



# FLEXAGILITY

How Digital Transformation  
Shaped a New Era in  
eCommerce

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Foreword By

# Paul Greenberg

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One of my (many) battle cries, when I was in the frontline of online retail was that it was ‘not the big eating the small, it was the fast eating the slow’ in this digital frontier of retail.

The COVID environment has only reinforced this view. So I was pleased to hear that my industry friend over at Shippit, Rob Hango-Zada had coined a new term...wait for it... *“Flexagility”* – the ability to quickly adapt to a fast changing environment. The word is a call for both flexibility and agility in harmony, and speaks to the dynamic nature of the environment we all operate in, and how our customers are setting a new pace. And its quick.

Rob of course always enjoyed my term, “Phygital”, a meld of the physical and digital retail environment. I argued the honeypot of opportunity lay somewhere in the middle. I am not so sure anymore. I think COVID has catapulted us into a digital-first environment, where retailers’ physical assets exist now to support their digital efforts, not the other way around.



A common question around our industry has been “What percentage of total retail sales are online?” General consensus is around ten to twenty percent, depending on the vertical. I have a new view. I sense that around 100% of retail sales have a digital fingerprint on it somewhere.

it was not “the big eating the small”,  
it was “the fast eating the slow” in this  
digital frontier of retail.

Whether it be a social platform, search, user reviews, comparative shopping sites, influencers...it doesn't matter where the sale is consummated, somewhere in the conversion is digital DNA.



**Paul Greenberg**

Founder - NORA Network

Vice Chair - Federation of International Retail Associations

Board Member - National Retail Association

Comment By

# Rob Hango-Zada

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Well, 2020 is officially the year that broke the internet but for all the wrong reasons. Digital transformation has accelerated at a pace we've never seen before. As COVID took hold around the world, Zoom became a way of life for many with the company seeing 3,000x more daily active Zoom users by the end of April 2020 compared to December 2019. Similarly, the retail world famously experienced 3-5 years of eCommerce growth in just 3 short months - on average, daily order volumes are more than 50% higher than they were pre-COVID. At its height, Australia saw eCommerce demand exceed the record-breaking, logistics network melting Black Friday / Cyber Monday peak by at least 30%. To put that into perspective - that's an entire quarter's worth of sales compressed into a single month. Understandably, this sent digital transformation in the retail world into warp-speed. Coupled with the fact Australia was only just recovering from bushfires that ravaged our landscape and foreign cyber attacks on prominent logistics providers impacting their ability to deliver, retailers have had more than their fair share of disruption - the glory days of business as usual seem like a distant memory for many of us now.



The reality of our new normal is a story of evolution for retail, eCommerce growth is here to stay. The role of the store has changed forever with experiences now more digital than phygital - we have seen more store closures in the last 6 months than over the past few years. The logistics industry which both benefited and suffered the most as a consequence of growth is in need of a complete, technological revolution - as of today, 1 in 3 deliveries won't meet its expected delivery date. This combination means that the future of last mile delivery must be local powered by distributed fulfilment. I am excited about what the growing market will do for competition and innovation in pursuit of better customer experiences - game on!

“flexagility” - the ability to move quickly and easily in adapting to a constantly changing environment

At Shippit, we're privileged to work with the industry's very best leaders all dodging disruption with panache and flair. We've witnessed these chameleons and shape-shifters deliver a brighter future for Australian shoppers at the forefront of an industry that is breaking new ground every single day. Most notably, we've found that the two core capabilities retail leaders of the future now need to succeed are flexibility and agility, what we at Shippit are calling “flexagility” - the ability to move quickly and easily in adapting to a constantly changing environment. We spoke to a handful of flexagile leaders at a cross-section of the industry to shed some light into how they transformed their businesses in the hope that you too can learn how to adapt in a business unusual world.

Lastly, I want to thank all those who contributed to this whitepaper for their time and for sharing their knowledge and practices for the betterment of the industry.



