Seven order fulfillment strategies to fast track e-commerce business growth
Most e-commerce businesses start small, fulfilling daily orders using manual processes and handling growth by simply adding more staff, shifts and 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 handles more than 3,000 orders per day with over 500 SKUs, a manual fulfillment operation can quickly reach a productivity plateau with too many workers in restricted spaces causing physical congestion. The operation experiences diminishing returns due to order and inventory errors, higher labor costs and the inability to get orders out the door on time, particularly during peaks. As a result, the handling cost per piece rises, eroding the cost savings and operational efficiencies originally expected with higher order volumes.

This white paper shares seven proven order fulfillment growth strategies, plus tips to help get orders out the door more efficiently, accurately and cost-effectively as businesses grow and experience seasonal demand.

1. Analyze business data to build order profiles

Growing e-commerce companies all use some type of software to manage fulfillment operations, even if they still work with paper printouts and enter orders manually. Collecting and analyzing order data from software systems to fuel informed management decisions on staffing allocation and system layout is an important step in preparing for seasonal and peak demand patterns. Historical data can show order profiles, explain customer preferences, identify the most profitable SKUs, forecast labor needs and organize categories of fast and slow movers. The empirical benefit of this information is obvious, but actually extracting it 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 continuously optimized with the addition of a real-time warehouse execution system (WES). Look for an experienced material handling solutions provider with a broad product lineup and the expertise to provide order data analysis, warehouse operational assessments and system designs that optimize each part of the order fulfillment puzzle. See Fig. A.
TIP: A dedicated WES is an invaluable software tool for managing order fulfillment processes. It uses historical performance information and constant analysis of orders, labor, equipment and inventory to optimize wave planning, storage and retrieval logistics, replenishment and restocking locations, and slotting to minimize walk time and improve labor efficiency.

2. Choose the right order fulfillment solution to manage demand cycles

The basic building block of a scalable automation solution is a system that not only drives a range of pick directive solutions to increase efficiency of order fillers, but also manages automated equipment to keep fulfillment running at peak efficiency as maturing operations make increased investments in automation.

A WES includes a range of seamlessly-integrated picking technologies and also manages the entire fulfillment process, beyond manual processes. It directs automated equipment and communicates with other management systems to deliver:

- Real-time notifications
- Adjustments to process anomalies
- Real-time performance and work load reporting
- Coordinate labor and volume balancing between work zones
- Shorter walk times
- Improved order accuracy
- Simplified training
- Support for multiple languages
- Data profiling to finely tune system performance and future plans
A key benefit of implementing a WES is its support for automated and dynamic workflow adjustments and ability to quickly respond to velocity and profile changes. This synchronization is especially beneficial for an e-commerce distribution center (DC) that typically has more individual work zones than a traditional retail DC, with kitting, wrapping and other special services. Optimizing order batching and dynamic slotting allows operations to handle specials and flash sales, as well as to keep pace with rapid changes in buying trends.

Available as an independent system or as part of an integrated software package with a WES, labor management software can expedite integration of temporary workers to handle peak and seasonal order demand. The most robust LMS stores the historical performance of full-time and seasonal workers and grades it against productivity standards, allowing operations to make more informed staffing decisions.

**TIP:** Plan for success. Choose a scalable, software-based option that can easily expand as growth requires. Partner with a solutions provider that offers installation, on-site training and 24X7 aftermarket support to ensure investment in the right technology with maximum utility throughout the system’s lifecycle.

### 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, efficient production plan is important, there are times when businesses must trade the efficiency and productivity of individual employees for 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.

The right technology can help. Voice solutions can get new pickers up and running in less than half a day through clear, step-by-step verbal instructions. LMS also offers training curves to set realistic expectations for inexperienced order fillers and allow management to better gauge progress.

Pick planning and order batching allows operators to add order fillers without creating downstream bottlenecks. A fulfillment technique called mirroring, which involves 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.
Warehouse execution 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 area between the order filler’s hip and shoulder, known as the golden zone, while slow movers are stored in less-convenient, reach and bend areas.

### 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 daily order cut-off times. A first step is to frontload the morning with replenishments and pre-stage fast movers in order to free resources for afternoon or evening picking. As businesses mature, investment in an automated storage and retrieval system (AS/RS) offers quick access to cartons, totes and trays, an ideal solution for operations with high-turn inventory storage and short order cycle times.

**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 orders with similar SKUs into one postponed pick order, saving time and driving efficiency while still meeting ship time windows. An advanced WES can automatically release orders at the best time to ensure maximum productivity while meeting service level requirements.

### 5. Maximize order accuracy

Fast-growing e-commerce operations can gain a competitive advantage over manual competitors with automated order fulfillment systems. Automated picking technologies like voice and lights offer proven, timely return on investment and enable near 100 percent order accuracy and up to 35 percent increase in productivity. In addition to accumulating reverse logistics costs, shipping the wrong product also levies costs in the form of low customer satisfaction, greatly diminishing chances of repeat business.

Determine the impact of inaccuracy in a manual fulfillment operation requires calculating 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 fulfillment 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

Processing returns is an integral part of any e-commerce business. Some returns are due to inaccurate fulfillment, but there is also a costly emerging trend known as the private dressing room, in which customers order multiple colors and sizes, with the intent of returning the majority of the original order.

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

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

**TIP:** After deciding which items to accept and restock, use the same outbound picking technologies for inbound logistics, getting SKUs back to their location as efficiently as possible for resale. For example, a cart picking solution can be used for returns restocking in addition to outbound order fulfillment throughout the day. Robust software can also analyze order history to anticipate the volume of so-called 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 they are in the order fulfillment business sooner rather than later, and utilize many of the strategies outlined above.

Not sure when to automate? Starting too early risks unused capacity, but acting too late could mean lost sales and lost customers that might prove difficult to overcome. The good news is that reputable system suppliers offer designated operations and solutions development teams to formulate an automation solution that optimizes today’s operations while also providing a scalable platform to handle future expansion. These specialized advisers can evaluate growth trajectory and current operational needs 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 can offer advice and make an affordable evaluation of operations in as little as a few hours.

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