

Optimizing Omnichannel Distribution through Outsourcing

The omnichannel business model has fast become the gold standard in today's marketplace as retailers and ecommerce companies recognize its potential impact. Omnichannel shoppers buy more and have a greater lifetime value than their single-channel counterparts.

Delivering an omnichannel experience is not easy, however. Consumers' expectations continue to escalate. They've come to expect real-time information on product availability, a seamless shopping experience across channels, and a variety of delivery and store pick-up options.

Many retailers and ecommerce companies are recognizing that they need to invest in improving omnichannel supply chain operations if they're going to satisfy their customers, yet remain profitable. Order management and fulfillment are top priorities. In fact, 8 in 10 retailers are spending more in these areas.¹

Partnering with an experienced third-party supply chain solution provider often enables companies to achieve success more quickly and cost-effectively than tackling omnichannel on their own. Outsourcing is particularly valuable in three key areas: technology, customization, and network optimization.



>50%

of retailers say their inventory, order and supply chain operations are not aligned.²

>90%

of shoppers expect seamless omnichannel service.³

26.5%

of merchant companies now use a 3PL, compared to 21.2% in 2015.⁴



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Omnichannel Distribution Solutions: Technology

Technology is at the heart of an effective omnichannel operation. According to a recent report, one of the key distribution strategies practiced by top omnichannel retailers is the “intelligent sharing” of inventory across channels.⁵ Sophisticated inventory and warehouse management systems are required to ensure visibility and seamlessness.

Many retailers and ecommerce companies invest in their own systems. In a recent survey, 30 percent of respondents bought new supply chain software in the past year — primarily WMS packages. The cost of these systems is prohibitive for many companies, however.

In order to be competitive and cost effective, many companies choose to partner with a third-party provider. Outsourcing offers an opportunity to leverage

[state-of-the-art systems](#), automation and expert guidance without the overhead investment.

It is important to select a provider with the flexibility to handle a variety of order profiles under one roof and the capability to alternate between picking pallets, cases, and pieces, since omnichannel orders can vary greatly in size.

Faster order processing is crucial — especially for ecommerce orders. Fulfillment automation solutions may leverage pick-to-light technology, voice picking, RF scanners and other capabilities to help improve order turnaround and delivery times. Processes should be custom engineered for optimal efficiency.



A lack of experienced staff (54.5%) and funding (50.5%) are top barriers to adopting more sophisticated technology.⁶

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Omnichannel Distribution Solutions: Customization

For optimal efficiency and effectiveness, one size does not fit all. Omnichannel supply chain solutions should be custom engineered to support a company's strategic business goals.

For best results, custom solutions should be developed in a collaborative environment and involve a multifunctional team that includes key stakeholders from both the company and the solution provider. They must take into account a number of factors, including product characteristics, order profiles, business fluctuations, and customer expectations.

Improving order cycle time is one of the top challenges for 45 percent of retailers in a study by EKN.⁷ [Postponement strategies](#) can be a creative way to process orders faster and be responsive to customer demands.

Whether it's assembling holiday gift sets or producing rainbow packs, positioning value-added services like packaging and fulfillment as close to the customer as possible helps to satisfy their needs quickly and cost-effectively without a major overhead investment. Moving product customization closer to the customer also helps to accommodate unreliable forecasting or business fluctuations, reduce inventory carrying and transportation costs, and increase speed to market.

Many companies find that outsourcing these services to an experienced third-party provider offers greater scalability in terms of space and labor and access to state-of-the-art technology and equipment without tying up capital.

75% of retailers are experiencing increased demand for more rapid fulfillment.⁸



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Omnichannel Distribution Solutions: DC Networks

Cost and speed are top challenges in omnichannel retailing – and top priorities since fast and reliable delivery is said to be one of the top drivers of consumer spending in the US.⁹ Customers have come to expect choices like free shipping, expedited deliveries, and store pick-up.

Often, simply changing the number or location of distribution nodes can help to improve delivery times and control transportation costs. With strategically located DCs, it is possible to reach more than 98 percent of the U.S. within two business days via ground service — helping to meet consumer’s expectations for delivery while significantly reducing transportation costs.

