

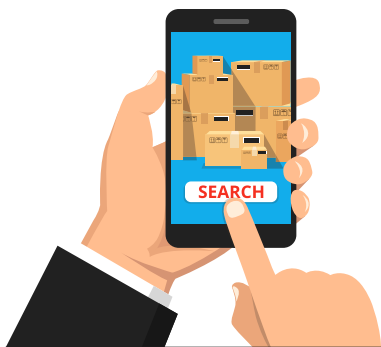
# 5 STEPS TO CHOOSING the Right Order Management System

More complex, multi-sourced orders and changing consumer expectations require real-time inventory and order visibility. Here's how to get it.

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“Flexibility is a critical part of an omnichannel OMS. A retailer needs to be able to pull the order from the appropriate location, which will vary on individual orders based on the type of customer, the type of delivery they expect, and the most cost-efficient means to deliver.”

- ARC Advisory Group

Consumer demand for and the challenges of providing seamless customer experiences in a multi-channel, multi-sourced enterprise today are a retail reality. Mercifully, so is the order and control that a sophisticated **Order Management System (OMS)** provides, some of which offer surprising speed to market. The right OMS automatically addresses your unique needs as it integrates the complex pieces required to see and pull inventory from anywhere in your supply chain. With specific rules you integrate for splitting, consolidating or multi-sourcing orders across your enterprise, your in-stock and fill-rate performance both go off the charts, as does customer satisfaction.

If your omnichannel orders need order, flexibility and accuracy — now and in the future — read on to learn more about the inescapable need for an OMS and how to choose the solution that’s best for your business.

Specifically, this Roadmap reveals:

- What challenges analysts say retailers will face as omnichannel orders grow in complexity
- Benefits of a sophisticated OMS
- 5 steps to choosing an OMS that tame current and upcoming complexities
- Brief overview of a sample implementation process

## Can't we function without an OMS?

Yes. For a while. But not well. Why?

According to Forrester<sup>1</sup>, as more retailers embrace digital touchpoints, many still struggle to adapt and grow their businesses to meet rising customer expectations for seamless experiences throughout their shopping journeys. Meanwhile, “U.S. e-commerce continues to grow at a double-digit pace every year,” said Forrester. “It is common for retailers to see 15 [percent] to 20 percent of their sales coming via the web, with significant year-over-year growth.”

E-commerce will continue to diversify. More consumers will shop, buy and check local inventory online, then buy in stores; buy online and pickup in stores (BOPIS); return in stores; and receive items shipped from stores — among other omnichannel scenarios. As they diversify their shopping journeys across channels, consumers will continue to expect fast, seamless and accurate ordering as well as convenient delivery options.

These demands create incredible technology complexities for omnichannel retailers. Cross-channel orders involve no single integration point, but layers of interaction points and a slew of business rules to intelligently route orders, ship from multiple locations and address consumer expectations. “There are significant challenges from an integration standpoint, both in terms of technology and business processes, that are slowing the growth and expansion of omnichannel operations,” said Chris Cunnane, senior analyst in the supply chain and logistics team at ARC Advisory Group.



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-BRP

## More Complex Orders

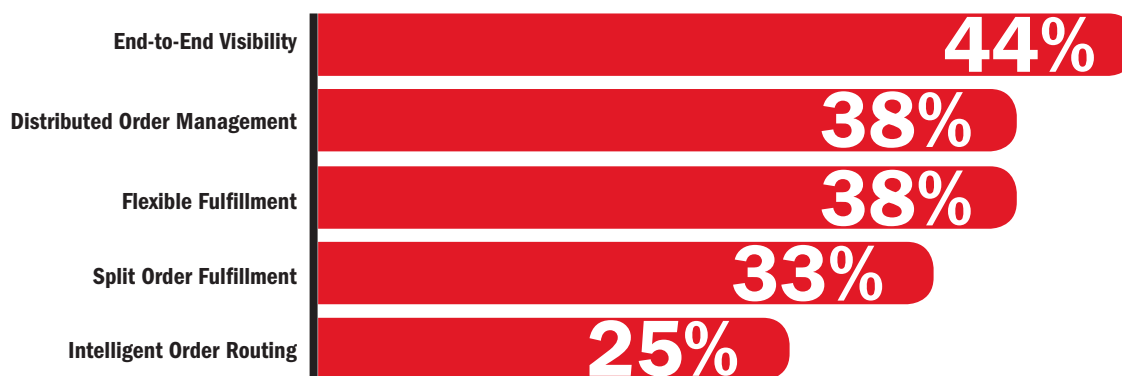
In his recent blog<sup>2</sup>, Cunnane underscored the growing complexity of orders and changing customer expectations for choices and instant gratification. More complex orders — a growing trend driving the need for a modern OMS — and consumers’ options for order and delivery mean even greater changeability down the road. As such, “flexibility is a critical part of an omnichannel OMS,” according to his blog. “A retailer needs to be able to pull the order from the appropriate location, which will vary on individual orders based on the type of customer, the type of delivery they expect, and the most cost-efficient means to deliver.”

