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THE 7 DEADLY SINS OF B2C FULFILLMENT

Fix what's broken to improve profit and the customer experience

A Staci Viewpoint

CONTENTS

Successful online sales increasingly depend on an agile, efficient back-end fulfillment operation – to drive profitability and to keep customers happy and coming back. But for logistics leaders responsible for managing customers, staff, inventory, 3PLs, carriers, tech vendors, and other partners, it's not always clear what improvement initiatives should take priority.

This eBook identifies top fulfillment mistakes made by B2C brands, and action steps that will deliver the most profit-driving bang for the buck.

1: BAD FORECASTING

Your company's fulfillment operations need accurate sales forecasts to match labor with demand. Poor forecasts beget bad labor plans that beget inflated operating costs – or worse, staffing levels inadequate to get orders out on time.

Your brand can't get fulfillment right with a slack attitude toward sales forecasts.

Big retail does a decent job with forecasting. But more pure-play online sellers treat it as a "nice to have." Here's what we see:

- Marketing doesn't inform fulfillment of upcoming promotions
- Procurement doesn't let fulfillment know when inbound products are on the way or stuck at the port
- Operations and logistics fail to leverage historical insights that can help predict upcoming volumes

The data is there. It's just not being communicated to the people making staffing decisions in the warehouse. And you're paying the price for this lack of collaboration.

- Increased labor costs from overtime and extra shifts
- Associate turnover from a stressful work environment
- More errors when poorly trained temps are brought in to meet unplanned demand
- Higher 3PL costs

How do you fix the problem?

With data.

Historical data that already exists like monthly sales averages and seasonal and day-of-the-week sales trends.

Data from marketing and merchandising departments on upcoming promotions and hot sellers.

Data from your 3PL on historical volume spikes or lulls linked to certain products or times of the year.

You need to educate marketing and other upstream functions about why accurate forecasts are so important to downstream operational efficiency and, in doing so, move forecasting from a seat-of-the-pants approach to a buttoned-up discipline.

2: A SINGLE WAREHOUSE STRATEGY

Brands need to stop saying they have a national fulfillment network when they only have one fulfillment warehouse.

When it comes to eCommerce delivery speed, you can't get to everybody in the U.S. in 1–2 days with a single warehouse.

It's impossible (unless you spend a ton on expedited shipping).

Facing this fact could save you a heap of trouble down the road. Because using a single warehouse to provide national fulfillment is nowhere near sustainable for your business – unless you have a unique or special product that customers are willing to wait for.

What are the downsides of a single-DC strategy?

- With a single DC, you're taking too long to deliver, which is bad for repeat business.
- If you're shipping cross-country, the costly, high-zone parcel moves are killing you. A multi-DC network puts products closer to customers and reduces parcel costs.
- If a pandemic or natural disaster stops shipments for a week, can your business withstand that interruption?

While a single DC makes sense for start-up brands, it's a harder strategy to rationalize if you're a high-volume B2C brand – especially since, **in our analysis, there's at least a 10% net savings when you add a fulfillment center in another region**. Sure, expansion will increase facility, inventory and labor costs. But parcel cost reductions more than outweigh these added costs.

How do you fix the problem?

Do a distribution network analysis to help you decide the optimal number of warehouses you should have and where they should be. To get this done, lean on your 3PL partner, if you have one, or outfits like Chicago Consulting that do this kind of work routinely.

The added complexity and resources required to run a multi-DC network are lessened, of course, if you work with a fulfillment 3PL that has a national network. Such a 3PL provides an easy solution to adapt and scale your network as your business grows.

3: POOR RETENTION OF WAREHOUSE ASSOCIATES

What's the single best thing you can do to dramatically increase throughput, improve order accuracy, and lower overall costs in your fulfillment warehouse?

Keep your workers!

Until machines completely replace people, the biggest productivity and profit killer in the B2C warehouse is an inability to hold on to warehouse workers.

Most acknowledge that labor is the toughest order fulfillment challenge right now. But the response tends to be more around recruitment than retention. If your workers leave as fast as they arrive, what have you accomplished – other than creating a highly efficient revolving door?

We estimate that each warehouse associate who leaves costs companies $8,500. And that's just for HR-related departure and replacement costs. It doesn't measure the productivity loss.

It can take months for new hires to match the productivity levels of their predecessors. During that time, companies require more workers for the same output. Every employee departure also results in:

- Additional training expenses
- Higher return and reshipment costs, and even lost customers
- Lower overall morale and retention

How do you fix the problem?

