

Optimization of sales in fashion retail by warehouse integration in multichannels

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Consumers have begun to expect a cross-channel experience where they can research, purchase and return articles through a combination of channels. In combination to the increasing customer demands, the multichannel sales have also proven to be greater than the possible cannibalisation of the sales in retail stores. Thus multichannel retailing is increasing and the trend is global.

In relation to the opportunities of multichannel strategies, multichannel offers also put pressure on logistical solutions to serve both channels. Two of the challenges are the events of late deliveries in online stores and stock outs which have shown to decrease customer satisfaction. This is especially true in fashion retail where availability is crucial to enable impulse shopping and high customer satisfaction.

However, by integrating the multichannels by warehouse integration the inventory availability can increase. This can be done by reallocating articles to the channel where the demand is highest in relation to the stock, which can decrease the events of late deliveries and stock outs, hence increase sales and customer satisfaction.

The study therefore investigates how increased multichannel integration, in terms of reallocating articles between online store warehouses and brick and mortar store warehouses, affect sales for retailers within the fashion industry. The thesis investigates the potential in increasing the total sales by increasing the availability online and by decreasing the share of reductions in price, by reallocating articles to the most suitable channel.

The research was conducted as an embedded single case study with one subunit studying the effects of increasing availability online and the other subunit studying the effects of decreasing price reductions. Data was gathered from four main sources: archival records, documentation, interviews, and observations. The analysis was performed by estimating sales figures if the reallocations had not been performed and compare it to the sales figures after the reallocations.

By reallocating articles to the online warehouse, the sales on the reallocated articles increased on average by 67 percent, and had the potential of contributing to an overall increase of 1.2 percent. The reallocation with the purpose of reducing price reductions contributed to a decrease of 19 percent of the reallocated articles, and an overall decrease in the total price reductions in the online store by 0.4 percent. Reallocating articles between channels with the purpose of reducing price reductions is considered to be less risky in terms of the likelihood of sending the wrong article, than the reallocation purpose of increasing sales, which can be explained by the impact of the short life cycles of the articles in fashion retail and thus the impact of timing.