Seven Order Fulfillment Strategies to Fast Track Your E-Commerce Business Growth

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Most e-commerce businesses start small, fulfilling daily orders using manual processes and handling growth by simply adding more staff, more shifts and more storage. This approach can work to a limited extent, but with increased success comes increased order volume, lines per order, complexity and the inevitable need to upgrade to a fulfillment facility with some level of automation. By the time a growing e-commerce business is handling 3,000+ orders per day with 500+ SKUs (or less with bulky items that take a lot of warehouse space), a manual fulfillment operation can quickly reach a productivity plateau followed by diminishing returns due to higher labor costs, order/inventory errors and the inability to get orders out the door on time, particularly during peak seasons. As a result, the handling cost per piece rises and erodes the operational efficiencies and cost savings expected with higher order volumes. In this white paper, we’ll share seven proven order fulfillment growth strategies plus some tips that can help you get your orders out the door more efficiently, accurately and cost-effectively as your business grows and seasonal demand occurs.

1. Find a Way to Analyze Your Business Data In Order to Build Order Profiles

Growing e-commerce companies all use some form of management software for their fulfillment operations, even if they still work with paper printouts and enter orders manually. Collecting and analyzing order data from these software systems is an important step in preparing for seasonal and peak demand patterns. Historical data can show order profiles, reveal customer preferences, identify the most profitable SKUs and organize categories of fast and slow movers. It sounds easy, but extracting this information can be challenging, even for large companies with Enterprise Resource Planning (ERP) solutions and Warehouse Management Systems (WMS).

Order profiling and warehouse planning can be fast-tracked with the addition of a real time order fulfillment software solution. Look to an experienced material handling software solutions provider who offers order data analysis as well as warehouse operational assessments and system designs. See Fig. A.

TIP: Dedicated order fulfillment software is an invaluable aid for profiling an operation. It provides historical measured performance information to help with wave planning, storage and retrieval logistics, replenishment and restocking locations, optimized slotting to minimize walk time and improve labor efficiency.
2. Choose the Right Order Fulfillment Solution to Manage Demand Cycles

When high-growth operations reach the tipping point of 3,000+ orders per day with 500+ SKUs in inventory, it is time to investigate order fulfillment automation solutions before declining throughput and accuracy impact the bottom line.

The basic building block of early stage automation is an easy-to-deploy order fulfillment software that drives a range of pick directive solutions. The software will communicate with other management systems and direct picking solutions, including paper-based, pick-to-light, pick-to-cart, or voice-directed pick equipment, to increase the efficiency of existing order fillers. An advanced software design provides for quick integration (with minimal training effort) of temporary workers to handle peak and seasonal order demand.

In addition to streamlining the training of seasonal workers, other advantages of order fulfillment software include: real-time notifications and adjustments to process anomalies, shorter walk times, improved order accuracy, simplified training, support of multiple languages, real-time performance and workload reporting, as well as data profiling for daily fine tuning of system performance and future planning.

Consider a solution that supports automated and dynamic workflow adjustments and can quickly respond to velocity and profile changes. This allows operations to optimize order batching and dynamic slotting to handle specials and flash sales as well as to keep pace with rapid changes in buying trends.

**TIP:** Plan for success. Choose an affordable and scalable option that can easily expand as you grow. Partner with a solutions provider that offers installation, on-site training and 24X7 aftermarket support of its equipment to ensure you invest in the right technology at the right time.
3. Cross Train Employees for Periods When Throughput Is All That Matters

Anticipating and managing SKU demand fluctuation is one of the main challenges of a fast-growing e-commerce operation. Fast movers and slow movers can change from day to day and month to month throughout the year, impacting order filler efficiency, pick density, walk times and replenishment cycles. While adherence to a well-defined and efficient production plan is important, there will be times when businesses have to trade efficiency and productivity of individual employees with full system capacity utilization.

