Executing Omnichannel Fulfillment: How to Build. Grow. Go!

Strategic series illuminating your path to omnichannel, at-scale

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Introduction

Explosive growth in e-commerce has forced many operational 'blind spots' on growth-oriented digital players. Forced to compete with fulfillment powerhouses, these businesses struggle to deliver flawless omnichannel experiences that enable growth and scaling.

This first edition of *Growth Guides* brings your omnichannel journey into sharp focus—including a look into why omnichannel is non-negotiable, where you stand in the journey, and prescriptive fulfillment strategies and tools to illuminate a faster, smoother path there.

In this guide

- ✅ Why is omnichannel the almighty 'nirvana'?
- ✅ What does mastery look like?
- ✅ Who gets there and how?
- ✅ Where are you on the journey? Where do you want to be?
- ✅ Are you doing the right things to get there smoothly?

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A Clear Reality

The biggest blind spot facing growing businesses lies in one clear truth: when it comes to fulfillment, consumers now hold your brand to the same standards as the best experience available.

Blinders go up when you buy into the myth that 'only large brands can do omnichannel right'. But the reality is, great execution doesn't require great budgets. All you need is a clear vision... a proven path to excellence.

The Brands You Love to Hate

When online consumer spending hit $791 billion in 2020, a 32.4% YOY jump, the stakes for supply chain execution also got higher. That was the biggest U.S. e-commerce growth in at least two decades.

Amazon's Disproportionate Share of Top 1000
Year-over-year growth, 2011-2020
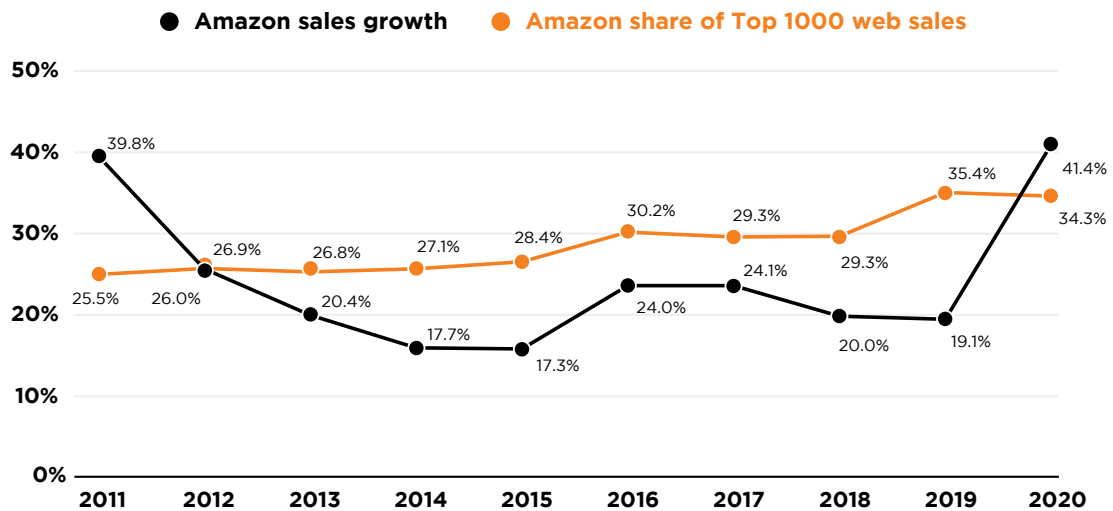
Shocker... Amazon represented 38.3% of all e-commerce spending in 2020 and nearly half (45.8%) of all U.S. online sales growth. But despite their lofty sales of $303 billion in 2020, Amazon's share actually dropped, with 509 retailers on the Top 1000 having grown by over 25%.

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Whether you love to hate them, or hate to love them, these brands have mastered a true state of omnichannel fulfillment nirvana. But it *can* be beat. You don't have their budgets, but these brands have lit a fire under your business to scale omnichannel fulfillment. And scale it fast, so you can get goods to customers—exactly when, where and how they say so.

The good news is that, given a clear path to omnichannel, businesses of any size can win.

It's Not Company Size that Defines Where You Are; It's Your Proximity to the Customer

It's the experience and the perception customers get every time they interact with your company.

