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Top 7 eCommerce Fulfillment Challenges and How to Overcome Them

Top 7 eCommerce Fulfillment Challenges

1. Reverse Logistics
2. Fast Delivery
3. Scaling Fulfillment
4. Data Visibility and Reporting
5. Inventory Management
6. Omnichannel
7. Inhouse vs Outsourcing

Source: https://www.statista.com/statistics/272391/us-retail-e-commerce-sales-forecast/#:~:text=Revenue%20from%20retail%20e%2Dcommerce,will%20exceed%201.7%20trillion%20dollars

Intro

In retail, the eCommerce industry has grown tremendously in the last few years, spurred on by the pandemic lockdowns and the surge in people working remotely. Convenience remains a number one priority for shoppers as they juggle multiple demands on their time — and eCommerce has stepped up its game to deliver faster, easier, more accessible service.

However, challenges remain and continue to expand as eCommerce becomes a mainstay for shoppers. Retail survival strategies during the pandemic, like curbside pickup, have become the status quo for customers. Today's shoppers expect multiple fulfillment options — for in-store and online purchases. They expect fast (2 day) delivery, to be kept continually updated in real-time of their order's status, and to be able to return items easily if they so choose.

All of this equates to retailers needing to operate more efficiently, at a greater speed, and with more accuracy at every step of the customer journey — right at a time when budgets are shrinking, inflation is high, supply chain disruptions are still causing delays, and transportation costs have skyrocketed.

The pressure is on. However, savvy eCommerce retailers understand that addressing key issues now not only improves today's customer experience and revenue — it sets them up for success in the years to come.

In this ebook, explore some of the top challenges — and solutions — facing eCommerce retailers today, and learn how you can improve your business's resilience and lay a foundation for a strong future.

Reverse Logistics

Reverse logistics is the returns process. It is essentially sending products back up the supply chain in reverse order — from the customer, sometimes all the way back to the manufacturer. No matter how many steps back the product needs to go, reverse logistics creates challenges that must be overcome to deliver positive customer experiences.

While it may seem that reverse logistics is a secondary priority compared to the original purchase process, eCommerce retailers need to be aware that the returns policy is typically a key component in the original buying decision. In other words, customers expect an excellent, hassle-free, easy and free (or minimal cost) returns process and if that is not promised to them upfront, they will choose a different retailer. The returns process is integral to the entire customer experience — and retailers have to nail this in order to retain customer loyalty.

Challenge	Solution
Process must be as streamlined and efficient as the purchasing process.	Integrate data and applications to ensure that customer data can flow across channels, stores, and the supply chain as a single source of truth — cohesive, reliable data that can be easily shared across systems ensures that everyone in the reverse logistics process will be making decisions based on the same data. Connected data and applications leads to automated workflows and processes, which streamlines the customer (and employee) experience.
Inventory that is returned is expensive to manage.	Reverse logistics is expensive. Not only must retailers provide refunds or replacement products, but they then must deal with the returned inventory — either repackaging and restocking it, obtaining a replacement if it's defective, or having to dispose of it if it cannot be sold again. Containing these costs requires a streamlined process and clear policies that ensure products are made profitable again as quickly as possible or returned to the manufacturer quickly.
Customer experience starts in negative sentiment and must be re-won and affirmed.	When a customer has to return a product, it means that product in some way failed to please the customer. This may be simply that they didn't like it, or it may be that it is defective. Return customers engage the retailer already in a negative sentiment and it is the retailer's return experience that will either re-win and retain that customer's loyalty, or lose it. It is more important than ever to make sure the returns process is easy and pleasant for customers.
Warehousing and/ or store space is limited.	Returned goods take up space in warehouses and on the store floor. This space is limited and storing returns is costly. Some retailers have entertained the idea of issuing refunds but allowing customers to keep the unwanted items, as the cost of doing so offsets the cost of processing returned goods.

Fast Delivery

Amazon set the bar for two-day delivery and is resetting it for same-day delivery in many urban areas. Other major retailers have followed suit and customers today expect all eCommerce retailers to be able to provide two-day delivery. With the pandemic, customers eased up on their expectations, but have since returned to this gold standard. Fast delivery is a promise eCommerce brands make to customers, but executing it requires multiple fulfillment partners all doing their part to make it happen. This interdependency is partly why retailers must ensure their data and applications are integrated and that processes are automated.

