Growth Guides

Orchestrating Order Fulfillment: Imperatives for Growth

Strategic series illuminating your path to omnichannel, at-scale

DEPOSCO™

Table of contents

Introduction

A pivotal point in a company's omnichannel maturity is what they do after they've empowered inventory teams to put the executional puzzle pieces on auto-pilot—like chasing down inventory quantities, allocation, evaluating staff performance and seasonal insights.

Part 1 of this series revealed some inventory execution strategies that drive immediate growth through speed, order throughput, and +99.95% accuracy, without additional staff. Now, it's time to ask, "Are we just growing? Or are we growing profitably?"

Order management: improve, scale, rinse, repeat!

With warehouse operations in order, businesses are ready to refine, scale and hit their stride. Orchestrating order management is the vital catalyst to scaling omnichannel, which should be top of mind for you right now. Research shows compelling evidence of this:

- Businesses that market in 3+ channels earn a 287% higher purchase rate than those using a single-channel campaign

- Companies with an omnichannel engagement strategy retain 89% of their customers, compared to 33% for those with weak omnichannel strategies

- Multichannel consumers spend 4X as much as store-only consumers, and 10X more than digital-only consumers

Now is the time to shift investments to order management technology that can do more, faster, better and smarter.

Today's Growth Guide dives into Stage 2 of omnichannel maturity— ORCHESTRATING ORDERS. We'll share 5 order management (OMS) strategies for companies looking to parlay their successes into larger growth initiatives and bring their omnichannel vision into clear focus.

We're GROWING. Now How Do We GROW FASTER?

Order management and distributed order management (DOM) systems automate and streamline customer touchpoints into a single lens of truth. Having a coordinated view of fulfillment across the enterprise, from order creation through customer delivery, enables a unified buying experience while streamlining all the activities involved in receiving, processing, fulfilling and tracking orders via any sales channel.

It's the secret sauce behind companies that are—for the first time ever—giving Amazon real, head-to-head competition. A prime example is Shopify. The company started in 2004 as an online snowboard gear shop and is now a $10 billion commerce ecosystem that shockingly surpassed Amazon's online traffic in Q2 2021:

> *The average number of monthly unique visitors for ecommerce sites powered by Shopify reached 1.16 billion, compared to Amazon's 1.10 billion visitors during the same period. Proof that companies of any size can win.*

Next-gen order management capabilities, like drop shipping, automatic order routing and pre-ordering, are being widely adopted for their massive cost savings and seamless data flow (for both the business and the consumer):

> *IHL Group found that retail "winners," described as having greater than 10% growth, are 208% more likely to have an OMS in place than laggards.*

What Does Next-Gen Order Management Look Like?

You've reached next-gen order management and orchestration when your teams are able to easily leverage these 5 capabilities in their day-to-day:

1. **Automation** – What manual decisions should be automated?

2. **Drop Shipping** - How do I start drop shipping?

3. **Right Inventory by Channel** – How do I make sure I have the right inventory represented by channel?

4. **Automatic Order Routing** – How do I automatically route orders in complex situations? Am I routing my orders properly?

5. **Pre-Ordering** – How can this help me understand demand early and improve Available-to-Sell/Available-to-Promise?

Let's dig into why each of these growth imperatives is important, and what to do about it:

What manual decisions should I automate to empower workers?

Why this matters

As many as 80% of customers will pay more for a better customer service experience, while 75% of customers have stopped using an organization's services because of a poor one.

Not empowering the correct staff, such as customer service or warehouse employees, to make key decisions leads to customer frustration, as well as loss of labor, which is difficult and costly to replace.

Automated, real-time visibility into customer orders creates a consistent and seamless shopping experience, faster fulfillment times, and decreased labor spend because there's no need to manually review each customer order.

What to do

Enable workflows that empower staff to make decisions based on interactions with customers. The proper staff must be able to take manual action, when necessary, to ensure that orders are correctly reviewed and validated.

Order management systems use business rules to handle the heavy lifting of evaluating customer orders as they come in. This accelerates fulfillment times, reduces errors and redeploys labor investments toward more strategic activities that create value for customers.