With more options for customers regarding order and delivery, “organizations will continue to deal with greater variability and more complex order fulfillment. This makes flexibility in leveraging all supply chain network partners even more critical,” Cunnane shared.

Cunnane’s blog highlighted comments from Kate Milne, product marketing manager at Salesforce Commerce, who expressed similar sentiments around the complexity of orders and how customers’ expectations have changed. “Retail titans like Amazon and Walmart/Jet are setting new expectations for speed and ease of package delivery. ... Consumers are beginning to expect the same levels of service for all retailers; there is an expectation for choice and instant gratification. It’s critical for retailers to offer omnichannel options and optimize for speed of fulfillment.”

## Complexity Hampers Maturity

In its survey of 77 retail executives<sup>3</sup>, Incisiv, a digital transformer, found that less than half of these respondents are optimized to deliver on complex orders:



While close to half (44%) of retailer have highly optimized their end-to-end order management visibility, only 1/3 have the maturity to optimize split order fulfillment and only 1/4 have optimized intelligent order routing. By not optimizing these capabilities, retailers are:

- Losing margins
- Slowing fulfillment and
- Losing sales

“Retailers are scrambling to adapt to expectations of today’s customers,” according to the report, “and must be enabled by modern order management systems.”

Cunnane emphasized the importance of pulling inventory from the proper location to best meet the needs and expectations of customers. “Without full visibility into inventory availability, as well as order information, [the ability to meet customers’ needs and expectations] is simply not possible, and the customer will most likely be disappointed,” he said.

In addition, seasonal items, always risky business for retailers because of their finite prime selling time, can result in heavy markdowns and liquidations. As the SKU lifecycle gets shorter “fulfilling from the appropriate location becomes that much more important,” Cunnane reported.



“Worldwide costs for out-of-stocks is **\$984 billion** annually, **\$144.9 billion** of which is in North America.”

-IHL

## Out-of-stocks costing stores billions

With growing order complexity across retail channels, the lack of real-time inventory visibility and order tracking is costing stores billions of dollars in out-of-stocks — especially as consumer demand for BOPIS and ship-from-store intensifies. “Worldwide costs for out-of-stocks are \$984 billion annually, \$144.9 billion in North America,” stated IHL, in its June 2018 report titled: Out of Stocks, Out of Luck<sup>4</sup>.

There are several technical solutions that assist in reducing out-of-stocks. “First and foremost, having a single-enterprise OMS that supports inventory regardless of its location and channel for delivery is crucial,” according to the report. In addition, IHL maintained that:

- Having a single version of the truth on inventory and orders is foundational for **Unified Commerce**
- A good OMS has the ability to save the sale and optimize shipments based on the best channel to deliver to customers
- The enterprise OMS has to be smart enough to optimize shipping for the greatest margin/sales opportunity
- Solid rules for fulfillment can be a major asset in eliminating out-of-stocks

## OMS exponentially more critical

According to a **recent study from Boston Retail Partners<sup>5</sup>**, as the percentage of sales and return transactions involving multi-sourcing of product increases, along with real-time product and order visibility, the importance of an OMS grows exponentially more critical. Today’s OMS “must have the ability to deliver more complex and sophisticated functionality to support multiple ordering and fulfillment options that provide a seamless shopping experience across all channels. ... It should provide real-time visibility to inventory across the chain to support both sales and returns,” especially as more customers research and buy online, then pick items up in stores. As such, “retailers must examine their existing processes around order management and make available the entire breadth of inventory. The proliferation of same-day and two-hour delivery services has dramatically increased the demands on order management systems.”

Customers also want more communication and insight into their orders, such as where they are in the process after they click buy. An order confirmation is no longer satisfactory. In fact, “73 percent of customers want order tracking across all touchpoints but only 7 percent of retailers currently offer ‘start anywhere, finish anywhere’ order capabilities,” reported BRP, further emphasizing the need for an advanced OMS.

