

THE 'WOW' AND THE 'HOW'

Leadership perspectives on outsourcing, insourcing, partnering and rightsourcing

Maginus

“ Rightsourcing is outsourcing the right tasks to the right source in order to maximise customer service ”

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THE WOW AND THE HOW



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Multichannel retailers create 'wow' moments to engage with and sell to consumers. As previous certainties are shaken by cyclical and epochal change, the search for 'how' to deliver on the promises is top of mind. Have we the capability, capacity and courage to move successfully at pace? Do we need partners and suppliers to help us? Or are there blended approaches to outsourcing that can give us an advantage?

Amazon and digital-first brands have changed customer expectations of product range, price, availability and service levels. Brands who were previously our wholesale partners are going direct to consumers, as well as via Amazon and the world's marketplaces. Whatever our position in the shifting landscape, we share one imperative: to act wisely at pace. We consider our options to decrease the latency between idea and gaining advantage.

This white paper, in partnership with Maginus, considers the landscape for resourcing our business.

We use the term 'outsourcing' with some reservation. There is a residual stigma of an association with cost-reduction offshoring, plus another due to the implication that it's a process you undertake once.

Mark Thornton, COO at Maginus, also rejects the term, saying "it's not outsourcing, it's rightsourcing". The word may be awkward but it reflects two findings of our investigations: That each retailer's quest is to find the right solution for them at a given time; and as market circumstances and capabilities change, so too must the then-right solution.

Interviewees were consistent and passionate in their primary objective to serve the customer, based upon a distinctive, differentiated and defensible market position. The techniques and relationships in rightsourcing are integral to the commercial success of retail leaders - the 'how' to deliver the 'wow'.

We hope that you'll find this white paper of use in fitting your operational capabilities to the needs of your customer. Our thanks go to the retailers who've shared their expertise and experience with us, both anonymously and quoted in these pages.

Please share your comments, feedback and questions with us via editor@internetretailing.net. ■

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CHANGE AND ADAPT THROUGH RIGHTSOURCING

We are now approaching a retail landscape where consumers' changing demands are far outpacing a traditional retailer's ability to flex to meet them.

As the traditional retail landscape transforms, the notion of a business acting in silo, operating in a disengaged, self-sufficient process, becomes an increasing archaic practice.

In this white paper, I propose a new strategy – 'rightsourcing' – namely outsourcing the right tasks to the right source in order to maximise customer service. Offering visibility of every moving part, with a willingness to interoperate and flex the service, creating an infrastructure that can continually change and adapt.

To grow and to succeed is to collaborate with others. Wisely and decidedly taking slices of usable portions from others to make your part whole. To learn from each other's mistakes and successes. To share best practice and catalogue elements of processes and systems that have proven usable, useful and efficient and integrate them into retail operations. Broadly speaking, collaboration empowers drivers to change that impact businesses in an immensely moveable and momentous manner.

This white paper in conjunction with Internet Retailing outlines some ideology underpinning strategic operations that reaches to the very core of every retailer by best serving the customer while maximising revenue.

Whether it's through a mixture of cooperation, collaboration and rightsourcing, the focus should always come back to those that retailers serve – the customers. By working in partnership with each other, retailers can create a supply chain that maximises revenue while creating a customer experience that goes far beyond the ordinary to create the 'wow' factor.

Underpinning and laying out a roadmap that creates a customer journey that is seamless, must involve taking best practice ideas and processes and implementing them. Through enabling, a synchronised blend of outsourced components retailers can maximise brand value and optimised operations.

As retailers outsource more processes to expert, niche providers, they will be better positioned to focus on core competencies of branding, buying and selling, and merchandising. The cloud will sit at the centre of this emerging new retail landscape, making it easier for data from disparate systems to be pulled together and enabling retailers to ensure they achieve customer service excellence. This approach will not only enable retailers to deliver better customer service but also to respond more quickly to changes in the market and, ultimately, to improve their bottom line.

Whatever form rightsourcing takes for a retailer, it must be the right source – one that takes into account and fully realises each retailer's needs in delivering a customer experience of real value.

Rightsourcing by its very nature is empowered by implementing the right IT infrastructure. An IT infrastructure that can be segmented and enable interoperability, facilitating change and flexibility. A system that can be pulled apart and then put back together to emerge in a new form. A cloud-based data solution that creates flexibility and responsiveness. ■

Maginus

MARK THORNTON

Chief Operations Officer
Maginus



A DIGITAL VIEW ON OUTSOURCING

“ The last century's machines were not optimised for current problems ”

Outsourcing, or 'contracting out', is the practice of moving tasks, operations and processes to an external supplier or partner. The concept is straightforward and as consumers we understand through experience that there's a limit to that which we do ourselves: we might own a car, but we don't lay our own tarmac. In short, there are matters of infrastructure provision that are beyond a single enterprise, or which form a common good, and so we simply use those services.

