
DEVELOPING THE BUSINESS CASE FOR ORDER MANAGEMENT



And how to recover from the
hidden cost of Out of Stocks



INTRODUCTION

Out of stocks. Every shopper has encountered them. They're frustrating. And a problem of epic proportions. How big? Let's look at some data.

Last year IBM surveyed 1500 UK consumers on their retail expectations and their opinions on out of stocks. It wasn't pretty. In fact, 74% of consumers said they'd shop at a competitor if you're out of stock. Worse still, it's not just the immediate lost sale. The study revealed that consumers would also forfeit future shopping trips at a retailer if they encountered an out of stock. How many?

21.5% said they'd forfeit one trip, 34.5% said they'd forfeit two, and 10.8% said they'd avoid shopping at the retailer three or more times. Ouch! But there is a silver lining. If you can recover from an out of stock, the upside can be bigger than you might expect.

This article investigates the upturn for retailers in addressing the hidden cost of out of stocks, and the important role that an Order Management system can play in maximising the gains.



Patrick Munden
Global Head of Retail and Marketing, Salmon

Patrick is a renowned spokesperson for the digital commerce industry. His expertise is founded on over twelve years' experience in global ecommerce with companies such as eBay, where he headed up B2B marketing across Europe, and ecommerce consultancy Salmon where he is in demand as one of the UK's go-to spokespeople on online peak trading.

As a pioneer in framing the Programmatic Commerce phenomenon, Patrick is passionate about digital disruption and how retailers can harness the power of digital tech to excel in a digital-first world.



Jim Bengier
Chief Customer Officer, Bridge Solutions Group

Jim is a seasoned executive with over 25 years of retail supply chain experience, with expertise in omnichannel, forecasting, location management, and executing on the customer promise. He has an extremely diversified supply chain background that encompasses ecommerce, specialty, discount, mass merchandise, and off-price retailing.

As the VP of Fulfilment for BestBuy.com, he designed and implemented one of the earliest 'buy online, pick up in-store' processes, which is still in use today. From 2007 to 2015 he worked in retail strategy for IBM where his engagements included Abercrombie & Fitch, Target, and Ikea. Jim joined Bridge Solutions Group in March 2015 where his engagements have included Urban Outfitters and Williams-Sonoma.

How can I recover from Out of Stocks (OOS)?

The first step is inventory visibility. Your store associates will need to see all the inventory that's available in your stores and your distribution centres. That might sound ominous, and 10 years ago it was. But, today, there are simple and flexible Order Management solutions that can integrate easily with your Point of Sale (POS) and Warehouse Management Systems (WMS), and they can be accessed from a mobile device so your associates can interact easily with customers on the sales floor.

What is an Order Management system?

Let's use an airplane analogy. There are many systems on a plane: flight controls, hydraulics, fuel, oxygen, navigation, communication systems, etc. They're all critical to the safe delivery of passengers to their destination. But the cockpit is where the pilot can see input from all these systems, and tweak them to ensure an optimal flight experience.

An Order Management system is like the cockpit, offering a single view as per the image below.

You have many order capture and fulfilment systems in your business: ecommerce, Point of Sale (POS), Enterprise Resource Planning (ERP), Warehouse Management System (WMS), etc. An Order Management system lets you see inventory across all locations (including inbound inventory), customer data, and order fulfilment status from all those systems in a single interface. It also lets you define and tweak fulfilment rules to provide an optimal customer experience.

As it integrates data from multiple systems, you get a single, real-time view of your customer orders and fulfilment operations, enabling:

