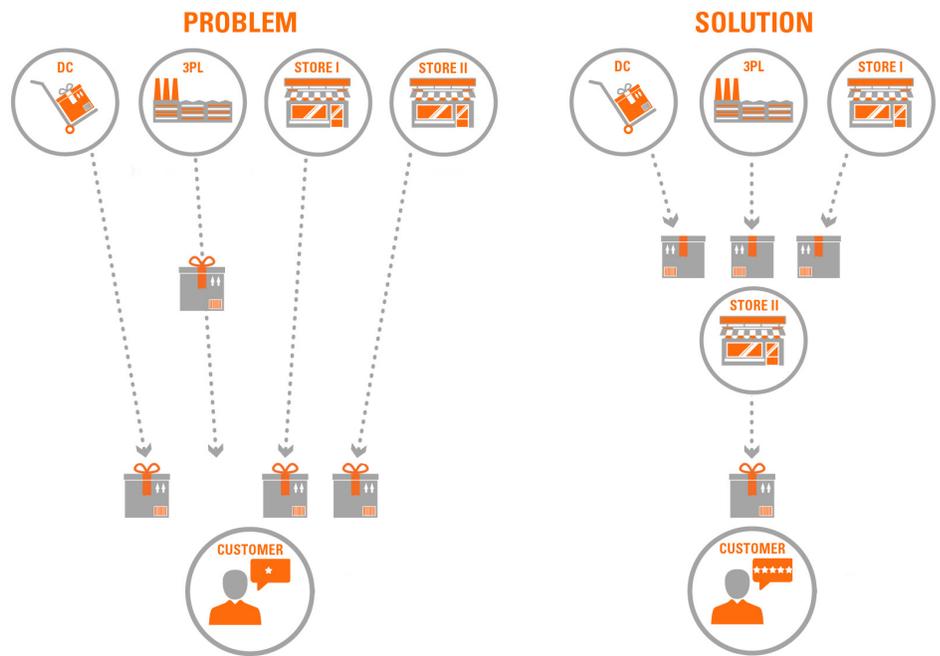


What is Retail Order Consolidation?

Omni-channel retail is here and you have optimized your retail chain. All inventory locations are ready to fulfill orders, from your Distribution Centre (DC), to Drop Shippers (3PL) to your Ship-From-Store capabilities. But now there is a new challenge. Each multi-item order is resulting in multiple package shipments to customers. Not only is this wasteful from the customer's perspective, it is also costing money in additional last mile shipments. On this topic, Kurt Salmon found that for a six-unit order, an average of 2 - 3 separate packages can be expected from most retailers.³ At that rate, you can practically hear the retail margins dropping.

Not only does this frustrate your customers (think of the brand eroding, social slamming shoppers criticizing excessive packaging), it also affects the environment. All this results in lower customer satisfaction, a higher carbon footprint, added packaging costs, and duplicated last mile shipping fees. All told, not a good story.

This is where Retail Order Consolidation comes in. This fulfillment method takes shipments from multiple locations, gathers them at a central point (the hub store), then either forwards the full order to the customer address or notifies the customer that their order is ready for pick up. Retailers get the best of both worlds. Order Consolidation takes advantage of all inventory locations and proximities while reducing last mile shipments. Happier customers = happier retailer.



Same as Minimize Shipments feature?

Some Order Management Systems (OMS) have the ability to keep orders together to minimize shipments. So is Order Consolidation not the same thing? The answer is a resounding No!

Although a minimize shipments function is an important feature, it is not as sophisticated as Order Consolidation. With minimize shipments the order management system examines available inventory locations, with the goal of finding one with all items to fulfill the order. This should result in the least number of shipments.

Minimize shipments works well if you have locations with all the inventory needed to completely fulfill an order. However, in a case where no single location near the shopper has all the desired merchandise, the dreaded multi-shipment situation occurs, even with minimize shipments activated. That's where Order Consolidation fixes the challenge. As an

example, a customer orders 4 items from a retailer. No single location has all items. Store I only has 1 item, store II has 1 item, and store III has 3 items. For this case, minimize shipments will route the order from store III and either I or II. At best, the retailer fulfills with 2 shipments. Retail Order Consolidation on the other hand will aggregate components from Store I or II, and send it to Store III, to then ship the complete order to the customer in one box avoiding a costly multiple shipment.