Outsourcing's scope encompasses those tasks which fall normally within the range of the enterprise, either through custom or necessity - the IT we use, supply chain management, contact centre operation, delivery.

Digital business - a combination of software and technological change, maturing system capabilities - and refined commercial priorities based on innovation and pace demand revised approaches to outsourcing and working with suppliers.

MOVING FROM MONOLITHS

When retailers bought technology and systems in the last century, they were often buying monolithic, 'black-box' systems, meaning each application was self-contained and independent from other computing applications. The design philosophy was that an application was responsible not just for a particular task, but could perform every step needed to complete a particular function. While this approach allowed for the benefits of automation, speed and optimisation for a particular task, the downsides were:

- difficulty and cost in amending the system as business needs changed
- data interchange and system collaboration was complex
- the time between system design and implementation meant that business needs changed prior to system delivery
- gaps between the design and business reality had to be bridged by human processes - we 'tended to the machine'.

Since the separate 'machines' did not interact, a significant amount of data had to be recorded and collated manually and there was no responsiveness between 'machines'. Recalling the early days of ecommerce, it was not possible for the web systems to 'talk' to Point of Sale systems, or access live stock, or drive an order management system. Furthermore systems optimised to replenish stores by pallet were challenged to support pick and pack for individual customer orders...

This is not to criticise the past, but simply to note that the last century's machines were not optimised for current problems.

Early web professionals would regularly encounter an injunction that they were to build ecommerce channels, but 'not touch the merchandising/buying/warehouse/POS' or other system. This was because business-wide impact, costs and inflexibility of these systems made them more important and more painful to change than the value of the embryonic ecommerce 'add-on'.

DIGITAL THINKING

In the 'noughties', digital thinking began to permeate retail, displacing the traditional IT thinking. Progressing from the skills needed to manage a monolithic machine, digital thinking was more aligned to software design. This abstracted the hardware, technology and physical machine from the software that controlled it. The characteristics of modern software were:

- **Flexibility** - software was written to undertake numerous tasks and also to be changed and maintained during its life (rather than single-focus procedural code)
- **Interoperation** - calling upon other, specialised code or systems to undertake niche tasks as and when required
- **Responsive** - the software would, in turn, respond to external authorised requests, and so become itself part of a network of systems, and
- **Open to data** - providing granular data in an expected format and able to request and use data from other systems.

The software development approaches that underpinned these changes have slipped into general business use. We talk of 'agility' to denote our demand for business flexibility, drawing on the Agile methodology in system design. Object-oriented programming gave us the notion of elements in a system interacting with each other. APIs (application programming interfaces) enabled us to have systems 'talk' to each other and interoperate effectively and at a low cost.

In short, during the last decade we have changed our view of the 'machines' within our business. Rather than monolithic and fixed, we expect our systems to be flexible and interoperating. This changes our expectations of our capabilities and our approach to developing services.

ENTER MICROSERVICES

The trend of APIs and interoperation has continued, and systems increasingly resemble a co-ordinating hive of mini-applications that interoperate. These are called Microservices.

The business-wide impact of Microservices is affecting our approach to outsourcing and partnering. We now expect our business systems to embrace:

- **Interoperation** - no more isolated systems: every system should talk to all systems
- **Modularity** - monolithic systems are replaced by modules or blocks that can be assembled to create specialised solutions
- **Flexibility** - not only can the blocks be assembled in multiple ways, but the blocks themselves are easy to change, develop and replace
- **Decoupled** - the services don't have to change at the same time, nor are they dependent upon each other in order to function
- **Pace** - changes to the overall service and modules can be made at speed - as dictated by business need.

INFRASTRUCTURE AS A SERVICE

The most disruptive companies have been built upon modern architectures, enabled to do so through the lack of a legacy