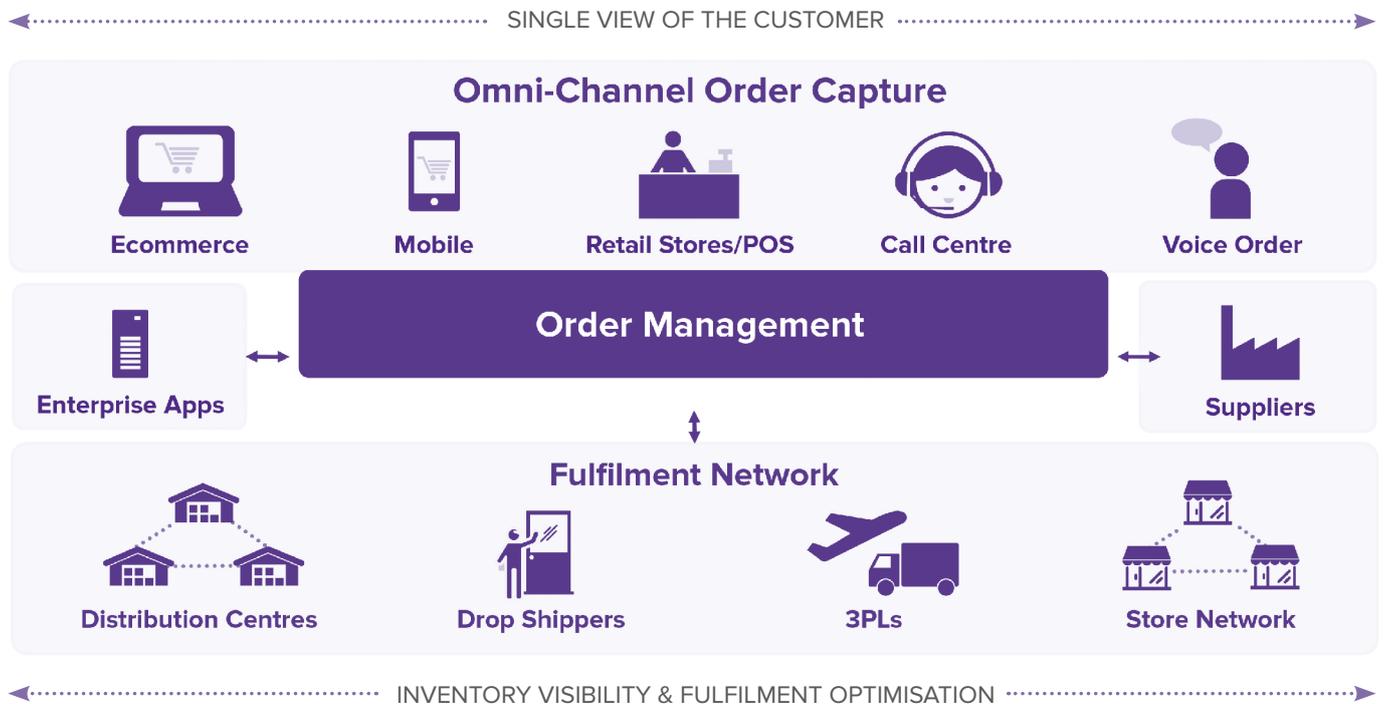
- In-store pickup of online purchases
- Ship to store
- Ship from store
- Real-time order status
- Real-time returns processing
- Promising against inbound inventory, not just on-hand inventory

It can also provide a mobile interface for store associates so they can locate out of stock items for a customer at another location, and provide better cross-sell and up-sell recommendations.

In short, an Order Management system is an essential component of modern omnichannel fulfilment operations.



*Source: IBM 2016 UK Consumer Expectations Study)



Isn't Order Management expensive?

Today, you have many options, from full-blown on-premise solutions that require additional configuration and maintenance, to light weight (but still highly scalable) SaaS solutions that can be deployed in 2-3 months. The key is to choose the system that best fits your business and be disciplined in your approach. Why?

The biggest cost to an Order Management system implementation is customisation. If you're open to changing your business processes to match the system, rather than changing the system to match your business (unless needed for strategic differentiation), you can keep costs manageable. Luckily today's Order Management systems make that easier than ever due to their highly configurable business process engines. Configuration rather than customisation keeps your long-term total cost of ownership low.

Let's also remember, there is a large financial upside to Order Management. On the next page we consider the clear potential.

“As consumers become more demanding, Order Management is coming of age, not just to improve profitability in fulfilment, but also meeting the consumer's expectation of instant visibility of stock availability. It's a capability we don't think retailers can afford to ignore.”