For example, staff can configure automated rules to determine the optimal fulfillment method. Armed with the right data at the right time, employees can play an active role in offering multiple fulfillment options – such as buy online ship direct, BOPIS, buy online return in-store, exchanges and returns – pleasing both customers and your bottom line.

How do I start drop shipping?

Why this matters

Without an order management system in place to maintain drop-ship partner data, you must depend on user-driven manual processes, like emailing drop-ship partners, to determine if an item can be drop shipped and from which partner.

Communicating with drop-ship partners typically takes place via email, a process way too slow for today's omnichannel consumer standards. As a result, you may carry more inventory, pay higher shipping prices, or see slower fulfillment times because your visibility into additional options is limited.

What to do

Enable real-time order fulfillment data in the cloud. Staff can quickly compare drop shipping options (what products can be drop shipped, when and from what partner) and determine the best method. The system then sends products straight to the consumer from the manufacturer, distributor or supplier.

Automate decisions with confidence

Enhance decision-making with an automated, intelligent order routing system. Optimize order sourcing and fulfillment from warehouses, third-party logistics (3PL) providers, and retail stores based on real-time inventory, demand, and location.

Start Automating Today

Connecting drop shipping providers with an order management system through an EDI connection provides inventory visibility into additional fulfillment options to automatically validate all options and dramatically improve order fulfillment.

For example, if an item can be fulfilled by three different drop-ship partners, the order management system automatically shows which partner offers the cheapest or fastest shipping. If an item is in stock at a store, it may be better to fulfill the order from there. The system may also divide multi-item orders amongst stores, DCs, warehouses or suppliers automatically to ensure the best-possible cost and speed.

How do I make sure I have the right inventory represented by channel?

Why this matters

Processes that were traditionally set up for wholesale operations must now be re-examined to handle Direct-to-Consumer (D2C) workflows. Maintaining available inventory across different channels is extremely difficult because each channel's inventory needs to be maintained individually. Legacy order fulfillment and ERP workflows only offer visibility at a CASE level, while today's consumers are often placing orders at a single-unit (EACH) level.

Orchestrating orders with a manual, user-driven process will breed inaccuracies, overselling, backorders and customer frustration. When you consider a new BRP report, which found that 63% of consumers are likely to stop shopping a brand after just ONE unsatisfactory experience, the risk is too costly.

What to do

Automate communications to the sales channel's commerce system(s) to represent the properly configured available-to-sell inventory levels for every item, from various inventory sources.

Order management systems and DOM systems facilitate inventory segmentation where available-to-sell quantities can differ between sales channels based on configured rules. They show the most up-to-date available inventory quantities to your customer base, calculating what's available and pushing that up to the appropriate sales channel(s) via the cloud or your website.

Inventory segmentation is one of the most important areas where you can benefit from the enterprise-wide visibility provided by order management and DOM software. This capability allows you to sell on multiple channels like Amazon and Walmart to target allocation of inventory to certain channels. For example, you could allocate more inventory to the Amazon channel around their Prime Day event. Or, allocate to a specific store or geography where sales are higher, to gain a competitive advantage.

Project Spotlight

VMP

Problem
VMP was unable to segment/protect the required inventory for different customer groups. As a result, they ran into frequent overselling and underselling. They couldn't guarantee that subscribers would have priority access to specific inventory.

Solution
Segmenting inventory channels was the biggest benefit of a best-in-class OMS system to VMP. Instead of pulling from one inventory pool, each customer type now has its own inventory pool, and inventory allocation can be prioritized for different pools.

Results
- 200% increase in fulfillment efficiency
- 3X increase in order output overnight
- 50% rise in assembly line fulfillment

Read More

How do I automatically route orders to ensure availability in complex situations, such as alternative fulfillment sources or split orders and exceptions? Am I routing orders properly?