## Benefits of a Sophisticated OMS

The order and control delivered by an OMS is essential to providing seamless customer experiences and protecting the bottom line in today’s increasingly complex, multi-channel, multi-sourced retail environment. A sophisticated, future-ready OMS allows retailers to:

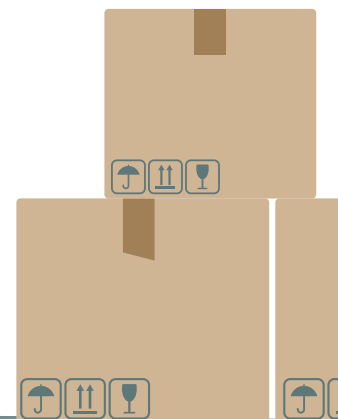
- Improve sell-through rates
- Apply fewer markdowns
- Increase margins
- Make better use of network-wide inventory
- Access cross-chain inventory regardless of location
- Turn stores into active fulfillment centers
- Streamline cross-channel returns
- Minimize out-of-stocks
- Quickly act on multiple delivery options
- Reduce number of lost sales
- Ship orders from the most profitable locations
- Reduce time in transit
- Reduce cost of delivery

### DSW Quickly Launches In-Store Pickup and Ship-to-Store across 500 Stores

“We launched in-store pickup and ship-to store across an entire fleet of almost 500 stores in six weeks,” reported Brian Seewald, senior vice president of customer experience and operations for DSW. “That is really remarkable and it speaks to [the system’s] flexibility.”

Specific results include:

- More than 500 stores enabled to fulfill online orders
- Approximately 50 percent of orders fulfilled by stores
- Margin increases for end-of-life merchandise
- Nearly 500 stores live with in-store pickup and ship-to-store in six weeks
- 200-plus brands drop shipped
- Largest ROI from third-party investment
- Seven-digit savings in 2017 peak with smarter shipping methods





## Shoe Carnival Increases Average Units by 3.93 Million

"We went from about 70,000 units, on average, to about 4 million units available to our customers," stated Kent Zimmerman, vice president of digital for Shoe Carnival. "We did more business in our first holiday season than we did in the entire year."

Specific results include:

- 250 stores live in 6 weeks and in time for season
- 5,614 percent increase in online inventory (70K units to 4M units)
- 99.7 percent of orders shipped in 2 days
- 90 percent of online orders fulfilled by stores
- 99.5 percent fill rate
- 567 percent increase in boot sales in first 5 days of peak vs. prior year's entire peak season
- Generated more revenue during a holiday season than the entire previous calendar year



"First and foremost, [to reduce out-of-stocks], having a single enterprise order management system that supports inventory regardless of its location and channel for delivery is crucial."

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## Urban Outfitters Saves \$11.5 Million in Direct-to-Customer Initiated Demand

"During the third quarter of 2017, \$23 million of direct-to-consumer initiated demand was filled from the stores," said Richard Hayne, president and CEO, Urban Outfitters.

"Without this initiative, we estimate that half of that demand would have been lost due to out-of-stock positions in our fulfillment centers."

Specific results include:

- 600 stores fulfilling online orders in US, Canada, Europe
- Live with Ship-from-Store since 2012
- Utilizing stores inventory to ensure single shipment delivery
- Decreased delivery time with tight integration with UPS
- 120-day implementation window
- More than 5M store-fulfilled orders in 2017

## How to Choose an OMS

If you've recognized your need for a flexible, powerful OMS, here are five steps in selecting the technology that's right for you.

### STEP 1: ASSESS THE LEVEL OF YOUR OPERATION'S COMPLEXITY

Document your ecosystem's demand and supply channels, and number of stores and other fulfillment options and locations. For example, does your business model require ship-to- or -from -store, BOPIS, delivery from a third-party or distribution center, vendor dropship and multi-node fulfillment? Determine which suppliers and vendors can handle the level of complexity you require, dictating the level of OMS sophistication you need.

### STEP 2: CHOOSE A LICENSED OR CLOUD SOLUTION

Most elaborate OMS technologies today go to market as cloud-based solutions, allowing retailers to focus on their businesses, rather than the complex scope of addressing every touchpoint being pulled from their ecosystems into the OMS. Vendors providing centralized, software-as-a-service (SaaS) host, configure, integrate, test, train, manage and provide ongoing retail user care. The licensed model is somewhat behind the industry now. It requires a significant upfront spend and IT talent commitment, but still remains an option.

### STEP 3: DETERMINE OMS SPEED TO MARKET

Determine how quickly you need to implement your real-time inventory and order visibility processes. Keep in mind that in this fast-changing retail environment, speed is an important consideration. Perhaps being live within several weeks is crucial to your operation. If so, which solutions allow that speed? Are modular approaches available for faster implementation?

### STEP 4: ASSESS AVAILABLE VENDOR CAPABILITIES

Consider the OMS factors most important to your operation — for example, speed to market; modularity; breadth of vendor retail experience and offering; sophistication of rules-based technology; the reports and analytics available; future readiness; amount of complexity and flexibility supported; level of ongoing customer care; and more — and incorporate questions about each when forming the vendor RFP.

