



PRESS RELEASE

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e-Fulfilment – adapt or get left behind!

Warning retailers of the need to meet the demands of our omni-channel world, Gavin Parnell, director at Go Supply Chain Consulting offers advice on how to adapt e-Fulfilment operations.

Retail has transformed over the last decade, with the development of omni-channel operations to serve increasingly demanding and techno-savvy customers. As the consumer goods market continues to re-shape, retailers, wholesalers, and other service providers must adapt to the new e-commerce business environment – and quickly. Physical facilities must be able to handle multiple sales channels with separate picking operations, replenished from a common inventory. Without this, retailers risk getting left behind.

A flick through the plethora of statistics surrounding ecommerce quickly gives a sense of the scale of this impact. Around 92% of the UK's 65 million population are Internet users and 77% of those users made a purchase online in 2015, according to the 2016 Digital Yearbook. This research also expects the online share of retail to hit 16.8% in 2016, having grown from 13.5% in 2014. Independent research company eMarketer estimates that 2016 e-commerce retail sales in the UK will most probably exceed £67 billion, with mobile shopping, using smart phones and tablets, will comprise £25.2 billion of this total.

Smart phones along with wireless networks and the click-to-buy-now phenomenon have added a whole new dimension to a consumer's shopping experience. Customers determine not only what they buy but also how they buy it and their preferred delivery method.

According to Post Nord's E-commerce in Europe 2016 research, while cost remains the most important delivery factor regarding delivery (63%), this is followed by being able to choose where your products will be delivered (56%), and then that the process is fast (52%).

While the home remains the preferred delivery destination, IMRG's 2016 Home Delivery Research finds an increasing preference for alternative options such as click & collect from the retailer's store (23%); delivery to a friend / relative / neighbour (16.5%); and third party click & collect via an alternative delivery location (14%) ^[1] ^[2] ^[3] ^[4] ^[5] ^[6] ^[7] ^[8] ^[9] ^[10] ^[11] ^[12] ^[13] ^[14] ^[15] ^[16] ^[17] ^[18] ^[19] ^[20] ^[21] ^[22] ^[23] ^[24] ^[25] ^[26] ^[27] ^[28] ^[29] ^[30] ^[31] ^[32] ^[33] ^[34] ^[35] ^[36] ^[37] ^[38] ^[39] ^[40] ^[41] ^[42] ^[43] ^[44] ^[45] ^[46] ^[47] ^[48] ^[49] ^[50] ^[51] ^[52] ^[53] ^[54] ^[55] ^[56] ^[57] ^[58] ^[59] ^[60] ^[61] ^[62] ^[63] ^[64] ^[65] ^[66] ^[67] ^[68] ^[69] ^[70] ^[71] ^[72] ^[73] ^[74] ^[75] ^[76] ^[77] ^[78] ^[79] ^[80] ^[81] ^[82] ^[83] ^[84] ^[85] ^[86] ^[87] ^[88] ^[89] ^[90] ^[91] ^[92] ^[93] ^[94] ^[95] ^[96] ^[97] ^[98] ^[99] ^[100] ^[101] ^[102] ^[103] ^[104] ^[105] ^[106] ^[107] ^[108] ^[109] ^[110] 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There's no room for complacency in the omni-channel sector: it can shift course with little warning as significant disruptors, such as 'Black Friday', spring up. Learning from the shock of wave of the debut Black Friday experience in 2014, UK retailers have spread the impact created by this demand spike with offers across a week, making it easier to fulfil the heightened expectations customers now have for delivery. This is reflected in figures from

IMRG, supported by SimilarWeb data. They estimate that total spend on online retail sites on Black Friday 2016 itself was £1.23bn – a relatively modest 12.2% increase on the £1.1bn spent on the same day in 2015. However, each of the four days leading up to Black Friday (Monday 21 – Thursday 24 November) experienced strong sales growth of between 23.4% and 33.7%, with the increases in conversion rate much higher than that of Black Friday. An estimated £6.45bn was spent on UK online retail sites for the entire Black Friday week (Monday 21 – Monday 28 November 2016).