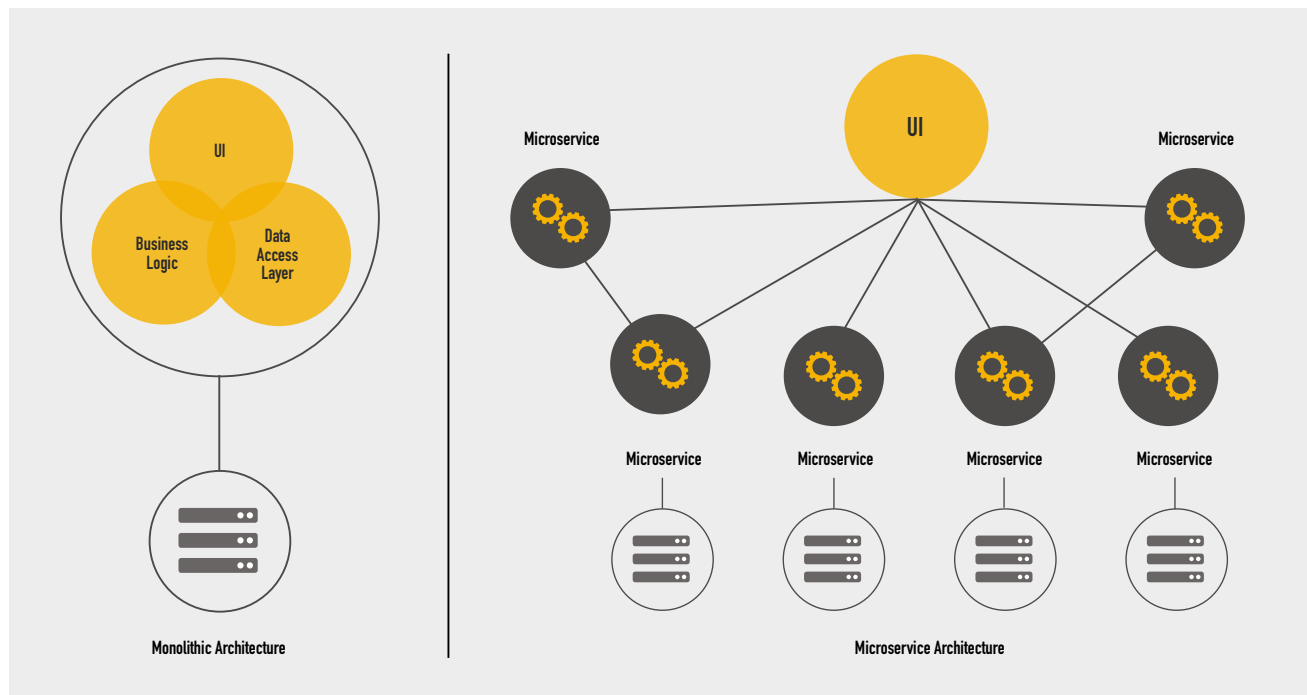
GLOSSARY

Monolithic systems are where functionally-distinct activities (like data entry, sensors, error handling, user interface) are interwoven as one rather than separate components

https://en.wikipedia.org/wiki/Monolithic_application

Agile planning methodology is an approach to software development where requirements and solutions evolve collaboratively and iteratively in self-organising cross-functional teams and the customer(s). Adaptive and focused on continuous improvement, it encourages rapid and flexible response to change. The concepts have extended beyond software to all business processes and projects.

https://en.wikipedia.org/wiki/Agile_software_development



OCADO AND AMAZON

Ocado Solutions offers the proprietary Ocado Smart Platform to grocers, comprising software, hardware and services.

 <https://ocadosolutions.com>

Amazon offers access to its infrastructure services, IT and AI capabilities with fees based upon usage, mostly deployed directly online.

- Amazon Services offers fulfilment, payment, advertising and international capabilities <https://services.amazon.co.uk/>
- Amazon Web Services offer online computing, storage, databases, media tools, analytics, AI, machine learning and Internet of Things
- Within the AI suite they offer on-demand natural language processing, image recognition, text to speech processing, video tracking.

 <https://aws.amazon.com/>

infrastructure to constrain their thinking. Amazon has shown a voracious ambition to engineer systems from the ground up and their capabilities in warehousing, operations and delivery now define market and consumer expectation.

Rather than keep their logistical capabilities solely to themselves Amazon has opened its fulfilment, large-scale cloud computing and even Artificial Intelligence to its customers and competitors. This allows it to profit through its trading P&L and then to profit once more from customer and competitor use of those systems.

In a similar vein Ocado has created Ocado Solutions so that it can sell its capabilities as an online grocer to its competitors and peers around the world, profiting at scale for its invention and innovation that otherwise would only have served a UK online grocer's P&L.

IMPACT ON RIGHTSOURCING

Retailers will increasingly specify microservice architectures where possible, and as we build tomorrow's operational infrastructures we will require them to be flexible and modular from the outset. For systems that are already flexible we have the opportunity to outsource, rightsource or partner on individual services, types of activity, skills and processes. Furthermore, the effort of moving a service to a partner is lower risk, cheaper and faster. However, we also open a route to 're-insource' a service should we wish - again with lower costs and risks during the transition.

The opportunity is to make this flexibility and modularity respond to business needs, and in the next section we'll consider the commercial and brand drivers for 'rightsourcing'. ■

RIGHTSOURCING

Value to the customer. This is the driver of system and capability development in retail, as well as the approaches to outsourcing and partnership.