Simple employee care practices like the following are good investments:

- **Keep up with market wages**. If someone can earn $0.50/hour more down the street, chances are good they'll go.
- **Listen**. Formally survey and informally speak to associates to understand why they are leaving.
- **Show appreciation**. A thank you card or $25 gift card are small investments to create happier associates that stay.
- **Engage employees**. Remind associates how their performance impacts the company's success.
- **Invest in developing your middle-level managers**. They say associates don't quit companies, they quit bosses. This is certainly true in the warehouse. Hire and train supervisors who know how to effectively manage fulfillment workers.

While robots may be the ultimate solution, right now curbing worker turnover is the most effective and inexpensive way to increase productivity and boost company profits.

4: NO PERFORMANCE STANDARDS FOR FULFILLMENT ASSOCIATES

The government has education standards for Math and English, but students who don't achieve them usually still get promoted. As a result, students enter life and work with sub-standard skills...and the performance curve sinks for everyone.

Is it any different on your pick lines? How do you handle the picker with 50% of the throughput of most others?

Many companies don't have productivity standards for warehouse workers and don't measure their productivity. Without the logistics equivalent of standardized academic tests, **unproductive associates fly under the radar and your throughput falls at least 10–15% below where it could be.**

How do you fix the problem?

A productivity standard is the time it takes an average worker to perform a particular task correctly. You can set standards for almost any activity, but some of the most common in the fulfillment warehouse are:

- # of pallets that can be put away per hour
- # of lines that can be picked per hour
- # of lines that can be packed per hour
- Time required to build a specific kit

Once established, you want to communicate these standards to your supervisors and the associates doing the work. Then it's time to start monitoring that standard and applying it across your operation.

If your facility is using RF devices, you can pull productivity data right out of the warehouse management system. If you operate in a more manual environment, that information is still collectible, it will just take some extra effort.

While you might think warehouse workers would see productivity standards as a threat, studies have shown that, once informed of a target, associates usually want to meet or beat it. With that in mind, think of productivity standards as a carrot to inform and motivate all associates.

Once you establish a productivity standard, you'll have an accurate baseline that can be used to determine everything from your facility's optimal warehouse staffing to a task's actual cost. Just as important, you'll have the reality check you need to expect and get the optimal performance out of each person on the team.

5: FAILURE TO AUTOMATE AS ORDER VOLUMES INCREASE

Brands are understandably cautious about any capital expenditure in fulfillment operations. But there's a cost to waiting.

Let's say each holiday season a brand struggles to hire the needed temporary workers, bringing in 20 people to hire just one. It's a wildly expensive revolving door each year with huge training and HR costs. Automation can help solve the problem, but not if a P.O. sits on the decision maker's desk for weeks awaiting "committee approval."

Companies fail to automate for different reasons. Maybe they're concerned that customer requirements may change, making the selected technology less effective or moot. Or maybe they lack the capital to invest and prefer to add bodies in the warehouse instead of technology. In the current labor market, that strategy is less and less viable.

The consequences of overly manual processes are severe for high-volume, B2C fulfillment operations:

- High labor-to-sales ratio
- Poor accuracy from reliance on manual, paper-based processes
- Staffing challenges, particularly during peak shipping periods

How do you fix the problem?

Warehouse automation is not a "go big or go home" proposition. Companies can take a slow, modular approach to technology investments so that expenses are in line with the business's size and growth rate.

While your business is gaining traction, a predominantly manual approach supported by a Warehouse Management System (WMS) is, frankly, the right approach.

As order volumes increase, it may make sense to incorporate low-level automation solutions like box erectors and auto tape machines.

As your business matures and requires high-volume, high-velocity picking and shipping, a move to automated/smart conveyors and more advanced picking technology like voice picking and pick to light makes sense.

A modular approach allows you to deploy systems and automation when (and only when) your volume dictates. As a result, you can funnel available cash to where it's most needed and avoid getting tied into inflexible processes or investments that may not be a good fit for your business as it grows and changes.

Another option for leveraging automation while reducing your risk is to engage a third-party fulfillment services company that invests in warehouse automation on your behalf as part of its service.

6: FAILURE TO OPTIMIZE PACKAGING

To reduce parcel shipping costs, don't make the mistake of only looking downstream to the carriers. It's very hard to influence those rates. Instead, look upstream. There you'll find huge opportunities to cut costs through simple changes to your packaging.

For example, why can't brands get something as simple as box size right?