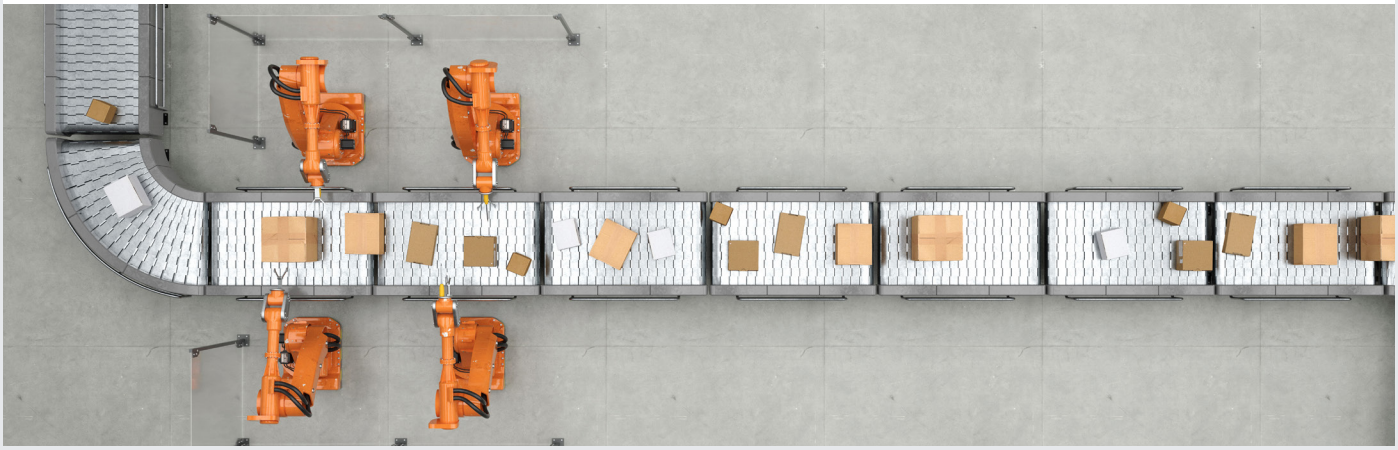
Delivery speed is part of the customer's buying decision. This information needs to be clear and upfront before checkout, and shoppers should be provided a range of shipping speeds and options to customize to their preferences. Most customers are willing to pay premium rates for the fastest shipping options; however, a majority will choose free, two-day shipping for non-urgent items and will choose a retailer who offers this over one that doesn't.

Challenge	Solution
Delivery dates depend on fulfillment processing times.	Your shipping speed can only be as good as your fulfillment speed. While you cannot control unexpected delays when you hand off the package to your carrier, everything that happens in the pick-and-pack process ahead of that can be. Reducing errors in order accuracy with a streamlined process and integrated data, and implementing robotic pick-and-pack partners that can fulfill orders faster are ways to speed up the fulfillment side of things.
Retailers have no control over the shipping carrier's ability to deliver on time; however customers blame the brand, not the carrier, for shipping delays.	Negotiate with carriers for the best rates and on-time SLAs; but also ensure that carriers are using automated shipping and delivery notification systems that keep customers informed in real-time every step of the way. Customers track their packages and check on their status frequently; the more informed they are of where their package is in the process, the less likely they will be to engage customer services — which reduces customer service costs. Make sure carrier systems sync with your order fulfillment system so everyone is on the same page. Lastly, make sure carriers' customer service is delivering great customer experiences. Customers will reach out to the carrier for delays or missed shipments, but they will ultimately hold the retail brand responsible for a negative customer experience.
Last-mile shipping costs are high.	Many retailers find that last-mile delivery (from the carrier to the customer's chosen delivery location) is the most expensive part of shipping. To counter this, retailers are shifting to micro-fulfillment centers and store fulfillment centers that keep inventory closer to customer locations. Additionally, promoting store fulfillment like buy online, pickup in-store (BOPIS), ship-to-store, buy online, return in store, or curbside pick up alleviates the transportation costs of last mile delivery.
Shoppers expect retailers to deliver fast, while heeding sustainability efforts.	Customers value sustainability efforts by retailers with recycled(able) packaging and smaller, more appropriately fitted packaging for the size of the order. However, they also want their orders delivered quickly and to arrive undamaged. Retailers that innovate in their packaging processes can meet all of these objectives, while reducing the bulk that carriers must accommodate, ultimately allowing them to load more packages per delivery truck, and deliver more volume in less time.