Let's be honest; most businesses will never hit that $300 billion mark like Amazon. Nor will they ever fathom a budget like Bezos. So how did a once-startup retailer like Zappos pull off Amazon-like shopping experiences from nothing?

They created economies of connectivity. They built a foundation to continually deepen and improve what they know about customers. They're using technology to get closer and closer to what makes them buy. And keep buying.

Insights over Inputs

These best-in-breed players reprogrammed the fulfillment mind-set from reactive, inventory-centric execution to fully mature omnichannel fulfillment, driven by customer insights.

Some of the best omnichannel businesses in the world are so agile with their insights, they can sell without even owning the inventory. They didn't get there with a spreadsheet or quick chat with the warehouse manager.

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Your Fulfillment Strategy: Crawling, Walking or Running?

There are 3 stages of omnichannel maturity:

1. Executing Inventory

2. Improving Orders

3. Actioning Omnichannel Insights

Throughout this series you'll see that, as a company matures along each stage, the data they can measure and access will bring them closer to the customer, fueling profitability.

Let's take a look at how technology nurtures this evolution from inputs to insights. Up first in this edition of *Growth Guides*: EXECUTING.

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I'm EXECUTING. Now How Do I Improve?

Executing is the most simplistic stage. Fulfillment is a tactical, 1:1 "inventory-first" process. Here, you have a broad-brush understanding of the customer. They buy; you then fulfill based on what you have. This phase is typically very manual or slow and reactive, with many blind spots. As long as a spreadsheet or warehouse manager says the product is there, you can make promises.

You're Exploring Inputs Like

❓ Do I know how much inventory I have? Is it accurate?

❓ Do I know where my inventory is located?

❓ Do I know if my inventory has been allocated to an order?

❓ How do I properly allocate my inventory for fulfillment?

❓ How do I manage employee performance?

❓ How do I eliminate backorders?

❓ How do I show available inventory on my website?

❓ How do I handle seasonal spikes?

But You'd LIKE to Know

❓ What decisions should be manual?

❓ What decisions should be automated?

❓ How do I start drop shipping?

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

❓ How do I automatically route orders to speed and scale?

❓ Am I routing my orders properly?

❓ How do I enable pre-ordering?

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First, Get Your Warehouse in Order

E-commerce is increasing orders at an accelerating pace. Now is the time to build the foundation for what's next—whether that's supporting new locations, new channels, or simply increased volume. Whatever the case, your omnichannel fulfillment journey begins in the warehouse.

Let's look at why each of these questions is important at this stage, and some warehouse management strategies or tools that can remove blind spots right now:

Do I know how much inventory I have? Is it accurate?

Why this matters

Some things don't scale. As order volumes grow, so does the impact of not being able to properly represent on-hand inventory—leading to backorders and/or overselling, higher costs and frustration among your operations team. More orders means more mistakes, slower execution, and less time to uncover opportunities to trim costs—such as rate shopping for shipping cost optimization.

What to do

Trade-in "tribal knowledge" for a single source of truth that can keep pace with next-gen digital commerce. Warehouse management systems automate time-consuming, error-prone processes and deliver enterprise-grade benefits such as company-wide visibility, extensive flexibility, and real-time data generation.

These systems create fluid processes for your team and a fully traceable, unified view of all warehouse operations in one spot. Warehouse management systems automate tasks like inbound/outbound tracking; streamlined waving, picking, packing, put-away and returns; advanced cartonization services; printing B2B retail-compliant labels; multimodal shipping management; and centralized inventory knowledge across all warehouse activity, in the cloud.

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According to IndustryWeek, organizations that implement a warehouse management system report **4% higher perfect-order performance** on average that those without these systems. In addition, companies have seen a 150% increase in fulfillment efficiency; +99.95% accuracy; and fulfillment time within 24 hours on average when using a system architected for order management.

Do I know where my inventory is located?

Why this matters

How much time do your associates spend tracking down inventory that's in the wrong place, or simply not there? What do manual processes in the warehouse cost your business?

G2 shared that order picking alone accounts for 50% of a warehouse's labor costs. In addition, human error from manual processes is the #1 root cause of inventory fulfillment issues for 62% of respondents. These problems create more backorders, overselling, sub-optimal or poorly timed replenishments, higher on-hand inventory and labor costs, and broken customer promises.

