



The New Rules of Ecommerce Fulfillment

Critical considerations required to transform your logistics performance from average to exceptional in 2023



Many factors contribute

to ecommerce success, and although each company's approach may differ from the next, all ecommerce sellers depend on their own fulfillment capabilities or third-party logistics (3PL) solutions to ensure customers receive their orders (and can make returns) fast and on time with as few issues as possible.

It's tempting for customer-centric companies to focus on marketing and sales. But, consider yourself warned — never, ever overlook the importance of logistics and fulfillment. A great web experience or ordering experience can help convert customers, but ignoring fulfillment excellence is the quickest way to lose them.

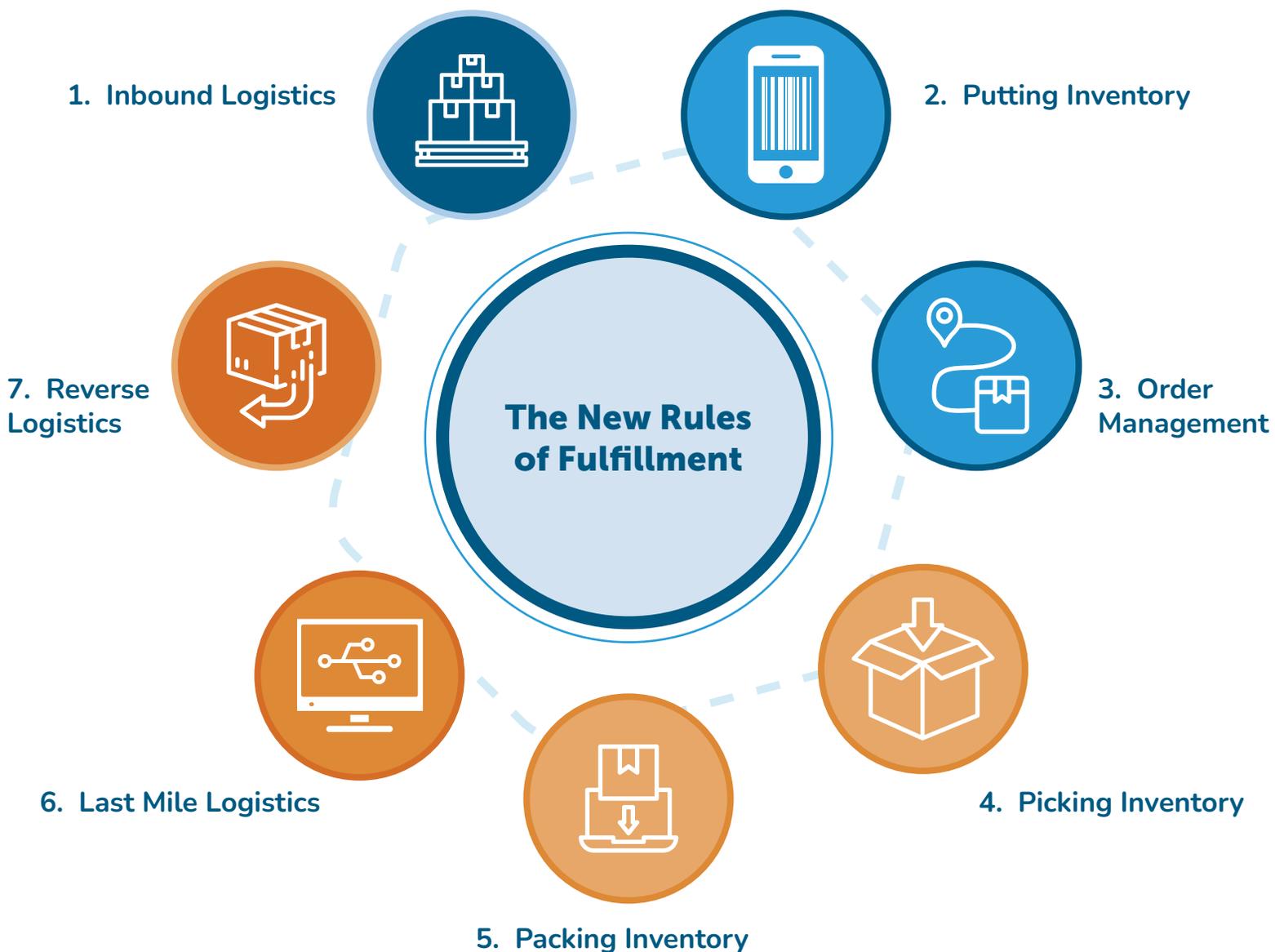
Around 50% of consumers will shop elsewhere if delivery times do not meet their expectations, and over 90% of consumers see 2 to 3 day delivery as industry standard and 30% now expect same day delivery options ([source](#)). Moreover, 63% of shoppers abandon their carts because of high shipping fees ([source](#)).