Abstracting the learnings from leaders, we have these considerations for high-performance delivery using partners:

1. UNDERSTAND YOUR VALUE PROPOSITION

You can't outsource something you don't understand and don't value, any more than you can focus upon it in-house. Value can be generated from your customer (insight and connection), your product (integrity, utility, desirability) and your operations (distinctive service capabilities, margin creation, performance).

2. MODULAR AND GRANULAR

Microservices in software should be mirrored by a modular approach to the business operating model. Consider all systems and workflows that support activity the customer deems valuable, and look for components that could be improved in terms of efficiency, effectiveness, scale and reliability. The implication of a modular understanding of systems is that there may be more, smaller services to outsource.

3. CONTROL

Even when you outsource stable legacy systems, they may be of vital importance to your business and reputation. Using service management techniques retail full control over the quality and performance of such processes.

4. COLLABORATION

The relationship may be contractual but Mark Thomson advises retailers to "invest in the processes and behaviours of collaboration", whether this entails 'labs' and R&D, sharing new learnings and practice, or jointly owning the service standards. While contract management is important, Thomson advocates open discussion on innovation, change, opportunities and error remediation. "Collaboration is not just about the easy areas," he says. "Joint problem-solving deepens relationships and can lead to service innovation."

5. PLAN FOR DYNAMISM

Markets, competitors and technologies change - seemingly at ever more rapid rates. Plan for changes in techniques, workflows and capabilities during the life of a supplier contract. While the contracts themselves may not lessen in duration, build in regular service reviews and the right to flex the services provided. Taken in conjunction with both 'Control' and 'Collaboration' this should allow for more productive working relationships. "Too often, outsourcing focuses upon the present, when in fact the customer and business value comes from future working", says Thomson. "Build the future working and growth into your rightsourcing."

LEADER'S PERSPECTIVE

John Lewis

CUSTOMER-FIRST AND PARTNER-LED

Mark Felix, Director, Online Trade at John Lewis

Mark Felix's priority is straightforward: "We put the customer first - we seek to understand them and what's valuable to them". From this basis Felix looks for every opportunity to serve customers more effectively: "We look at the whole of our retail value chain to make sure it delivers for the customer".

Felix's aim is to create differentiation and distinctiveness in a partner-first way and thereafter to "reduce the cost to serve".

As context, Felix is clear that we're seeing a "disaggregation of retail", where consumers can access the same or similar product from any number of retailers, at a consistent price point, so simply holding stock and offering it for sale is no longer enough.

John Lewis Partnership PLC is owned by a trust on behalf of its employees, all of whom have a say in running the business and share in its profits.

Felix lauds John Lewis' approach to develop unique and distinctive products that it alone sells, but adds that the John Lewis partners themselves offer a persuasive differentiation. For the online channel this can take the form of unique content and imagery, even for consumer durables sold elsewhere, giving an SEO advantage. In the physical domain the in-store experience provided by knowledgeable, helpful staff is recognised industry-wide, and the investments in multichannel platforms allow them to serve the customer across all channels.

"Customers will only invest in a retailer where they see and get value", says Felix. The assessment of that value chain starts with the customer, offers distinctive product and makes the interactions with partners and systems seamless and rewarding. ■

LEADER'S PERSPECTIVE

THE BRAND LENS

Robin Phillips

"I assess operations through the lens of the brand – how you make and sustain your USP", says Robin Phillips, who has a storied experience leading digital and commercial change. He's been Director of eCommerce at Waitrose, Director of Omnichannel at Boots UK and, latterly, Director of Digital at Kurt Geiger.

His assessment towards 'rightsourcing' is clear: "Keep in-house anything that enhances, differentiates or defends that uniqueness and value."

Phillips sees working relationships with partners falling into three levels. The first is where uniqueness is required, and here he'd invest in-house to create and sustain a distinctive capability. For the second, the service is important, but you lack the capabilities in-house. For this category a strong service management approach will allow you to "use the service well". The third level are 'zero value-add' and so simply use the service as a customer and, he advises, "don't tinker". "Too often retailers get caught in the second level, investing time and money, unable to create differentiation, and moving too slowly to succeed."

Dynamism characterises Phillip's view of how to partner. "The ideal structure is a hybrid", he says. "Keep the thinkers on your team, and give them the resources and permission to innovate and prototype. For projects you wish to build and scale, look for an outsourced partner since it's that's more of an industrialised process." Phillips suggests opening the creative process to vendors too, however, in a 'playpen' or 'R&D Lab'. New vendors work alongside existing partners.

Phillips has an architectural and strategy view of a brand's operating platform – IT, systems and processes. His concern is not so much the 'now' but planning for the future. "We need to move on from a technology 'stack' to a Microservices approach so that we can plug and play," he says, noting that the modular nature of this architecture allows retailers to focus on the differentiating elements without undertaking unaffordable, extensive and slow technology programmes.

