New research indicates that retailers spend a whopping 18 cents to fulfill every single dollar of online and omni-channel orders.

Threat...or **Opportunity**: Seven Steps to Overcoming the Shockingly High Costs of the Order Management Lifecycle

Learn how you can recover a ton of that lost revenue with integrated OMS.
That’s right. Retailers recently surveyed by EKN report that it costs them, on average, eighteen cents of every dollar of every eCommerce and omni-channel order—whether sold online, on mobile, on social sites, on a kiosk, through the call center or via endless aisle applications in the store—just to get that order into the hands of the customer.

And as traditional store-based purchases continue to decrease and omni-channel transactions continue to increase, those eighteen cents have the potential to devastate the bottom line of retailers in virtually every category.

On the other hand, those eighteen cents also represent a huge opportunity. By carefully and thoroughly reevaluating how they manage every phase of the order management lifecycle, retailers have a real chance to recoup a substantial amount of the money they’re now losing and apply real dollars directly to the bottom line.
EKN published this stunning information in their November 2015 Industry Point of View titled “Managing Order Costs and Velocity: A Route to Dynamic Order Management.” The EKN Point of View document summarizes the results of research conducted in partnership with Aptos that revealed, among other insights, the eighteen percent order fulfillment cost.

Other research, from PwC, supports the EKN findings, and also points to a potentially more ominous reality: that, when it comes to the true cost of managing the order lifecycle, many retailers may indeed be flying blind. A recently published PwC survey revealed that less than two in ten retail CEOs “believe” (as in, they “think”) they are fulfilling orders profitably.

The results suggest that more than 80% of the retailers surveyed aren’t fulfilling profitably or, worse, they just don’t know.

To make matters worse, most retailers still measure these fulfillment costs “below the line” on their balance sheets. Consequently, these costs are not always integrated into the cost of goods sold. Merchants are therefore not accounting for them when making planning and purchasing decisions.

Where exactly did we get that number?
Enough is enough!

With eight in ten retailers reporting an increase in their order management and fulfillment costs compared to last year,\(^3\) the time has come for retailers to begin seriously evaluating strategies for improving their order management and fulfillment processes.

Holiday season 2015 further highlighted the urgency. Online sales on Cyber Monday 2015 were reported to total $3.07 billion (up a whopping 16% over 2014).\(^4\) If fulfillment costs for those orders averaged 18%, then on that one single day, **US retailers spent $540,000,000 of their hard-won margins just getting their products into their customers’ hands.**
Looking forward, this revelation becomes increasingly important.

Why? Because order management and fulfillment costs, as bad as they are now, are on the rise. According to the EKN study, 2015 order fulfillment costs jumped more than 5% over 2014.\(^5\)

Moreover, as shoppers continue to include more and more channels into their shopping journeys, the number and variety of non-traditional store transactions continue to grow. A few NRF statistics from Thanksgiving Weekend 2015, as reported in the Wall Street Journal,\(^6\) demonstrate just how dramatically shopping journeys are migrating away from the stores.

- 103 million people shopped online
- 102 million people shopped in stores
- 57% of smartphone owners used their phones to shop
- 58% tablet owners used their devices to shop
The good news? Retailers are facing a tremendous earnings opportunity.

In this eBook, we'll investigate the real-world challenges that retailers face throughout the entire order lifecycle. We’ll explore the source for these costs. We’ll examine their implications to your business, and most importantly, we’ll describe strategies to help you overcome these challenges and capitalize on this tremendous opportunity to reduce costs... and apply the savings directly to your bottom line.

Say hello to the most important 18 cents you have ever counted...

**TOP STRATEGIC INVESTMENT AREAS RELATED TO ORDER MANAGEMENT**

- **52%** Optimize Enterprise-wide Inventory Control
- **48%** Improve End-to-End Order Management Visibility
- **34%** Reduce Lead Time From Receipt of Order to Delivery
Looking forward, the evidence of the continued migration of shopping journeys away from the store continues to mount. **By 2016, online revenues are expected to increase by 13.9% compared to 2013, and mobile revenues 22.6%. Simultaneously, store revenues are expected to decline by 4%.**

As more and more revenues shift to transactions that require order management and fulfillment, 6 in 10 retailers report a sharp rise in operational costs and order complexity associated with this transition. Adding to the challenge, online order increases inevitably bring an increase in same-day shipments as retailers attempt to battle Amazon.com, who has been offering same-day shipping since 2009.