This small difference in fulfillment methods can make a huge difference to your retail brand. Customers get their complete order faster. The order fulfills in one shipment, not piecemeal where 8 pairs of socks arrive in 3 boxes over 3 different days! With 50% of logistics costs coming from last-mile delivery, making sure you can ship a single package, will have a significant impact on operations costs.¹



Why Is It Important?

Customer Satisfaction:

Call it omnichannel retail or unified commerce, your customers are always the central point of your business. It is essential to make their shopping experience as seamless and painless as possible. With Retail Order Consolidation you can ensure that they get their order as quickly as possible, while keeping the number of packages sent, down to one. It means customers don't have to be home for multiple deliveries, or make more than one trip to the shipper depot if they missed the drop off.

Environmental Costs:

Millennials are currently the generation with the most buying power. Equally important, they are the generation most focused on sustainability according to Pew Research.⁷ So taking environmental costs into consideration is no longer a choice. Moving items internally from store to store (lower cost) and then only completing one final order shipment to the customers means that the use of packing materials decrease significantly. Order Consolidation supports retailers in doing their part to reduce their carbon footprint, but it can also easily be used as a brand differentiator when targeting Millennials and Gen Z.

Inventory Dispersion:

Another less apparent benefit is that Order Consolidations allow retailers to distribute stock throughout the field. No longer are retailers constrained to ensuring all stores have all the inventory to fulfill all orders. Order Consolidations gives retailers a true endless aisle experience. More importantly though, inventory allocated to speciality store formats such as pop-up stores no longer has to be taken out of the full inventory pool. Until now, these stores have had to work in a vacuum apart from the rest of the retail chain inventory pool. They are often too small or ill equipped to deal with advanced omni-channel functions. Order Consolidation changes that, making them ideal feeders to the central hub locations.

Savings:

Through all the above mentioned benefits, there is one constant and that is cost savings. From saving on extra packaging, to the savings realized from improved Inventory Management. Order Consolidation makes a huge difference to the bottom line. After all inventory is one of the biggest costs in retail. But even if you discount these factors and only look at the last-mile delivery costs, a quick analysis (below) shows a clear 47% reduction in costs.

Retail Order Consolidation Cost Saving

Take the two scenarios below. In scenario 1, the customer receives 4 items/packages, sent from 4 different inventory locations. In scenario 2, Order Consolidation has been activated and 3 of the components are shipped to the 4th location, and then only consolidated into one final shipment to the customer.

Scenario 1: No Order Consolidation

Shipment	To	Delivery Distance	Amount
DC	Customer	30km	\$26.75
Dropshipper	Customer	12.3km	\$27.02
Store I	Customer	21.1km	\$27.86
Store II	Customer	14.9km	\$28.72
Total			\$110.35

Scenario 2: Retail Order Consolidation

Shipment	To	Delivery Distance	Amount
DC	Store II	28.4km	\$15.62
Dropshipper	Store II	8.8km	\$4.84
Store I	Store II	18km	\$9.9
Store II	Customer	14.9km	\$28.72
Total			\$59.08

Note: Shipping Costs is an average of 3 well-known shipping companies, and 13 different shipping rate possibilities.² Internal costs are based on the Automobile Car Allowance Rates⁸

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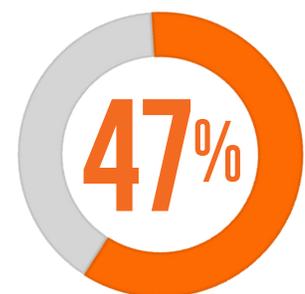
Average packages delivered for a six-unit retail order³



of logistic costs are associated with the last-mile delivery¹

\$2.1 TRILLION

How much the global shipping market is worth⁴



Reduction in shipping costs when using Order Consolidation

Contact Us:

Connect with OrderDynamics to discuss how to get started with Order Consolidation!

Info@OrderDynamics.com