Scaling Fulfillment

Retail continues to grow. In fact, revenue from retail eCommerce in the US was estimated at 905 billion U.S. dollars in 2022. The Statista Digital Market Outlook forecasts that by 2027, online shopping revenue in the U.S. will surpass 1.7 trillion dollars. To keep pace with this growth, eCommerce retailers will need to scale their fulfillment operations. More warehouses, more suppliers, more staff, more robotics, and more modern order fulfillment solutions that are rooted in real-time data visibility across the entire supply chain ecosystem will be required.

Challenge	Solution
Lack of warehouse real estate and rising costs of real estate.	Retailers will need to build new warehouses or repurpose existing buildings (like vacant shopping malls) as new distribution centers. A shift toward micro-fulfillment centers that are either in-store or near stores, and more localized to customers, may offset the rising need for real estate.
Legacy, disconnected computer systems, siloed data, and software that does not connect with other software systems makes automation tough.	The pandemic drove retailers to leap-frog their digital transformation by up to a decade, yet still many grapple with bringing their digital transformation up to speed enough to facilitate automation. Moving key systems to the cloud, integrating data and apps, and creating automated workflows are all imperative to scaling fulfillment. This is required before robotic fulfillment solutions can be installed.
Continued delays in supply chain.	While robotics will likely become a predominant component of the order fulfillment process, more management staff will be required to oversee fulfillment locations and coordinate the process.
Shoppers expect retailers to deliver fast, while heeding sustainability efforts.	The pandemic made it clear that retailers must have multiple sources for inventory in order to navigate supply chain disruptions and delays. Coordinating more sources will require a modern order management solution that provides real-time inventory visibility tracking.



Data Visibility and Reporting

Today's connected world requires connected data and systems. As pointed out earlier, without visibility into customer data and across the supply chain, it's almost impossible to deliver on customer expectations. Data visibility creates a unified view through easy to interpret dashboards that makes data useful and usable for decision making. It also enables better reporting, which helps management make strategic decisions.

For the customer, connected data that is visible across the retailer's systems helps create an easier, more personalized experience when they engage with the brand across channels. It reduces their need to provide data to the brand and lets them feel as if the brand knows their engagement history and their needs. Curating personalized recommendations and offers and delivering great customer support will require data visibility.

Challenge	Solution
Mix of legacy and cloud systems that are difficult to integrate and maintain.	Most companies have a hybrid mix of on-premises and cloud-based data and systems. However, old manual ways of integrating these systems and then maintaining those integrations often take months to complete and leave the system open to unreliable data when things break. Using a modern automated integration solution can make integrating data and applications easy, fast, and accessible for even non-technical users.
Inability to see real-time data across the supply chain or pull reports.	Integrations create the capacity to make data visible in real-time (or near real-time) so that management and data scientists can pull reports based on useful, specific, and actionable data. The ability to create a single pane of glass view across the supply chain is key to delivering on customer expectations. Talk with partners, suppliers, shippers, and third-party logistics companies to see how your systems can be integrated.
Inaccurate or unreliable data sourced from multiple locations.	Disconnected systems means data gets stored in different locations and often left and forgotten there. When retailers have to manually source data from multiple locations, it leaves room for errors and makes it difficult to know what is currently the most accurate information. Again, integration solves this problem.
Culture that is not data-based in its decision making.	Big Data has been a mainstay of business for the last two decades, however, there are still some cultures in companies where decisions are not based on data — especially in companies where data is hard to obtain or trust. Retailers need to solve their data trust issue first, and then shift to a data-based decision making policy that combines the best known data with human judgment and insight.

Inventory Management

Retailers that do inventory management well drive better customer experiences, contain and reduce inventory costs, and are better able to ensure they have the right inventory, in the right amounts, when they need it. Again, this comes down to connected data and making sure you can see in real-time your inventory status. While this once was purely a back-end function of retail, today customers are tied into the inventory management system when they browse online to see if a product is in stock, how many are available at a certain location, or if an item is back-ordered or out of stock. Integrating this data into eCommerce channels such as a website or app is part of delivering a modern customer experience.

Challenge	Solution
Lack of real-time inventory visibility.	An order fulfillment solution should provide real-time inventory visibility. Look to upgrade to a system that provides this.
Manual inventory tracking.	Moving to a modern inventory tracking system with SKUs enables you to eliminate manual inventory management, and provides the IoT basis for next-generation inventory management aided by artificial intelligence.
Inaccurate inventory data.	If you can't trust your inventory data, your customers will be unhappy. Especially in today's world of supply chain delays and hard-to-stock items, customers need to be able to rely on accurate inventory statuses when they make purchase decisions. Switching to a modern inventory management system will ensure this.
Improper inventory amounts.	Forecasting inventory for peak and other seasons has always been difficult, but without a modern inventory management system, it's almost impossible to get it right. Many of the traditional datasets used to forecast inventory before the pandemic era are no longer reliable. To ensure accurate inventory levels of the right products and to avoid over- or under-stocking in demand products, retailers need real-time inventory visibility and management systems.