Presently, eight in ten retailers are offering standard, expedited or second day order delivery. Seventy-three percent offer next day shipping, and only four in ten currently offer same-day shipping. Rapid growth of next-day and same-day offers, however, is looming. **In the next 12-24 months, 23% of retailers plan to offer next-day delivery, and same-day shipping is expected to reach 75% saturation.**
With speed comes complexity. And complexity tends to put severe pressure on the entire organization. In the past, when faced with competitive pressures for speed and/or flexibility, too many retailers responded with processes that were thrown together quickly, with an eye to fulfilling customer service expectations and much less regard for scalability, efficacy or cost.

And therein lies the (increasingly urgent) opportunity.

If history is any indication, we can expect a large percentage of the retailers that are about to add new fulfillment services and options will do so without sufficient commitment to process optimization. Consequently, those who do commit to developing efficient, scalable and repeatable processes throughout the order management lifecycle will have a distinct opportunity to gain competitive advantages in the form of lower costs, higher margins, higher earnings, more consistent service experiences, and, what may be considered the most powerful competitive advantage of all: lower prices and fees for consumers.
Numerous challenges await any retailer attempting to streamline and optimize their order management and fulfillment processes. However, the EKN survey identified three challenges that are of highest concern to the retailers they surveyed:

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Three challenges that must be overcome to capitalize on the opportunity

Numerous challenges await any retailer attempting to streamline and optimize their order management and fulfillment processes. However, the EKN survey identified three challenges that are of highest concern to the retailers they surveyed:

- CYCLE TIME
  - 45% indicate the need to improve order cycle time

- VISIBILITY
  - 44% cite a lack of visibility across order functions and processes

- ALIGNMENT
  - 51% indicate that inventory, order and supply chain operations are not aligned
When time is of the essence, productivity is paramount. And when order cycle times become protracted, you can bet that productivity has been compromised somewhere along the way.

Productivity losses in the order lifecycle are often caused by ineffective order planning workflows and poor integration between the distributed order management system, POS, inventory planning and warehouse management systems. These productivity losses add up quickly, and in most retail enterprises they represent a significant opportunity to begin taking cents out of the cost of managing the order lifecycle.

Order cycle time is also a critical barometer of the overall effectiveness of your extended ecosystem, from suppliers and planners to distribution centers, stores and logistics partners. However, only 4 out of 10 retailers are measuring lead-time or order cycle time for year-on-year performance. Clearly, opportunity knocks for those who measure, adapt and improve their order cycle times.
Managing orders in the dark

A slightly deeper dive into the EKN survey data makes it clear why retailers cite a lack of visibility across order functions and processes as one of their top challenges. Fully three out of four retailers surveyed (74%) report sales channels silos. Less than thirty percent report standardized processes across channels and throughout the fulfillment life cycle.

One doesn’t need to be an expert to understand that this lack of visibility severely inhibits effective decision making, productivity and enterprise effectiveness. Many of the retailers surveyed recognized that this must quickly become a priority investment, with almost half of respondents (48%) identifying improvements to end-to-end order management visibility as an area of focus in 2016.

48% want to improve end-to-end order management visibility
IN 2016
Alarmingly, automating order capture and processing, integrating inventory and standardizing order management from different order types across channels remains a major challenge for 40% of surveyed retailers. This data point comes as no surprise, however, as operational alignment has become a perpetual challenge in today’s retail environment. This is in large part due to the eternally fluid nature of modern retailing. Every year, consumers become more connected, more empowered, and more in control of the shopping journey. As consumers exert more control, retailers often become more reactive than proactive. And reactive organizations typically face a constant struggle to stay aligned and streamlined.

Defining standardized workflows for each order type can go a long way toward achieving enterprise alignment. Unfortunately, more than a third of retailers surveyed by EKN do not clearly define workflows for each order type. By not taking steps to define the workflow for each order type, retailers quickly begin to experience inconsistencies in order processing and management across the entire order value chain, from the warehouse all the way to delivery.
7 Steps to Help Overcome the Challenges and Capitalize on the Opportunities

Our experience with dozens of omni-channel retailers—that manage and fulfill billions of orders a year—has helped us identify seven steps taken by leaders to successfully control the costs of managing the order lifecycle. However, fully realizing the competitive opportunities inherent in order management is simply not possible with “cookie cutter” solutions. Success requires careful evaluation of your people, the processes that drive your operations and the technology that supports them, combined with a deep understanding of the expectations of your target customers.

