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Using LMS to address omnichannel challenges

The key roles labor management software play in omnichannel order fulfillment: meeting rising customer service expectations, driving labor savings and ensuring process rigor

Navigating an increasingly complex omnichannel landscape

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With consumer expectations continually on the rise, and the willingness for leading e-commerce retailers to fulfill them, many brick and mortar retailers find themselves struggling to adapt to the speed and complexity of omnichannel order fulfillment. To stay competitive, retailers have been forced to raise the stakes on service level agreements (SLAs), with two days often the new standard shipping norm and next-day delivery the true differentiator.

Living up to these SLAs is no small task. In the warehouse, for example, this level of priority shortens the fulfillment cycle to four or five hours.

Today there are a growing number of ways that customers expect to place and receive orders, such as ordering online and requesting to pick up items at the nearest retail store. This "click and collect" scenario is an example of what's commonly referred to as a channel-crossing order, and it's estimated that these types of non-traditional orders account for up to 40 percent of all purchases. Therein lays the complexity.

If a customer sees that a product is available online, they expect to be able to pick it up in a store immediately. For retailers, this new paradigm requires accurate tracking and management of inventories in their store shelves and back rooms

and, as importantly, efficient processes for fulfilling these orders with their retail outlet resources. It also means making the transition to shipping directly to customers from their stores, and to support that, visibility to the store picking processes required to make that happen. In other words, to meet the increasingly aggressive SLAs, retailers must begin to transform their stores into mini-DCs.

Increasing labor challenges

With respect to labor, this added complexity can quickly bottleneck productivity. The multiple touch points required to fulfill channel-crossing orders increase the likelihood of eroding profit margins. If retailers are unable to control the labor cost associated with fulfilling each item, then the impacts projected across the store network can be potentially disastrous.

Single-item, e-commerce orders are labor intensive and necessitate more each picking. Many retailers' DCs have already made this important transition, balancing traditional brick and mortar, pallet-driven requirements with each picking, whether that's through batch picking, put-wall consolidation or each picking in totes.

For stores, the balancing act is a bit different. While their first priority is still meeting service levels with in-store customers, they're now making this transition to online order fulfillment, either for store pick-up or shipping orders, especially to regional customers.

In both cases, maintaining accurate inventory visibility across the network is paramount in meeting these SLAs. And with that, the process effectiveness necessary to capture this data also needs to be established — not only in the DC, but especially across the network of stores, where 60–70 percent SKU level accuracy will no longer suffice and the volume of stores compounds the impacts of any process inefficiencies.

It's also important to consider that this added speed and complexity come at a time when the material handling industry is already facing its fair share of labor management challenges. From the rising minimum wage and baby boomers exiting the workforce to the need for fostering an engaging workplace to attract millennials, staffing and employee retention are still ongoing issues.

In this omnichannel environment, winning the service level war truly is a competitive differentiation. The purpose of this white paper is to demonstrate how proper utilization of labor management software, in the DC and the store, is key to achieving this objective.

LMS transitions from DCs to stores

With this convergence of omnichannel challenges, how can LMS help retailers win the service level war and maintain profitability? LMS has already proven to offer many benefits in traditional DC environments, including:

- Improving the accuracy of inventory visibility via transactional data
- Employing more agile order-building processes
- Driving labor cost savings through better planning and execution monitoring
- Reducing head count through right-sized staffing models
- Ensuring continuous performance improvements through employee tracking
- Increasing throughput up to 50 percent without increasing labor
- Fostering an engaged, productive workforce through transparent ratings and healthy competition
- Achieve a fast return on investment, often before the first year

OMNICHANNEL RETAIL SUPPLY CHAIN

The very same processes used to control labor costs in DCs are as effective in store back rooms and other cross-channel order fulfillment scenarios. LMS helps retailers control the store costs related to everyday labor tasks, such as: receiving, staging, put-away, replenishment and order picking. LMS gives leadership the tools to measure, manage and motivate labor while ensuring staff align with the company's goals.

LMS allows stores to become more like DCs by assuring predictable throughput. At the store level, it gives store managers the data-driven intelligence to accurately match staffing with the amount of work required. At the corporate level, deploying LMS across an entire network of stores presents an opportunity to drive significant savings. Even the smallest of LMS benefits, when extrapolated across the retail network, holds the potential for material economies of scale. Let's look at a few store scenarios where LMS can solve common channel-crossing challenges.

Establish process rigor and predictable store activities

Scenario: A customer searches the retailer's website and sees that an automotive toolbox is available at the local retail outlet. He orders the item, expecting to pick it up at the customer service desk at the promised time. However, when he arrives at the store, store employees are unable to locate the toolbox. After 30 minutes of searching, the store manager decides to give the customer a higher-end toolbox in hopes of "making it right." Even though the customer walks away with more than he expected, he's lost faith in the store pick-up process, and the store has lost money by having to upgrade the customer's purchase to a higher-end product.

How can the store have the assurance that their inventories are accurate and service levels will be met?

Solution: When LMS is paired with a transactional system for order and/or task management (such as voice, lights or RF), it's able to confirm all transactions associated with order fulfillment. By tracking these processes — from receiving and put-away to picking and packing — LMS can verify that the correct inventory is in store, rather than assuming that the truckload of product has the expected items and they are still available. LMS and voice, for example, can be used to verify inventory accuracy during put-away and replenishment while ensuring the real-time tracking of inventory on-hand while picking. These processes can eliminate inventory discrepancies and help meet SLAs.

Accurate forecasting based on historical data

Scenario: Store managers prepare for traditionally busy or peak fulfillment periods by overstaffing to avoid the risk of not meeting SLAs. In anticipation of demand, they increase headcount anywhere from 5 to 25 percent during these one- to two-week periods, never quite knowing what's needed or how to best prepare.

