

OMS: Key to the Optimal Omnichannel Customer Experience

Omnichannel retail is now mainstream. Today, 92 percent of American shoppers say they regularly shop across multiple channels.¹ Ready or not, retailers must embrace this phenomenon.

In Pursuit of the Optimal Customer Experience

Whether they're shopping from their smartphone, PC, an in-store kiosk or a catalog, customers expect a consistent and seamless experience. They're researching their purchases extensively. Before placing an online order, they want to know if an item is in stock online or available for pickup at a nearby store. Thanks to Amazon, they've come to expect fast AND free shipping, as well as the options to buy online and pick up in store (BOPIS). If they don't like an item they've ordered, they want the option to return it to the store or by mail, for free.

Being able to provide a seamless customer experience is fast becoming a competitive advantage. In fact, customer experience is expected to overtake price and product as the key brand differentiator by the year 2020.²



90%

of consumers expect a consistent customer experience across channels and devices.

[SDL global study](#)

50%

increase in end-to-end supply chain visibility is expected by 2018.

[2016 Gartner Supply Chain Executive Conference](#)

75%

of retailers will host a single shared cart across channels within 3 years.

[2016 Digital Commerce Survey, Boston Retail Partners](#)



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Delivering that optimal customer experience is one of the biggest challenges retailers face in today's omnichannel marketplace. Never before has supply chain management been so critical. Retailers need to be able to optimize inventory across multiple fulfillment sources (warehouse, store, and vendor), efficiently manage backorders, process a higher volume of returns and exchanges, and still achieve profitability.

All of these actions require much more sophisticated technology solutions than many retailers' existing legacy systems can support. While it can play a valuable role, a traditional Warehouse Management System (WMS), for example, is simply not up to the challenges of omnichannel operations on its own. It can't handle back-order management, purchasing or rapid replenishment. It is limited to the four walls of the distribution center.

It's not surprising, then, that retailers are seeking a more sophisticated technology solution. Many have found that an Order Management System (OMS) can help deliver the desired customer experience. In fact, 73 percent of retailers plan to utilize an OMS as their unified commerce platform within 3 years.³

Why are so many retailers planning to shift to an OMS? It essentially serves as a much-needed nerve center for operations, *MultiChannel Merchant's* Mike O'Brien explains: "An OMS acts as a high-speed traffic cop, providing sourcing and routing logic as it identifies and pulls inventory across the ecosystem in real time to execute orders in most efficient manner."⁴

73% of retailers plan to utilize an OMS as their unified commerce platform within 3 years.

Boston Retail Partners



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OMS Helps to Address Common Omnichannel Concerns

An effective OMS is able to address many of the omnichannel challenges described above. Here's a look at five key benefits.

1. Improve visibility

The ability to find inventory information online is a deal-breaker for many end-customers. In fact, 80 percent of consumers are less inclined to visit a retailer's physical store when the website does not include current product availability.⁵ Customers also want to be able to track their orders and see when they will be delivered.

With an OMS, retailers have the ability to see inventory across their entire enterprise — warehouses, stores, vendors (for drop shipments), in transit and available to promise. They're also able to view orders as soon as they're placed all the way to the end customer . . . and back if necessary. In addition to improving visibility internally, they can share detailed information with their customers – from online and in-store product availability to backorder status to shipment tracking.

This level of visibility is the Holy Grail for retailers. While 60 percent say they are making inventory visible across channels, 80 percent of retailers say they could use improvement.⁶

2. Optimize inventory across multiple locations/channels

In an omnichannel environment, silos are simply not an option. Rather than keeping all of their products in one location, retailers need to distribute inventory across multiple locations — stores, various warehouse locations, vendors, etc. An OMS can determine which fulfillment source to pull from to ensure the fastest and most affordable service.

For example, if a customer places an order to be shipped to Wisconsin and a retailer has inventory in Charlotte, San Diego and Chicago, shipping the order via one-day ground from the Chicago location would be most efficient and cost-effective. If all of the items are not in stock in that location, the system can identify an alternate option such as shipping individual line items from different fulfillment sources to ensure that items are delivered as quickly as possible for optimal customer service.

3. Provide seamless service across channels

Customer demand for a seamless omnichannel service experience is exploding. In fact, 90 percent of consumers expect a consistent customer experience across channels and devices when they interact with brands.⁷

With an enterprise-wide view of inventory and the ability to pull from a variety of fulfillment sources, an OMS helps to ensure that the products customers want are at their fingertips whether they're ordering online, by phone, by mail or from a store. An optimal OMS solution integrates seamlessly with the Warehouse Management System (WMS), Transportation Management System (TMS) and other existing systems to manage order processing through to the end customer.