Only then can you hope to successfully implement these seven steps designed to help bring down the high cost of order management and fulfillment in your business:
Allocate Based on Fulfillment

Smart retailers know that successful order management starts long before an order is ever placed. Best-in-class order managers give their fulfillment operations a great head start on efficiency and cost savings by basing their assortment and allocation decisions on fulfillment demand, not just sales demand.

So when allocating inventory, demand must be measured by accounting for all orders, including those that either originate from or are fulfilled from locations outside the store. By doing so, initial inventory distributions have the best chance of being closely aligned to true customer demand patterns, hence minimizing the distance inventory will need to travel to reach the customer.

How Aptos Can Help

Aptos merchandising solutions recognize and address the complexities inherent in omni-channel retailing. They offer merchants the flexibility to make assortment and allocation decisions based on the true demand for each location, thereby minimizing fulfillment costs long before order management processes are engaged.

Learn More Here
Without a doubt, the most common attribute among retailers that successfully contain order lifecycle costs is an integrated channel strategy. As more and more shoppers hop between more channels more often, making decision in vacuums and silos becomes more compromised and inefficient. Incomplete pictures lead to workarounds, and workarounds lead to pain. Pain that comes in many forms: inefficiencies, breakdowns, letdowns and costs.

Don’t make the mistake, however, of assuming that integrating your sales channels is enough. The biggest opportunities for cost savings are often found through cross-channel integration of order management processes and technology. When every channel has visibility to every order, and every order can be accessed and managed in every channel, good things happen to the customer experience and the bottom line.

While less than 30% of retailers have standardized order management processes across channels today, a large number of retailers are beginning to understand the potential of integration. EKN reports that within two years the number of retailers who will have integrated order management across all channels will double.¹⁸

Aptos’ Digital Commerce platform, which includes a comprehensive order management solution, is fully integrated with Aptos store solutions to ensure maximum efficiency and effectiveness while minimizing costs throughout the order management lifecycle.

› Learn More Here
One of retail's oldest adages, “Every time you touch inventory, it costs you money,” still applies today, perhaps more so than ever. As shoppers expect to be able to view (and purchase) inventory from any location in the retail chain, the number of times each piece of inventory needs to be handled can grow dramatically. The store is no longer the final destination, which is a dramatic change from retail’s last 150 years. Many retailers have still not adapted to this important shift.

Successful order management strategies include advanced order brokering and routing systems that allow retailers to both define and rank the principles that guide order fulfillment decisions. These advanced order routing capabilities allow retailers to strike a careful balance between inventory handling costs and customer service levels to ensure that inventory moves as little as possible and yet still meet the customer’s delivery expectations.

Aptos Enterprise Order Management is designed to optimize every order during every phase of the entire order lifecycle, from order entry to fulfillment and even through returns. Real-time inventory visibility from across the enterprise, combined with powerful order brokering and sourcing logic, ensures that every order is sourced from the most profitable locations that are able to meet each customer's expectations.
The evidence is clear: Efficient order management requires a consolidated view of every order. Legacy applications and processes that force enterprises to maintain, share and fulfill orders from disparate, disconnected systems and silos can cripple a retailer’s ability to efficiently and effectively manage orders throughout the entire lifecycle.

Successful retailers create and manage orders in one single place and share those orders throughout the enterprise.

How Aptos Can Help

Whether your company sells to businesses or individual consumers shopping via marketplace, store, kiosk, Facebook, mobile device or your website, Aptos Enterprise Order Management serves as a central commerce hub to ensure efficient, profitable and on-time execution of every order through every fulfillment option.

Aptos order management solutions combine the power of a single view of the order, the customer and inventory to profitably manage all orders throughout their lifecycle, from initiation to fulfillment and back.

Learn More Here
Retailers that are the most successful at containing order management and fulfillment costs typically have the ability to split orders for optimal efficiency. Sophisticated order management systems treat each order line as a separate entity as well as a part of an entire order. By managing individual order lines, each order can be optimized based upon the business conditions that exist for each line, rather than being forced to make “all or nothing” decisions at the order level. Rules can then be applied to determine the best course of action for both cost control and the customer, resulting in highly optimized order fulfillment processes.