How can store managers more accurately plan for the workload and staffing needs during peak periods?

Solution: LMS is invaluable in helping to forecast and plan staffing requirements. Through tracking the activities of different processes, LMS builds a repository of historical data based on the following criteria:

- Estimated vs. actual throughput
- Time utilization of individual and total workforce
- Effectiveness of different functions in relation to specific products, processes or workflows

With access to this historical data, store managers have the ability to precisely match staffing with the amount of work required. As a result, they're able to reduce headcount and overtime while right-sizing the staff for maximum throughput. By reducing a single resource in each store, retailers drive exponentially higher labor savings across their store network, without sacrificing their ability to meet peak season SLAs.
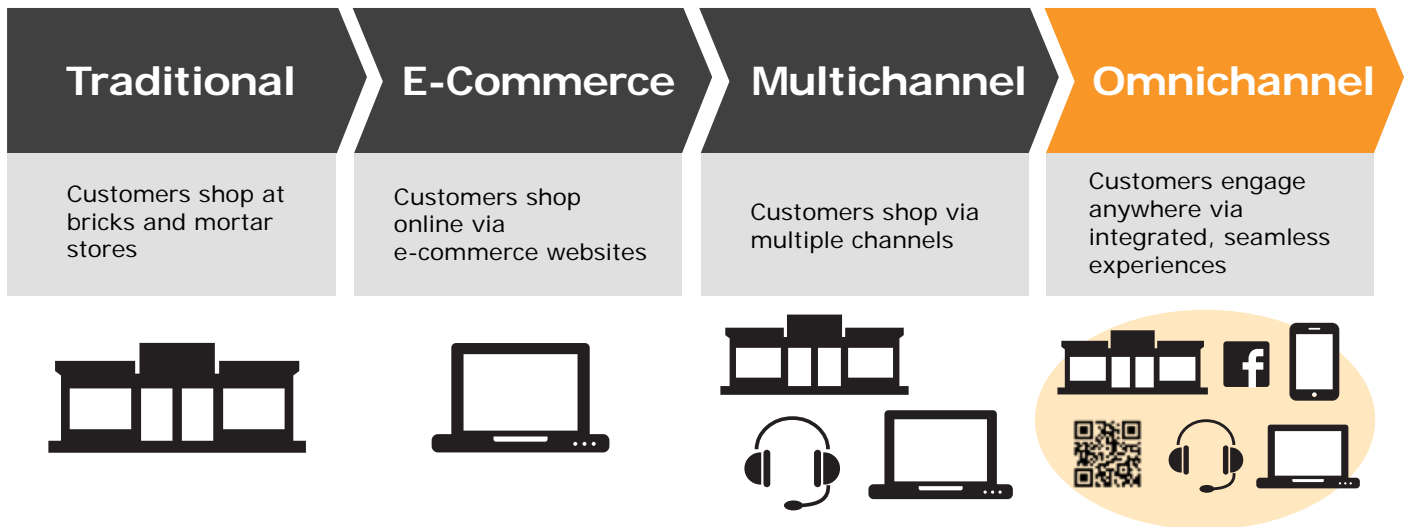
The same tools can be used to evaluate staffing for daily, non-peak activities, enabling managers to create accurate forecasting and staffing models for every day of the year.

Drive continuous labor effectiveness improvements

Scenario: An unanticipated peak in demand causes a scenario where DCs and retail stores are scrambling to fulfill a rash of online orders and maintain SLAs. These online orders have different cadence than standard store replenishment or order fulfillment, creating a disruption to normal processes. While on the surface this represents a great problem for the retailer to have, their reputation is at stake if they're unable to fulfill standard SLAs.

How can retailers adapt to a sudden increase in demand?

Solution: Even with the best planning, meeting omnichannel requirements means adjusting to new priorities, unexpected downtime and variances in staff performance. LMS gives management the tools and real-time visibility to key metrics that allow them to make labor adjustments on the fly, both in the DC and across the network of stores.

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Traditional	E-Commerce	Multichannel	Omnichannel
Customers shop at bricks and mortar stores	Customers shop online via e-commerce websites	Customers shop via multiple channels	Customers engage anywhere via integrated, seamless experiences

LMS affords managers the visibility to all available labor assets to quickly develop and deploy an ad-hoc plan. They're then able to evaluate actual performance to the projected plan and make labor adjustments as needed. With access to ongoing performance insights, managers can utilize LMS to answer key labor questions that drive continuous throughput improvements, such as:

- Who is performing well, and why? How can we train others to be as effective?
- Who is cross-trained and available to help? Who can be repurposed efficiently in another function?
- When staff reductions are needed, who is the correct resource to be let go?

All this information allows for increased throughput and more efficient use of labor.

During these unexpected peak periods, LMS gives employees the transparency and assurance that they are being evaluated on their individual merits. As always, this helps management ensure that employees are working toward their company's goals while creating incentive opportunities to drive engagement.

Conclusion: What's good for the DC is good for the network of stores

For years, LMS has proven an effective tool for retailers in their DCs. When the same principles are applied at the individual store level and across a network of potentially thousands of stores, LMS represents a truly transformative impact. By establishing an environment of accountability, LMS can help retailers foster a true culture of excellence throughout their respective organization. And by driving process rigor, accurate planning and continuous improvements, LMS helps businesses meet and exceed service levels in an increasingly challenging omnichannel world.

For more information, contact Intelligrated® by email at info@intelligrated.com, by phone at 866.936.7300, or visit www.intelligrated.com.