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Retail Order Consolidation

E-BOOK

The Challenge

You've embraced omnichannel retail and expanded your fulfillment network. All inventory locations are ready to fulfill orders, including stores and distribution centers. **But now there's a new challenge: some multi-item orders are resulting in multiple package shipments to customers.** This is problematic from both the customer and business standpoint.

First, multiple shipments have the potential to frustrate customers — more packaging to deal with, more times answering the door and more chances for shipments to get stolen. Then, there is the harmful environmental impact as a result of the additional packaging (usually plastic) and emissions from delivery vehicles. Plus, your business margins are also negatively impacted by the additional cost associated with multiple shipments.

As courier companies deal with capacity issues and increased delivery costs[1], retailers need to find ways to reduce the number of shipments delivered to customers or end up in a losing proposition when it comes to e-commerce sales.

Delivery Costs
Packaging Costs
Carbon Footprint

SPLIT ORDERS[2]

Customer Satisfaction
Brand Perception

> **Kohl's profitability took a hit from shipping costs in the second quarter of 2020. CFO Jill Timm attributed 275 basis points of margin loss to extra shipping costs. "This was due primarily to the increased split shipments during the period, as we work down inventory in stores," Timm said.**

[1] https://www.cnn.com/2021/09/20/business/fedex-shipping-price-increase/index.html

[2] https://www.supplychaindive.com/news/kohls-shipping-costs-inventory-split-shipments/583728/

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The Solution

This is where retail order consolidation comes into play.

Order consolidation is an advanced order management system (OMS) functionality which routes items that are situated in multiple locations (i.e., fulfillment nodes) to a central point — the store closest to the customer or store with the most merchandise — to be consolidated into one package. The package is then either shipped to the customer or the customer is notified that his/her order is ready for pick up. With order consolidation, retailers get the best of both worlds: access to inventory across the network while reducing split shipments and last mile costs.

Problem

DC   3PL   Store 1   Store 2

Customer

Solution

DC   3PL   Store 1

Store 2

Customer

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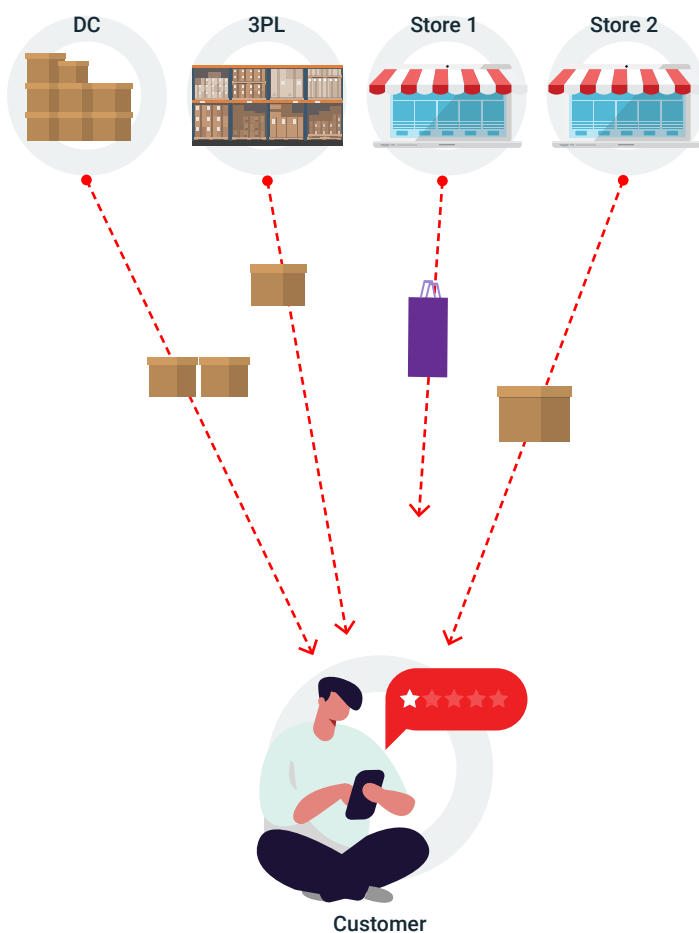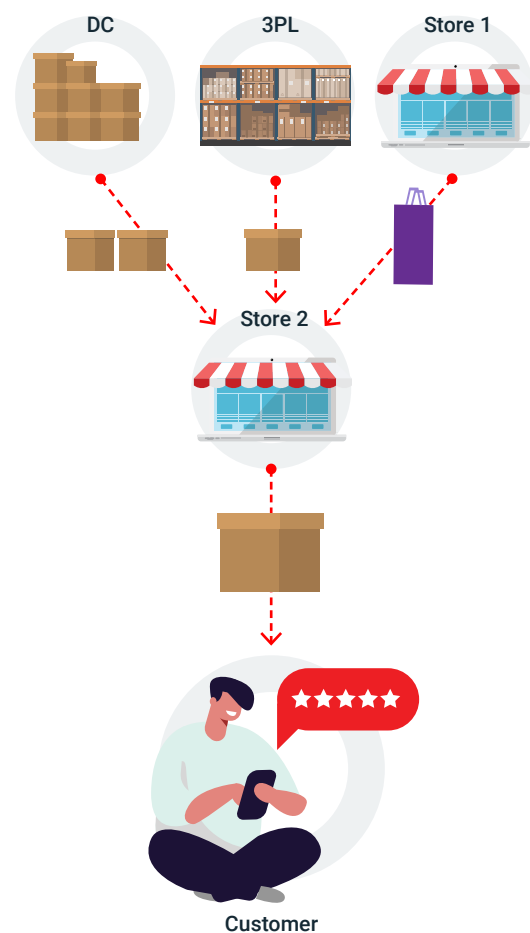
The Outcome

Increased Customer Satisfaction

Customer experience is at the center of omnichannel commerce. Order consolidation can ensure that customers receive 100% of the items they ordered as quickly and cost-effectively as possible, while keeping the number of shipments to a minimum.

Lower Carbon Footprint

Additional shipments equate to extra product packaging and transportation — packaging that ends up in the wastebasket and transportation emissions that go into the atmosphere. If your brand is moving towards sustainability, reducing packages and shipments is a great place to start.

Cost Savings

Order consolidation enables retailers to reduce the number of shipments per order, thereby providing substantial cost savings associated with packing orders, packaging and last mile delivery. With last mile costs comprising more than half of total shipping cost[3] and continuing to rise, reducing the number of shipments has a direct impact on a retailer's bottom line.

[3] https://www.businessinsider.com/last-mile-delivery-shipping-explained

Speak to a Retail Supply Chain Expert →

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About **Tecsys**

Since our founding in 1983, so much has changed in supply chain technology. But one thing has remained consistent across industries, geographies and decades — by transforming their supply chains, good organizations can become great.

Our solutions and services create clarity from operational complexity with end-to-end supply chain visibility. Our customers reduce operating costs, improve customer service and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.

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