

# RTG Newsletter

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## FROM THE PRINCIPAL'S OFFICE

We are pleased to have our members participate in the publishing of this newsletter. Bob Berger, principal of BAMS, contributed this issue's column. We wish to thank Bob for taking the time.

Bob Amster



Principal

### ***Profits through Process***

Customer Drop Ship Gains Favor  
by Bob Berger

Customers have always liked the special order drop ship. It gives them the ability to widen their choices and select from many unique, though possibly obscure, products. Retailers have accommodated their customers on this loyalty issue, but with the exception of a few retail verticals, like furniture, only some consider this a viable business. Williams Sonoma and all the office supply chains are some examples of retail companies that do it.

The reasons for the reluctance to offer drop ship special orders are in the handling processes. It takes as much time to pay an invoice for 1 piece as it does for 10,000. It takes as much time to check on an order for 1 piece as it does for 10,000 and so on. But if the retailer can find a way to reduce the handling costs by letting a computer do the bulk of the work, then many benefits may accrue to everyone involved.

The first of such benefits is margin. Special orders always carry full or better margin. Next, are the savings in handling. Items do not go through the warehouse and are not re-handled again in several places in the store. Also, customer loyalty is built at companies that offer special orders. Furthermore, accounting controls are immediate, call center problems are reduced and the irritation at store level to both customers and employees

regarding checking on orders is significantly abridged.

How may automation improve this process? Several firms are experimenting with drop ship handling software that generally works like this: A customer places an order on-line, over the phone or at a store. The order is determined not to be regular stock and so a purchase PO is created to the appropriate vendor. This order would have all the information including a free form, identifiable description of the piece, as it is usually not in the retailer's item master file.

The order is electronically transmitted to the vendor along with a ship date. The customer would be able to check the status of the order by entering the order number at the retailer's web site. Correspondence between the vendor and the retailer's customer service department is electronic and attaches all status changes to the original order making it easy to trace. Because it is in this format, it is easy to report on which products or vendors are not meeting expectations. Notes can even be sent to a vendor management group, showing them how vendors are performing against contract.

When the product is shipped, the carrier's tracking number is scanned into the system and the product is then traceable through the delivery process. This tracking number can serve as proof of delivery, so that the vendor may send an automated invoice to be matched to the PO at the retailer's accounts payable department.

The elimination of physical handling plus the ability of the customer to check status, significantly reduces hours related to this process in the stores and support areas (think automated teller machine). In many cases, the software will run in an ASP environment which means that the retail IT departments will not have to design, build or maintain the software. Moreover, less capital investment is required, as the hardware exists at secure, off premise data centers. Implementation time is usually only a few weeks, with minimal retailer resources, as experienced by those systems now in operation.

The result is that customers have access to wider selections, merchants build loyalty and gross

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margin, and the operations and finance functions reduce their expense and burden of handling. Everybody wins except the competition.

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## WHAT'S NEW

### *Visit our Web site!*

You can read about us at [www.RetailTechnologyGroup.com](http://www.RetailTechnologyGroup.com).

### *RPE Strategic Alliance*

RTG has reached an agreement in principle to form a strategic alliance with Retail Process Engineering, Tampa, FL. Retail Process Engineering (RPE) specializes in systems integration and modification of AS400 based applications. The company also provides operations outsourcing and ASP services.

Under this alliance, RTG will be in a position to broaden its services to its clients in the form of systems integration and implementation of JDA's MMS and SVI's Retail Enterprise software packages.

RPE is a company composed of former JDA consultants as well as many former retail operations executives in merchandising, distribution, accounting and IT.

### *VYTEK Solutions Strategic Alliance*

In another development, RTG and VYTEK Solutions, Parsippany, NJ and a division of VYTEK Wireless, White Plains, NY have agreed in principle to a strategic alliance. VYTEK Solutions is the former Planet Technology Solutions. VYTEK has a vast base of retail clients to which they provide mobile computing, wireless technologies, network design, implementation and monitoring.

This agreement rounds out the suite of services provided by RTG to those clients attempting to implement these technologies and requiring professional services to accomplish their objectives. VYTEK Solutions for its part, will be able to complement larger-scale projects with business consulting, strategic planning and higher-level project management through its alliance with RTG.

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