FLEXIBLE FULFILMENT FROM STORE STRATEGIES TO OPTIMIZE COST AND DE-STRESS SUPPLY CHAIN

Abstract

In the brave new world of omni-channel retailing, while there is significant push to build front end capabilities to capture customer mindshare (and potentially wallet share), not enough emphasis has been put on optimizing the back end fulfilment channels leading to a supply chain that is increasingly becoming more and more stressed ultimately resulting in poor customer service. Further, in the race to enable new omni-channel capabilities to satisfy the changing customer expectations, cost aspect has not been managed properly leading to erosion of margins.

To respond to these challenges, leading retailers are closely analyzing their fulfilment channels, leveraging their store network and bringing new innovations to reduce the burden on the warehouses while reducing the delivery time to the customers. This paper lists down a set of strategies that has been identified and refined through our experience helping our client along their flexible fulfilment transformation journey.

Infosys®
Navigate your next

Introduction

Retail industry is undergoing a major shift in the new world of 'any time anywhere retailing'. There are certain industry trends that are pushing retailers towards omni-channel retailing. A few of them are:

- Customers are becoming more and more mobile thus breaking location barriers for shopping
- E-Commerce behemoths like Amazon are challenging the traditional retailers to offer competitive shipping offers
- Advent of new technology solutions in form of mobile apps etc. is making it much easier to browse and shop anytime

Distressed Supply Chain network

While retailers have been quick to respond to market forces by offering new omni-channel capabilities, not enough attention has been paid to manage and optimize the fulfilment processes leading to a situation where retailers are incurring significant cost to support omni-channel needs while creating a lot of pressure on existing supply chain network to fulfil these demands.

Warehouse operation is stretched thin, struggling to meet service level since it is not designed for the new paradigm. Further the service level competitiveness is also suffering as attractive propositions like same day / next day delivery are becoming too costly to serve.

Flexible Fulfilment from Store

To reduce the stress on traditional warehouse channel, retailers can either expand the capacity by adding / expanding new warehouses or by leverage the existing capacity within the store network. Leveraging existing store network is a better option provided there is spare capacity at the store to handle the fulfilment of online orders. Orders can be fulfilled in various fashions including pick up at store, Ship from Store etc. Using store offers benefits like reducing the time of delivery, leveraging store inventory to save the online sales, offering better service (e.g. – same day delivery) etc. while improving sales and reducing overall fulfilment cost.

Flexible Fulfilment - Four Stages of Maturity

LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 4
▸ Minimum viable capability to fulfil from store ▸ Pilot basic processes for Buy Online, Pickup In Store (BOPIS)	▸ Enable basic Ship From Store (SFS) capabilities ▸ Enhance the Store pickup capabilities ▸ Scale up BOPIS across store network	▸ Optimize SFS fulfilment processes to support higher volume ▸ Identify the store nodes for SFS ▸ Optimize node selection method	▸ Introduce new methods like direct ship from vendor ▸ Enable SFS across all planned nodes ▸ Establish operational excellence for continuous refinement

Strategies to be Successful in Flexible Fulfilment Journey

While the notion of fulfilment from store is simple enough, implementation is anything but. There have been enough cases out there where poor planning and lack of sound strategies has killed the program midway. At the same time, retailers who have adopted sound strategies to implement the flexible fulfilment the right way are reaping significant benefits in terms of additional sales and cost savings.

Infosys has been instrumental in helping multiple retailers achieve their flexible fulfilment vision. Based on our experience, we have developed a set of key strategies that can help retailers implement flexible fulfilment the right way that can make it cost effective and truly flexible. Here is the list:

- **Select the right fulfilment nodes -** The key to success is to pick the right stores that can offer the lowest fulfilment cost possible. Picking such stores may require a data driven approach and factoring variables such as demographic mix, store velocity, labor cost etc. Also, possibility should be explored to identify few

stores that can be fully converted as mini fulfilment center to support higher volume.

- **Rate shop across carriers -** Leading national carriers (e.g. – UPSD, FedEx) as well as smaller players (e.g. - LaserShip, Dynamex) offer somewhat different pricing based on origin, destination as well as negotiation. Rate shopping across carriers at the time of order fulfilment after carton creation can help reduce the shipping cost.

- **Upgrade hardware infrastructure -** Stores are not designed and equipped to support fast fulfilment operations. It is important to upgrade the key infrastructure at the store like printers, packing stations etc. to supporting fulfilment.

- **Have clear view of inventory within 4 walls -** Inventory accuracy tends to be poorer at the stores compared to the warehouses. It is important to have accurate view of inventory at the store to support fulfilment and avoid out of stock / inventory not found scenarios. A focused inventory visibility strategy can build the foundation for an effective fulfilment operation.

- **Focus on the 'total cost of fulfilment' -** Not all stores are equal. Even within the same city, two stores can offer different total cost of fulfilment based on its location, velocity, demography etc. Note the emphasis on the word 'total' that includes typically ignored costs like cost of markdown, relative labor cost etc. besides shipping cost. Picking the right stores that can offer the lowest 'total fulfilment cost' possible can help a retailer improve its profitability while reducing the possibility of markdowns.

- **Go slow to go fast -** While sounding counterintuitive, it is perhaps the most important strategy. One needs to understand that the market is still evolving and going slow allows one to understand what is working and what is not. Such learnings can help improve the odds of success.

- **Optimize. Optimize. Optimize. -** Operations offers several opportunities to improve, once the process has been put in place. Retailers who have remained successful are the ones who constantly learn from the experience and continue to tinker with its processes to further improve.

Case in Point – How a big department store chain is beating the online giants at their own game?

To actively engage with its customers who were aggressively embracing online channels, this iconic big-box retailing giant, embarked on a digital transformation journey. Laser focused on customer satisfaction, it wanted to serve its customer anytime anywhere. 'Ship From Store' for online orders was one of the key capability to support its vision. Infosys helped design and implement a highly scalable solution involving multi hub architecture allowing the capability to support all stores in a centralized fashion to reduce cost and ensure fast and effective supportability.

Live across 460+ stores, 'Ship from Store' capability has emerged as a smashing hit with this retailer witnessing significant benefit in terms of reduced fulfilment cost, increased fulfilment speed and an uptick in customer satisfaction. It has also been very effective in easing supply chain stress from its fulfilment centers. This, in turn, has allowed it to be more responsive to changing customer needs and competitive landscape.

Conclusion

Flexible fulfilment is an imperative that no retailer can afford to avoid anymore. With rapid rise in E-Commerce sales and increased competition from online giants like Amazon, retailers' best option is to leverage their most potent weapon; their stores and use it to reduce the cost of fulfilment while adding additional fulfilment capacity without increasing warehousing cost. While the concept is relatively simple, implementation is not. To do it right, a retailer must adopt the right strategies to ensure that the flexible fulfilment model is cost effective.

For more information, contact askus@infosys.com

Infosys®
Navigate your next

Infosys.com | NYSE: INFY

Stay Connected   SlideShare