Your company can offer the best products in the world and invest heavily in packaging and marketing, but if it fumbles the fulfillment process, you'll lose the trust and respect of your customers — and that means losing sales. If this is the stuff that keeps you up at night, **keep reading**.

Your fulfillment and logistics capabilities, or those you have through a 3rd Party Logistics partner, can make or break your business. The wrong partners and solutions can cripple your ability to satisfy customers. The right partners and solutions can help alleviate fulfillment headaches and keep customers coming back purchase after purchase.

Today, the right approaches are those that are embracing the new rules of fulfillment—

those that are as much about technology, data, analytics and automation as they are about physical warehouse space. Space is a commodity. It's technology that often unlocks added value in the ecommerce fulfillment landscape of today. Ensuring the new rules permeate every aspect of your fulfillment operation or your 3PL's operation is vital to competing in a market where customer expectations continue to grow.



The New Rules of Fulfillment



1. Inbound Logistics

Table Stakes: Sufficient receiving dock capacity and warehouse space to efficiently receive inbound shipments

New Rules: Ability to interface with first mile systems and data to ensure proper resourcing for faster and more accurate receiving



2. Putting Inventory

Table Stakes: Well-configured and labeled rack and bin infrastructure to enable efficient picking

New Rules: Software and hardware systems for scanning and sorting systems that facilitate the labeling and storage of inventory



3. Order Management

Table Stakes: ability to transmit and route orders accurately from any system to any system

New Rules: ability to optimize order routing and orchestration across channels and facilities based on real-time inventory, location and operational data



4. Picking Inventory

Table Stakes: Software-aided picking that ensures item and order level accuracy

New Rules: Software and hardware automation that increases picking speed and efficiency and limits human movement



5. Packing Inventory

Table Stakes: Well-designed pack out stations that streamline human packing activities with scanning and labeling capabilities

New Rules: Software and hardware that limit human movement and integrate packing activity seamlessly into the overall flow of orders



6. Last Mile Logistics

Table Stakes: Transportation management capabilities that send and receive data from major carriers

New Rules: Deeply integrated technology that allows fulfillment operations and carriers complete mutual visibility to support better resource allocation, faster pick-up times and more expedient last mile sortation and shipping



7. Reverse Logistics

Table Stakes: Ability to manage a de minimis amount of returns and put them straight back into inventory

New Rules: Ability to manage a high return item per order ratio from multiple channels, refurbish or repack, and put back into inventory real-time inventory, location and operational data



Closing the gap between the old rules and the new rules

Fulfillment best practices are constantly evolving and it can be hard for even the most well-resourced organizations to keep up. Whether you're driving change in-house or working with a 3PL, there are several common traps we often see when transitioning from the old rules to the new. We've captured just a few examples below that we think should be top of mind.

01 Settling for digitization versus digitalization

In the IT world, there is a difference between digitization and digitalization. The former is simply the migration of information and data management into a digital form. The latter, however, offers increased value by leveraging Artificial Intelligence, Big Data and other digital capabilities to equip organizations with new capabilities.

Fulfillment professionals today need more than data storage and entry capabilities. They need robust order and inventory management solutions that offer complete visibility across operations to understand and forecast inventory levels, monitor cycle times and review shipping costs in real-time across channels and locations. If there is a disconnect between their customer-facing and backend systems (e.g. your storefront platform versus your order or inventory management system), sellers can experience major operational disruptions thanks to manual

data entry or error correction, incorrect inventory counts, poor labeling or bad location data, overstock or understock situations due to poor demand and inventory forecasting, and so forth.