Why this matters

Without automated order routing, user decisions on where to route an order for fulfillment are driven largely by "tribal knowledge" and subjectivity. There's no optimal way to confirm inventory availability across all fulfillment sources without manual actions.
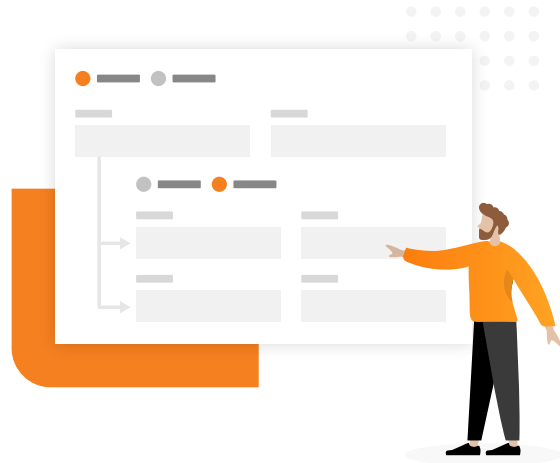
Here, exception handling requires legacy communications via email/ phone between different teams within the organization, such as customer service and warehouse staff. The more complex your fulfillment network, the harder it will be to properly route orders, and the bigger the impact.

What to do

Intelligent order routing unlocks huge bonus points with customers. The ability to fulfill orders from alternative sources, such as retail stores or third-party partners, with centralized and automated communication every step of the way will become table stakes as you scale.

Order management solutions with order routing use configurable business rules to determine the optimal fulfillment source for the lifecycle of an order, from order placement to shipping. You can also easily manage order exceptions, such as a price mismatch or inventory discrepancy, to fulfill orders seamlessly by the planned ship date. If an order must be split and shipped from separate sources, events-based order orchestration kicks in to provide visibility and tracking for both shipments, managed as a single customer order.

Best-in-breed order management systems offer coordinated visibility into order routing results, so you can tweak routing rules and keep improving over time.

How can I enable pre-ordering to better understand demand early and improve Available-to-Sell/Available-to-Promise?

Why this matters

Manually managing pre-orders means that the availability of pre-ordered items must be done directly within the commerce system(s). Without a clear picture of demand for items prior to pre-ordering or inventory arrival, it's nearly impossible to understand demand or get ahead of the promises you make to customers.

On the flip side, having a reliable picture of demand for item(s) prior to ordering or inventory arrival allows you to confidently say, "Yes, we can" more often, rather than "Sorry, we couldn't".

What to do

Pre-ordering is a great strategy to generate buzz for new products, secure capital early if you are accepting a down payment, improve the results of a promotion, and offer discounts to strengthen customer loyalty.

A great example came out of our work with Feature, a Las Vegas-based sneaker and clothing boutique. They were able to mitigate overselling and chargebacks, while increasing order accuracy by 125% using advanced

Project Spotlight

F E A T U R E

Problem
One of Feature's top goals was to be first on the market when it came to the hottest product on the fashion market. However, with their current system they experienced severe delays and inaccurate data on their inventory, resulting in overselling and high chargebacks.

Solution
By implementing a best-in-class order management system, Feature was able to segment inventory for pre-sales and enable product syncing for specific SKUs. This allows them to run pre-sales on specific hot new products, achieving their goal of listing and selling products within 24 hours.

Results
- 78.3% Increase in # of SKUs
- 125% Increase in order accuracy
- 52% Increase in daily shipments

Read More

order management with pre-ordering capabilities.

With pre-ordering, you can configure inventory availability so that items without inventory on-hand can still be represented as available to sell. This lets you allocate and fulfill inventory for pre-orders more efficiently upon arrival at the warehouse.

What Next?

Now that you have a strategy to grow your order fulfillment network profitably, it's time to incorporate brick-and-mortar into your omnichannel equation.

Next up, Growth Guides wraps up our series with best practices for incorporating retail stores into your omnichannel fulfillment strategy. You will learn:

- ✔ How to know when you've outgrown your ERP's supply chain functionality

- ✔ Enterprise and store-level inventory management technologies to future proof your supply chain, such as ship from store, buy online pick up in store (BOPIS), buy online return in store (BORIS) and more

- ✔ What to look for in an omnichannel fulfillment partner

Request a FREE Growth Assessment
Reach out to one of our Growth Gurus for a FREE Growth Assessment!

Request Assessment