**Rob Hango-Zada,**

Co-Founder & Joint-CEO - Shippit

**eCommerce is  
changing, and it's  
not slowing down**

Online purchases in 2020 have continued to outperform in-store sales, and there have been drastic peaks and troughs between different retail categories as external events – like mandatory government shutdowns – have impacted the way we access the everyday items we'd normally go window-shopping for.

Due to the global spread of COVID-19, consumers who may have previously preferred to shop in-store now admit to shopping more often online. Not only are consumers faced with more limited options in-store, but they have more downtime to browse and shop online compared to before when recreational alternatives could involve more than just dipping into their wallet to buy groceries and gym gear online.

recent events have fast-forwarded digital transformation and logistics by at least 3 years.

Although eCommerce has consistently grown year on year, recent events have fast-forwarded digital transformation and logistics by at least 3 years. And this growth has not occurred unnoticed. Substantial delivery delays have impacted all the heavy lifting courier services including AusPost and CouriersPlease. But the challenges they face are unprecedented:

- The halt on passenger flights has created backlogs of parcels
- There's been a significant increase in parcel volumes which are still manually sorted by courier services
- Health and safety requirements have slowed down delivery times

When it comes to the customer experience – although still remaining the number priority for businesses – many retailers have had to vastly adjust operations to keep up with demand all while adhering to new, stricter regulations. Customers, on the other hand, haven't been prepared to wait while retailers transform their operations, and while courier services tirelessly work to eliminate inefficiencies in their networks.

We can see there is growing demand from customers, and increasing pressure on courier services, but what is driver and disconnect between the two? eCommerce has expanded so rapidly because shoppers now want the in-store experience available online, right now.

Consumers now turn to online shopping for instant gratification, whereas previously they could walk into a store and buy their items without a second thought. Retailers have had to figure out how to get more items to customers faster. And this has forever changed eCommerce and logistics.

# Perspectives from leaders of digital transformation

# Cue Clothing Co

## CUE

Shane Lenton  
CIO

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Shane Lenton is both a technology and retail leader. He's founder of Unified Commerce and has been leading digital transformation as CIO at Australia's iconic fashion label Cue Clothing Co for the last 12 years. He takes us through how the digital strategy they built over the last few years made them resilient to recent events and put them in a position to increase their average transaction value by focusing on innovative approaches to engaging online shoppers.

"Our survival during the pandemic was really through the foundations that we had in place through our distributed fulfillment model. Our partnership with Shippit and their multi-carrier capabilities allowed us to be totally agile"

“The key to our survival – as a multichannel retailer with 80% of it’s inventory in stores – was having distributed fulfillment in place so we could offer in-store stock to customers. Had we not been able to do this, the situation would have been much worse. years”



**How did Cue Clothing Co adapt to digital transformation?**

Whilst we have experienced online growth over the last few months – we’re unique because we had a rock solid unified commerce platform and we were already familiar with distributed fulfillment before the global pandemic came into play.

Cue Clothing Co has been on a digital transformation journey over the last few years; we implemented our foundations with a unified commerce platform and we had a distributed fulfillment model in place where we were fulfilling approximately 57% of our orders from stores.

When Covid led to a mandatory lockdown, we had to close the stores that were

fulfilling over 50% of our online orders. It was critical for us to still have access to that inventory and make it available for online shoppers instead.

Our survival during the pandemic was really through the foundations that we had in place through our distributed fulfillment model, and our partnership with Shippit and their multi carrier capabilities allowed us to be totally agile.



We've leveraged off the work we've done on data insights so we were able to direct

orders to particular locations where we were confident we'd see volume. We could also use that data to see which locations we needed staff to pick and pack orders, meaning we could allow staff to keep working safely, while also justifying the cost of having the staff working.

In addition to this, we'd previously done a lot of work with virtual stylists where team members can connect with customers through online video styling sessions. Staff could still connect with customers, do video styling sessions, and pick and pack safely.

This gave us a lot more control of the situation compared to if we hadn't prepared for distributed fulfillment previously. When we felt it wasn't safe to open stores to the public at different times of the pandemic - we had the ability to reduce some of this financial impact.