"Start with your brand, map where it could go in the future, focus upon innovation to defend your brand, and own the architecture and strategy – working with partners to scale and deliver." ■

6. TWO-WAY STREET

Outsourcing is not necessarily for ever. As Julian Burnett sets out in his case for "transformational insourcing" retailers can learn from expert suppliers, accelerate service availability and de-risk building capability in-house.

7. TRANSPARENCY AND DATA

Even when retailers are using their suppliers' proprietary capability or trade secrets, the operational data, performance metrics and activity levels should be transparently available at a granular level. This allows integration of service management and control into the retailer's own systems, and makes the data available to the retailer's data-hungry AI and machine-learning needs.

8. INTEROPERATION

As retailers work across functional silos, so too should outsourced services interoperate with other business systems. Outsourced elements should be invisible to the customer and to the retailer's staff.

9. MATCHING IMPORTANCE

If the retailer is insignificant to the service provider they will not get the priority or influence desired. Where the retailer overwhelms the supplier they risk inhibiting fresh thinking and dominate the development path. The key consideration is not so much the financial or physical size of each company, but whether they have the *capacity* for the work, *headroom* for growth, *flexibility* and *responsiveness* to the retailer's changing, growing needs.

10. RIGHTSOURCING

Although Thomson introduced the term 'rightsourcing' in this paper, its tenets are echoed by retail leaders. They look beyond the contractual aspects of supplier relationships and to the 'fitness for purpose' of that relationship in a rapidly changing market. Thomson summarises rightsourcing as: "Undertaking the right tasks for the customer, offering visibility of every moving part, with a willingness to interoperate and flex the service – all at the lowest cost to serve." From a retailer perspective, this implies knowing and choosing the right elements to outsource, to the right partner and for the right duration. The complexity of modern retails is made clear in the resourcing and operating clarity required of its commercial leaders. ■

LEADER'S PERSPECTIVE

HOUSE OF FRASER
SINCE 1849

TRANSFORMATIONAL INSOURCING

Julian Burnett, ex CIO & Executive Director,
Transformation & Supply Chain, House of Fraser

Julian Burnett's experience at House of Fraser, and previously as CTO at both Sainsbury's and John Lewis, is in delivering the capabilities and change a retailer needs when faced with the realities of financial, technical and temporal constraints. "We are all working in a world of constraint

– limitation of intellectual, capital, brand resource and capacity", he says, urging retailers to focus their resources on creating and leveraging their uniqueness.

Burnett's solution is a combination of clarity about the business operating model and a dynamic approach to partnering and outsourcing.

Burnett notes that the usual reasons for outsourcing services should be considered – cost, capability, competency – but he adds some additional considerations, the first being "the temporal dimension". "Business needs can change rapidly", he says, "and there are times when I need a capability but just cannot build it fast enough." Outsourcing can bring capability into the present, avoiding a recruit-train-deploy lag. The business can benefit from an 80%-correct solution while a bespoke offering is created.

Timing is not only about expediency – Burnett also plans to reverse the outsourcing at an appropriate time. In an approach he calls "transformational insourcing" he looks for value-adding capabilities (not commodity offerings) from which the retailer can learn and, through contracting that capability, "bring that capability into my business, learning how to do it myself in the future, and creating a step-change in capability." he adds, "If you have a couple of years' time then it's cheaper to hire and build yourself. But if you need the capability and capacity now, you'll need to outsource to expert partners."

Burnett also considers the dynamism of a system – to what extent is it still changing or requiring of improvement versus its stability. Even though a system may be of fundamental importance to a retailer, once it is stable and unchanging then it's a candidate for legacy outsourcing. "I may need the system for ever but if it's stable, and the rate of change and value-add from ownership is low, I could work with a partner who's operating a fractional ownership model where they spread the cost of owning and delivering." Burnett is clear not to confuse the importance of a process with its value to the customer. "Patching servers is vital to security and reputation and it's a skilled, specialist role. However it's invisible to the customer and not a value-add in their eyes. This means that it's a stable, predictable, expert service that can be outsourced." This approach retains the value to the business "but gets better value from your team's talents and knowledge, giving

individuals a growth path and focusing investment on value-adds and growth."

Burnett also embraces a very targeted and modular approach to outsourcing, advocating "an integrated operating model designed across all activities that makes it very clear how you plug in and plug out, with clearly defined boundaries and relationships between the elements of your business 'machine'."

One example was the realisation that basic product setup in a system – get image, dimensions, place in template, check, submit – was a commodity (and so could be outsourced), whereas the content marketing and selling text is unique. This latter part gained additional resource and remained in-house but with a seamless flow from the outsourcer partner, through brand enrichment, to online selling.