Omnichannel

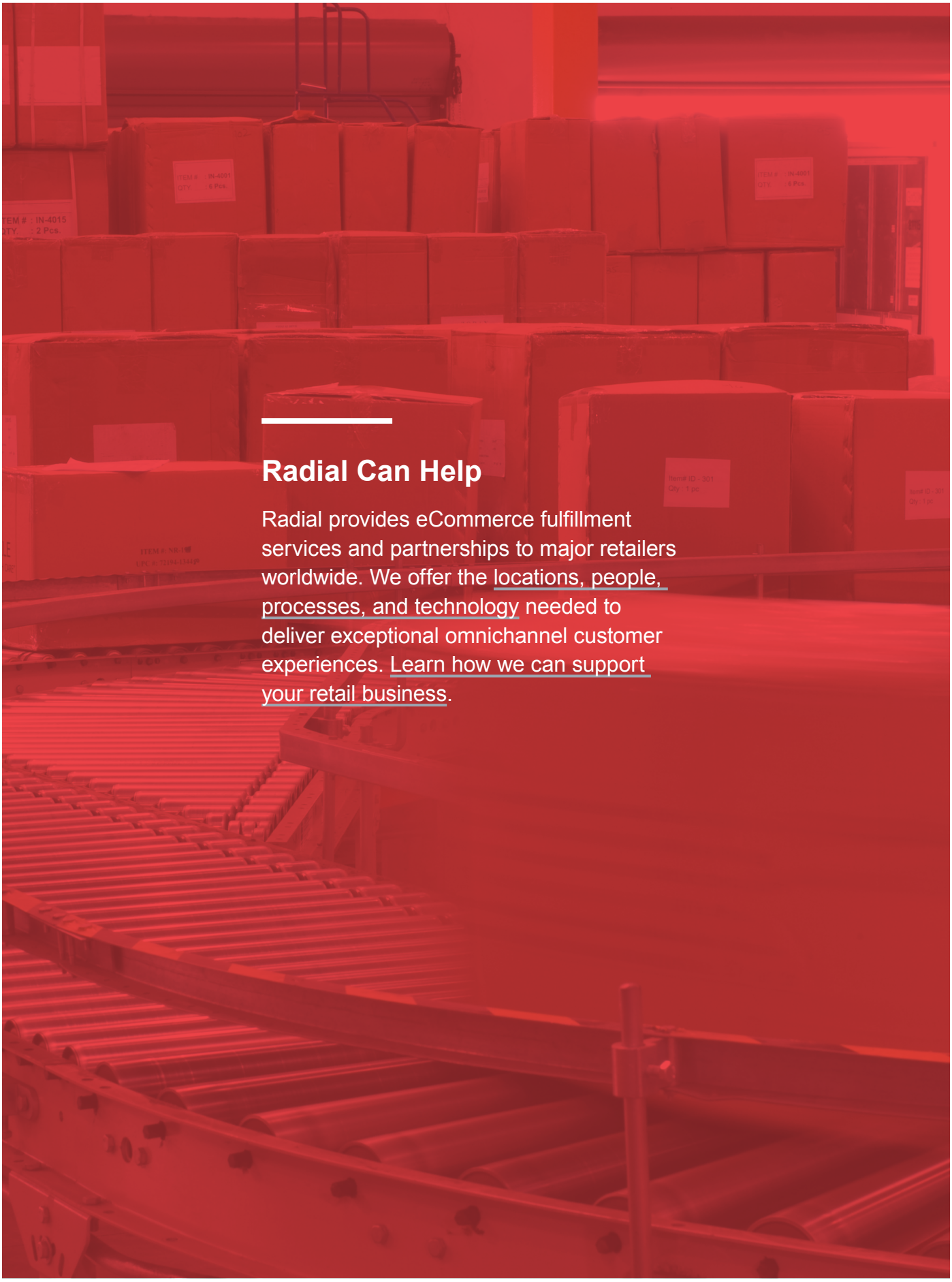
This strategy is critical for meeting consumer demands and expectations while improving operational efficiencies through channel integration. Omnichannel allows customers to purchase products online and have them shipped to their homes or buy online and pick up in-store (BOPIS). Through real-time inventory visibility, retailers can prevent out-of-stock situations while integrated order management systems streamline the fulfillment process. When customers place an order, it can be seamlessly processed and fulfilled from the most appropriate location. It's smooth, easy, convenient, and requires little to no effort from them. Order fulfillment is a critical part of this experience — and requires choreography among all the moving parts and partners. This is made possible by integrated data and systems that provide the customer with the data they need, but removes from sight the backend coordination that it takes to provide them that data. In eCommerce fulfillment, delivering on omnichannel comes down to accuracy, speed, packaging, and providing the right information to the customer at the right time. When it is done right, the customer doesn't have to exert effort regarding their order from the time they click pay to the time they receive notice that their order has been delivered. They can simply trust that their package will show up when it's expected.

