



# How to Recover from the **Hidden Cost of Out of Stocks**

---



Delivering Intelligent Fulfillment > [BridgeSGI.com](https://www.BridgeSGI.com)



*“72% of consumers said they’d shop at a competitor if you’re out of stock. ”*

.....

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

In 2016 IBM surveyed 1,500 U.S. consumers on their retail expectations and their opinions on out of stocks. It wasn’t pretty. In fact, 72% 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. They study revealed that consumers would also forfeit future shopping trips at a retailer if they encountered an out of stock. How many?

### **Forfeited Shopping Trips**

24% said they’d forfeit one trip, 30% said they’d forfeit two, and 13% 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.

Why? Because a whopping 79% of consumers said they will buy an out of stock item if you can locate it for them and either reserve it at another store, or ship it to their home. But there’s more... 71% of those said they’d also buy their originally intended attachment items. What does that mean?

Say a customer is buying clothes. They choose an outfit they like. Shirt and pants. But you don’t have the pink shirt in their size. The survey revealed that if you can locate that shirt and get it to the customer, that 79% of customers will buy the shirt, and 71% of those will also buy the pants. That’s a big potential revenue lift. So, if you haven’t already enabled



*“...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.”*

.....

your store associates to locate out of stocks for your customers, you're leaving money on the table.

### **How can I recover?**

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 centers. That might sound ominous, and 10 years ago it was, but today there are simple, 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.

You have many order capture and fulfillment 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, customer data, and order fulfillment status from all those systems in a single interface. It also lets you define and tweak fulfillment rules to provide an optimal customer experience.



## Order Management System



**ERP  
Systems**



**Warehouse  
Management  
Systems**



**POS  
Systems**

Because it integrates data from multiple systems you get a single, real-time view of your customer orders and fulfillment operations which enables:

- In-store pickup of online purchases
- Ship to store
- Ship from store
- Real-time order status
- Real-time returns processing, and
- 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 omni-channel fulfillment operations.

### **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 weeks. 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 customizations. 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,



## 79% of customers will buy an Out of Stock item if you can locate it for them

today's Order Management systems make that easier than ever due to their highly configurable business process engines. Configuration rather than customization keeps your long-term total cost of ownership low. But also remember, there is a large financial upside to Order Management. How big?

### What's the ROI on Order Management?

There are many ways an order management can reduce costs and increase revenue. But to keep it simple, let's do the math 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.

Now the consumer study indicates that 79% of customers will buy an out of stock item if you can locate it. So, say, your average item costs \$40. If we multiply  $79\% \times \$40 \times 72,400$  out of stocks across your store network each year, that's \$2,287,840 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?



Delivering Intelligent Fulfillment

**Headquarters, New Jersey, USA**

contact@bridgesgi.com

Main: +1.877.245.4347

Fax: +1.877.245.4348

**Bangalore, India**

sales.apac@bridgesgi.com

Main: +91 9986-BRIDGE

Fax: +91 80 4961 9831

**London, UK**

sales.emea@bridgesgi.com

Main: +44 2033188090

**Medellin, Colombia**

sales.la@bridgesgi.com

Main: +57 4 6052513

Fax: +57 4 6044731

© 2017 Bridge Solutions Group

.....  
**How can we help?**

Order Management is our specialty. And with an omni-channel retail customers list that includes Urban Outfitters, Bare Escentuals, and IKEA, we have many years of experience in order management strategy, solution design, and implementation.

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

So, if you need assistance with your omni-channel strategy, or how to optimize your order fulfillment capabilities, please contact us.

Source: IBM 2016 U.S. Consumer Expectations Study

**Want to learn more  
about out of stock  
recovery?**

*Please contact us today:*

**contact@bridgesgi.com**

**+1.877.245.4347**