Burnett's closing advice is to be realistic about your relationship with outsourced partners. If you are simply using a standard service then you are not outsourcing – you're simply their customer. This is clearly the case with a national post service as you use their delivery capability but don't choose where, when and how frequently it's performed. Even with SaaS companies, if you are not important enough to them, you will be unable to affect their development and roadmap and so you're just a customer. Finding an appropriate supplier is therefore a strategic question: the right skills, the right dynamism, an agreement on timescales, knowledge exchange and close working. If you can identify the right company, claims Burnett, "It's a move from 'buying things from a supplier', to creating a partnership." ■

RETAILERS' EXPERIENCE

Outsourcing, rightsourcing, partnering... here are some retailer perspectives on how they resource their changing needs.

schuh

ROB BRIDLE, LOGISTICS DIRECTOR, SCHUH

Rob Bridle, Logistics Director at Schuh (an IRUK Leading company, 2018) places the customer experience at the centre of his planning.

Schuh decided to retain customer services in-house, despite cheaper offshore options. Bridle notes that quality is the priority: "We believe it provides the service we want and gives us control. It adds value to our offering and quality of service."

In seeking quality and service, however, all areas of the business come under scrutiny. Bridle has three criteria when assessing how a service should be delivered, namely:

- 1. The process** – can it give us a head up, a competitive advantage?
- 2. Control** – do we need to have full control?
- 3. Cost**

One area that has been outsourced is delivery, both to direct to consumer and store replenishment. "We outsource that and always have. The main reason is that third party partners can do it better and more cost effectively than we ever could. We use UPS and we would have to invest millions to provide the service they do. By using their services we get far better value and service."

Schuh invest in skills and technology where this improves capability or margin. Bridle explains: "We have used various third party software providers, for example, for in-store tills. But we invested over the years in IT services and pretty much all of our sales management is now in-house."

"Our warehouse management system is bespoke. We don't have ongoing licensing fees and we have the flexibility to change anything that we need."

This approach reflects a culture that prefers to keep technology and development in-house, and this has been the case for the last 20 years. As Bridle notes, "The question we ask is, 'can we do it better ourselves?' And yes, we can, when it comes to software. We have invested in order to sustain our savings over many years."

However, some emerging areas require specialist skills at a scale that is not available internally: the field of AI, or Artificial Intelligence, is one such area. Bridle is interested in adopting AI, perhaps for the "analytics of transactional data, trying to identify sales trends, micro-managing lots of data. We can do data mining ourselves but it's about how you use that to gain competitive advantage. We'd look to work with a specialist third party to realise the gains and build on our in-house capabilities".

In working with partners and suppliers, Schuh chooses carefully, seeking companies who can perform to the standard required, reliably and at scale. "First and foremost, can they deliver outstanding levels of service in terms of delivery and being on time?", asks Bridle. He notes that Schuh monitors daily performance data provided by third parties, such as real time tracking or the customer journey report, and so suppliers and partners need to have robust, transparent reporting capabilities.

Cost alone is not a driving factor and needs to be linked to service. "We go on cost drives from time to time as all companies do, challenging ourselves on our performance", says Bridle. "We recently reviewed our logistics activities and asked if we could do it cheaper - but the answer was no. It's about service versus cost, and the service aspect comes before cost."

Ultimately, whether a service is wholly or partially provided by a third party, Bridle is clear that customers must feel that they are still dealing directly with Schuh. Bridle embraces this responsibility and notes that whoever is providing the service under Schuh's brand "responsibility... still lies with us." ■

Schuh has featured strongly in the IRUK Top500 ranking of multichannel retailers, and for 2018 is in the Leading group – the best 25 in the UK.

IRUK
TOP 500

eDelivery

www.internetretailing.net/iruk

Schuh's Director of eCommerce, Sean McKee, is the cover feature for November 2017's issue of InternetRetailing Magazine (<http://etail.li/IRM67>)



ROY RODDY, FULFILLMENT MANAGER, RSPB

Roy Roddy, fulfilment manager at RSPB, notes that retail currently represents a small proportion of overall income for the charity, but that its importance in terms of awareness and contact with supporters is greater than the £18m annual turnover (out of the charity's £99m net income for charitable purposes) would suggest.

Roddy says, "Trading and retail has brought a new element to the RSPB. Around 12 years ago, the RSPB outsourced it all to a third party, who did everything, sourced the products, then gave us a percentage". This is a typical revenue-generation option where retail is an ancillary or non-core area of activity, generating revenue for the charitable activities without tying up frontline staff or resources. However, while these activities "looked after themselves", Roddy observed that, "We had very little control. There was no quality control, complaints were coming in, and deliveries weren't happening as promised." The retail experience was damaging the brand.

Their original outsourced partners was then acquired by a larger group, where it suffered operational challenges and an increasing error rate. When they were unable to account fully for finances, Roddy had to step in. The first was bring finance in-house. "We were coming into the Christmas peak and around 15,000 orders hadn't been processed." Roddy analysed the backlog, packaged the work and put it out to tender.