The key to our survival - as a multichannel retailer with 80% of inventory stored in stores - was having distributed fulfillment in place so we could offer in-store stock to customers. Had we not been able to do this, the situation would have been much worse.

### How did digital transformation help Cue Clothing Co scale?

Where we experienced the biggest transformation as a retailer was where we couldn't open our doors to customers. When it became unsafe to welcome customers into our stores, we opened in a virtual sense through store based deliveries and video-based styling sessions conducted by staff.

We also made a huge effort for customers that visited stores in areas that weren't in lockdown or weren't unsafe to keep open to ensure we could deliver the items they wanted to their door if the location they visited was out of stock. Our endless aisle solution and distributed fulfillment model made it possible for us to fulfill the item they wanted from another location.

"When it became unsafe to welcome customers into our stores, we opened in a virtual sense through store based deliveries and video-based styling sessions conducted by staff."

A large part of scaling our fulfillment strategy in states where there are lower numbers of foot traffic was the virtual stylist session and the fact that we were still able to open store based inventory up to online shoppers, and so far, customer feedback has been incredibly positive. Customers are so happy that they can still shop when they can't physically go into the store and they're spending over five times the average transaction value.

We had the foundations in place and were able to capitalise on new opportunities created through a data led approach to open up inventory to certain locations. Engaging with customers through new channels like video based styling sessions also helped us facilitate transactions and give our customers access to the whole inventory.



# APG & Co.

APG & Co  
THE BRAND ASSEMBLY

Nhung Tran  
Logistics Manager

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Nhung Tran is logistics manager at APG & Co, the umbrella company that owns SABA, JAG and Sportscraft. She takes us through the journey she went through when she had to act quickly to activate ship-from-store from over 90 locations, when it would have previously taken one month to activate fulfillment from a single store.

“The majority of our stock is stored in our David Jones concession stores and our free standing stores, so it was really critical to our fulfillment strategy that we open up shipping and fulfillment from these locations”

**How has digital transformation changed APG & Co's fulfillment strategy?**

Our fulfillment strategy over the last few years has focused heavily on fulfilling more online orders in-store, and we wanted individual stores to take on more responsibility when it came to meeting delivery SLAs and providing customers a high standard of support for their orders.

As a result of recent global events, we've been able to grow our online sales 50-60%, and to ensure we continue to grow, our business needs make more inventory available for online shoppers.

To give customers access to a wider range of products online, we had to turn distributed fulfillment on for over 90 locations in less than a week. We started with free standing stores first because it was easier to train our own staff to fulfill online orders. If we used our concession stores first, we'd need to ask David Jones staff to fulfill our orders within their space which could have potentially slowed us down.

Majority of our stock is stored in our David Jones concession stores and our free standing stores, so it was really critical to our fulfillment strategy that we open up shipping and fulfillment from these locations because the online opportunity became critical for us to tap into.

There is so much opportunity for us to grow our online sales, and we aim to increase the number of online orders fulfilled in stores from 50% to 80%. This will also enable us to reduce transit times and costs which is critical if we want to begin introducing on-demand delivery services.

**How did APG & Co scale fulfillment for eCommerce?**

To scale our ecommerce strategy effectively, it always came back to opening up the inventory in our stores. We noticed more and more demand for online orders, so one of the easiest ways for us to scale and increase online sales was through distributed fulfillment.

One of the biggest benefits of a distributed fulfillment strategy is that it allows us to fulfill orders from the closest location, which saves transit time and shipping costs.

"When covid hit and we had to close those stores it was critical for us to still have access to that inventory and offer it to our customer via any of our digital touchpoints"

As we scale, we see even greater opportunity in switching on even more stores as mini distribution hubs. Eventually we want to ship-from-store with 200 locations, so it'll be critical for us to make more stock available from physical locations to online shoppers.

From the onset we had the right inventory management system in place so it's really easy for us to rinse and repeat this strategy; once Shippit activate the new fulfillment locations for us, all we need to do is train staff, deliver satchels, and make space to print manifests and shipping labels in one area.