What to do

Employ an automated cycle count program that constantly audits your inventory for accuracy. Best-in-breed warehouse management solutions enable system-directed replenishments to confirm that inventory movement within the warehouse is done appropriately.

Project Spotlight

BARON

Problem
Baron was seeing tremendous growth as a supplier. However, using their ERP system for inventory and order tracking was resulting in inventory discrepancies and inaccuracies. There was no visibility or ability to communicate accurate stock levels to customers.

Solution
Integrating a best-in-class warehouse management system to work with their ERP, Baron was able to streamline operations, allowing them to continue to scale. Baron can now rely on accurate stock levels to customers enabling them to designate reorder points and place purchase orders in a timely manner.

Results
400% increase in daily revenue

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This dramatically improves productivity, while keeping everyone on the same page about what's in stock, what's needed, and how to proactively plan as order volumes rise.

Do I know if my inventory has been allocated to an order?

Why this matters

Without proper representation of available-to-sell quantities, your warehouse can't correctly prioritize, process and ship orders. It's a best guess as to whether an order will be backordered before being released to the warehouse team for fulfillment. There's no way to communicate backorders or fulfillment delays to your customers in a timely fashion. They get mad; and you either lose the sale, or compromise margins to make it happen.

What to do

Explore automated inventory allocation. Intelligent warehouse management systems use flexible rules to incorporate allocation into all customer orders needing to be fulfilled, including how to allocate, when to allocate, and in what priority. Rules consider inventory allocation in real time when determining what's available to sell. Some tools offer extensive order waving and batching capabilities that can automatically allocate inventory to customer orders, and even consider order types and profiles.

This is especially useful with multiple sales channels that have detailed inventory allocation rules. Teams can easily prioritize what inventory within the warehouse gets allocated to what types of customer orders. Look for warehouse management tools that dictate not just what inventory is allocated, but where to allocate it, based on sales channel and factors that influence profitability, such as fulfillment speed and operational costs.

How do I manage warehouse staff performance?

Why this matters

Hourly labor costs have increased 10-15% in the past 5 years, making up 60-65% of the total cost of warehouse fulfillment. So YEAH… employee

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performance matters. As your omnichannel business grows, replacing blind, paper-based methods with a digital process to clearly evaluate warehouse staff performance will improve critical KPIs.

What to do

Make your labor investments count. Put a warehouse management system in place that can track and record all activity performed by users in the system. It should be able to feed this data into reports and dashboards, so managers can easily track performance across the organization in a variety of ways, and deploy those resources optimally.

How do I eliminate backorders?

Why this matters

Don't sell what you don't have. That's the fastest way to lose customers you've had for a long time.

Beyond the trust factor, there could be other items in the same order that are in stock, but the backorder causes you to lose the sale altogether. Or, the order may get split and shipped at different times, further inflating the cost to you. According to Multichannel Merchant, e-commerce backorders can cost **$15-$20** each, eroding profits.

What to do

A simple, pre-built warehouse management integration can significantly reduce backorders and overselling by connecting inventory data closer to the sale. These sockets ensure accurate inventory is in the system at all times by publishing real-time Available-to-Sell data to sales channels. Shopify is one example. Without customization, you can set up Shopify to talk directly to your warehouse management system, so that when inventory adjustments are made, they get communicated back to sales channels on the fly.

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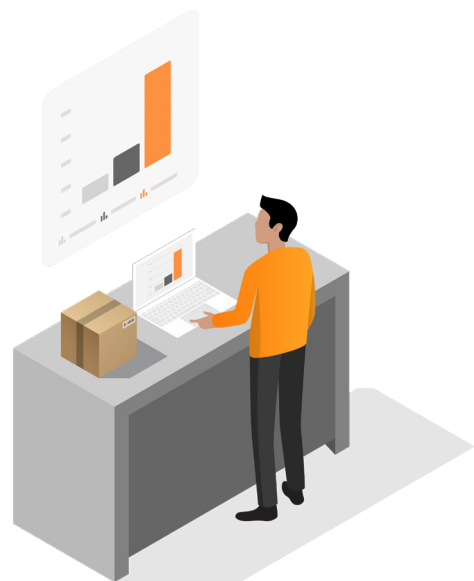
How do I handle seasonal spikes?

