



Right Product Right Person Right Time

Managing the Complexities of Ecommerce Order Fulfillment



By Jake Vogel
Vice President,
Operations
FIFTH GEAR

In recent years, ecommerce has emerged as a critical component of the retail supply chain, but the success of this sales channel has not come without its challenges. The numbers don't lie – online shopping is exploding, and analysts say that growth is sure to continue. Ecommerce sales in the United States will crest the \$225 billion mark this year and are expected to reach \$350 billion by 2016. During the 2012 holiday season, retailers reported record ecommerce sales on Cyber Monday, up 30 percent over last year. Contributing to the climb, online shoppers are buying more items per order (average of 8 items in the cart), and they're buying more frequently. The end result is a larger lifetime value per customer which is every online retailer's measurement of success.

Similar growth is happening with the online retail sales of uniforms and related work wear items. Like many other niche apparel segments, the online marketplace is full of potential for uniform sellers, including specialty retail web stores and brand-specific sites. Of particular note, uniform retailers are paying close attention to the latest industry statistics and trends, and they are actively adapting their marketing strategies based on evolving consumer behaviors. They're taking a hard look at the products in highest demand and customer buying preferences that will drive future revenue growth and profitability for their brand.

One example can be found among sellers of tactical apparel for the personal, military and service (e.g., police and fire service) markets. Industry forecasters predict that the demand for tactical and service clothing will taper off over the next five years, as defense spending continues on a downward trend. In addition, they say that rising costs have led many manufacturers to outsource production to low-cost countries, and this trend will likely continue. In light of these facts, a shift to new go-to-market approaches can help offset significant declines. One such strategy is the direct-to-consumer retail channel through ecommerce.

In contrast to the decline of some uniform segments, other niche categories are expanding and becoming increasingly competitive. Employment gains within the manufacturing and health care industries have forecasters anticipating moderate growth over the next two years in uniform-related revenue as these job markets rebound. The industries that most commonly use uniforms, including manufacturing, construction, transportation and utilities, saw 1.8% job growth in early 2012 over the previous year, the highest growth rate since 2006.

With over 112 million workers in North America wearing some type of uniform to their jobs every day, the opportunity for ecommerce sales in this marketplace cannot be overlooked. The anticipated growth of ecommerce sales within the

uniform marketplace has many manufacturers focused on the viability and efficiency of their order fulfillment process. No matter what shoppers are purchasing online, their high expectations continue to pressure traditional brick and mortar retailers. The burden to provide excellence in the buying experience is no different when serving those who purchase their uniforms and related accessories online. Today's shoppers expect much more than a competitive price. They require cross-channel services such as a wider online product selection; a consistent brand experience, whether in-store or online; order accuracy; fast and free delivery; an uncomplicated returns process; and more and more, they expect a mobile retail site. All of these demands require a retailer to have an efficient order fulfillment process to satisfy their needs.

Identifying the factors that impact order fulfillment processes within the uniform industry is an important, yet often overlooked step. The challenge of ecommerce fulfillment directly correlates with having the right systems in place to dynamically process orders for ecommerce channels, versus historical store re-stocking fulfillment. And don't let anyone fool you into thinking these two fulfillment practices are the same; ecommerce fulfillment and store replenishment operations differ dramatically.

At the core, direct-to-consumer order fulfillment is about executing specific tasks very well, over and over again. An ecommerce fulfillment warehouse must be designed much differently than other inventory facilities. Efficient pick, pack and ship warehouses are designed to deliver the right product to the right person at the right time – every single time an order leaves the dock. Remember, a retailer's fulfillment facility is the last stop in preparing a package before it lands in the hands of the customer. The accuracy rate is always the direct result of excellent order fulfillment operations. The shopper's experience of receiving that package can either be disappointing or delightful; it all depends on the expertise behind the order fulfillment operations of your brand.

Choosing the Right Order Fulfillment Strategy

Order fulfillment is a key process in managing the supply chain. Within the sometimes unpredictable nature of ecommerce, flexibility in the supply chain becomes critical. Your customer's order puts the entire process in motion. By filling their individual orders effectively and efficiently, retailers create brand loyalty. But order fulfillment involves much more than packing and shipping out each order. It calls for a process which delivers orders so that costs are well managed while data flows through your order management system

effectively. This isn't simply a result of logistics. Order fulfillment best practices need to be implemented from the time inventory is received into the warehouse until it reaches the consumer's hands. And beyond that, a succinct customer service structure and returns process must exist for post-sale support.

With all of these factors in mind, order fulfillment is one of the major processes in any retailer's world, which determines how well the customers are satisfied and will be retained for repeat purchases. To retain existing customers, it is necessary to maintain good service levels — driven by your order fulfillment strategy.

