to allocation and replenishment, using extensive manual processes and legacy systems, cannot deliver the accuracy needed to meet most modern retailers' business objectives," says Pieter van den Broeke, senior director in EMEA for retail at supply chain specialist i2 Technologies.

As a result, he adds, retailers tend to struggle with inaccurate demand forecasts, poor synchronisation between warehouses and distribution centres, and sub-optimal use of transportation and warehousing assets. What is needed, he argues, is better planning – or more specifically, the ability to combine insights from point of sale data with advanced planning and replenishment algorithms in order to drive efficient more efficient allocation and replenishment.

The i2 Allocation and Replenishment application, he claims, has enabled some customers to reduce their inventory by 15 per cent to 20 per cent. Key planning functions include rule-based forecasting, dynamic modelling, one- and two-parameter inventory policies and time-based demand and replenishment plans. The system enables retailers to factor 'hard' and 'soft' supply chain constraints into forecasts, and also supports advanced replenishing techniques for slow-moving stock keeping units (SKUs), promotion planning and special functions to accelerate excess seasonal inventory.

The ability to forecast demand – rather than work solely on the basis of historical information – is essential, agrees Howard Dearing, business development manager at Aldata. "That's particularly true for promotions," he adds. "The sudden uplift in sales that results from a successful promotion can play havoc with stock control and, in general, retailers are not very good at working out upfront what the impact of that uplift is likely to be. It's best to leave that up to software."

Aldata's software enables retailers to factor promotional and seasonal uplifts into its forecasts, he explains, and then compares forecasts with actual performance. By making those comparisons on an ongoing basis, he explains, a more precise forecast can be achieved.

All agree that a strong system of inventory control is needed by any retailer that, like Kiddicare, wishes to sell to customers via a number of channels: online, mail order, and of course, physical stores. "Since all these channels are typically served by the same warehousing and distribution mechanisms, it makes sense to impose the same order and control right across them," says Copping of K3.

That will be vital for Kiddicare as it starts to explore in-store kiosks as its next line of attack sales-wise. Currently, the company operates a 'select and collect' process in-store for bulky items such as pushchairs. By enabling customers to enter the details of the item they want via a kiosk, and by routing that request direct to the warehouse, it will be able to eliminate the 15-20 minute waiting time that customers currently experience at the store's collection point – and the danger that they order and pay for an item that is sold out by the time they reach the collection point.