Events such as Black Friday are clearly evolving but what will remain constant in omni-channel is that as customers gain greater access and more choices than ever, sellers will be compelled to develop new fulfilment solutions. This is because consumers now expect a retailer will always have stock of the items they need and that the product can be delivered quickly, sometimes within the same day – and even with 2-hour delivery. This creates a whole host of challenges for the supply chains of traditional bricks and mortar stores.

Successful retailers have found that a big part of the answer to these challenges lies in the adoption of technology for smarter distribution. Take for example, Sears Holdings Corporation. This leading US integrated retailer has been in e-commerce for 14 years. Its service is focused on seamlessly connecting the digital and physical shopping experience using *'Shop Your Way*, a social shopping mobile app. Besides the full range of on-line and in-store facilities, Sears offers *'In-Vehicle Pick up, Return and Exchange in Five'* service. Customers pick up, return, or exchange their purchases for free without leaving their vehicle. The service is guaranteed to take five minutes or less of the consumer's time.

Smarter distribution through technology

The fast rate of change due to the growth of e-commerce is a challenge for businesses. Increasing volumes of single-item orders will drive companies to introduce software tools what can help satisfy demand while maintaining profitability. Existing infrastructure and legacy systems will have to be replaced or satisfy these new requirements.

Distribution centres and warehouses will need new or updated systems and revised operational procedures if they are to embrace single-order, single-line item shipments. Without them, they risk seeing service failure in their efforts to deal with it, resulting in loss of return business and damage to brand reputation.

The goal is to create an intelligent warehouse empowered with three crucial characteristics: visibility, mobility, and flexibility.

Scalable warehouse management solutions (WMS) in particular will be needed to manage omni-channel activities. They play a vital role in shipping products in the fastest time possible along the most efficient routes – which is fundamental to the success of an omni-channel retail operation.

A WMS can track and streamline tasks, the workforce, as well as material and equipment flows in a DC. It can provide better organisation, a more integrated and efficient workforce, and streamlining of warehouse space and processes. This will all enable the business to ship and deliver every order on time—no matter how big or small.

WMS, working with innovations in materials handling, is an important catalyst in the evolution of the *'smarter warehouse'*. Speed and data accuracy are paramount and manual systems and processes cannot satisfy them – Omni-channel customers will want to know

where their order is and how to track it.

Outsourcing to a third party logistics provider (3pl)

For traditional companies with DCs that normally service only their own stores, adding an e-commerce fulfilment solution can be challenging. Lack of experience in the new ways of working and the cost of WMS technology tools is causing companies to consider outsourcing e-commerce fulfilment to third parties.

Specialised 3PLs focused on e-commerce often have the material handling equipment, systems, experience, and expertise to more efficiently process e-commerce orders. They also offer scalability for fast growing ecommerce businesses. Companies should consider taking professional advice from logistics consultants on how to assess the various options available for an in-house or outsourced solution.

Picking and packing

For most omni-channel DCs, one of the main challenges is picking. Picking processes for e-commerce are very different and do not easily fit into a system designed to deliver to brick-and-mortar stores.

Single-line or single-unit orders are typically processed differently in a batched, high-speed packing operation in a separate area of the facility. Labour is often the single biggest cost and inefficient picking systems can have a huge impact on operational costs in a DC.

Adapt with a dash of speed

New technologies offer real-time visibility to available inventory and can support the most cost-effective method of fulfilment. Innovative retailers are embracing new omni-channel solutions and moving into same-day shipments, often by getting more geographically close to their customers. In an increasingly competitive global retail environment, retailers have no choice but to adapt to the brave new omni-channel world. How have you embraced the e-commerce challenges in your business?

ENDS

Editor Notes

Go Supply Chain Consulting Limited is a logistics consultancy firm offering supply chain and logistics consulting services to clients across industry sectors including retail, FMCG, fashion, automotive and technology. The company is independent from logistics service providers and vendors of equipment and systems.

Founded by an experienced and capable team of logistics consultants, Go Supply Chain combines practicality with a highly analytical approach, reflecting its blend of operational and consulting experience.

Clients range from global corporations to fast-growing, entrepreneurial companies. Go Supply Chain works both in the UK and internationally – the team has completed projects in 16 countries.