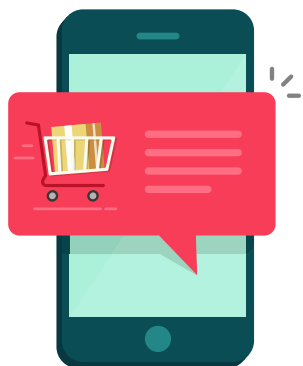
### STEP 5: SUBMIT THE RFP

Evaluate and compare vendors on an even playing field, with the same questions going to multiple vendors. Have each vendor itemize their offerings, demo their capabilities and provide current customer references.

## A glimpse at implementation

Though every retail implementation is different, here's a look at the basic elements included in a typical OMS roll-out:

- A streamlined questionnaire, vendor's and retailer's system integrators (SIs) work together to form the integration model associated with the scope of work required.
- Once the model is configured, vendor support teams assist in each launch, such as information set-up, inventory data, fulfillment rules, reporting and analytics, customer care, etc.
- Vendor supports SIs through user-acceptance testing.
- Vendor, SIs and retail management run through various scenarios — such as testing orders, inventory configurations and customer call center support — to ensure expected results.
- Deploy to production in live environment within speed-to-market parameters initially identified.



"With the e-commerce market poised for significant growth, so too is the market for OMS."

-ARC Advisory Group

## It's time to embrace or optimize your OMS

An effective omnichannel strategy is the lifeblood of any e-commerce business and a prerequisite for driving an integrated customer experience regardless of where, when or how consumers interact. Connecting these pieces to get omnichannel right is complex, requiring an investment in technology, infrastructure and people.

Following the five steps to choosing the right OMS for you allows your business to optimize inventory and profitability while always satisfying your customers. As the world moves to a more integrated commerce environment, order management has become increasingly important and "will need to come to the forefront of the omnichannel experience," reports Cunnane<sup>2</sup>. There are a number of growth factors and trends driving the OMS market, including the increasing complexity of orders, changing nature of customer expectations and shrinking lifecycle of the SKU. "With the e-commerce market poised for significant growth, so too is the market for OMS technologies."

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# EXECUTIVE

## Q&A



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### **APPAREL: How do you make an OMS future-ready?**

**Seraphin:** Today's OMS needs to be designed with the future in mind, which makes its fundamental architecture, integration points and administration critical. SaaS-based, multi-tenant systems enable rapid change to meet the evolving needs of the entire community of merchants. APIs streamline integration across the ecosystem. Sophisticated order brokering allows merchants to customize their rules based on inventory levels, promotions, store capacity, labor resources, profitability, expedited shipping, fulfillment source, etc. In other words, an OMS can no longer be a one-size-fits-all system and the administrative tools need to be role-specific and responsive to create maximum efficiency and accuracy. Perhaps most important is speed to market. Merchants can't wait a year or 18 months to implement a new OMS, nor can they wait that long to respond to new customer demands. Let's face it; many retailers are already behind, and an 18-month gap will put them out of business.

### **APPAREL: How important is business intelligence within an OMS?**

**Seraphin:** Vital. Think of it this way: How many times in your life do you think, "If I knew then what I know now..." A modern OMS must incorporate business intelligence as a complete suite of reporting and analytics to help merchants make optimal decisions to drive more profitability and ensure maximum customer satisfaction. It needs descriptive analytics that answer questions such as how many orders were generated by each channel, or what were the total gift card payment transactions? Did gift card volume spike? Diagnostic analytics track things such as how a specific promotion influenced order volume, or the reasons for a spike in order cancellations or returns. Monitoring functions keep track of the system health, status of data loads and whether a merchant is on track for daily volumes. Forecasting allows merchants to track things such as how much labor capacity should be allocated for a specific time period, and the expected demand to plan inventory needs. Predictive and prescriptive analytics give merchants the upper hand to anticipate needs by category, sellers, fulfillment location, assortment, stocking, promotions, customer segmentation, etc.

### **APPAREL: When it comes to their OMS, what should merchants be most concerned about?**

**Seraphin:** Staying ahead of the game while driving successful customer experiences and remaining profitable. This is a balancing act particularly given the pace of change today. E-commerce is growing exponentially. With that comes new demand, fulfillment scenarios, delivery options, payment methods, more fraud, and more points of purchase — all of which translate to increased complexity. Laying the right adaptive foundation now is key to retaining customers and ensuring profitable growth. Merchants need to ask themselves if it makes sense to tap a myriad of "best-of-breed solutions" or consolidate their infrastructure by partnering with fewer vendors so they can focus on running their business.