**“What can be automated, will be automated”**

**Interview with Raffaele Destro, expert in retail logistics and industry manager at TGW Logistics Group, about the challenges in fashion logistics.**

**What are the main issues in the fashion industry that have an impact on warehousing and distribution?**

**Raffaele Destro:** Generally speaking ecommerce grows every year. But no one is able to predict how much it will grow in the future. In the fashion industry we also see that the cycle for new products is getting shorter every year. Some brands change their collections every month. That is quite challenging for supply chain experts. In addition to this, they are even more concerned about another fact: No one can predict the ratio between sales in retail shops and ecommerce. On a day like Black Friday the ratio will be completely different from the one the day before. All in all, many surveys say that orders are getting more frequent and smaller.

**Some companies spend a lot of money in tools like predictive or prescriptive analytics for forecasts. Does that make sense?**

You always benefit from knowing what might happen in the future. And in terms of pricing for example prescriptive analytics make sense. But considering successful supply chain management that is not enough. You should also concentrate on ways to master the unpredictable, as we say at TGW. But for complex supply chain situations you need excellent strategies. Nowadays no one doubts that automation is one of the most important keys for success. The question is not “shall we automate?” but rather “what type of automation is the right one”?

**If you do not want to have high inventory in the shops you have to have a fast and more frequent replenishment. One possibility is to turn stores into fulfilment centers, using the existing store inventory. What do you think about that?**

Theoretically you can turn fashion stores into tiny fulfilment centers, taking advantage of the existing inventory and the proximity to the consumer. If you follow the strategy “ship from store” you certainly benefit from short delivery times and low shipping costs. But that strategy has a disadvantage: You risk stock out scenarios in the shop. Actually also for “click and collect” orders you could use the inventory of the shops. But honestly: In my eyes the staff in a fashion shop should be looking after customers that would like to buy something instead of fulfilling ecommerce orders. Therefore, the inventory of the store should be optimized for the retail channel. Consequently “ship to store” from the distribution centers is the right solution. At TGW we believe that the best solution is a real omni-channel distribution center for both retail and ecommerce orders.

**But then you have to deal with challenges from both channels at the same time, which makes work more complex. Does that make sense?**

Yes, but you have to have the right solution – a real omni-channel solution, as I said. Because you have to deal with peak days – and you also have to deal with peak returns. Considering returns you need to have an answer to questions like: Do I store returns back with the rest of the inventory? In a multi SKU or a single SKU container? Or do I buffer them temporarily in a different area? By the way: Big fashion companies buffer returned items only for a few hours – because the orders for these products get a preference in the IT-system. If you decide to go for a real omni-channel strategy, you have to have an eye on two important aspects: Accuracy in order fulfilment and speed in order fulfilment. The latter relates to the service level to the costumer.

**Some say that price and brand value are more important for costumers than a high service level. Do you agree?**

The aspects you mentioned are important. But one of the main differentiators in fashion business is service level. In ecommerce, companies measure the time it takes from an order placement to the delivery. Companies differentiate on delivery times and cost per delivery. Therefore the time it takes the distribution center to process the orders and ship them is very important: this is called order lead time. The shorter it takes, the later is the cut-off time in the system – and the later the costumer can place an order that is delivered on the same or the next day.

**With a lot of people you may manage fast order fulfilment…**

Not necessarily. First of all, people make more mistakes than automated systems. And mistakes in ecommerce are a no-go. And second: One of the biggest challenges for almost all companies in highly developed countries is the scarcity of labour.

**What is the solution in your eyes?**

Automation, automation and automation. Some experts put it like this: What can be automated, will be automated. But you also have to have the right solutions and strategies of automation. At TGW we have worked intensively on special solutions that can cope with every situation of a retail company – no matter, if retail shops are still very important or the ecommerce channel is already quite large. Our solutions are called FlashPick® and OmniPick. And we have developed a tool that helps us to find the most appropriate solution for fulfilment companies.

**Let us stalk about FlashPick**® **first. What is that?**

FlashPick® is a smart goods-to-person (GTP) order fulfilment solution for single piece picking. It is based on a shuttle system for automated storage and retrieval (AS/RS) of containers. The second part is a high-performance picking workstation, where a person or a robot picks. The principle behind it is discrete order-by-order fulfilment, therefore we do not use a batching of orders. The process is very simple for the picker: The system presents one SKU container to pick from and one order container to pick into. After the picking process SKU containers return to the system while order containers can be routed towards the shipping area.

