



Jeff Ross,
VP consulting, Forte

Cross-Channel Fulfillment On The Front Lines

As retailers grapple with cross-channel fulfillment models, will a clear best practice arise from the fray?

by Matt Pillar

Distribution and fulfillment models are getting more complex by the quarter. We spent some time with Jeff Ross, VP of consulting at Forte, discussing the way retailers are responding to consumers' fulfillment demands.

How are consumer-driven trends in the way retail goods are purchased and fulfilled putting new stresses on retail distribution models?

Ross: Many multi-channel retailers are seeing disproportionately strong growth in the e-commerce segment of their business as a result of consumer trends toward online ordering. Unfortunately, most multi-channel retail distribution centers have been developed and updated over the years to support store push and/or replenishment order processing, and are usually not geared for efficient e-commerce order fulfillment.

With an average of two to three+ lines per order, the order picking process for e-commerce drives excessively high cost per line or unit compared to store fulfillment orders. This is a new and growing challenge for many retailers and one that often requires the allocation of investment dollars to deploy new processes and technology.

Some retailers are talking about operating stores as DCs to facilitate the fulfillment of e-commerce orders from store inventory. This approach often meets pushback at the executive management level since retail store space is at a premium and retailers are loath to tie that space up with DC equipment and functions. There's also the

question of labor – most retail executives would agree that store-level associates should be focused on serving the retail customers and selling.

As e-commerce segments within many retailers grow, many are seeing internal competition for inventory between segments, i.e. e-commerce segment allocating a percent of inventory so it cannot be shipped to stores or outlets. Several approaches are used, depending on the capabilities of the retailer's IT systems. Some retailers set up channel-specific zones within the distribution center or use separate distribution centers for different

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channels. Others, with more sophisticated IT systems, are using virtual segmentation of inventory, yet storing the allocated product for two or more channels in the same facility, zone, and even specific pallet location. With virtual segmentation of inventory, a pre-defined quantity of each SKU is not available to other channels

and is allocated to the channel for its use only. Properly managed, this can work well, but it requires oversight to ensure that the allocated quantities are adjusted as needed to the benefit of all channels.

Consumer buying patterns are continuing to drive stock keeping unit (SKU) proliferation within the retail industry. Additional lines and SKUs stress the supply chain with additional inventory and challenges, with meeting supplier “minimum buy” quantities, and the need for additional pick locations or pick faces within the distribution centers. Retail distribution organizations have the option to accommodate the additional inventory through building of additional

Cross-Channel Retailing

distribution center space or introducing technology to improve space efficiency.

How are retailers leveraging technology to facilitate distribution in this new age of retailing?

Voice recognition technology, used primarily with food and grocery operations in the past, has improved tremendously in the past 10 years and is now being leveraged increasingly for picking within retail distribution, as is pick-to-light and sort-to-light. With the growth of mobile devices in the warehouse, retailers are focusing more on workforce efficiencies as well. Mobile technology has improved the visibility and reporting capabilities for warehouse and DC associates, enabling improved scheduling and workforce management. These refinements can help to offset the

high cost of low-quantity picking we see due to new channel demand.

Many retailers have upgraded their warehouses and DCs to more automated infrastructures, including multishuttle technology, and vertical carousels. The operating software used to drive the automated systems has seen tremendous improvement, which provides more dramatic efficiency gains and much better return on investments in automated systems than with previous versions. Additionally, many retailers are asking how the warehouse control systems (WCS) used to manage conveyor and sort systems within the distribution center can be enhanced to include functions outside the automated environment, i.e. management of replenishment from reserve locations to the automated system(s). ■

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