

# 5

features to look for  
in a replenishment  
system for your  
electronics chain



Electronics retailers face unique challenges when it comes to replenishment. Rapid advances in technology have brought ever-shorter product life cycles, and when the new model of a product hits the scene, the demand for their predecessor vanishes quickly, requiring promotions to support sales. At the same time, our connected world has increased customers' expectations for **lower prices and fast, high-quality service**.

Online retailers and marketplaces such as Amazon, eBay and Alibaba have had a huge impact on the electronics retail market. Brick-and-mortar stores may still represent about 81 percent of sales value, but they are struggling: in the past five years online sales doubled, while in store-based sales remained unchanged. In the US, Amazon's sales of consumer electronics grew a solid 28 percent in 2015, while Apple and Best Buy saw a more modest sales growth of 4.3 percent and 3.8 percent respectively.

This race is played on the price tag, and the result is fierce price competition in an environment that must **combine low margins with high levels of service**. Customers can afford to shop around for the best deal, and attracting them means providing the **latest products at low prices, delivered quickly**, with fast and easy **return** service.

**Finding the right approach to replenishment is critical to success.** Electronics retailers have to manage a large and diversified inventory with factors such as **seasonal demand** affecting some, but not all of the products

they sell. They need to display the **right mix** of products for their customers, from bulky white goods that don't follow seasonal sales patterns to brown goods, such as televisions, that do. And they need to meet peak demand for the **latest models** of items with shorter lifecycles such as mobile phones, while making sure they're not left with obsolete stock when customers move on to the next model.

As the competitive environment continues to intensify, many electronics retail managers are looking for the right system to handle the complex tasks of replenishment and inventory management. This paper explores five features that retailers should look for to find the ideal replenishment system:

- 1. The ability to embrace diversity**
- 2. Support for planning**
- 3. The right mix of automation and manual input**
- 4. Total integration**
- 5. Flexibility to connect with external partners**

# 1.

## The ability to embrace diversity

In electronics retail, different products need different treatment. The product mix is highly diversified, and demand for items can also vary widely according to product categories, seasonal influences and geography.

Events such as Black Friday, the World Cup, or a new product launch will cause **spikes in demand** for certain products such as home entertainment, mobiles and wearables. As the lifecycle of many of those items gets shorter, it is extremely important for retailers to **meet the initial peak in demand**. In fact, while demand for the latest mobile device may threaten to outstrip supply in the first few days after the release, that same item may stop selling as soon as the next model is released. Retailers need to stock enough of the product to maximize sales when demand is high; at the same time, they can't afford to be left with excess stock that they will have to sell at a discount once demand has fallen.

At the same time, most electronics retailers need to stock and display white goods like fridges, cookers and washing machines. These large items don't tend to follow a sales cycle. They need to be available whenever a customer wants to buy one, but too much stock will take up valuable space that is needed for faster-moving goods.

Being able to calculate and forecast demand accurately, with **different approaches for white goods, brown goods and accessories**, is a must when it comes to managing such a diverse product mix. It's essential to find a replenishment system that enables you to **incorporate trends** in the sales history, including seasonality, holidays and annual events, promotions and any other factors that affect demand. And it's not just sales patterns that need to be taken into account – being able to **set up parameters such as the amount of space available** to display large items can take a lot of the pain out of planning and optimising the inventory.





## 2. Support for planning

Successful replenishment planning enables retailers to prepare for new product launches in good time to ensure they meet customer demand. The right replenishment system allows retailers to **plan and incorporate future demand**; to do this, it must provide retailers with the tools to make sure that **stock is where it needs to be**. That could mean allocating stock to different stores or warehouses across the chain in line with historical demand, or making sure a certain model is available through the channel of choice for customers it will appeal to.

In order to avoid the costly pitfalls of over- and under-stocking, replenishment planning needs to be based on accurate, up-to-date insights about the item concerned. That includes **historical demand patterns and accurate projections**, and a view of the **number and location of items in stock** across the organisation.

Based on that insight, retailers can then set rules and parameters to create proposals for them when reordering is necessary. The right replenishment system will allow retailers to **choose between different types of settings**. Setting a **re-order point** for slower moving items such as white goods will make sure the item is always available without excess stock taking up valuable space. For high-demand items, a **forecast-based replenishment** model can enable detailed calculations of demand for a specific item at different outlets in the chain, taking into account historical and anticipated changes to make sure the stock never falls below a safe level.

## 3. The right mix of automation and manual input

Many retailers are still faithful to manual methods of stock replenishment. However, on top of opening up room for errors that can result in out-of-stocks or over-stocks, **manual replenishment takes up valuable time** that could be devoted to providing excellent customer service. In an intensely competitive environment where the right stock, price and service are crucial in the battle for customers, the business simply can't afford to waste resources because of outdated technology.

