

# Optimized Fulfillment: The Key to True Omnichannel Integration

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**W**hile the COVID-19 pandemic hit the U.S. economy like a Muhammed Ali right cross, it soon became clear consumers flooding onto ecommerce platforms would buoy retailers and propel many to record earnings.

A [Forbes report](#) from April 2021 said 9% of U.S. consumers, 8% of Japanese consumers and 15% of UK consumers accelerating ecommerce growth globally hadn't made online purchases prior to March 2020. And a March 2021 [Adobe Digital Economy Index](#) predicts global ecommerce sales will hit \$4.2 trillion for 2021, after posting 39% YoY growth in Q1, with 25% of sales rung up by U.S. shoppers.

In its [McKinsey Quarterly](#), consultancy McKinsey & Co. said 10 years of ecommerce penetration had taken place in just three months during Q1 2020, as 75% of U.S. consumers tried different stores, websites or brands. Three-fifths of respondents said they would continue to embrace of ecommerce.

Good news, right? Yes for some, but perhaps a missed opportunity for others.

## Pandemic Exposes Omnichannel Fulfillment Gaps

Target's 2020 revenue exceeded its total for the previous 11 years combined, in part because of its prescience to integrate its inventory, use stores as ship-



ping centers and quickly pivot to curbside pickup and BOPIS.

The ability to adapt didn't stretch across the ecommerce landscape broadly, as the pandemic exposed gaps in retailer and brands' omnichannel capabilities.

Unlike Target and Kohl's – whose ship-from-store was just reinforced with a sixth fulfillment hub to meet growing demand – many retailers' pre-pandemic strategies didn't include such tactics. Others didn't unify their store processes and suffered for it.

"Non-unified processes might be easiest to understand by looking at where retailers have had the most success (warehouses) and comparing that to where many still struggle (stores, vendors, and 3PLs)," said Justin Cramer, a co-founder of ProShip. "A unified process means that pickers, packers and shippers in a warehouse all used one interface, often a WMS inte-

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grated to multi-carrier shipping software, printers and other ancillary systems. Warehouse operators did not need to specialize in a specific piece of software.”

However, stores often still have separate systems for POS, picking and shipping, according to Cramer, increasing the amount of training necessary and the likelihood of errors. “Retailers with fully implemented omnichannel processes use the same interface, often in their POS, that drives picking, packing, in-store pickup, curbside pickup and small parcel shipping,” he said. “This allows the picking, packing and label generation process to be the same for all types of non-register sales. The label can inform the store associate if the box now needs to go to a pickup/curbside area or a carrier area.”

## Cross-Channel Inventory Visibility Remains the Primary Issue

One prominent industry anecdote describes the quandary of national sewing and arts and crafts retailer Joann Fabrics. As the pandemic shutdowns began, everyone was seeking materials for making masks, and sewing in general surged in popularity. Inventory in shuttered retail locations wasn’t immediately integrated into the ecommerce funnel.

“I feel this is the number one fulfillment concern for all retailers,” Cramer said of inventory visibility and availability for ship from store. “Keeping store stock accurate is one of their most complex challenges. But I think many retailers aren’t even thinking about partner stock, inventory that resides at vendors and 3PLs. Keeping track of all these inventory locations requires a good OMS and business rules.”

IBM agrees about the primacy of inventory visibility, which became an issue of critical importance during the pandemic. IBM said many of the shortages of n95 masks or hand sanitizer happened because many companies didn’t know what inventory they had in their stores or warehouses at a given time. Thus, they couldn’t give customers accurate estimates for delivery, or if they could be shipped at all.

Working with IBM, Joann Fabrics quickly pivoted and expanded its omnichannel fulfillment capabilities, including repurposing stores as fulfillment centers and decentralizing warehouses to increase order delivery speed with BOPIS and curbside as the primary fulfillment methods.

Cramer stressed that inventory visibility is the most pressing fulfillment concern because of its broad impact on CX, logistics spend and capacity constraints. “As we look to the future, inventory visibility will also impact a retailer’s ability to supply same-day services to customers as demand increases,” he said. “We all know that customers want cheaper and faster. The more inventory sources that can accurately be used, the more likely we are to find a shipment that will fall into Zone 2 and be a next-day ground delivery, or an option for a regional carrier to pick up and deliver.”

The inventory issue doesn’t manifest the same way for all brands. Consider the experience of Hubbardton Forge in Vermont, primarily a B2B retailer that designs and handcrafts lighting fixtures. The company just launched its DTC website in Q4 2019, initially as a way to sell returned fixtures.

When Hubbardton Forge was able to bring its manufacturing team back a month after the lockdowns, it had millions in sales waiting to be manufactured. A decision was made to focus on made-to-order products and to shut down DTC, due to a lack of visibility into components on hand and those en route.

“If we had a PIM (product information management) system in place, we wouldn’t have had to shut off DTC because we would have known we had the components to build products,” said Lynn Jeffrey, Hubbardton Forges’ director of customer service. “The fear was that if we continued to sell to DTC, we might not have been able to make our custom products, which have a better margin.”

