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# Top 6 Signs **You've Outgrown Your Fulfillment Strategy**

## Remember the good ol' days?

Back when e-commerce only represented a single digit percentage point of overall sales and the threat from strong omnichannel players and pure play online retailers was neutralized by a shopper's penchant for in-person/in-store shopping. Back then the average retailer could afford to meet the minimum requirements for an online shopping experience.

It didn’t matter how long it took to get an order to the customer, as long as it got there — eventually — seemed good enough. And that’s if it even got there and wasn’t cancelled for lack of inventory.

Wrong size, wrong color? No problem, just find an old box, print out a mailing label from an email, cut out said label, tape it to the box and then find time to go to the post office to have it returned.

Pickup in-store you say? Great! Place your order and we’ll see you in a week.

**Ah the good ol’ days.**

## Customers expect more and more (and more)

The new reality is that shoppers have come to expect more from retailers because of the Amazon effect (fast, free shipping) and the omnichannel effect (retailers setting a high standard for omnichannel experiences).

- Network-wide inventory visibility
- Regular notifications (by text and/or email)
- BOPIS (buy online pickup in-store) within a two-hour window
- Seamless and convenient BOPAC (buy online pickup at curb)
- Order consolidation
- Same-day delivery
- Cross-channel returns
- Error-free orders

**The list goes on and these are no longer an aspiration, they’re an expectation.**

E-COMMERCE
10 YEARS AGO

**5.1%**

E-COMMERCE
**NOW**

**21%**

**With e-commerce’s share of total retail sales at its highest percentage ever** — and likely to stay at these higher levels due to shoppers’ acclimation to the omnichannel experience — retailers need to meet these expectations or lose ground to more omni-savvy competitors.

More than 10 years ago, e-commerce accounted for 5.1% of total retail purchases. Online sales now account for 21%, a striking jump from 16% in 2019.[1]

E-commerce as a percentage of total global retail sales will also continue to grow over the next five years.[2]


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## Costs are going up

We can see the law of supply and demand is in full force when it comes to the cost of fulfillment and delivery. The increase of e-commerce orders and home deliveries has caused major courier fee increases.

According to a CNBC article regarding a report by Jefferies, "**The recent growth in shipping costs has been fueled by the surge in e-commerce penetration, which has created a significant supply/demand imbalance and left carriers capacity constrained. Holiday surcharges that shipping carriers like FedEx and UPS implemented to prepare for the influx of orders aren't going away. These surcharges will likely become the new normal moving forward, in addition to the 5% to 6% annual increases that are usually seen.**[3]"

The alternative, using third-party delivery apps also comes at both a financial and brand cost. From a financial perspective, third-party delivery services can be cost prohibitive, just ask the restaurant industry.

CNN Business recently reported, "**Restaurant operators complain that third-party delivery providers like Seamless, DoorDash and Uber Eats are prohibitively expensive. These platforms offer a way for customers to order from local restaurants, process restaurant payments and provide contract drivers to pick meals up from restaurants and deliver them to customers. For these services, they often charge restaurants around 30% per order. But profit margins in the restaurant industry are often razor-thin, so these fees can wipe out the restaurant's profits or put them in the red.**[4]"

From a brand perspective, once an order is picked up by a third-party delivery service, the delivery driver is pretty much in control of your brand experience from that point on. Do you want your last mile customer experience to be in the hands of someone with no connection to your brand?

*Do you want your last mile customer experience to be in the hands of someone with no connection to your brand?*

Whether you stay with a courier company or venture into uncharted waters with a third-party app, online order margins are already thin and these uncontrollable increases in delivery costs can easily render online orders unprofitable.

From a fulfillment perspective, large warehouses (notoriously difficult to staff and with high overheads) are also contributing to the increase in order costs. Retailer supply chains are wired for store replenishment in cases and pallets, not picking direct-to-customer parcels (or "eaches" in warehouse talk). As a result, while it's possible to run a DC or warehouse system meant for wholesale order fulfillment to fulfill e-commerce orders, it sure isn't optimal. And that's if a retailer even has a system in place and isn't running their operation using spreadsheets or worse, their paper packing slips off the ERP.

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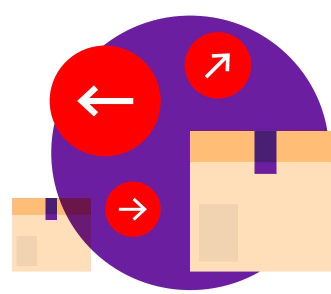
## It's not all doom and gloom

Retail sales are growing. Online sales and store sales are growing. The customer demand is there. The big question is whether you have the ability to meet that demand? The answer will come down to your willingness to adopt new strategies, technologies and processes to reshape your fulfillment strategy and succeed in the next phase of retail.

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To help retailers identify what steps they need to take to transform their fulfillment, we've created six signs to help you discover whether you've outgrown your fulfillment strategy:

# Sign 1.

## The more staff you add to your distribution center, the lower the order output.

Sure, this seems counterintuitive, but it happens. The reason? There's no system in place that enables efficient pick and pack through process mapping and efficient workflows.

# Sign 2.

## Your current WMS is a bottleneck for e-commerce order fulfillment.

This also seems counterintuitive, but it also happens! The reason? The WMS was not designed for e-commerce fulfillment and is unable to drive efficiency in the warehouse.

# Sign 3.

## Your shipping/fulfillment costs are too high.

Shipping from store can potentially save money by reducing the delivery distance from the fulfillment center to the customer. Fulfilling (and shipping) from store can add even more savings because the merchandise doesn't need to be routed from somewhere else (e.g., a DC). Perhaps micro-fulfillment is in the cards.


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# Sign 4.

## It takes too long to get your orders out.

Your fulfillment center (whether it's a DC or store) is not optimized and could benefit from advanced processes like batch and wave picking, mechanized fulfillment or perhaps even warehouse automation.

# Sign 5.

## Your order fulfillment is not accurate enough.

You need a system that ensures your staff are choosing the right items. Advanced WMS tools such as RF-based barcode scanning, pick-to-light or pick-to-voice are designed for that.

# Sign 6.

## You need to do something about returns.

Returns: the scourge of e-commerce. The answer: get them in, get them sorted, put them back on the shelf and sell them again. A retail-oriented WMS will make short work of this.

## Do you relate to any of these signs?

**If any of the above statements can be heard in the boardroom, hallways or Zoom calls of your organization, the time has come to transform your fulfillment.**

Speak to a retail fulfillment expert


### Sources

[1] Fareeha, Ali. A decade in review: Ecommerce sales vs. retail sales 2007-2020. Digital Commerce 360. January 29, 2021.

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[3] Tsai, Katie. Online shipping costs expected to increase further into the pandemic. CNBC. February, 18, 2021.

[4] Wiener-Bronner, Danielle. Some restaurants hate delivery apps like Grubhub and Uber Eats. So they're seeking out alternatives. CNN Business. December 1, 2020.



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