

# Getting your back end in order for smooth e-tail operations



By Leigh Williams – eStore Logistics

Many retailers treat back end logistics functions such as inventory management, warehousing, order fulfillment and distribution as a lesser priority than website design, marketing and product selection. The reality is that a consumers' one true physical experience with an online retail brand is the delivery of their order. When retailers get their logistics wrong they quickly lose valuable customers who tell many others about the poor experience.

Competition in the online retail space is fierce. The most profitable online retailers have identified that having the best prices, good customer communication, and quick and accurate order deliveries are key to driving customers to their store and ensuring repeat business.

Traditional retailers who are venturing into the online space already have a product range and a brand to take the online market, meaning they are in an excellent position to concentrate efforts on setting up and refining back end logistics systems and processes.

The brains of the logistics function for online retailers is the Warehouse Management System (WMS), which is configured and optimised for specific business requirements to track the movement of goods from the supplier to the customer's door. This includes international freight forwarding, receiving, put-away, picking, packing and dispatching. By getting the WMS right, online retailers can shave thousands if not millions of dollars off their annual logistics spend.

The logistics function is far more systems and process intensive for online retailers. A customer can walk into a traditional retail store, speak with a salesperson, and if the product is in stock, walk away with a smile. However, with the added complexity of order fulfilment and delivery there are many ways that an online purchase can go wrong, if your back end logistics systems and processes aren't up to scratch:

- The wrong item or order could be delivered to the customer
- Slow order fulfilment and/or slow delivery causes a delay in the customer receiving their purchase
- The order may never be dispatched from the warehouse and is "lost in the system"
- The item ordered online may actually have an inventory of zero at the warehouse if inventories are not synced meaning the order has to be cancelled
- Poor inventory management leading to being unable find items in warehouse as they are in the wrong location
- Damage of product in transit

Getting the WMS wrong will invariably increase the cost of the logistics function, cutting into the bottom line, creating additional administrative work, and increasing the cost of goods. This poor customer service will tarnish any retailer's brand, and result in a loss of traffic to your store.

Any retailer moving into the online space can benefit from an inexpensive and highly sophisticated WMS which provides a very high level of configuration and optimisation. For most companies, focusing on their core competitive advantage and outsourcing the logistics function to an

expert Third Party Logistics (3PL) has the lowest cost and highest benefit.

By using a 3PL which can set up a highly sophisticated WMS, retailers can realise benefits in the following areas:

- Lower cost of freight using freight optimisation techniques to ensure every single order is sent at the lowest possible cost
- Lower cost of order packing activities through automatic cartonisation. The WMS assigns each item to a suitable carton size taking this decision out of warehouse staff hands
- Eliminate the cost of manual data entry associated with orders or delivery
- Eliminate customer service enquiry costs by using track and trace email functionality which emails every customer their consignment (tracking) number and carrier phone number for enquiries. This eliminates unnecessary calls to your customer service department with delivery or logistics related enquiries.

The benefits of using a 3PL for retailers moving online don't end there. You will have a significantly reduced cost of storage, by only paying for the storage you are using, whether it's 700 pallets one week and 2,000 pallets the next week. You will eliminate all costs involved with managing and maintaining your own facility, and minimise costs by not paying for unused labour during non-peak sales periods. The move from traditional retailing to online can be a daunting one, but by taking one of the headaches out of the equation, you can vastly increase your chances of succeeding in the highly competitive and rapidly growing online space. ■