The right solution enables retailers to automate the replenishment process so that **the system does all the routine work**. By implementing a system that can handle multiple information sources and support different methods for calculating quantities and reordering, electronics retailers can manage their complex product mix across all locations. A good automated replenishment system will work to the rules and parameters the retailer puts in place, as well as processing real-time information from every channel. In doing so it can handle purchasing, transfers and sales orders to make sure replenishment is carried out according to the plan.

On the other hand, not all tasks should be automated: a successful automated replenishment system must also have a **human side**. There will always be items and events that need individual attention, and it should be easy for the retailer to handle these manually. With the **ability to choose between automated and manual replenishment** – backed by up-to-date insights into stock levels and sales trends across the organisation – retailers can let the system do most of the work, leaving themselves free to focus on exceptions.



## 4. Total integration

Competing with online portals is a necessity – but it can seem a daunting task for businesses that don't have the warehousing and distribution muscle of the online retail giants.

However, many traditional retailers already have a foundation that enables them to **apply the model of online retailers** to their warehousing and logistics. Brick-and-mortar stores are often located in urban areas, and many electronics retailers run chains of stores of different size in key locations. By using these stores as warehouses, electronics retailers can guarantee fast, easy shipment of products to customers in various areas.

This model can bring paybacks – as long as the replenishment system the retailer is using can **connect all the channels** to grant visibility of what product is where. If there are any gaps in the retailer's insight or the replenishment and distribution processes, you can bet that stock – and sales – will fall through, and the retailer will be left with hard-to-sell excess products.

While electronics retailers understand the need for an omni-channel approach, many are still struggling to effectively integrate their channels. A common approach is to **operate separate warehouses** for the e-commerce and physical stores, or at least have separate dedicated areas within one warehouse. With this kind of setup, it is quite simple to calculate replenishment and forecasts separately for the different warehouses. Unfortunately, this solution usually results in **higher total inventory stock** if you apply stock buffers against uncertainty.

In order to optimize the amount of stock and obtain accurate forecasts, retailers need a **fully integrated system** which re-connects e-commerce, brick-and-mortar and logistics.

There are two ways to achieve that integration: you can spend time and money on **building bridges** between the systems you already have, with the knowledge you might have to invest more every time one of the systems goes through an upgrade; or, you can switch to an **end-to-end system** that can give you the operations-wide insight you need.



## 5. Flexibility to connect with external partners

In the digital age, customers have become accustomed to **fast delivery** of their electronics items. When a hotly-anticipated item, like the latest smartphone, is released, even a 48-hour wait seems far too long to today's consumers. In a bid to satisfy increasingly impatient customers, large online retailers are already moving towards same-day service.

Many electronics retailers don't have their own logistics service for home delivery, and keeping up to speed on delivery can seem like an impossible task – requiring big investments such as additional warehouses. But thankfully, the digital age also means that no retailer needs to work alone.

Retailers who don't have their own logistics are increasingly **partnering up with external services** – from couriers to Uber – to complete the last mile of delivery.

**Partnerships** are increasingly important not only to rise to the challenge of fast delivery, but also in-store. Many electronics retailers are teaming up with purchasing organisations to manage their shop floor area. These organisations replenish the stock as soon as it is sold and make sure the right item is always on display in the designated space.

To achieve true effectiveness, an end-to-end retail system that can provide easy **integration with external partners** is necessary. In fact, both inside the store and out on the road, gaps in the information can lead to costly out-of-stocks, overstocks and inability to deliver the service customers expect. A flexible solution that can be configured to **connect the entire network**, will give all parties the visibility they need to get the goods on show, deliver them quickly and replenish them efficiently in line with demand.





## Summary

Complexity and diversity are part of what makes electronics retail so unique – and so challenging, too. Effective replenishment is necessary to keep costs down while ensuring availability of the products and services customers expect. Getting it right involves taking steps to establish a system that can deal with an increasingly diverse product mix.

In this paper we have highlighted the main aspects a good replenishment system should be able to tackle. By focusing on the matters discussed above, in addition to specific business needs, electronics retailers can explore the capabilities available today, and find the right system to support them in handling the complex tasks of replenishment and inventory management.

Learn more about our **software for electronics stores**







# Bring your business to the next level

Selecting the right replenishment software for your electronics chain can be a daunting task. If you order too little you may end up **disappointing customers** with out-of-stocks; but if overstock your stores, you may end up **losing money** with sales and promotions.

Make sure you are on the right track: get **expert advice** from LS Retail replenishment specialists

[Talk to our experts](#)



LS Retail is a world-leading provider of unified commerce software as a service (SaaS) solutions for retail, hospitality and forecourt businesses of all sizes.

Our software solutions power tens of thousands of stores and restaurants worldwide, within such diverse industries as fashion, electronics, furniture, duty free, restaurants, coffee shops, forecourt, c-stores and more.

LS Retail products and solutions are sold through a global network of partners.

LS Retail is an Aptos company and plays a key role in their suite of unified software solutions.

[www.LSRetail.com](http://www.LSRetail.com)