

LIFT AND SHIFT – PIVOTING TO ECOM FROM RETAIL

Traditional retail is changing faster than ever. The daily news is riddled with stories of retailers closing brick-and-mortar stores and the question on everyone's mind is not if but when the next round of closures will come. While the news may sound bleak, the reality is that most traditional retailers are pivoting and increasing their online presence and ecommerce capabilities. This change - typically a multi-year strategy, has now been accelerated because of the recent pandemic.

The gaining popularity of online shopping (forced, in some cases by the current situation) has amplified the need to shift from retail to ecommerce. In order to achieve this, retailers must realign their supply chains. While the solution may seem to be in implementing a brand-new Warehouse Management system or embarking upon a costly enterprise upgrade, retailers are probably better served in re-deploying their existing tools and resources. By making specific, small investments, their systems currently tuned for store fulfillment can quickly be adapted for online volumes.

Most retailers fall in one of these two categories, but the challenges faced are similar.

1. Their fulfillment facilities only cater to retail demand.
2. Facilities fulfill both retail and ecommerce but must now handle higher ecommerce volumes.

In order to accomplish this, retailers must engage in the following strategic steps to reconfigure and repurpose their fulfillment centers to deal with increased ecommerce volume and processing requirements:

1 STORAGE - NEED FOR MORE LOCATIONS

- a. In case the facility is using multi-level locations, look for opportunities to utilize more lower level locations as pick locations and higher locations as reserve.
- b. Divide larger locations into smaller pick locations. This can also be accomplished by creating virtual locations which can store loose inventory for easy picking of smaller units typically required in ecommerce orders.

2 INVENTORY – PICK-READY INVENTORY FOR ONLINE ORDERS

- a. Reconfigure the put away process to fill pick locations first.
- b. Have reserve inventory in close proximity to assigned pick location for items
- c. Create a replenishment strategy to optimize the balance between increased replenishment workload and availability of inventory.
- d. Track inventory buckets between ecommerce, retail and wholesale at the host level. All orders integrated with the warehouse management system should be fulfilled if there is available inventory within the four walls (irrespective of inventory bucket).

3 ORDER DIFFERENTIATION

- a. Classify ecommerce and retail orders at the host level and download to the WMS with significant identification of ecom and retail orders.
- b. Create grouping of the orders within ecom orders depending on how they will be processed with in the four walls of the warehouse.

Example scenario:

- i. Singles Orders
- ii. Multiple UPC Orders
- iii. Orders for heavy items which will require special equipment for processing

4 PICK AND PACK CONSIDERATIONS

- a. Faster process set up for singles picking and packing.
- b. Process set up for immediate need orders (Next day delivery).
- c. Introduce new cartons and carton sizes for ecom orders.
- d. Dedicated sorting features for non singles: Sorting is an important operation in order fulfillment. To optimize pick time, multiple orders are picked together in one pick tour. As the picked items belong to different orders, they must be sorted and, in most cases, packed by order. Depending on multiple factors, this sorting approach could be manual or automated.
- e. Include gifting VAS.
- f. Print and apply stations: Transition from manual application of label to automated label applicator is the way to avoid shipping bottle necks. Shipping

labels, content labels and parcel specific labels can be printed and applied to the cartons in these stations.

5 ROUTING - STANDARD SHIPPING INTERFACES TO PARCEL CARRIERS

- a. WMS to have standard shipping interfaces to carriers like UPS, FedEx and USPS.
- b. Routing and rating approaches for ecommerce orders.
- c. Setup of parcel routing configurations.
- d. Consider the following approaches to arrive at routing decisions for packages:
 - a. Ship via stamped from host and downloaded to WMS.
 - b. Rating and routing logic triggered within WMS wave process.
- e. Manifesting system.
- f. Build and maintain relationship with parcel carriers and renegotiate rates as required.

6 OUTBOUND YARD: CONSIDERATIONS FOR ENABLING FASTER CLEAR OUT

- a. Increase the number of dock doors or reuse inbound dock doors for outbound activities as required, especially during peak.
- b. Plan to clear the dock door within each shift.

7 RETURNS

Customer order returns are a bane of all retail companies and ecommerce is known to exacerbate this problem. It is only prudent to create processes and templates to handle this as well as one can.

Some areas to give special attention to are below:

- c. Labels and attachments
- d. Carrier integrations

Implementing receiving and quality check by sorting the items.

A sample strategy could be to sort the returned items into groups - A, B and C. A group, items in good condition that can be sold and correspondingly putaway to valid pick locations. B group, items that cannot be sold as is but are to be discounted. C group, items that cannot be sold at all and need to move out of the warehouse.

8 ORDER FORECASTING

Invest in tools that help predict and forecast ecommerce orders - tools that use AI/ML to help these predictions become more reliable.

9 LABOR

The last consideration though often overlooked is significant. Employees need to be re-trained or hired to handle the changing demand of fulfilling for ecommerce. Every new tool or process introduced creates an additional learning need and that needs to be addressed in a timely manner.

COMPANY

As a company that is focused on creating value for customer's through building Optimizations, we help customers uncover opportunities within the four-walls of their operations. These opportunities for optimization specifically focus on increasing productivity and reducing cost of processing ecommerce orders.

Some sample opportunities may include:

- Optimizing picking using science-based optimization techniques to increase picking throughput and reducing costs.
- Optimizing warehouse space utilization and reducing storage requirements.
- Building predictive models to forecast labor requirements for handling inbound and outbound workloads.
- Creating graphical workload balancing dashboards which provide actionable insights on redistribution of workers on the warehouse floor.

TEAM

Our core team of Supply Chain & Retail experts bring in over 100 years of relevant experience.

Our experiences in retail and supply chain product strategy, technology and operations have helped Organizations succeed in their omni-channel and digital transformation journeys.

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