Cross training all able staff (including back office employees) to fill orders can help meet throughput demand and reduce the cost and impact of adding seasonal contract labor. While cross-trained staff might be less efficient than experienced order fillers, they can help increase overall throughput. As an added positive effect, cross-training also helps to remove silos within an organization as employees are exposed to and learn to appreciate different facets of the business.

Pick planning and order batching allows operators to add order fillers without creating downstream bottlenecks. “Mirroring” - duplicate slotting of high-demand SKUs in a forward pick area - becomes extremely important to spread out process volumes and reduce congestion and unproductive competition for product and resources. Order fulfillment software can distribute the pick volume across the “mirrors” so that labor and assets become more productive and better utilized.

**TIP:** Optimize slotting of fast-moving SKUs and pay attention to order filler ergonomics as a cost-effective method to maximize throughput. Fast and medium-moving items can be stocked on flow racks in the “golden zone” area between the order filler’s hip and shoulder, while slow movers are stored in the “reach and bend” area.

4. Push the Delivery Window

Accommodating last minute orders is a crucial competitive factor in e-commerce. There are several strategies successful DC managers can use to extend the daily order cut-off time. A first step is to frontload the morning with replenishments and to pre-stage fast movers in order to free resources for afternoon or evening picking.

**TIP:** Sending an order filler around the warehouse to fill just one order is an inefficient use of time. Apply the method of optimized batching to combine like SKU orders into one postponed pick order, saving time and driving efficiency while still meeting your customers’ ship time windows. Advanced order fulfillment software can decide when to release orders to ensure the highest level of productivity while meeting customers’ level of service requirements.
5. Manage Order Accuracy

Successful and fast growing e-commerce operations with automated order fulfillment systems have a competitive advantage over manual fulfillment competitors because they offer near 100% order accuracy. To determine the impact of inaccuracy in a manual fulfillment operation it is necessary to calculate the ratio of error-free orders over the total orders shipped, including the number of shorts and returns. This creates a baseline and key performance metrics for productivity goal setting.

**TIP:** A real time order management system provides accountability and visibility into order accuracy, alerting operators of errors before the shipment goes out the door. This is key to maximizing labor efficiency and preventing inaccurate shipments.

6. Reduce the Impact of Returns

Product returns are an integral part of any e-commerce business. A portion is due to inaccurate fulfillment, but there is also a costly trend towards “private dressing room” orders of multiple colors and sizes of which most will be returned.

Costs of returns, including shipping, lost revenue, cost of reverse logistics and customer dissatisfaction, should be calculated and built into product pricing to minimize the impact on the bottom line. In many cases it can be more cost-effective to discard certain SKUs than to incur restocking costs.

Returns handling can be sped up by staging a quality inspection at the receiving dock to make restocking decisions and to return products back to inventory as quickly as possible. The ultimate challenge is to use fulfillment data to define a returns policy and a pricing strategy that strikes a rewarding balance between customer satisfaction and full costs of returns.

**TIP:** Once you decide which items to accept and restock, use the same outbound picking technologies for your inbound logistics, getting SKUs back to their location as efficiently as possible for resale. For example, a cart picking solution could be used for returns restocking in addition to outbound order fulfillment throughout the day. You can also leverage your order fulfillment software to analyze your order history to anticipate the volume of “private dressing room” returns.
7. Ready to Grow? Ask an Expert

Fast growth and long-term success in e-commerce requires more than just a good website and marketing strategy. Successful Internet retailers realize sooner than later they are in the order fulfillment business, and they utilize many of the strategies outlined above.

Not sure if you are ready for automation? If you start too early you might have unused capacity. If you act too late, the impact of lost sales and lost customers might prove difficult to overcome. The good news is there are specialized advisers who can evaluate your growth trajectory to determine the best time to automate and recommend a modular, just-in-time approach to successful technology adoption.

**TIP:** Check out order fulfillment systems suppliers and ask for an operational assessment. Reputable suppliers will offer advice, and if appropriate, make an affordable evaluation of your operations in as little as 2-3 hours.