Challenge	Solution
Multichannel instead of omnichannel.	It's easy to mistake multichannel for omnichannel, until you experience it. Multichannel refers to using various channels to sell products to customers; however, these channels remain independent of each other. For example, if you order from a company website, but then try to track your order on an app and it cannot find it because the website and the app are not communicating data to each other. Or, store inventory is separate from eCommerce inventory counts and managers cannot see total inventory for an item, but must track them by channel. Omnichannel shares data across channels. This is what customers expect and modern retailers must achieve to remain relevant.
Disconnected systems.	Omnichannel is only possible with integrated, connected data and systems.
Inefficient processes lead to broken expectations.	Even with connected data and systems, if the fulfillment center operations are not efficient, the omnichannel experience can be disrupted and lead to broken customer expectations. People, processes, and technology all must work together in order to deliver a seamless experience.
Poor communication.	A key element of the omnichannel experience is how customers are kept informed of the process along the way. Failing to communicate in a timely manner or not providing enough or the right type of data will break the omnichannel experience. Automating communication flows from start to finish can ensure that customers always know the status of their order and what to expect next.

Inhouse vs Outsourcing

Retail eCommerce companies often handle their own fulfillment operations until they get to a point in their growth where they either must significantly scale their fulfillment operations or choose to outsource all or part of it to a third-party logistics company that specializes in eCommerce fulfillment. This decision is a critical one for the future of the business, and is not made lightly. Scaling on their own requires significant capital and expense to build and equip warehouses, staff, and operate them. The retailer is responsible for every part of the fulfillment operations. Outsourcing to a fulfillment partner alleviates the capital expense and need for real estate and infrastructure, staff, and all the liabilities and costs associated with it. However, retailers must make sure that any fulfillment partner they work with aligns with their customer experience expectations and is capable of delivering on their promise to their customers.

Challenge	Solution
To retain full control of the fulfillment experience or trust it to a partner.	The decision of whether to retain full control and responsibility for all aspects of fulfillment or entrust it to a dedicated partner is a strategic business decision. Entrusting it to an experienced partner can provide the added scale or full partnership that allows the retail business to invest more fully on other core aspects of improving the customer experience.
Cost of expanding fulfillment vs outsourcing it.	Expanding owned fulfillment operations requires major short-term and long-term investment. Outsourcing eliminates those costs and associated risks and gives the retail business the freedom to pay for fulfillment services as long as needed. Fulfillment partners should have the capacity to scale to meet the retailer's expected growth and easily meet peak season demands.
Customer experience impact.	Whether customer experience improves by retaining control or by outsourcing depends on the retailer's current level of customer experience delivery. Fulfillment partners are solely focused on creating great customer experiences through fulfillment and invest resources in innovating on that experience more robustly than retail businesses can often do. Discuss customer experience SLAs and expectations, and be sure a fulfillment partner aligns with, and has proven evidence of being able to deliver on those expectations.
Training staff vs hiring experts.	Owning fulfillment operations requires staffing both human and robotic workforces that requires training and maintenance. While retailers can hire highly experienced fulfillment operations personnel, they will still deal with a workforce that is likely less experienced and may be entirely new to the field. Fulfillment partners are experts in the fulfillment industry and as specialists, have deep and broad experience in meeting eCommerce fulfillment needs.



Radial Can Help

Radial provides eCommerce fulfillment services and partnerships to major retailers worldwide. We offer the locations, people, processes, and technology needed to deliver exceptional omnichannel customer experiences. Learn how we can support your retail business.

About Radial

Radial is the pre-eminent B2C eCommerce fulfillment solution provider powering some of the world's best customer experiences. Global brands have trusted us for 30+ years to help them deliver a distinctive consumer experience through tailored, personalized, and scalable solutions. We partner with clients across Europe and North America with technologies such as advanced order management and omnichannel, payment and fraud management, and customer care services. Learn about our solutions at radial.com.

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