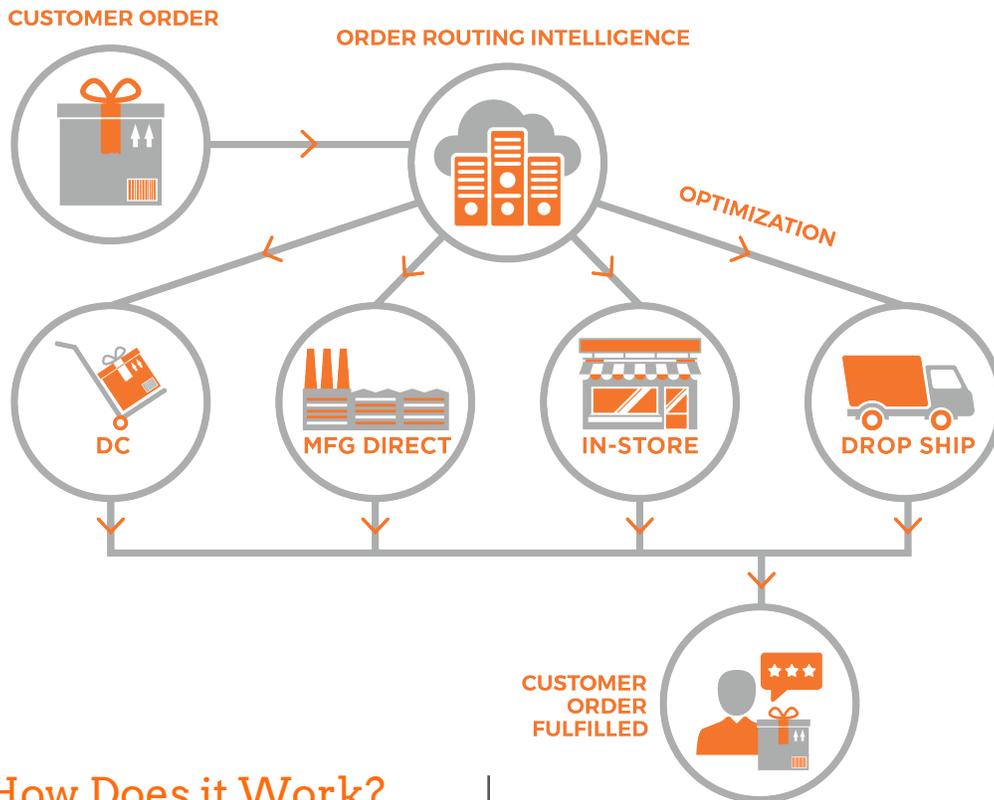


## What Is It?

Order Routing is the process of taking an order from customer submission to product delivery. A good system helps a retailer boost their efficiency and effectiveness on key business priorities. When a customer orders a product the Order Management System (OMS) chooses the best location from which to fulfill, based on a set of business rules. A standard business rule might be filling orders from a Distribution Centers (DC) for efficiency, for example. However, if stock were available in a store near the customer, it might not make sense to ship from a DC 4,000 km/miles away. Intelligent order routing provides this form of decision making, and rule prioritized, routing abilities.



## How Does it Work?

When a customer order comes in, your challenge is to fulfill it as cost effectively, and quickly as possible. Customers may buy online, in-store, from a smartphone, or from your call centre. You need to accept the order, then quickly find the right stock in your inventory pool, and get it to your shopper in the most cost-effective way.

Retailers can draw on inventory from various locations. For example, an order can be fulfilled from in-store showroom inventory, distribution centers, in-store stock rooms, drop shipments directly from distributors, staging areas, and so on.

Good order routing engines let the retailer set business rules, which the system uses to optimize fulfillment. In the opening example, most online orders might be routed from the distribution centre

for pick-pack-ship efficiency. However, intelligent order routing engines will balance the priorities following business rules you set out.

A light OMS might route based on lowest cost shipping model, resulting in always fulfilling from inventory in the DC. But at the end of a season, you may want to adjust the rules to prioritize reducing in-store stock levels. In this case, if an online order originates on the West coast, then it would make sense to source the stock from a West-coast store, rather than from a DC in the East.

Robust order routing engines flex to allow business rules to be created, run and paused at different times. It also needs to layer rules and adjust to changing priorities. It means your system adjusts to the ebbs and flows of your dynamic business.

## Will It Improve My Business?

Control is the core of what a good order routing engine brings to your business. Certainly, it lets you fulfill customer orders as cost effectively as possible. This alone can be the difference between breaking even, and breaking a profit. However, aside from optimizing for cost savings, as discussed it lets you control your inventory levels across the business, and helps you improve customer satisfaction levels. Routing orders to the right place at the right time - from the right source, can help balance inventories across your stock locations. A flexible system pays for itself at a time like season end, or when a product is approaching its end of life. You need a system with the flexibility to change route order rules so you can fulfill orders from store inventory, at times. Easily changed rules means managing your business sensibly. It lets you drive higher margins, with less need for stock markdowns, and inventory blow-outs.