**What are the advantages of the solution?**

FlashPick® is a one-touch solution for orders that can be picked directly into shipping cartons or totes. If the system is combined with Rovolution, TGW´s intelligent robot for automated picking, the solution turns into a zero-touch system. The order lead times are only between ten and 15 minutes. FlashPick® can be used for push and pull operations – that means initial allocation and replenishment. Another big advantage: Companies can use FlashPick® for all distribution channels: retail, wholesale, omni-channel and direct, and all business models from high fashion to fast fashion, luxury etc.

**What are the differences between FlashPick**® **and other solutions on the market?**

All in all TGW has the fastest shuttle aisles and the fastest pick stations in the market. At a sustainable rate we talk about up to 600 order lines per hour, if you pick from a single SKU container and drop the item into an order container. Our design is flexible as well: You can transport containers from any aisle to any pick station. And the user is independent from the order structure. Moreover you can use the TGW PickCenter Rovolution, an automated picking robot, together with the system.

**How does OmniPick work then?**

In certain scenarios, in case of a high ecommerce ratio for example, it makes sense to use OmniPick, which was presented at LogiMAT 2019 for the first time. OmniPick operations and performances are based on items – and the picking strategy is based on batching orders. You can use OmniPick as a person-to-goods (PTG) order fulfilment solution. But you usually get the highest benefits by using OmniPick a goods-to-person (GTP) order fulfilment solution. The latter is based on a shuttle system for automated storage and retrieval (AS/RS) of SKU containers and a high-performance pocket sorter system. When using the system in GTP operations, the order lead times are only between 90 minutes and three hours.

**What exactly happens in the GTP mode?**

First, the SKU containers are retrieved from the shuttle system and routed to the induction stations. In a second step the operator takes the required item out of the container – the quantity is based on batch requirement – and inducts one item at a time into a pocket. In a third step, the pocket is routed in a hanging position towards a dynamic buffer – and the SKU container returns to the shuttle system. OmniPick is a two-touch solution, if the system is equipped with manual induction stations and manual packing stations. It is a one-touch solution, if the system is equipped with manual induction stations and automated unloading stations for the orders that can be directly fed into shipping cartons or totes. But the most interesting version is a zero-touch solution, if the system is equipped with automated induction stations – our automated PickCenter Rovolution – and automated unloading stations. Then no one needs to touch the items in that process. By the way: The automated unloading has a high performance. We have measured up to 1.000 items per hour that were directly unloaded into order cartons or totes.

**What makes OmniPick so special?**

Generally speaking the solution has – I am talking about the fully automated mode – the highest level of automation for a pocket sorter in the market. TGW has also introduced automated unloading as a standard pocket feature of the base configuration of OmniPick. Therefore, one touch operation can easily be achieved – and a zero touch operation is an interesting option for many companies. Among other advantages I would also like to stress the easy maintenance and access as well as the simple and smart open conveyor profile technology. I would like to underline that both OmniPick and FlashPick® are designed to handle any scenario from 100 percent retail to 100 percent ecommerce. Therefore any combination of them makes them a true omnichannel solution. This makes the solutions from TGW unique.

**About Raffaele Destro**

Retail logistics expert Raffaele Destro works as an industry manager at the headquarters of TGW Logistics Group in Marchtrenk, Austria. After working for big intralogistics companies in the UK as sales project manager and a global industry solutions consultant for more than a decade, Destro joined TGW in 2012. The intralogistics expert studied management, economics and industrial engineering at the Politecnico di Milano in Italy.

**About TGW**

TGW Logistics Group is a worldwide leading provider of intralogistics solutions. For 50 years, this Austrian specialist has been providing automated systems for its international customers – from A as in Adidas to Z as in Zalando. As a systems integrator, TGW provides planning, production, and realization of complex logistics centers – from mechatronics and robotics to systems control and software. With approximately 3,300 employees, TGW Logistics Group has offices in Europe, China, and in the U.S.A. In the 2018/2018 business year, the company achieved a total turnover of 713 million euros.

Contact:

**TGW Logistics Group GmbH**

A-4614 Marchtrenk, Ludwig Szinicz Straße 3

Alexander Tahedl

Marketing Specialist

T: +43.(0)50.486-2267

M: +43.(0)664.88459713

alexander.tahedl@tgw-group.com