We've all experienced it. That tiny thing we ordered online arrives in a box big enough for two throw pillows.

Streamlining your packaging size and form can spare your brand from looking like an inefficient, non-green-conscious bumbler, while **saving you a cool 2–10% in parcel shipping costs**.

How do you fix the problem?

Start by dialing in your dimensional weight, or "dim weight." Parcel carriers calculate your shipping costs based on dim weight, which is what carriers think the package should weigh, given its size, at minimum density. FedEx and UPS charge the greater of the dim weight or the actual weight. If you're using a bigger box than necessary, you'll pay the higher dim weight.

Combat this by rightsizing your packages. Could you go smaller using your current box selection? Maybe you need to expand your sizes to provide a more exact fit.

Every ounce you lose helps. A box weighing 2 pounds, 4 ounces will be charged at the 3-pound rate. So shave off 4 ounces to secure the 2-pound rate. If you ship 60,000 of these orders a year (ground service), that could save you between $30,000 and $82,000 annually.

Another weight loss strategy is to switch from a box to a poly bag or jiffy bubble mailer for smaller, lightweight shipments.

Box-to-bag benefits

	BOX	POLY BAG
Productivity	As many as 13 steps and 15 seconds to pack an order	Just open, fill and seal. Potential throughput increase of 3.5x
Pack Station	Adds to clutter and time to retrieve materials	Less storage space required, greater packer productivity
Protection	Filler and tape required	No filler, so related supplies and labor are eliminated
Labels	Adds time, hassle, potential for error	None if print-on-bag technology is utilized

Customers see your packaging before they see your product. Get the box size and packaging right to ensure sure your brand makes a great first impression – and, in the process, puts a serious dent in your shipping costs.

7: SET-IT-AND-FORGET-IT SLOTTING STRATEGY

After inventory costs, labor is your biggest cost bucket in the warehouse. If you can increase productivity, it's realistic to drive labor costs down up to 20% – even without major automation. That's a pretty big carrot.

Labor savings are a product of reduced time and touches, and there are dozens of strategies you could pursue to achieve these objectives. But one strategy – warehouse slotting – is both under-rated and under-utilized.

Slotting is the process of organizing inventory in a warehouse to minimize space requirements and reduce travel time. Efficient slotting lets fewer workers pick more orders, more efficiently.

The issue isn't that warehouse operators don't do slotting, but that they don't do it often enough. Typically, slotting happens at the onset of a project. But over time the volume changes or the SKU mix changes and no adjustments are made. Labor costs creep up, but very gradually, and no one attributes the increase to poor organization of inventory.

How do you fix the problem?

Assign the right resources to determine the best slotting strategy for your current orders and revisit this strategy monthly (ongoing adjustments to the existing strategy), quarterly (more substantial changes) and annually (major changes involving rezoning, additional racking or different racking solutions).

A good WMS will provide all the data you need, but it takes a knowledgeable operator/engineer to translate the data into a smarter layout. For instance, you can have 10 items in each of 10 orders or 1 item in 100 orders. It's the same volume, but the labor requirements are vastly different and the analyst must understand that.

To reduce pick time, consider the following as part of your slotting strategy:

- Put promoted/high-volume SKUs in forward-pick areas
- Create adjacent locations for products that often sell together
- Place fast-movers in locations that allow picking without bending or reaching
- Separate similar products/SKUs that could be mis-picked
- Balance picking activity across aisles to reduce productivity-killing congestion

It comes down to making sure that all the inventory is where you want it – for efficient receiving, picking and shipping. **The payoff in labor savings is disproportionately high relative to the effort – as much as 6-figures for higher-volume operations**.

NEW HEROES EMERGE

The battleground for competitive advantage in online selling is no longer product or price. It's customer experience. As a result, brands need to get order fulfillment right.

Are you ready for the challenge of fixing fulfillment?

A good place to start: see if your business is guilty of any of these 7 deadly sins of B2C fulfillment. Then start making the changes required to build a superior back-end fulfillment operation.

Let's face it, brand heroes don't often emerge from the fulfillment warehouse. But times are changing. Order fulfillment, as a function, is emerging from the shadows and is being recognized in the C-suite for its enormous potential to boost both sales and profits.

Why not be the catalyst for change your brand needs?

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About Staci Americas

Staci Americas is the U.S. arm of the Staci global fulfillment network. We give growing omni-channel brands the order fulfillment know-how and infrastructure to grow without limits. Staci Americas operates warehouses, coast to coast, for 1-2 day delivery to 95% of the U.S.

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