So, what are the options for delivering uniforms within a direct-to-consumer model? Often, uniform retailers can allocate resources internally to create a successful ecommerce order fulfillment operation. They have talented distribution professionals who clearly understand the nuances of pick, pack and ship operations. If adequate resources exist and ecommerce fulfillment can run separately from other logistics functions, (such as palletized deliveries to brick-and-mortar retail sites), an in-house fulfillment model may be advantageous. In-house fulfillment operations can make sense when there is readily available space and a substantial investment in order management technology is not a stumbling block.

When the thought of investing time, human resources, and capital into a direct-to-consumer operation seems overwhelming, many uniform providers will look to outside partners for the delivery of their ecommerce channel orders. If you're not in a position to develop a dedicated infrastructure for your direct-to-consumer operations, establishing a relationship with a proven outsourced order fulfillment provider may be the most profitable and efficient path to take. By outsourcing to a large-scale fulfillment provider, you can leverage economies of scale by reaping the benefits of proven practices, a flexible workforce, integrated technology systems, scalable infrastructure, and expertise across multiple retail industries. If you're lucky enough to find a provider with specific insights into the world of work wear and uniforms, you'll have the advantage of operational excellence right out of the gate without a learning curve to hinder results for your customers.

Overcoming the Fear of Outsourcing Order Fulfillment

Naturally, the initial concept of handing over operations to an outside provider will evoke questions and concerns. Will I lose control of my brand? What will my customers think? Is this going to cost us a fortune? Will I have visibility to the data I need to make good decisions? What if I need to expand quickly?

But an honest analysis will likely reveal that those fears can be significantly outweighed by benefits that make sound business sense. You'll want to seek a provider with experience in handling

the type of products you'll place in their care. Fulfillment for bulky electronics can be quite different from shipping folded garments. Ask plenty of questions and come prepared to share key metrics and your growth plans. You will also want to ensure that the technology used to run your direct-to-consumer operation is a proven platform with visibility among all functional teams including the warehouse staff, account managers, and customer care agents. A top-notch fulfillment partner should quickly ease concerns such as these:

Operations: I'm nervous about handing over the keys.

Handing over your inventory and operations to a third party is no small decision. However, growth-minded companies can benefit from this strategic move. Outsourcing will become a partnership where the uniform retailer can rest assured that operations are being handled with expertise, allowing them to focus on what they do best — market and sell uniforms. Facilities, staffing issues, freight management, vendor contracts, technology support, and many other time-consuming activities will no longer hinder the growth plans of your ecommerce channel.

Technology: Will migrating data be an issue?

Utilizing your order fulfillment provider's technology will help your business maintain the competitive advantage in the industry. Finding a provider that offers a robust order management platform is critical. Ideally, all of your data can reside within a single system. That means no sifting, searching, and re-entering of orders.

Transition: A move could shut down operations for too long.

Prior to any transition, your outsourced provider should clearly explain the tools and processes they'll utilize to migrate your existing data, determine the inventory transition plan, and train call center and warehouse staff on your products. Solid project planning will ensure business continuity for a seamless transition into the off-site facility. There is no need for "down time" if a move is well planned by professionals.

Peak Season: Can an outsourced provider really give my business the attention it needs?

Unlike many other apparel types, uniforms are not typically impacted by the holiday shopping season. However, based on the kinds of products you offer, peaks in volume are still quite likely. To successfully manage peak season fluctuations, proper planning and clear communication must take place. Because an outsourced provider has a flexible work force, they should be able to meet peak volume demands without any additional strife. Standard service levels should be established contractually and maintained no matter what spikes you have in sales.



Customer Experience: Will we lose our relationship with our customers?

You've worked hard to build your brand, and you've established strong customer relationships that must be maintained to continue to grow. Your order fulfillment provider's team should become confident experts on your catalog and ecommerce options. They should share insights with your marketing team and make recommendations to improve every aspect of your customer's experience. An outsourced fulfillment and service model gets more eyes on your brand and results in additional feedback for constantly improving your product and marketing mix.

Cost: How will outsourcing impact the bottom line?

Outsourcing order fulfillment increases efficiency, since your fulfillment partner expertly takes care of everything operations: inventory management, warehousing, facilities, labor, carrier contracts, customer service, infrastructure and technology. Your fulfillment partner also has the added advantage of ample space for rapid expansion, so you do not have to worry about huge capital investments as growth occurs. As your fulfillment partner works to deliver packages on time, you can focus on other aspects of your business such as marketing, sourcing and advertising. The bottom line results from focused marketing and available resources should be evident.

Building a Successful Direct-to-Consumer Channel

Employees who wear uniforms are savvier than ever in their consumer habits, and ecommerce is often their preferred method of purchasing uniform products and accessories. To remain competitive, the uniform retailers face complexities that come with increasing customer requirements for individualization, quality, and responsiveness. For effectively meeting changing customer demands, uniform providers will need to focus on process improvements which ensure timely deliveries to their customers and that help in building strong and repeat customer base.



FIFTH GEAR
accelerating commerce®

888-227-0484
infifthgear.com