Ecommerce merchants should no longer just settle for information that's on a computer screen. They should seek out and demand added value in the form of business intelligence reporting, inventory and shipping analytics, real-time warehouse performance visibility, real-time inventory tracking and traceability and AI-driven predictive demand and inventory forecasting to unlock the true power of digitalization.

02 Inability to keep up with channel proliferation

Many retail companies are set up to move FTL inventory between big box stores or other businesses, not to ship parcel direct-to-consumer. At the same time, many fast-growing digitally native companies have expanded or are expanding into brick-and-mortar. The addition of new channels puts pressure on companies and 3PLs to evolve their capabilities to meet the needs of the omnichannel world.

All these different retailers and channels often have very different requirements for receiving, storing, labeling, pack-out, shipping and service levels. This is particularly true with products that are regulated or require special handling, such as pharmaceuticals, food, chemicals and electronics. Not every facility or provider is set up to handle multi or omnichannel fulfillment

needs. Yet, selling through every channel where your customers have never been more important given the competition for audience's attentions.

It can be a hard-fought transition to evolve a facility from a single channel operation into an omnichannel operation. It's even tougher if you rely on software, tools, vendors and SOPs designed for a single channel world. Rather than try to cross the channel chasm with the capabilities you have, it's important to first re-assess your team, tech stack and 3PL partners and replace them with options built for 21st century multi-channel operations.

03 Under or over-investing in automation

Let's be honest: robots are cool. People are easily enamored with automation, but automated systems need to be deployed thoughtfully to create reasonable return on investment. Under-investing in automation will undoubtedly leave you multiple steps behind your competition over time, and it's important to automate thoughtfully as you are able. However, over-automating also carries risk.

Not every automation supports every use case or type of product, so understanding the type of

automation you need today is critical. Given the high capital expense required for automation and the difficulty of ripping and replacing it, understanding how your operation may evolve in the future is equally as important to ensure your automation doesn't prevent you from making essential changes to your operation.

As robotics advance, it will be vital to transition from human-centric models to approaches that augment human activity with robotics and automation. Eventually, automation-first

or machine-only paradigms may become the norm, but even Amazon's FBA facilities, which are known for their automated systems and robots, still employ thousands of people per location. Automation for automation's sake often creates sunk cost, high replacement costs, and weak or negative return on investment. Ideally, companies will look to automate in lock step with the growth of their business, aligning their current and future needs with their automation strategy to ensure every deployment creates immediate and future value.

Another element that companies should not lose sight of is the importance of software automation. Software systems can help automate order, inventory, picking, packing,

shipping and labor related tasks to reduce the amount of time humans spend reading, typing, logging and monitoring. Software-driven automation is less costly than deploying robotic systems and can create immediate incremental value.



04 Finding the balance between affordable and qualified labor

While some of the labor shortages that plagued many industries in the wake of the pandemic have ebbed, the continued growth of ecommerce demand and changing nature of fulfillment operations are likely to keep labor as a top concern for ecommerce companies. As the fulfillment industry becomes more dependent on software and hardware systems, the type of talent and training required will also change. Additionally, as consumers' delivery time expectations continue to change, locating fulfillment operations closer to the customer

could drive labor costs higher as facilities get closer to population centers.

Striking the balance between affordability and outcomes requires an understanding of a facility's unique characteristics and revenue makeup. Tracking labor-to-revenue ratios can help optimize margins for each shift and in each facility and help executives understand if their labor input is aligned with their revenue output so they can make incremental and meaningful improvements.

Additionally, rethinking training regimes can also help ensure facility outcomes are greater than labor costs. Continual reinforcement is essential to ensuring quality outcomes. Continual improvement requires the evolution of process, but also of people's knowledge and skills.

Also, if you use temporary staffing agencies to enable labor scalability and flexibility, choosing the right staffing partner is critical to ensuring temporary workers can rapidly learn and integrate into existing processes. Having a clear and distinct strategy for managing these temp partners is important to facilitate seamless onboarding, operation and offboarding.

Despite labor market dynamics, there is only so much that can be done to reduce labor cost. However, cost is always relative to output and outcomes. Getting the best work from your workforce requires an attitude of continuous and incremental data collection, optimization and improvement.

