

# Selecting and Implementing an Omnichannel Order Management System

By **Mike O'Brien**, Multichannel Merchant

Order management systems (OMS) have become a critical component in the “technology stack” for direct-to-customer and ecommerce merchants, especially ones that are processing and fulfilling orders coming across channels (store, online, vendor, call center, catalog, mobile, etc.). In essence the OMS is acting like a traffic cop, routing orders and overseeing the flow of inventory throughout the supply chain.

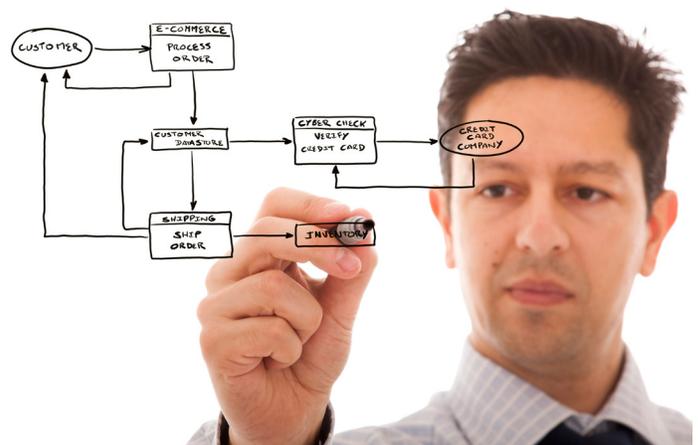
The reason most leading merchants today either have an OMS or are on a path to get one is because there is so much convergence from a channel standpoint. The rapid growth in omnichannel commerce – driven by consumers continuing to order when, where and how they want – has made the OMS and its capabilities rise in importance.

“Given the current environment, the old order of maintaining two independent views of demand and inventory – physical store and online – is no longer tenable,” said Brian Kinsella, vice president of order management for Manhattan Associates. “Merchants need a way to see all their demand across the enterprise, whether it’s store replenishment or DTC. And they need one engine to parse that demand and figure out where inventory is coming from and where it’s flowing to.”

If you’re doing order management in channel silos, it can lead to sub-optimal results down the line. Operating two independent fulfillment streams ultimately

leads to higher inventory levels, more expenditure of working capital, lower fulfillment rates, and more stock-out situations. Any time you create redundant processes without the ability to interweave them, you’re creating opportunities for excess and waste in the overall flow of goods from inventory.

Everyday customers are placing orders in a variety of ways, including from the store via associate in a “save the sale” scenario, or doing self-service ordering online. With a legacy system call center agents probably don’t have visibility into all of them. But a cohesive OMS, by contrast, pulls in orders from everywhere, and at a bare minimum provides a single view of every order across channels and across the enterprise.



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By its very nature, direct-to-customer fulfillment is evolving year by year, growing ever more complex. It's hard enough to manage a single pool of inventory in the distribution center, serving ecommerce operations and stores, and in some instances wholesale. Now add to the mix omnichannel tactics like ship from store, ship to store, buy online, pickup in store and buy online, return in store. Also complicating matters is next day or even same-day delivery, with the store or the DC as the launch point. All of this points up the need for a modern OMS to coordinate the increasingly diverse ecosystem and direct the flow of goods.

## Holding onto your old OMS too long

In many cases, businesses are holding onto their OMS for more than 10 years – sometimes 15+ years – if they believe it's the right fit, Curt Barry wrote in an article in Multichannel Merchant. On the face of it, he said, this is sound thinking considering the time and expense involved in implementing a new system.

Your OMS may be right for your call center, the merchandisers' management of inventory, accounting systems and integration with your web platform, Barry reasoned. But are your fulfillment system requirements the same as they were 10-15 years ago? For many businesses, the answer is a resounding no.

Barry recommends replacing aging technology that is becoming more expensive to support. Maybe the original software manufacturer is no longer developing the base software, or the application companies have moved on to current standard platforms such as SQL or .Net.

What benefits might your company gain from adapting a cloud-based or Software as a Service (SaaS) platform, as opposed to installed software? Barry said these systems can give you the option of transaction-

based or pay-as-you go pricing, reduced IT costs and providing a lower upfront investment.

## Where to start in the OMS selection process

The best place to start in the OMS selection process is to determine your long-term business goals and enterprise objectives, and how this orders and drives your priorities. Are things like same-day delivery and omnichannel important to you? Do you want to offer vendor drop shipping on your website?

Also consider your customer care center operations. Customers have high expectations these days, and have little patience for situations like an inability to make changes post-order, such as payment method or shipping address, without "just return it" as the default response. An OMS can give them the ability to make these changes regardless of the purchase channel.

Ask yourself questions like, what is the state of our current store system? Is it mobile? Can associates see all customer transactions across channels? Does it support buy online return or exchange in store?

The idea here is not only what is most important but also, what is your desired end-state vision, how do you enable it, and what are the system requirements? Your leadership or project team may determine that you'll never do same-day shipping, or you're not investing any more in stores, or drop shipping doesn't make any sense. The more you can determine at a high level, the better your requirements document will be to create functionality that is critical for you, which will form the foundation of your vendor selection process.

## Getting help

There are a handful of specialist firms that can help you with your OMS selection process. They can provide facilitation services, assisting as you compile your vendor shortlist, then run them through the RFP bake-off and demonstration phases.