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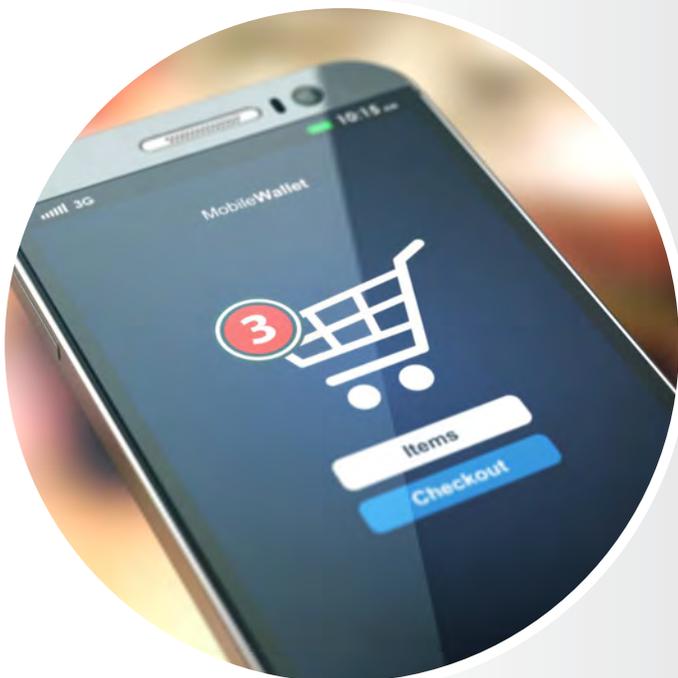
4. Ensure cost effectiveness

Retailers spend an average of 18 percent out of every dollar to satisfy customers' expectations to buy anywhere, pick up anywhere.⁸ That kind of investment is simply not sustainable in the long term, so naturally retailers are seeking ways to control costs.

An OMS can help to manage costs by optimizing inventory, increasing efficiency, identifying cost-effective transportation options and more. Having the ability to offer "ship to store," for example, allows retailers to save money on shipping and related delivery surcharges while getting the customer into their brick-and-mortar store with the potential for incremental sales.

5. Control relationship with end consumer

An OMS can be a particularly powerful tool for small- to mid-sized retailers who want to maintain their relationship with the customer instead of selling their products on a marketplace such as Amazon. It gives them the technology required to offer BOPIS, ship from store, ship to store, etc. and provides a unified solution for backorder management — exchanges, returns, etc.



39% of consumers say they'd be unlikely to visit a retailer's physical store if they can't find information online.

Accenture study

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Checklist for an Optimal OMS

Retailers should research their options for an OMS carefully. A wide variety of options are available, and it is important to find the version that best suits their unique needs. The following characteristics help to ensure a robust system.

✓ Cloud based

A cloud-based system can be accessed from anywhere — a particularly important benefit when operating from a single inventory. It allows for faster implementation and greater scalability down the road. The cloud also provides built-in redundancy, disaster recovery and fail-over redundancy.

More and more retailers are opting for cloud computing. In fact, retail is boosting its spending on cloud storage faster than any other industry.⁹

✓ Responsive, real-time

With real-time enterprise inventory visibility across all fulfillment sources, users can pull data whenever they want instead of waiting for it to be pushed to them on a scheduled basis. Retailers will know immediately if they have product in inventory or “available to promise,” so they can make commitments to their customers. As end-customers’ demand for accurate inventory information increases, this will become more and more important. End consumers will also have the ability to track their order all the way through to delivery.

✓ Single platform

An OMS that operates on a single platform can integrate numerous systems to work seamlessly in real-time — receiving orders from various channels, managing inventory across multiple fulfillment sources and routing to the best fulfillment sources. This helps to ensure visibility and provide accurate information to the end customer.

✓ Scalable systems

When selecting an OMS, retailers often focus on their current needs instead of looking to the future. However, it is advisable to seek out an OMS that is able to grow with their business and adjust to fluctuations in the sales cycle. As customer expectations continue to become more sophisticated, the system will be able to accommodate them more readily.

✓ Intelligent order routing

An effective OMS will automatically route orders so that they are fulfilled from the most effective fulfillment source. This helps to optimize inventory management, increase efficiency, control costs and — ultimately — provide the optimal customer experience.

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Invest in an OMS or Outsource?

The decision on whether to invest in an OMS or outsource to a 3PL can be a difficult one. Many companies look at numerous factors when making this decision, such as internal expertise, financial investment, ability to scale, etc. Here are a few questions to consider when deciding if outsourcing an OMS is the right choice for you.

Is logistics/supply chain a core competency for your organization?

A skilled 3PL with an integrated OMS will remove the burden on operations time and overhead and allow you to focus on what you do best. Outsourcing supply chain operations allows you to put fulfillment in the hands of experienced partners that specialize in just that — supply chain operations. This gives you the unique advantage to provide your customer with an experience that is handled by experts from inception to product delivery.

Trusting a partner with the end journey of your customers' experience can be difficult. Choosing the right 3PL is vital.

Do you have the internal expertise to manage the system?

Many companies have an experienced IS department, but how familiar are they with an OMS? Have they worked with one before? Do they have current, comprehensive knowledge of the WMS? Are they able to integrate the two? Can they troubleshoot when problems arise? Is their ability to navigate the system sufficient to keep customers' orders flowing and maintain customer satisfaction?