Why this matters

E-commerce is a game of seconds… especially as the pandemic continues to threaten product availability. Salesforce expects logistics complications alone to result in $163 billion of added costs compared to peak season 2020. That means we can expect to see those dreaded words, "Out of Stock", to trend well through the 2021 peak season and beyond. While there's not much you can do to control industry-wide supply issues, you can get your warehouse organizationally primed for optimal execution all year long.

What to do

Explore a warehouse management system that enables your teams to process orders faster. Using advanced technology with system directives, validation and warehouse processes, many warehouse management systems support system-directed put away, user-directed put away, and stock replenishments for different types of inventory based on volume or popularity.

Simple adjustments—like relocating complementary products next to each other, or stocking high-volume holiday products within arm's reach of processing and packing

Project Spotlight

LazyOne

Problem

LazyOne's growth was hindered by physically allocating inventory. Due to high demands during peak season, seasonal labor was required to keep up with orders. Onboarding time was lengthy and costly due to the weeks of training required to ramp up a new employee.

Solution

LazyOne implemented a fully automated system to allocate inventory, dissolving all paper processes. They are now empowered to onboard new hires within days instead of weeks, saving both time and money. This allows them to respond to peak season demands as well as unexpected spikes in orders. LazyOne has been able to grow year over year, fulfilling and shipping more orders than the year before with the same team they started with.

Results

135% Increase in labor efficiency per day

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stations—can shave seconds, minutes or even hours off your processing times. Even in smaller warehouses, those seconds add up to significant annual cost savings while improving daily throughput, sales and profitability.

How do I show available-to-promise inventory on my website?

Why this matters

'Because Amazon does it'. True. More compellingly, it's because that's what omnichannel shoppers expect, and they could be more valuable than their non-digital counterparts:

Omnichannel shoppers have a 30% higher lifetime value than those who shop using only one channel. In fact, **51% of firms** use at least 8 selling channels. The more you scale, the more selling channels you'll need to add. The more selling channels, the more logins/platforms accessing your website, leading to more data silos and a greater urgency for instant, accurate representation of inventory online.

What to do

If you're finding your online inventories are always off, it's time to apply some science. Best-in-breed warehouse management software offers socket integrations that can **automatically sync Available-to-Promise (ATP)** inventory calculations to all sales channels. These integrations calculate ATP numbers as:

> *On Hand Inventory*
> - *Allocated Inventory*
> - *Unavailable Inventory (on hold/damaged/not pickable)*
> ───────────────────────────────
>
> *Available to Promise*

Streamlining your processes right now to allow real-time inventory tracking and data access in one system will cut a clearer path for growth later.

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Congrats! You are Executing...

You know where your inventory is. Your warehouse associates are performing more efficiently. You're making promises you can keep, and saving time and capital along the way. This is Step 1 on your path to scaling omnichannel fulfillment. Need someone to turn on the spotlight?

Meet Deposco [Bright Warehouse](#), the essential warehouse management system used by leading businesses to meet the intense on-demand sourcing and fulfillment requirements of today's multichannel, omnichannel, B2B retail and direct-to-consumer environments.

With complete end-to-end control, automated inventory tasks and enterprise-wide visibility, Bright Warehouse prepares businesses to rapidly scale and support long-term growth including the addition of new locations, peak seasons, promotions and new product launches—through the smartest orchestration of their building, hardware, inventory and human assets.

Up Next: What Does IMPROVING ORDERS Look Like?

In the next *Growth Guides*, we will cover how to shift from simple execution of inventory to proactive order management for complex, multi-location fulfillment. Strategies will include things like:

- When do you know you've outgrown your ERP's supply chain functionality?
- How to empower employees to review and validate orders for optimal decision-marking?
- How to apply more advanced order management techniques like drop shipping, planning/managing inventory by channel, automatic order routing, and pre-ordering?
- Which insights and KPIs are vital to reach the final stage of your omnichannel store?

About this series

Growth Guides is a series created to illuminate a smoother path to omnichannel mastery.

Offering prescriptive strategies at each stage of the growth journey, this series sheds light on what you should be doing right now to scale your journey faster, easier and smarter.

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