Many companies find that a third-party expert can be a valuable ally in the [network configuration](#) process thanks to their flexible resources, economies of scale, fresh ideas and knowledge of best practices.

Third parties usually have an existing network of locations, enabling them to get operations up and running in a short amount of time. They can help to assess how service levels will be impacted if network changes are made.

In addition, 3PLs typically have negotiated rates on freight and parcel programs that can help their customers save substantially on shipping costs.



Retailers and ecommerce companies are feeling pressure to ship faster (45.3%) and offer free shipping (43.8%).¹⁰

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Case Study: Omnichannel in Action

As the saying goes, “You can never have too many shoes.” At least that’s the hope of one major footwear retailer selling more than 17 million pairs annually. They turned to Saddle Creek to ensure seamless fulfillment across all sales channels.

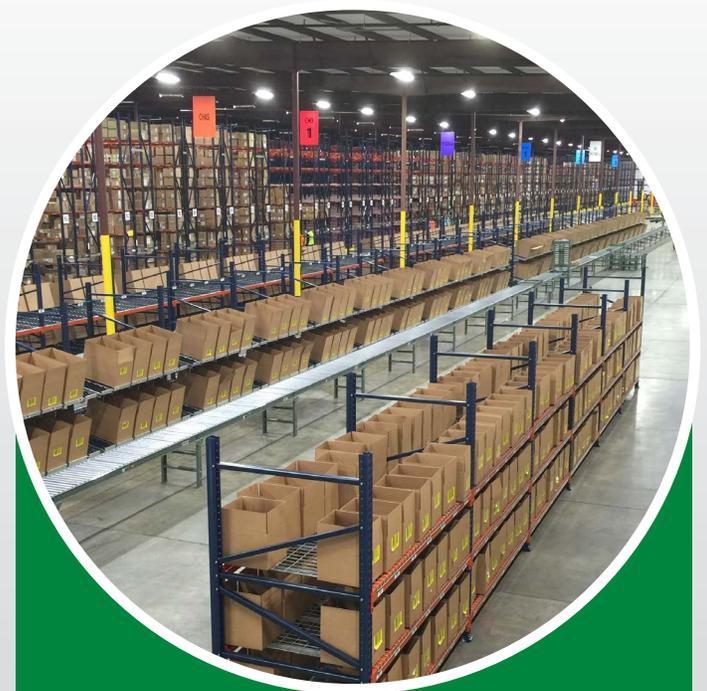
While the retailer traditionally sold in both brick-and-mortar stores and online, online channels have recently emerged as a focal point. With a strategic plan to make advancements in the years ahead, they sought the expertise of a third-party partner who could provide a custom omnichannel solution to support their future sales model. Saddle Creek was a natural choice to help advance them to the next level.

Saddle Creek now fulfills 80 percent of the retailer’s total orders, supporting all of their stores nationwide in either a primary or secondary capacity. In addition to store replenishment, the 3PL also manages the entire ecommerce channel and new store-set programs and all specialty store-support functions such as returns and seasonal resets for the entire nationwide footprint.

In just six weeks, Saddle Creek implemented a highly configurable, cost-effective warehouse management solution. A full RF solution, which includes mobile wearable RF technology, gives users hands-free capability to handle the single-shoe units that are being processed to the stores and directly to the end customer through the retailer’s ecommerce portal.

Full data integration with the retailer’s multiple business units allows the continuous flow of data to and from their host system to the Saddle Creek WMS.

The solution has resulted in significant gains in customer service and order cycle times. The retailer views Saddle Creek as an extension of its supply chain team and values their involvement in strategic planning and continuous improvement.



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Conclusion

As omnichannel becomes more mainstream, retailers and ecommerce companies need to find ways to improve the speed, service and scalability of their operations. A third-party expert can provide significant value through customization, advanced technology and network optimization. Their expertise and experience with best practices can help to ensure seamlessness between channels, increase order processing and delivery speed, and accommodate business fluctuations.



Sources:

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About Saddle Creek Logistics Services

Saddle Creek is an omnichannel supply chain solutions company providing a variety of integrated services including warehousing, omnichannel fulfillment, transportation and packaging. Our advanced technology and scalable, customized solutions leverage these capabilities to help retailers support their business goals.

For more information, visit www.sclogistics.com • 888/878-1177