All of these are important questions when considering investing in an OMS or outsourcing to someone with experience running an OMS. The time and cost associated with training current employees on the system should be a factor as well.



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Are you ready to make the requisite financial investment?

An OMS can be a costly venture. Most systems require a major capital outlay up front, followed by associated monthly fees as well as customer support fees that accrue as you learn the system and require assistance. In addition to the expense associated with the OMS software purchase, other business costs also must be taken into account. Employees will need to be trained on how to utilize the software, downtime will escalate during the integration phase, and initial utilization of new technology can also cause order errors — resulting in unsatisfied customers and increased returns.

Is your competition already using an OMS?

With widespread adoption of OMS technology expected in the near future, chances are your competitors are considering or have already begun using an OMS. Are you anxious to join your competition in the omnichannel market, but don't quite know how to navigate the inner workings of your inventory management? Do you know that more software is needed but don't know exactly what you're looking for? Is your current system incapable of fulfilling from multiple sources to accommodate growing order volume? Outsourcing your OMS to a 3PL may enable you to compete in the omnichannel market.

44% of retailers say expanding unified commerce initiatives is one of their top 5 priorities.

RIS Retail Technology Study



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Evaluating Potential Partners

When looking for a potential OMS partner, consider what your core competencies are and where you struggle. Find a 3PL who can fill in the gaps and help elevate your operations to the next level in the omnichannel game. In addition to meeting the criteria identified above, the following qualities can be valuable.

Integration with current WMS and TMS

Your ideal OMS partner should be able to quickly and effectively integrate with your current WMS and TMS. The less time you are offline with customer orders, the better. You want a partner who can seamlessly integrate your systems across platforms to perform optimally for your customer experience.

Availability across all facilities

In order to leverage your entire inventory and make available items visible, you want a partner who can integrate your OMS through all facilities, including DCs, stores, vendors, etc. Improving inventory accuracy will result in faster fulfillment turnaround and get your products in customers' hands as quickly as possible, ultimately creating a better customer experience.

Prebuilt integration with major commerce partners for quicker start-up

Do your potential OMS partners integrate with the commerce platforms you are currently using for your business? Disrupting commerce communications can lead to issues with receiving and fulfilling orders. Evaluating the commerce platforms with which your partner's OMS integrates is vital.

Expertise, proven experience

The right OMS partner will provide invaluable expertise and proven experience. Since OMS is a relatively new technology, it's important to confirm that you're working with a qualified 3PL with in-depth knowledge of the inner workings of a robust OMS. A partner fluent in OMS operations will allow you to focus on what you do best, knowing your customers' omnichannel experience is in good hands.

An OMS will soon become a prerequisite for delivering the optimal omnichannel customer experience. Whether you choose to invest in your own system or outsource to a well-qualified partner, you'll value the ability to improve visibility, inventory management, customer service, and cost control. The right partner can help you to achieve optimal results.

Omnichannel Technology at Saddle Creek

Technology is at the core of Saddle Creek's omnichannel supply chain solutions. We are continually seeking out the latest advances in technology to deliver more quickly, seamlessly and cost-effectively. Our comprehensive omnichannel technology management solution includes state-of-the-art order management (OMS), warehouse management (WMS), and transportation management (TMS). These systems integrate seamlessly with our customers' current systems to manage order processing through to the end customer. We can leverage inventory from multiple fulfillment sources to deliver the optimal customer experience across all sales channels.

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CASE STUDY: THE HONEST KITCHEN

When The Honest Kitchen began offering healthy, whole-food, organic pet food solutions in 2002, Lucy Postin never could have imagined how the like-minded consumer market would embrace her products. Over the next decade, the company grew so large that handling the complexity of shipping both direct to consumer and to a wide network of distributors could be handled more efficiently by a third party. Saddle Creek Logistics Services offered the technology, warehouse footprint and capabilities that The Honest Kitchen was looking for.

Shipping orders to customers across the U.S. within a tight delivery window was a challenge. Saddle Creek solutions determined that placing inventory in both San Diego, CA and Joliet, IL would provide the shortest shipping time to the majority of The Honest Kitchen's customer base. Saddle Creek engineered a solution that balanced both B2B and B2C orders between the two locations to optimize delivery time and drive down the cost of shipping.

To keep everything running efficiently, Saddle Creek unified their commerce capabilities by onboarding the company to a custom, directly integrated Order Management System (OMS). The OMS provides The Honest Kitchen with an unparalleled unified commerce experience to better serve their customer base. As the company continues to grow, their highly customized OMS will provide best-in-class capabilities to scale their expanding business.



Sources:

1. [iVend Retail](#)
2. [Study by Walker](#)
3. [2016 Digital Commerce Survey](#)
4. [MultiChannel Merchant](#)
5. [Kibo Software](#)
6. [Boston Retail Partners](#)
7. [Study by SDL](#)
8. [EKN Research](#)
9. [451 Research](#)

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