

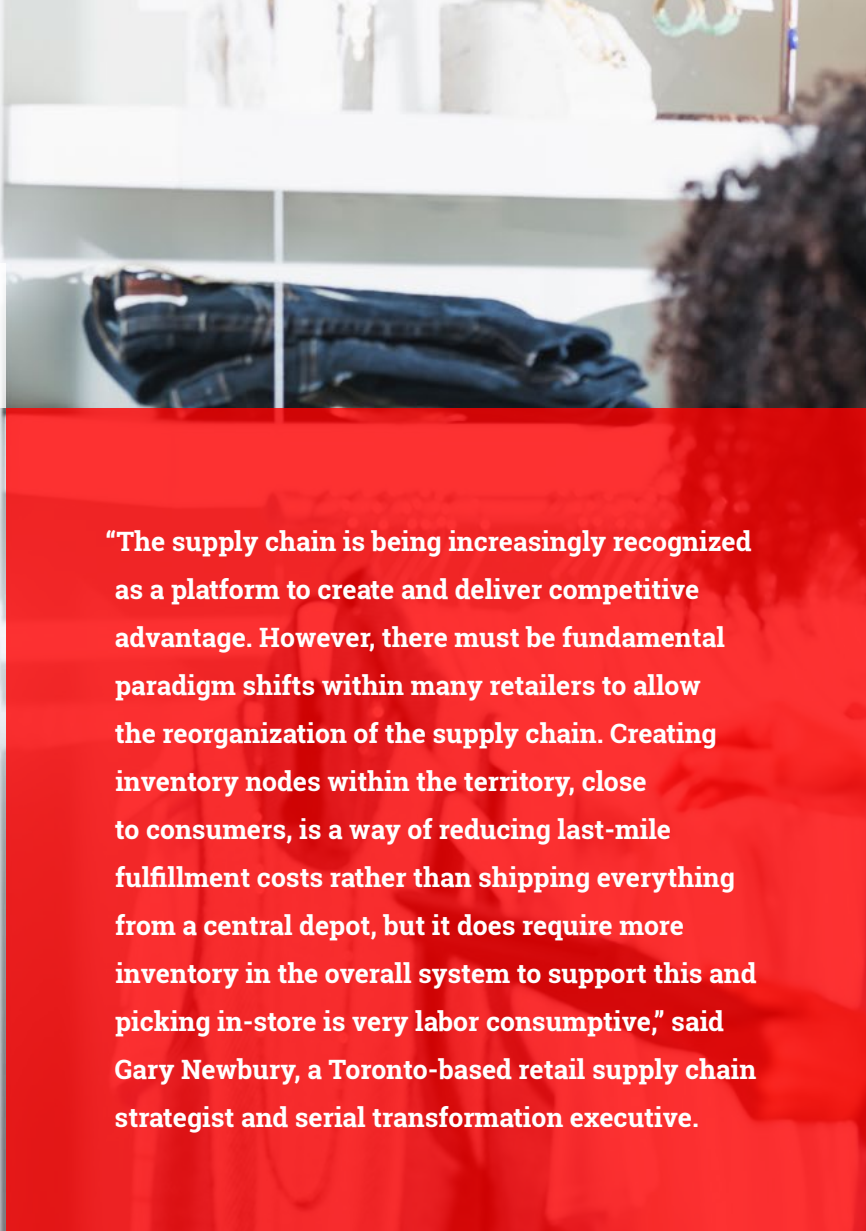


Is Retail Distribution Center Fulfillment Dead?

With store productivity down and last-mile delivery costs surging, the shift to an in-store fulfillment model for online orders could be a solution. While there's no doubt the model would lower delivery costs and increase store productivity, it could present retailers with challenges as well.

Tecsys spoke to some industry experts and we're sharing our top four recommendations on implementing a successful micro-fulfillment strategy.



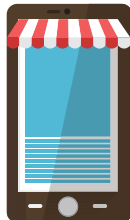


“The supply chain is being increasingly recognized as a platform to create and deliver competitive advantage. However, there must be fundamental paradigm shifts within many retailers to allow the reorganization of the supply chain. Creating inventory nodes within the territory, close to consumers, is a way of reducing last-mile fulfillment costs rather than shipping everything from a central depot, but it does require more inventory in the overall system to support this and picking in-store is very labor consumptive,” said Gary Newbury, a Toronto-based retail supply chain strategist and serial transformation executive.



Optimize Store Operations

While it is true that warehouses are structured and organized for efficient picking (and packing), it doesn't mean a store's stockroom cannot be organized similarly, with signage, quick access and more popular items easily available.



From a staffing and people perspective, it is essential that store associates receive the proper guidance, training and structure to know what their new role requires and how to prioritize tasks. Overall, the complexity of instituting this type of in-store fulfillment program — for both stocking and labor management — will depend upon the size of stores and the breadth of products offered.

2.

Consider **Hub and Spoke Omnichannel**

The hub and spoke model in omnichannel means smaller format and pop-up stores are feeder locations to larger stores, which have the space to designate pick-pack and hold zones. These larger “hubs” would also carry more inventory for order fulfillment purposes. If some inventory is missing for a customer order, you can bring in merchandise from the “spoke” locations and consolidate the order into one delivery. Hub stores can also have specialized staff at each location responsible for picking and packing.



3.

Implement an **Integrated Micro-fulfillment Solution**

“One of the biggest challenges many retailers have is the absolute accuracy, in real time, of their inventory availability. Time after time consumers check inventory online, go to the store, the shelf is empty, perhaps the stock is in the back room, perhaps it’s in Mr. Jones’s basket. Either way, the retailer has lost a sale and potentially a customer,” added Newbury.

It is critical for retailers to properly account for inventory whenever an item is consumed (either online, in-store or at the warehouse) and that stock levels are refreshed regularly and visible to both customer and employees. This is easily achievable with an omnichannel retail solution that integrates your supply chain with the logistics end of operations. A distributed order management system combined with an inventory management system (with RFID scanning) would enable order fulfillment from stores while also capturing spent inventory (through scans, online orders or POS) providing a real-time view of inventory, regardless of where or when an item is picked.

4.

Build **Agile** Inventory Replenishment Processes

There's no question that balancing inventory levels over potentially hundreds of locations will present more complexity than managing inventory in a single location. For an in-store fulfillment strategy that ensures customer satisfaction while minimizing costs, retailers will need to develop dynamic inventory planning and allocation processes to track sales and closely monitor stock levels. This would also mean strong collaboration between digital and planning teams to forecast demand by geographic region and ramp up stock if necessary.

Building a Multifaceted Solution

There are clear advantages to store fulfillment in the current retail environment. You have the potential to increase your overall efficiency, while reducing last-mile shipping costs and improving customer satisfaction. That means you deliver on the brand promise, improve customer loyalty and help maintain gross margins at the same time. However, beyond technology, retailers will need to also delve into business processes to ensure they are cost-effective and resilient to sudden business shifts. All in all, successfully implementing a micro-fulfillment strategy can make a dramatic impact on your bottom line and opens the door to more omnichannel strategies that will help your operation stay ahead of your competitors.



“The benefits to going to an in-store fulfillment model include the fact that stores can stock goods closer to the consumer, which means quicker turnaround time and potentially lower delivery cost. It also allows for improved store asset utilization as the store becomes a warehouse as well as showrooms – justifying rent and square footage. The negatives are that it can be hard to get it right and stock the right product, in the right quantities at the right time at individual stores.”

Bruce Winder, author of *RETAIL Before, During & After COVID-19* and president of Bruce Winder Retail

Speak to a Retail Chain Expert



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