



Guide to Omnichannel Inventory Management and Order Fulfillment



According to a study, customers shopping across multiple channels have a 30% more lifetime value. In fact, 87% of retailers believe that omnichannel marketing strategy is critical or very important for their business. As e-commerce and retail transform into multi-channel businesses, customers are increasingly making use of multiple touch-points before making a purchase.

Omnichannel refers to a brand's operation through multiple channels to provide a seamless shopping experience to customers, whether through a mobile app, website, or a brick and mortar store. This doesn't just include a brand's presence across channels but also inventory integration, customer service, and sales. Omnichannel more than ever before seeks to place the customer right at the center of the action, makes customer convenience indispensable, and challenges retailers to craft their operations around them.

Why Omnichannel is a Winner



In a survey of 1200 shoppers across the US, it was recently found that 41% shop from a website, 16% shop from an app, and 43% shop in-store. This goes to show that customers are well split between offline and online shopping modes, and highlights the need for brands to incorporate omnichannel strategies in their sales.

Omnichannel is transforming the retail and e-commerce industry due to the sheer ease and accessibility it provides to the customers. Omnichannel retail provides some very concrete benefits that translate into measurable gains for businesses.

CUSTOMER RETENTION

Businesses that employ cross-channel marketing enjoy a 13% annual improvement rate in customer retention. This is because customers want to buy in the most convenient way possible, and omnichannel enhances their shopping experience, leading to satisfaction and loyalty. Customers are likely to stick to a brand that provides maximum maneuverability to interact with their numerous touch-points.

INTEGRATING ONLINE AND OFFLINE SHOPPING EXPERIENCE

As customers can easily navigate through various channels of communication, they are increasingly engaged with the brand. For instance, a customer may be able to avail a discount, or offer, that he just received on his mobile app, at a physical store. The connected shopping experience brings about convenience, satisfaction, and even higher levels of customer advocacy for the brand.

INCREASED MARKETING EFFICIENCY

By making a comprehensive database accessible to customers across different channels, retailers can increase the visibility of their products, along with promotions and offers, and hence experience greater efficiency in their marketing effort.

CAPTURE BETTER CUSTOMER INSIGHTS

Omnichannel provides a unique opportunity for retailers to gather customer data through numerous touch-points and gain deeper insights into buying patterns. This allows them to craft customized promotions and communications for each coherent customer segment, thus completing the full circle of their marketing effort.

Omnichannel Translates into Profitability



Omnichannel retail provides fluid experiences to customers across channels and ensures companies provide customer-centric experiences. By having the right omnichannel inventory management practices in place, a retailer can achieve a number of benefits.

STEP 01



Keep your inventory moving

One of the major concerns for retailers is lower inventory turn-around time that could result in unsold stock and piling up of dead stock. By sharing stock data across wide-ranging channels, omnichannel maximizes the exposure of the inventory and reduces stagnation. Players such as Walmart are already bringing in the “endless aisle” concept which enables in-store customers (who can’t find a particular product in the store) to browse the entire inventory online and have the item delivered to their homes or another physical store.

STEP 02



Upsell and cross-sell

Businesses can use mails, push notifications, and texts to recommend complementary items to their customers. Likewise, by providing in-store pickup service on products purchased online, retailers can increase the likelihood of cross-selling and impulse purchases at the store.

STEP 03



Higher profit levels

A better customer experience characterized by convenience can go a long way for a brand in terms of increasing its profitability. According to Qualtrics research, companies that earn \$1 billion gain an average of \$700 million annually for 3 years, simply by focusing on and investing in customer experience. Brands can earn higher profits by analyzing in-season demand and redistributing stock from low-performing stores to high-performing stores. Rather than putting a single discounted price for the entire SKU, brands can charge the customers accurately and dynamically according to the demand. By exposing 100% of the inventory across all sales channels, brands can increase the likelihood of sales as demand can come from any POS.

