Staying competitive in e-commerce

How a modern WMS adapts to the
demands of of e-commerce fulfillment
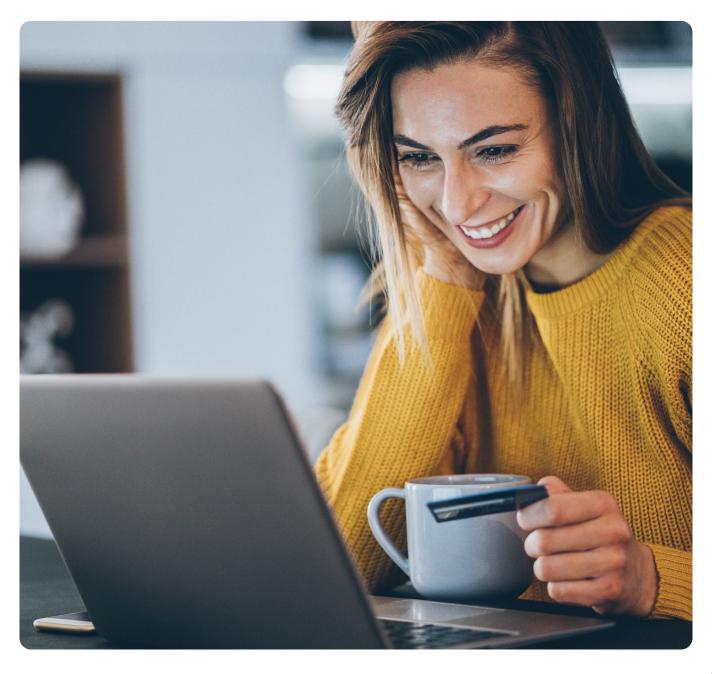
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Introduction

Consumer habits have shifted rapidly in recent years, with footfall in physical stores steadily decreasing as online orders grow. As of April 21, 2020,[1] US and Canadian e-commerce orders alone had increased by 129% year over year.

The impact has been felt most by distribution centers (DC), resulting in a reliance on existing supply chain software and supporting technologies. However, with e-commerce becoming more complex and diversified, new tools and techniques are necessary to maintain effective and efficient warehouse operations. Current trends in e-commerce look set to shape the way that retail is executed in years to come, evolving more rapidly than ever before.

The evolution of e-commerce

Why has e-commerce changed?

It is widely believed that sales, in general, have matured with the consumer. So, millennials, who were the first generation to prefer buying products without seeing and touching them first, make up a large proportion of today's e-commerce. This buying behavior is replicated on a global scale, from the US to Europe to Latin America and Asia.

> "What you are seeing is an increase in online ordering—for example, Zalando in Germany and Europe, and Amazon globally. Amazon are trying to get closer to a single-day delivery approach everywhere, which is, so far, less implemented in Europe. Right now, same-day delivery is mainly achieved in big cities, where there's already a distribution center and the volume to maintain it."
>
> **Jarrett Leesch**
> Vice President, International Business Development, Inconso

The COVID-19 acceleration

The preference for e-commerce was growing long before the arrival of the COVID-19 pandemic. But it reinforced a trend for ordering items without seeing them first: a crucial requirement for business survival as the world went into lockdown.

Even pre-COVID, the desire to physically browse products in a store—without at least knowing that those specific products were available to look at in the first place—was rapidly diminishing. COVID-19 simply accelerated this trend, progressing it from being accepted or preferred to expected. From this emerged a new level of e-commerce adoption.

How has e-commerce changed?

E-commerce supply chain management is continuously transforming and growing in complexity. In today's online world, retailers need to meet consumer demand through new strategies, including multi-channel and omnichannel retailing, using fulfillment models such as in-store, web storefronts and drop-ship programs.

Today's consumers expect to have full control over every element of their retail experience, from browsing to purchasing to delivery.

Multiple fulfillment options for online ordering, including "click-and-collect" and home delivery, were already popular, with the more flexible supply chain businesses already adopting technology in their DCs to support this level of choice. This was, and still is, the only way that suppliers and retailers could remain competitive against e-commerce giants such as Amazon.

Evolved e-commerce challenges

Faced with industry disruption, fierce competition and seasonal fluctuations, retailers need to do more with less, while maintaining a healthy balance sheet.

Fulfillment complexity is growing, fueled by rising order numbers and varying order types. For example, there are more single-unit orders, and orders with multiple SKUs of the same product in different sizes or colors in the same shipment. These are becoming the norm for online fashion purchases, where consumers expect to return ill-fitting or undesirable items.

Internet retailers also need to manage fluctuations in order volumes, such as surges in demand for promotional or seasonal items. All these factors emphasize the need for forward planning and rapid response to change, in order to efficiently manage the flow of goods and minimize costs.

Supply chain solutions

Key to delivering scalable, high-performance Warehouse Management Systems (WMS) is visibility of the warehouse and store operations for inventory, stocks and order status. As well as returns processing, WMS in e-commerce environments must also provide the flexibility to handle multiple order types. This can be accomplished with adaptable execution workflows, supporting different cut-off times to aid streamlined order picking and multiple delivery options for the end customer.

Integrating the WMS with a comprehensive Transportation Management System (TMS) adds extra functionality, like centralized management of transport service providers and courier express parcel services (CEP) to enable direct cost control. The addition of integrated track and trace functionality, including proof of delivery, enables the seamless tracking of shipments.

With complete visibility of the supply chain, from the supplier to the point of sale to the end customer, retailers can deliver a truly tailored and integrated customer experience across all channels.

> "There are now many organizations selling online that don't really make things. A lot of e-commerce organizations don't carry much of a "brand" but still have quite a following. They build their brands by creating an aura of convenience and choice, by leveraging methods such as home delivery and dropshipping."
>
> **Jon Kuerschner**
> Vice President, Supply Chain Consulting, Infios

The future of e-commerce

It is widely believed that alternative fulfillment methods, such as dropship and click-and-collect, will continue to grow, as will alternative models for "last mile" delivery. This will be particularly beneficial in European and Asian cities where delivery locations are inaccessible or not easily accessible to vehicles. To reach end customers more efficiently, transportation providers will need to address these challenges with different modes of transport.

In the case of physical fulfillment outlets, such as brick-and-mortar retail stores, retailers will need to give customers the confidence that the stock is available before they arrive. This will put greater demands on the accuracy of both in-store and in-stock data.

To combat this, WMS and other supply chain solutions will need to be completely aligned and flexible enough to meet the changing needs of the businesses they support. By proactively driving this behavior, businesses will be able to remain competitive as e-commerce continues to evolve.

> "Developments will keep happening on the ground, with city logistics being the next big thing. You could have your hub in the city and then have smaller orders delivered from there on bicycles, or perhaps even by autonomous robots. One of the next challenges will be Transportation Management Systems for bicycles and robots."
>
> **Jarrett Leesch**
> Vice President, International Business Development, Inconso

CONCLUSION

Regardless of when, how and why it's happening—e-commerce is evolving, and fast. Businesses need to evolve just as rapidly in order to survive. To do that, they must work with their customers, listening to their needs and investing in their supply chain in order to deliver superior customer experiences with every order and retain their loyalty long into the future.

See how Infios's versatile WMS and supply chain solutions can help you prepare for the evolution of e-commerce:

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Reference

1. www.abiresearch.com. E-Commerce and the Evolution of Fulfillment

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