This experience means that Roddy is now focused upon control and contract management with outsourced partners. "The contract stipulates that we have control. We are part of a conversation – not just letting them get on with it. Through monthly meetings and budget control we've got more physical contact with our partners and can really see for ourselves what's happening."

Roddy tests the team's experience against the customer experience by regular customer surveys that generate responses in excess of 25% each time. The RSPB uses this feedback to improve service. For example, there was a lot of feedback about packaging being 'excessive' and not biodegradable. Based on this strength of feeling, they were able to work with their packaging supplier to create better, minimal packaging that still performed.

Similar to Schuh's view, Roddy emphasises the importance of full responsibility for the retail activities as part of the RSPB's brand. They now have the RSPB logo on all packaging to ensure that the customer realises that it's from the RSPB and not an outsourced partner. This seamless approach ensures that the customer feels there are dealing with RSPB. "Many of our customers are members. They need good service since their experience is part of their relationship with the RSPB and its work. For non-members, there's the expectation that if we give them a good service they become members, or legacy donors." Roddy notes that this rounded view of the member's relationship aligns retail closely with the charity's core activities. "This attitude also drives our returns policy", he adds, striving to resolve any problems quickly and without quibble.

Roddy notes the 'Amazon effect' on customer expectations. When he joined the RSPB, delivery would be offered at a level of 5 to 10 days post-order. Now they offer same day despatch for orders placed before 3pm.

The RSPB has become taken ownership of aspects of the supply chain, and now sources imported products direction. Roddy saw that a large proportion of their products were being source from China: "We were using an intermediary, but decided to source ourselves and take responsibility for the products." This had the benefit of generating an additional £250,000 of margin along with "control of the supply chain."

Looking to the future, Roddy observes that, "Because of technology, we have more freedom to move outsource partners." However, he counsels against constantly chopping and changing suppliers since you can lose what he calls "institutional knowledge". Long working partnerships allow a partner to "really understand your business and customers, so it's important to change for the right reasons only." What are these right reasons? Performance and control, mainly through regular review: "Things change, so you have to look at changing how you work in response. For each process, ask is it effective? Is it efficient? Then challenge yourself and your partners to improve." ■



Roddy's two considerations for outsourcing a service are:

1. Know your customer base – build the service with them in mind
2. Maintain control of your partners and suppliers at all times – you are responsible for their service.

The RSPB is the largest nature conservancy organisation in the UK with a mission to create Reserves – joined-up large spaces where wildlife can and birds can thrive. Retail activities contribute to the charitable objectives and the RSPB operates 22 shops in the UK, mainly on Reserves, as well as its ecommerce channel – www.rspb.org.uk.



David Millar, Managing Director, Zoom Fulfilment Services Ltd

"Outsourcing is a way of doing business together", says David Millar, MD of ZoomFS, as he sets out his business' approach to a flexible, long-term relationship with clients. His focus is upon supporting clients through their growth. Most importantly he is able to provide service and certainty to them during periods of risk, change and learning.

Having worked both retailer-side and as a supplier, Millar is acutely aware that the business context is changing evermore rapidly.

"The world is changing so quickly", he says. "Things that were designed years ago are now dinosaurs since we never expected things to change. We treated our assets as if they were fixed, and optimised them for shop fulfilment and bulk shipping... However we now need single-order picking, direct returns, and inbound customer queries - while still supporting stores, marketplaces, international growth and new channels".

Millar sees his role making the changing environment a safer one for his clients. "Stability and optimisation used to be inevitable, but now change is inevitable", he says.

The approach to client service is one of open conversation. It's not a case of getting a brief from a client saying "just do this". Rather, he discussed the objectives, the service values and experience, and then looks at the options collaboratively with the client. Key to the approach is the *expectation* of change. For example, one client was expanding to the US and was unsure of the operations required, the best approaches, and the level of commitment. Putting in fixed costs too early will be a problem if growth is slow (excessive costs) and also if growth plans are exceeded (insufficient capacity or the wrong cost structure). By planning for flexibility the client can be operational quickly and with low exit risk, but as the business grows and becomes stable a more permanent operation can be established.

Partnership is also important for in-season fluctuations. Over the extended peak season in 2017 one client had a 'slow start' and the sales were tracking behind the plan. Without close, regular and open information-sharing, Zoom might not have known of the promotional plans to recover sales volume and therefore re-allocated the planned capacity. By understanding these activities Zoom was able to work with the client to ensure that as they ultimately exceeded their plan that there was sufficient capacity to service them.