Patrick Munden

Global Head of Retail and Marketing, Salmon

What's the commercial return on Order Management?

There are many ways an Order Management system can reduce costs and increase revenue. But to keep it simple, let's do the maths on basic out of stock recovery.

Say you have 100 stores, and each store has 2 out of stocks a day, multiplied by 362 days per year. That's 72,400 out of stocks across your store network each year.

The consumer study indicates that 78% of customers will buy an out of stock item if you can locate it. So, say your average item costs £30. If we multiply 78% x £30 x 72,400 out of stocks across your store network each year, that's £1,694,160 in lost sales each year. That's a big number. And it doesn't even take into account forfeited shopping trips due to an out of stock, nor attachment item purchases. Can you afford not to recover that revenue?



lost sales saved: **£1.7m**

“In a recent meeting with a very large footwear business, the client confirmed that inventory visibility is the number one challenge for retailers today. Finding, reserving and shipping the merchandise is critical to meeting customer expectations.”

Jim Bengier
Chief Customer Officer, Bridge Solutions Group

*OOS = Out of stock

Top challenges of an Order Management implementation

While every brand and company has its unique challenges, our experience in the sale and implementation of packaged Order Management applications reveals a common set of problems. These issues add time to implementations, maximise work and rework, and cause pain for customers and companies alike. Listed below is a top ten that can empower your teams to focus on what really matters – delivering capabilities to your business!

- 1 Missing or under-supported business cases**
- 2 Not designing your system for growth**
- 3 Taking on too many things at once**
- 4 Not thinking in terms of ‘capabilities’ when designing your roll-out**
- 5 Training your technical team too late or not at all**
- 6 Not partnering with a Product Subject Matter Expert (SME)**
- 7 Not getting buy-in from the surrounding ecosystem of applications**
- 8 Using AGILE methodology for the first phase of the implementation**
- 9 Not committing to testing and performance testing sufficiently**
- 10 Not developing sufficient automation and environments for deployment**

You can find the detail behind the bullets [here](#).

How can we help?

Salmon has a strong partnership with the award-winning Order Management specialist Bridge Solutions, whose retail clients include IKEA, Harrods, Shiseido and Urban Outfitters. Bridge offers many years of experience in Order Management strategy, solution design, and implementation, partnering with retailers, manufacturers, and distributors to help them improve their customer experience, increase inventory turns, and fulfil cross-channel orders efficiently and profitably.

Through the implementation of Order Management systems, together we help retailers and brands keep their promises to their customers by enabling them to deliver on-time, and provide an inspiring fulfilment experience which drives repeat purchases, helping them to maximise the value of their digital investment.

Whether your strategic objective is to enhance your customers’ fulfilment experience, increase revenue, increase inventory turns, or reduce shipping costs, we’ll work with you to develop a plan – one that includes customer journey mapping, business process development, and the phased rollout of supporting technology.

Contact us today for a discussion about your omnichannel strategy and how to reduce out of stocks, or optimise your inventory and fulfilment.

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ABOUT SALMON

Salmon is a global digital commerce consultancy – the biggest in WPP’s network of companies – that defines and delivers market-changing solutions and customer journeys for the world’s leading brands.

Established in 1989, with operations in London, Amsterdam, Sofia, New Delhi, Beijing and Melbourne, Salmon clients include Argos, Asian Paints, Audi UK, DFS, Halfords, Jumbo, LloydsPharmacy, Premier Farnell, Sainsbury’s, Selfridges and Sligro Food Group.

ABOUT BRIDGE SOLUTIONS GROUP

Bridge Solutions Group is a global strategy and technology consultancy that specialises in Order Management and fulfilment optimisation. Founded in 2010, with offices in the USA, UK, India, and Colombia, Bridge customers include Shiseido, Harrods, and IKEA. Recent awards include making the Forbes list of America’s Best Management Consulting Firms: IT-Implementation in 2017, and IBM Ecommerce Business Partner of the Year 2016. To learn more visit BridgeSGL.com

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