



# Logistics Takeaways from E-Commerce and Omni-channel Retailing

When e-commerce first started in retail chains, many retailers set up a separate e-commerce warehouse. This proved to be a mistake because as e-commerce became more developed, the idea of omni-channel was born. Omni-channel meant an order could be fulfilled from an e-commerce warehouse or from a store by the consumer collecting it. But to do that affordably, the e-commerce warehouse needed to tranship picked and packed e-commerce orders to a store warehouse to be consolidated with store replenishment deliveries. This led to the notion of a single stock pool, which means that wherever the stock is in the company, it is all viewed as one common stock that goods can be picked from for any purpose.

Hence the warehouse evolved so that all stock was received in one site, it all went into the same bulk storage, and e-commerce orders were picked in much the same way as store replenishment orders. Being able to operate with a common stock reduces safety stocks significantly. However, there is still one limitation to be addressed. Most retailers today pick e-commerce orders from the warehouse, pack them for shipping and send the store collect orders on the same delivery vehicle as the store replenishment goods. In a perfect system, BOPIS or click and collect orders would be picked from store stock and only shipped from the warehouse, if the store is out of stock of the item. However, today most retailers do not trust the store stock record accuracy enough to be able to rely on it.

This is beginning to change because RFID tags have now dropped in price enough to make RFID affordable for moderate to higher end fashion goods where the price point can stand the cost of the tag. It is still too expensive for discount fashion. As RFID gets cheaper still, this creates opportunities for logistics companies to tune their service offer and make BOPIS processes more flexible. The RFID tags will also make warehouse automation work more easily, since conveyors and the like will not depend on fixed location scanners.

Improved delivery services are offering retailers other benefits, which many are still to exploit. For example, suppose a retailer offers a lady's garment item in 6 colours, navy, black and 4 fashion colours (fall/winter obviously). Navy and black will be the biggest sellers and stocked properly in store. Two of the 4 fashion colours may be stocked in store and two only have one item each on a mannequin to show the colour. Four of the 6 items can be bought from stock, but the other two will be placed as a web order for delivery to the customer or pick up in store. Turning a percentage of C items, or the long tail, into display only, will reduce the store space and all the space associated costs. Hence a small store could have the same assortment as a bigger store, but you can't take all of it away at time of purchase. This works for the customer by reducing inventory investment and carrying cost, reducing space and space related costs and bulk shipping to stores, providing the cost of the extra deliveries is less than the savings. It often is. The US menswear retailer Bonobos is a case in point.

These are examples of strategic opportunities that you can exploit in suitable circumstances.