Critical to Millar's planning is a fixation upon 'remaining flexible'. His view is that clients are able to manage operations when they are stable, and the real service that Zoom can provide is making the inflexible and fixed into a service. Clearly, the walls of a warehouse cannot change, and staffing is also only semi-flexible, so the key is to plan. "We can react to volumetric changes rapidly", says Millar, but "space is more of a challenge". However, through a combination of longer term planning and experience, Zoom carries sufficient spare capacity for their clients. While this may reduce the return on assets, Millar is adamant that there needs to be enough capacity: "we can't just do well for 11 months of the year and fail at peak!"

Millar notes that there's a natural flow in in-sourcing and outsourcing. At the early stages, especially with market entry or new lines of business, outsourcing allows a business to test its proposition. As the market becomes stable and the business' understanding of the business-as-usual requirements increase, then services are in-sourced. Often this can involve key staff from Zoom joining the client's in-house team. At a later stage where operations may be unchanging and optimised they could be re-outsourced in order to free up management time and focus.

In order for this approach to work successfully over the long term, Millar notes that "we choose our clients as carefully as they choose us. We need to be compatible with each other and provide an equal amount of value each to the other". ■

ZoomFS is a multichannel fulfilment and contact centre solutions to online businesses and retailers. Services span warehousing and storage to customer service via delivery and returns. Covering business models from mail order to high street and ecommerce, ZoomFS is based in Cumbria in the north west of the UK. www.zoomfs.com

FUTURE RESOURCING

In parallel with moves to Microservices and a more modular approach to our business value-chain, the same digital forces are reshaping the supply side.

CLOUD AND SERVICES

Cloud capabilities in storage and data has led an 'as-a-service' movement that allows retailers to buy the benefits of a service without owning or managing the infrastructure necessary to its provision. CIO magazine notes that moving services to the cloud accounted for more than one third of outsourcing activity last year.

With Amazon offering AI and Machine Learning services in the cloud, the adoption of services is likely to increase in importance, with the main players vying with each other for scale, innovation and services. According to Forbes' "Cloud Wars" column, the largest cloud vendors at the end of 2017 were Microsoft, Amazon, IBM, Salesforce, SAP, Oracle and Google.

MICROSERVICES

The granularity of the tasks and services we can outsource continues to increase, while the spin-up time reduces. One-off tasks, repetitive tasks and specialised work packages can be completed can make 'outsourcing' no more onerous than sending an email. Numerous freelance sites give access to coders, writers, designers and marketers, but Amazon's "Mechanical Turk" goes a step further and offers "Human intelligence via and API - Access [to] a global, on-demand, 24x7 workforce" (<https://www.mturk.com/>). Mechanical Turk excels at tasks that computers find difficult (image assessment, identifying missing items, categorisation) and provides workflow and quality assurance.

"UPSOURCING"

Although the focus on outsourcing has been upon moving service elements out of the retailer and to a supplier, Mark Thomson suggests that retailers could be looking to create new service categories and capabilities through partnerships.

One example could be on the high street or retail parks, where the formats and tenants are similar, the replenishment service is undifferentiated, and town centres are under pressure to reduce delivery traffic. Retailers could collaborate to create a shared service to share store delivery, reduce costs and improve the urban traffic levels. During the 2012 London Olympics the retailers within the Westfield centre at Stratford, the gateway to the games, delivered to a remote consolidation area and their goods were shuttled to the centre. Security reasons provided a mandate for that period, but Thomson suggests that this become a more general, collaborative new service. Thomson calls this approach "upsourcing", namely where novel solutions are created by suppliers and retailers working in partnership.

Retail is a dynamic sector, anticipating and responding to the customer's value perception. As soon as retail 'disaggregates' (to cite Mark Felix) it reforms and renews. Capturing the nuance and opportunity within this changing field puts additional pressures upon retailers, who now need to be focused "value-definers" as well as demanding Service Management experts.

Those retailers who can balance the detail of the customer's demands and with the granular detail and operation of a business Microservices model will be able to deploy and exploit the best, most appropriate capabilities for their brand. Combining a clear vision of customer value with the rightsourced partners, suppliers and collaborators is the basis for sustainable advantage, even in times of change. ■

MICRO-OUTSOURCING SERVICES

Upwork.com (formed from the merger of Elance and oDesk in 2013) is a marketplace, workflow and payments system, where workers maintain long-term relationship with clients. Fiverr.com prices at \$5 in increments thereof, Freelance.com (with over 25million users) does what it says, while Guru.com focuses more on consulting or less structured assignments for expertise.

99Designs.com specialised in graphic design requirements while Constant Content offers pre-written and customised web content.

Volume services may be too generalised or lack quality control but there are specialised and niche markets emerging. Toptal.com offers vetted services from the top 3% of freelance developers, accountants and designers, and this level of service assurance will make micro-service sites of greater interest to retailers.

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