Our online and in-store customers have very different buying patterns and what they order differs. To add more complexity to the mix, our brands also differ. To navigate this complexity and make it easier to scale, we can easily tap into replenished stock in store to make more sizes available online.

“Once Shippit activated the new fulfillment locations for us, all we needed to do was train staff, deliver satchels, and make space to print manifests and shipping labels in one

Not only does this allow us to scale our ecommerce and fulfillment strategies, we’re able to better serve our customers because we know where the stock is and we can make it available to more shoppers.



# Super Retail Group

Super Retail Group 

Matt Hassall  
Supply Chain Management

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Matt Hassall is a leader in supply chain management for retail. He's the Transport Manager for Online Fulfillment at Super Retail Group, and saw the business through the peak of COVID shutdowns. He takes us through Super Retail Group's journey of dealing with higher than peak-season volumes and how they prepared for growing demand.

"We were fortunate to have been able to prepare before the peak of COVID, and changing our fulfillment operations to focus more heavily on fulfilling online orders, getting enough supplies of shipping material and our stock. Working with the right partners and courier services helped us pull through."

## How has increasing demand changed Super Retail Group's digital fulfillment strategy?

It's been four months since the eCommerce boom in March, and we experienced such tremendous growth that I'm worried about how much that will increase by the time we hit the next peak season.

We saw the impact of COVID long before it became a global pandemic, so as early as January, we started sourcing large amounts of products from China and we set up a taskforce to focus on what we needed to do as a business to get through.

Since July, our sales have exponentially increased so we've had to quickly adapt to this new environment of increased online orders and rework our fulfillment strategy to cope with unprecedented volumes. We've turned on two distribution centres that had previously only ever stocked stores and had never before done online fulfillment; they'd never touched a satchel and only knew how to deal with big bulk packs.



But it wasn't just operational changes and staff training that had to occur quickly; we had to act fast to get supplies of satchels and label printers, and at the time, supply for these items was quite scarce.

The global supply chain became really strained, and when the government closed gyms in mid-April, we couldn't supply the stock of weights in Rebel fast enough and we never would have been able to forecast the sales we made during this time.

We were fortunate to have been able to prepare before the peak of COVID, and changing our fulfillment operations to focus more heavily on fulfilling online orders, getting enough supplies of shipping material and our stock, and working with the right partners and courier services helped us pull through.

There have been a lot of challenges facing retail this year - we had bushfires, a Toll cyber attack, and then COVID - had we not been with Shippit during this time we wouldn't have survived that. We also haven't had to worry about outages - if Toll goes down, TNT or Allied will kick in for our deliveries - as far as our continuity plan goes, Shippit is it.



### What challenges did you face scaling digital fulfillment?

It used to be good enough to deliver on time. But with the recent increases and extra load placed on logistics services, our rate of on-time deliveries dropped from 98% to 95%, and although it may seem like an insignificant change, that small decrease resulted in a flood of customer inquiries.

People wanted their products – they bought them for a reason. In a time where we couldn't go to the gym or travel, customers were looking forward to hiking or camping, and not receiving their items on time felt like we were breaking our promise to our customers.

The main problem we had with dealing with this was that we didn't own the problem – we could see within Shippit's reporting dashboard, and the carrier's updates that a delivery was going to be late. But we didn't do anything about it. We took it upon ourselves to notify the customer of delays, and customers are much more receptive to delays if you are transparent about them.

We've also done a lot of work in working with our partners and carriers to work out where the best locations for pickups are. AusPost does a large chunk of our volume and we work with them constantly to find which places are picked up

from – unless demand totally changes – it's no longer brick and mortar based – there's no traffic in the streets so our high fulfillment stores need to have easy access to carriers.

But our work isn't done yet. There's still peak season coming and we're in unprecedented waters; Click-frenzy will be our wet run, and then we'll hold on until we hit boxing day sales.



# Target



Purush Ram  
Head of the Fulfillment Network

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Purush Ram is Head of the Fulfillment Network at Target. He's worked on accelerating digital transformation at Target over the last few months using data to gauge and forecast customer sentiment and demand. His aim was to replicate the in-store purchase experience online to cater for shoppers that could no longer visit their stores.