The pandemic exposed a somewhat similar set of issues for Gardener’s Supply, with garden centers in Vermont, New Hampshire and Massachusetts which aren’t

integrated with its DTC stream. Most live items aren't sold online, but the two channels share the same extensive line of tools, supplies and handcrafted outdoor and kitchen décor.

"Everybody was ordering direct and the challenge was, how do we get product to retail?" said Gardener's Supply CEO Cindy Turcot. She said two suddenly competing systems were each blind to the other's inventory and demand. Director of Distribution Peter Gaylord had to create a workaround, Turcot said, to allocate products arriving for retail before they hit the dock and got consumed for DTC.

## A Deeper Dive Into the Omnichannel Fulfillment Disconnects

If a lack of inventory visibility is the most glaring symptom of an ailing omnichannel fulfillment system, the disconnects among different tech stack components powering things like BOPIS, curbside, ship-from-store and returns define the underlying malady.

"Many retailers either don't have an OMS, or don't have their OMS connected to all inventory sources," Cramer said. "In some cases, it's because the store inventory systems are legacy and were not created with integration in mind. This disconnect usually means that (omnichannel tactics) are less than robust. Putting all the store associate interfaces in as few pieces of software as possible is key to empowering them to be more flexible during their shifts."

An OMS properly integrated with cross channel inventory can effectively manage ecommerce and mobile orders as well as POS and marketplaces, even if stock is divided among warehouses, stores and drop-ship vendors. It can also seamlessly handle backorders, payments and returns.

With plans to expand its retail footprint, combined with an expected lasting shift in retail vs. DTC purchasing, Gardener's Supply is charting a software upgrade over the next 12 months to its ERP so that all inventories are integrated and visible. A potential longer-term objective is to turn on ship from store. "The ultimate omnichannel customer experience would be, yes you could do that, and you could return product to any store," Turcot said. "That would be ideal."



Meanwhile, Hubbardton Forge, inspired by its pandemic difficulties, is launching a PIM this year. "It's a huge pain point when you don't have cross-channel inventory visibility," Jeffrey said. She said this include having components out of stock and longer lead times for sourcing materials, issues that can quickly snowball into much larger problems.

"If you can't meet demand, then you're essentially losing money, and risking an erosion or loss of loyalty," Jeffrey said. "Customers don't wait. They'll find what they need wherever they can. The demand that's lost is probably lost forevermore."

## Shipping and Carrier Issues

The pandemic effect on shipping has been well documented, including a lack of capacity, surcharges and a prioritizing of the most profitable ecommerce operations—a trend national carriers will continue to embrace.

Gardener's Supply uses a single carrier, and felt the capacity issues and increased costs kick in around the middle of Q4 2020. "There were rate changes and peak surcharges throughout the holiday season," Gaylord said. "The biggest issues for us were the amount of surcharges. They were really penalizing all of us with increases."





For these and other reasons, a multi-carrier approach, especially for retailers with logistics spend of more than \$3 million per year, is critical. A multi-carrier system that seamlessly integrates with existing software is like a force multiplier when combined with an OMS. This allows shippers to easily find the best delivery method at the lowest cost, and print a compliant carrier label from any location with an automated rate shopping tool. Multi-carrier software also complements an OMS by giving customers the information and delivery options they want. And team members and customers get visibility into every step of the order process.

Also critical is adjusting for the impact that carrier capacity constraints, enforced caps and other pandemic-related effects have had on the static business rules of many OMS and shipping software systems.

"Prescriptive business rules say, if the order is less than one pound then use USPS First Class," Cramer said. "This usually leads to a very large case statement, as it is called in the software engineering world. An algorithmic business rule would say, if the order is less than one pound use the 'sub one pound group.' This allows a logistics manager to add and remove services from that rate shop group without ever having to change the source code. In the event of capacity constraints,

logistics personnel can remove services and carriers from the groups as they near thresholds."

A better approach, he said, involves automating the building of rate shop groups to an algorithm. By looking at how many shipments have already been shipped for a given carrier or service against a threshold, Carrier Volume Balancing (CVB) logic can remove services from the target rate shop group automatically.

Algorithmic business rules allow retailers to smoothly source items for orders as close to customers as possible, supported by shipping software that will balance the desired service level with the lowest cost option given capacity constraints.

Jeffrey recalled the late 1990s strike at UPS, when she was with Vermont Country Store, saying she had to scramble to get FedEx set up as a backup. For this reason and due to unforeseen challenges ahead, she said the need to embrace a multi-carrier system is essential.

"Maybe it's only a 100-year event and you're a risk taker and say, 'I'm OK with keeping all my eggs in one basket,'" Jeffrey said, referring to the pandemic experience. "But you really need diversification. The rates may not be as good, and maybe you don't make as much margin, but the foundation you have for when something happens is critical for the business."

## The Bottom Line

As ecommerce continues to expand and gain more share of retail sales, companies of all sizes that don't implement a sophisticated OMS risk damaging the customer experience to the point of negatively impacting loyalty, conversion rates, AOV, market share and business growth.

"Today's consumers have made a consistent, seamless online shopping experience an expectation that retailers need to deliver against if they want to move beyond survival in this challenging era to success," Cramer said.

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