How Aptos Can Help

Every order line stands on its own with the Aptos Enterprise Order Management solution. Orders can be split or combined, and sophisticated rules like “ship complete,” “ship from one location,” “do not ship from store,” etc. can be established that determine the optimal outcome for every order based on the status of every line.

Learn More Here
Get to the Cloud

Retailers must also weigh the comparative value of on-premise and cloud-based order management systems. Recent surveys reveal that on-premise systems can take up to two years or longer to deploy! This greatly delays the benefits of integrated, enterprise-wide order management and fulfillment processes, including customer service, inventory efficiencies, and of course, reduced costs.

Ideally, an order management system should be deployed and operational within one year or less to allow omni-channel teams to immediately improve their processes, introduce rapid change management and reap benefits for both business users and consumers alike.

How Aptos Can Help

Aptos Enterprise Order Management delivers all the tools you need to manage all orders end-to-end—fulfillment, shipping, returns, customer communications and more—completely in the Cloud. Dozens of omni-channel retailers leverage our cloud-based solution for maximum agility and flexibility across channels, fulfillment locations, suppliers and partners.

Learn More Here
Most brick and mortar stores were never intended to be shipping centers. Store designs, floor plans and layouts are not typically optimized for fulfillment processes. However, as more and more orders require the store to support the fulfillment process, it is imperative that retail enterprises work closely with Store Operations to ensure that each store is able to successfully adapt to these changing business conditions.

With the right tools and processes in place, stores can become some of the most efficient and cost-effective fulfillment options in the enterprise. Respondents to the EKN survey reported that orders that are picked up in the store are among the least expensive orders to fulfill. When one considers that nearly 2/3 of customers who come into a store to pick up an item purchased online also shop for more items while in the store, the potential opportunities for both revenue and margin impact is significant. The trick is ensuring the stores are supported with the right tools.

Leading retailers make the investments required to give store associates visibility into every order, from every channel, via every POS station and device.
This visibility enables associates to access work lists, alerts, changes and customer communications within POS tools they use every day. Adoption time is quick, and engagement is typically high. Associates can then pick orders, prep them for pick-up (or shipment) and ensure that the orders are ready on time, every time.

Additionally, by integrating POS into OMS, all purchases, including items selected while the customer is in the store to pick up their online orders, can be consolidated into a single transaction that minimizes transaction time and streamlines the experience.

How Aptos Can Help

Aptos Enterprise Order Management functions across all in-store and digital touch points and integrates fully with Aptos POS. It delivers a unified view of the online/offline intersection of commerce, order brokering, order management, order fulfillment, logistics and analytics—and everything in between.

Learn More Here
Getting Back Some of that 18%: The Time to Act is Now

Order management is now imperative for retail success. Customers demand it, so retailers must find a way to ensure efficient, profitable and on-time execution of every order through every fulfillment option. The time has indeed come to take costs out of the order management lifecycle and to take advantage of the numerous opportunities to reclaim a portion of the 18 cents every dollar of cross-channel fulfillment currently costs. Those who move quickly have the most advantage to gain: more competitive services, higher margins, better experiences and lower prices.
Aptos Enterprise Order Management is designed to optimize every order during every phase of the entire order lifecycle, from order entry to fulfillment and even through returns. Real-time inventory visibility from across the enterprise, combined with powerful order brokering and sourcing logic ensures that every order is sourced from the most profitable locations that are able to meet each customer’s expectations.

Every order is monitored and tracked throughout the lifecycle, and exception alerts ensure orders are fulfilled on time with minimal disruption or delay.

To learn more about how Aptos Enterprise Order Management can help you take costs out of the order management life cycle, visit www.aptos.com.
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In an era of virtually limitless choice, sustained competitive advantage only comes to retailers who engage customers differently—by truly understanding who they are, what they want and why they buy.

At Aptos, we too, believe that engaging customers differently is critical to our success. We are committed to a deep understanding of each of our clients, to fulfilling their needs with the retail industry’s most comprehensive omni-channel solutions, and to fostering long-term relationships built on tangible value and trust.

More than 500 retail brands rely upon our Singular Commerce platform in the Cloud to deliver every shopper a personalized, empowered and seamless experience…no matter when, where or how they shop.

*Sources:*
2. Ody, Penelope, “Stalking the silent killer (IRM54),” Internet Retailing, October 6, 2015.

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