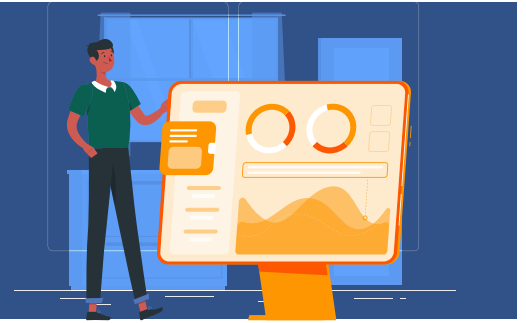
STEP 04



Respond to a competitive marketplace

As the number of sellers and the range of products explodes both online and in-store, customers can easily compare prices, choose between sellers, and opt for convenient delivery. Slightest change in prices and fulfillment features can therefore have a significant impact on your conversions. By having the right omnichannel processes in place, both in terms of back-end as well as sales, businesses can meet these challenges better, and respond to an increasingly competitive marketplace more effectively.

Aspects of Omnichannel Inventory Management



Omnichannel creates a lot of challenges and complexities for retailers at the backend. Whether customers are purchasing online or at a physical store, retailers have to make sure the inventory is available at each touch-point. This requires seamless coordination across functions and channels to ensure the right products are at the right touch-points.

It demands the establishment of special capabilities to handle the complex operations and ever-growing piles of information:



A software solution capable of handling multiple sales channels



Comprehensive information about customer buying patterns and trends to ensure the right products are in the right place



Accurate forecasting capability to ensure there are no stock-outs or dead stock

With omnichannel inventory management, a lot of inventory data and physical products are in a constant state of flux. As such, maintaining the highest levels of visibility and traceability through technologies like barcoding is an important aspect of omnichannel inventory management.

The physical and online stores must be housed on a single inventory management software, failing which users will experience gaps such as incorrect out-of-stock status on certain products. To handle such complexities with ease and agility, a robust automation-based Warehouse Management System is necessary for omnichannel inventory management. WMS enables retailers to sync order fulfillment across channels simultaneously and inventory data is presented in the form of detailed reports facilitating better purchase decisions.

An inventory management system apart from providing core benefits also helps users in other areas of the business such as bulk processing with shipping labels, or storing inventory data and channel information in one place. This is crucial as businesses are increasingly moving away from manual stock-taking to automated inventory management systems to reduce the chances of errors. It also helps in managing complexity in retail that Excel spreadsheets cannot cope with.

Overall, the most essential outcomes of omnichannel inventory management are:

1

Integrating end-to-end supply chain

2

Faster re-commerce for earning better margins on returned stock

3

Enhancing operational efficiency and strategic expansion as your business grows

4

Maintaining visibility to avoid the risks of out-of-stock and understocked inventory

5

Creating a customer-centric supply chain management system and enhancing CX, satisfaction, loyalty, and repeat purchase



Challenges of Omnichannel Inventory Management



Omnichannel inventory management comes with a few inherent challenges that brands must strategize to overcome. The main challenges revolve around increased complexity, accurate handling of data, and seamless coordination of physical goods and information across channels.



Supply chain gaps

Coordinating between different channels and ensuring there are no gaps in inventory visibility can be difficult. It requires leveraging software solutions such as WMS and housing the entire inventory data on a single platform.



Data mismanagement

As the size and complexity of the business grows, omnichannel inventory management systems have to be focused on greater data accuracy and database integrity. The smallest human errors can cause a snowballing effect across functions and result in significant loss of business.



Order inaccuracy

A number of new and upcoming parameters such as OTIF (On Time In Full) are highly useful in determining the levels of order accuracy. Increff WMS offers the image mapping feature which enables the picker to see the image of the product ordered by the customer ensuring 100% accuracy in picking. Without healthy levels of order accuracy, business competency can be seriously compromised, especially in the face of stiff competition across the industry.