The concept of an omnichannel-enabled OMS is still fairly new, so you have to be selective in finding a partner. The average operations-based consulting firm is

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## Script Vendor Demos to Improve Your OMS Selection Process

One of the most important aspects of OMS selection process is a vendor demo. A detailed demo of full functionality with the short list of vendors requires a lot of preparation by you and the vendor, taking about 8-12 hours. This also allows time to validate the vendor responses to the RFP.

Your job is to make sure you choose a system that best fits your business at a detail level. We've found the most effective practice is to script the demo with your data, using it to validate critical RFP responses.

Here are some guidelines for writing and managing scripted demos:

- What essential functions do you need? Which are unique to your business?
- Have key department users prepare a list of specific items they want demonstrated in order to validate critical functionality.
- Make sure the vendor has your media (catalogs, inserts, URLs, etc.) and uses data you've prepared for the demo. Seeing your data and the way the system handles it is key.
- Write out a literal script and a timed agenda, including the order of topics to be demoed. Conducting the demos in the same way and following the same sequence gives you an apples-apples comparison.
- Assign a scribe to document key pluses and minuses of each OMS as well as vendor follow-up items.
- Use the demo to validate vendor responses in the RFP.
- Update the RFP responses with any changes or new impressions based on the demo.
- After the vendor leaves, have participants score their impressions on each functional area, A through F, and develop a consensus.
- Follow up with a memo to vendors of items they agreed to research and include any outstanding concerns and questions. Some questions may require an additional demonstration of a specific functionality.

Acquiring a new system is a major commitment of time and money. The better prepared you are and the more firmly you take control of the demo, the better you can ensure the OMS fits your business. — *By Curt Barry*

not likely to have a depth of expertise in this area. It's not like selecting an HR or ERP system, where there are probably 100 consultants with the expertise to help you in the selection process.



## Implementation or integration?

An OMS implementation in some ways is more of an integration project than a system implementation. By nature it sits in the middle of your point-of-sale (POS), ecommerce storefront and warehouse management system (WMS), while also having hooks into third-party systems like payment gateways, tax calculators, merchandising and ERP. While this might seem daunting, all of these integrations are doable if you plan them out and know what's ahead. Again, this is an area where consultants can play an invaluable role.

Ecommerce storefronts today have more open system architecture, so it's easier to get data in and out of them. Some POS systems, on the other hand, can be 10-20 years old and thus predate advances in omnichannel commerce, presenting some challenges. The technology that supports them is at different levels in the maturity and life cycle. A typical company has an ecommerce system that's three and a half years old, and a POS that's more than 13 years old. So they integrate and interact differently than ecommerce solutions.

In terms of WMS – a very key integration point for the OMS – you're talking about a system that's high velocity, flowing orders down and fulfillment back up. If you can source a system that combines WMS and OMS, this approach can immediately take some of the risk elements of integration off the table. This is especially true if you're dealing with a number of vendor/suppliers, where the inventory feed and order feed data from each one flows through your system to facilitate your drop shipping programs.

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## The new OMS and the Distribution Center

The key thing is having real-time, accurate connectivity and communication between store and ecommerce operations and the distribution center. Speed is absolutely critical, especially when dealing with things like promised delivery times and carrier cut-offs and every minute counts. With the growth in ecommerce and the evolution of warehouse management technology, more companies are looking at decreased wave picking, i.e. spikes in order fulfillment at certain times of day, and toward more streaming fulfillment as orders flow into the DC, often as “each” or individual orders.

In this scenario, your OMS should be capable of initiating orders within a second, while having access to all ongoing inventory adjustments. As a new shipment enters the DC, or product levels are reduced due to damage or other reasons, you need a perpetually accurate and real-time view of what’s available to offer via the OMS. This is critical as most companies still fulfill the great majority of ecommerce demand from the DC vs. the store, as omnichannel execution is still in its early days.

## Empowering the retail operation of the future

The role of the store associate is changing dramatically in many cases, driven by consumer demand, expectations and shifting buying patterns. Much more than checkout processors, they’re doing things like fulfilling an in-store pickup item, preparing two pieces of apparel for a fitting room appointment, or prepping an order for same-day delivery. All of these tasks have to be intermixed with customer service and selling activity. The next wave of OMS systems will empower as-



sociates to do all of these things, feeling like part of the normal flow and not an exception, on a mix of mobile devices and traditional checkout lanes. While things are certainly going mobile, it doesn’t mean fixed cash registers will go away. Rather, mobile will be more of an augmentation, with both modes working together instead of one or the other.

Retailers are starting to realize that while they have a great ecommerce storefront that scales and doesn’t crash on Black Friday, store associates are in many cases still dealing with “green screen” technology from 10-20 years ago. They can’t properly address the omnichannel customer who comes into the store, when they have no visibility into things like online order history and returns and exchanges, no matter where and how they were purchased.

So finding a next-generation OMS goes hand-in-glove with the growing trend toward modernizing store-based technology. It can plug associates into a rich trove of both purchase and inventory data to help them save more sales, avoid stock-outs and better service customers. Now associates can see what customers like and don’t like, and get a more personalized, holistic view of the person standing in front of them. It takes the wealth of information in a standard ecommerce OMS and puts it in associates’ hands via an enabled device. Expect to see a lot more interest and investment in this type of capability as walls continue to break down between store and online activity and behavior.

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