Order routing also lets your customers choose how and when they want to receive products. Routing an order to a store near the shopper, for pickup within an hour or two - just makes sense. Best of all, up to 69% of these shoppers will buy more products when they are in-store. Clients are happier with their choice, and buy more<sup>1</sup>. Win-win. More sales are an appreciated improvement for any business!

1. "Industry Conditions: Omni-channel Options Embraced During the Holiday Season" ICSC, 15Jan2016 [http://ow.ly/Zzkt302W85y]

## Do I Really Need It?

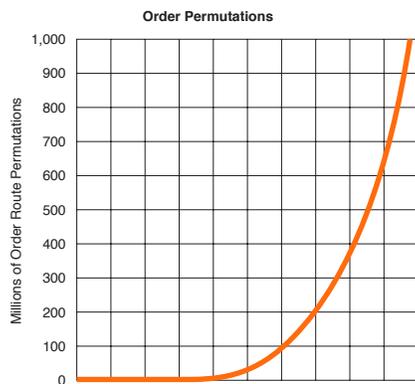
Needing a powerful order routing engine depends on your retail situation and volumes.

OrderDynamics analysed the routing permutations faced by a typical retailer. The case presumed 1,500 orders to be filled per month, with 60 physical stores, 2 Distribution Centers (DC) and 2 drop-ship capable distributors. From a P&G consumer goods study<sup>4</sup>, the average product stockout at retail is 8.3%. Our analysis estimated buying behaviour for 1-4 item baskets. What we found was astounding. This retailer could face over 92 Million DAILY order decision permutations.

No two retailers is alike, yet the analysis showed a clear exponential growth pattern shown below. Even with only 20 stores, there can be over 900,000 daily possibilities. To add, this ONLY accounted for routing when items were Out Of Stock!

With so many daily possibilities, the real question is: Can you run an effective and optimized retail business without a solid order routing engine?

Do you really need it? That depends on how much more you could be saving?



## Benefits:

A powerful order routing engine will help optimize your business, and boost your profitability. It helps you control your business, and quickly adjust to market changes. Other ways it will help your business includes the following:

- Uses inventory across all locations (stores, DC)
- Reduces product shipping costs
- Improves Customer Satisfaction (fast delivery)
- Balances inventory levels (fewer stock outs)
- Provides Omni-channel advantages (store pick up)
- Saves on store to DC shipping (excess inventory)
- Increases foot traffic, driving Store Revenue
- Boosts inventory velocity
- Offers a single view of consumer behaviors to adjust fulfillment rules.

## What Do I Need?

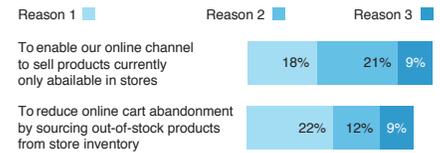
Order routing can become complex, very fast. You will want to keep it as simple and easily understood as possible. Yet you will also want a minimum level of power and system intelligence to effectively run your business. A good order routing engine includes:

- Ability to set multiple conditions
- Ability to create as many custom rules as you need
- Lets you set prioritization rules for both deep and efficient fulfillment
- Intuitive and easy User Interface
- Next-best order reassignment (automatic or store employee initiated)
- Order splitting (lets you decide to allow/not-allow – speed vs cost tradeoff)
- Intuitive Boolean condition setting (uses “AND” “OR” logic)
- Gives you Intelligent Actions:
  - » Static Route (order sent to predefined location)
  - » Routing based on proximity to customer
  - » Allowing you to deplete inventory from the highest stock location, and others....
- Does NOT require programming

# 63%

of millennial shoppers expect to pick up their 'click & collect' orders within **one hour**.<sup>2</sup>

### Reasons For Order Routing<sup>3</sup>



# 92 MILLION

estimated **daily** order permutations for a 60 Store retailer, with 1 500 monthly orders to fill, using 2 DC's and in-store inventory - with 8.3%<sup>4</sup> industry average stock-out rate.

# 57%

of Global Retailers prioritized 'Reduce Time to Deliver' as the top 3 reasons to fulfilling online order from stores (needing a strong order routing system)<sup>3</sup>

## Contact Us:

Connect with OrderDynamics for a quick demo or to discuss how it can help you!

**Marketing@OrderDynamics.com**  
[www.orderdynamics.com](http://www.orderdynamics.com)

2. [Webinar] "SaaS is the Default OMS Approach in an Omnichannel World" presented by Adam Silverman, Principal Analyst Forrester Consulting, May 5, 2016

3. "The Retail Order Management Imperative Why OMS Technology Is Playing A Pivotal Role In Cross-Channel Revenue Growth" Forrester Consulting, Nov 2013

4. "A Comprehensive Guide to Retail Out-of-Stock Reduction in the Fast-Moving Consumer Goods Industry, Grocery Manufacturers of America," Washington, DC, Gruen, Thomas W. and Daniel Corsten (2008)