Inefficiency in order tracking

To ensure complete visibility and the highest levels of accountability, seamless order tracking is an essential aspect of omnichannel inventory management. Poor order tracking can cause delays and disruptions in fulfillment, affecting customer experience directly. Barcoding and serialization are effective ways of ensuring proper tracking of inventory within the warehouse and throughout the supply chain.



Increasing Inventory storage costs

Multichannel exposure of inventory means requirements for a larger storage space overall. A strategic approach towards expanding the storage space, while at the same time controlling storage costs is the way forward, failing which retailers can pile up unnecessary costs, or face a shortage of space, leading to a hurried clearance of goods. This requires a strategic balance between CAPEX and OPEX while expanding your storage space.

How Omnichannel is Transforming Order Fulfillment



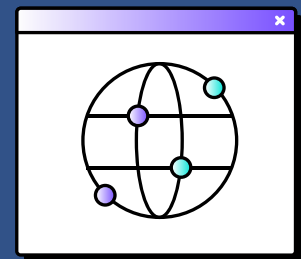
After a customer places an order through any channel, it must be fulfilled by putting to use all the available resources and options across channels. For instance, a customer interacting and placing an order on an app can receive the item at a nearby store. This kind of fulfillment utilizes the full extent of a retailer's resources and puts into use a variety of order management strategies.

A number of new fulfillment strategies such as ship-from-DC, ship-from-3PL, ship-from-store, etc., are now changing the order fulfillment dynamic and making the brands increasingly customer-centric.

Omnichannel order fulfillment can become highly cost-effective as compared to conventional fulfillment if the right strategies such as distributed warehousing and Omnichannel fulfillment are put in place. It also enhances the robustness of the retailer's delivery network. In case one fulfillment route fails, the retailers can resort to using an alternative route. This can be critical in case of a contingency or emergency such as a natural catastrophe.

Omnichannel order fulfillment also plays a huge role in enhancing customer satisfaction, retention, and repeat purchases, thus ensuring a consistent revenue stream.

How Technology Drives Omnichannel



Technology lies at the heart of omnichannel retail and can help optimize the fulfillment capabilities and reduce the costs associated with it. An inventory management system for instance helps enhance the visibility of the inventory throughout the supply chain to guarantee product replenishment and order delivery in a cost-effective way. Using data analytics to enable demand planning and forecasting enables retailers to maintain accurate levels of inventory as per market conditions, seasonality, etc.

Omnichannel focuses on customer convenience and ensures the service is tailor-made for them. This is because omnichannel allows customers to shop at any platform such as an app or website, and get the product delivered according to their convenience by home delivery, or in-store pickup. Likewise, rather than going through the hassle of conventional return options, they can simply walk into a store and return the item there.

At the backend, high levels of customization offered by omnichannel means picking and shipping dissimilar order types at the same time and from the same location. These vary in terms of size as well as features and are usually clubbed under wholesale, retail and ecommerce order types. Without an effective technology in place, this could create confusion and cause errors. Dispatching wrong orders due to faulty picking doesn't only lead to higher rates of returns but also customer dissatisfaction and churn. Software solutions like Increff use automation to avoid such costly errors and use digitization to make warehouse processes more accurate and efficient.

All the components of omnichannel order fulfillment must work in tandem. Errors in one function have chances of bleeding into other functions as well. A comprehensive WMS must be in place that houses all the components of the supply chain on one platform. This streamlines the inventory, storage, merchandising, fulfillment, and returns seamlessly and establishes robust communication between each function to create an efficient workflow.



Bottomline



Omnichannel comes with plenty of challenges for retailers as it seeks to increase the level of customization and take customer convenience to the next level. But with robust algorithms and data-driven technologies and software solutions, brands can successfully meet the growing challenges of omnichannel, while at the same time keeping operations accurate, error-free and cost-effective. As new parameters and benchmarks for fulfillment are being set across the board, having the right technology in the arsenal is the only way forward to transform the retail experience and achieve new heights of excellence in inventory management and order fulfillment.