At Cart.com, beyond providing best-in-class omnichannel fulfillment, we can also take over the operation of client owned and operated facilities to help them eliminate ongoing operational expenses associated with fulfillment.

05 Building deep last mile carrier partnerships

It's easy to blame last mile problems on last mile carriers. Indeed, misdelivered packages because of carrier errors are an all-too-common occurrence. Yet, there are things companies and 3PLs can do to help minimize last mile issues. By forging tight partnerships and data integrations with last mile partners, ecommerce merchants can keep customers informed, manage expectations and respond to issues more proactively.

Once an order leaves a fulfillment center, the burden of tracking that package is often passed on to the carrier along with the package. Unfortunately, the data an ecommerce

merchant has access to is often the same as the customer, meaning the seller won't be able to answer any questions about the order once it is in the carrier's network and leaving it up to the carrier's often-frustrating customer service apparatus to respond to questions and complaints. We believe there is a need for fulfillment operations and OMS and WMS platforms to be more natively integrated with carrier systems to provide deeper transparency into last mile issues.

The new rules of fulfillment require parties to work together to share upstream and downstream data so carriers understand what's

coming into their network before it's ever picked up and so fulfillment providers and ecommerce sellers—and therefore customers—understand what precisely is happening to orders in real-time. The flow of orders should be seamless. The end customer should not perceive the gap or handoff in providers and vendors. To

them, it should seem as if everything is being handled by a single party. The order may be handed off physically, but the proper technology integrations can help erase that handoff digitally.

06 Ignoring the nuances of reverse logistics

Ecommerce companies often struggle with reverse logistics. Unlike forward shipments controlled by merchants, reverse logistics start with consumers who lack the necessary technology and infrastructure required to ship a package back into carrier and fulfillment networks the same way that package was shipped out. This lack of forward and backward symmetry creates an often clunky and cumbersome returns picture.

Providing return shipping labels has become standard, but if the return label comes with the original order, it's impossible to know if or when it will be used. If the customer prints a return label from a returns website, there is still a lack of clarity on when it will be sent back. Even if the package is dropped off at a carrier's retail location, like a UPS or FedEx store, there may not be complete reverse visibility unless the carrier's systems are sufficiently integrated with fulfillment center systems. Returns

Management Systems can help alleviate some of this opacity, but—just as with last mile issues—the new rules of fulfillment require deeper reverse logistics integrations between fulfillment centers and carrier systems so companies have the same level of visibility on packages coming back as they do on packages going out.

Even with full visibility into packages being returned, there are still challenges at the operational level. Not every facility is set up to process, inspect, re-package and re-put returned items. Clear return policies and separate return Service Level Agreements (SLAs) are crucial. For ecommerce sellers, whether operating independently or partnering with a 3PL, prioritizing return integration validation, assessing return capabilities, and setting clear return guidelines is paramount.



Keeping customers happy requires powerful and predictable fulfillment capabilities. Customers today demand more from the logistics function than ever before. Studies show that 48% of online shoppers are more than happy to pay extra for faster shipping. In this regard, Amazon has solidified its position as the most reliable marketplace with 64% of consumers saying that when they want a product fast, they go to Amazon.

To meet and beat customer expectations today, ecommerce companies and their fulfillment partners need to embrace the new rules of fulfillment. These rules take a data and technology first approach. They recognize that commerce today is multichannel. They believe in continuous improvement and deploy automation intelligently. They leverage systems and approaches that prioritize deep integration across the value chain. They mandate a balance of software, hardware, data, diligent management and deep partnerships.

Competing, winning and building loyalty online in 2023 requires an obsession with fulfillment improvement. Front-end marketing and web experiences are important, but fulfillment is where customers' expectations are met or missed. Since the onset of the pandemic, a tremendous amount of investment and innovation has happened in the online ordering and payment spaces. Now, the same level of attention and rigor needs to be applied to the fulfillment function. It's time to evolve how companies approach fulfillment in the digital age.

A robust 3PL with proprietary software and a nationwide network can help you embrace these new rules and streamline and improve your fulfillment operations.

The New Rules of Ecommerce Fulfillment