"Being a large retailer, customers were used to our brick-and-mortar shopping experience, so when lockdown hit, we had to find a way of replicating the tangibility of buying something in-store, online."

## How has digital transformation impacted your fulfillment strategy - what capabilities were needed for digital transformation

Rapidly growing and evolving consumer expectations is the key driver of Digital Transformation. We know that success lies in not just the product itself but also the ease of the customer journey and convenience we provide through our fulfilment model.

We have found that our customers value consistency and reliability of service and that we need to strive to continuously to improve our execution on both.

Without a doubt the COVID global pandemic has resulted in phenomenal growth in Online demand which has put pressure on fulfilment supply chains. The strategy of providing value through reliability and consistency of service has not changed, it has simply become more of a priority.

“Our aim was to localise fulfillment to replicate the ease of the in-store purchasing experience online to create what is more commonly known as an endless aisle.”

In recent times our business has had to become more agile and adaptive to rapidly changing market conditions driven largely by government policy which have been vastly different from state to state. We have found increasingly that having the ability to flex resources and de-risk single source reliance on any part of the fulfilment operation has helped Target to remain resilient and equally take advantage of the opportunities that have presented themselves during this time of significant change.

## How did you need to transform your business to scale your ecomm strategy?

Taking a 90 year old, historically Bricks and Mortar retailer, to one that considers itself to be a truly Omni-channel retailer means we needed to change the way we think about the business, which always starts with renewing and deepening our understanding of our customers.

As a business we have a renewed and heightened focus on how we continue to accelerate our business towards a truly connected Omni-channel retailer. Target for many years has been the department store retailer with the largest store footprint in the country. With changing customer needs we have also commenced the process to refocus our efforts with rebalancing of our portfolio making our Online business a much larger and more important component of the Target Value proposition, which is also in line with our customers expectations.

Online is a very interdependent channel, and for a large retailer like Target, scaling eCommerce can't be done in isolation. Increased cross functional collaboration and decision making starting from product design to post-transaction customer service with the Online customer in mind is key to scaling and delivering our ecommerce strategy.

# Key Findings

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Without having safe and easy access to physical retail stores, shoppers have turned to online shopping to replace the ease of purchasing in-store while remaining in the comfort of their own home.

This has placed unprecedented pressure on retailers to digitally transform in a short period of time, and has also had rippling effects across courier services and the customer experience.

Retailers that have come out of top of this have quickly innovated to tackle these challenges head on. Not all the solutions were the same, but they reflect the need for “flexagility” - the ability to move quickly and easily in adapting to a constantly changing environment - and for thinking out of the box. Here’s what we found:

Customers have less options available to them, and in a time where travel and other recreational activities have come to a drastic halt, they look forward to their orders and experience frustration when they don't receive their items on time. Taking control of delivery delays and being transparent with customers about backlogs go a long way in alleviating customer frustrations.

Taking control of delivery delays alleviates customer frustration



Less in-store traffic has led to new ways of engaging customers online

Many customers love the in-store, tactile experience of feeling and looking at the product in person. When mandatory shutdowns were introduced by state governments, retailers with a high level of customer service had to find new ways of providing the same calibre of interaction in a more impersonal, online environment. Virtual-styling sessions have been proven to be a strong alternative to the in-store experience, and have also shown to increase the average online transaction value.

Given the way consumers engage with retailers has transitioned to taking place predominantly online, they now expect shipping to replace the instant gratification and tactile experience they received in-store. It has now become more critical than ever for retailers to unify their inventory across different distribution hubs so they can ship customer orders from the nearest location. This drastically reduces shipping time and costs.

Concession and physical locations are seen as distribution points



Scaling eCommerce in new climates requires collaboration between teams

Retail has now shifted from the traditional silos of online and offline, and marketing and fulfillment teams. In this new era of high volume, high demand and even higher customer expectations, teams need to work together to ensure customer sentiment across all channels is positive, and when delays inevitably occur, they need to band together to proactively communicate with, and respond to customers.



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