



TAKE YOUR OPERATION TO THE OMNI-LEVEL HIGH-SPEED SORTATION

OVERVIEW

Many retailers today are trying to keep up with the consumer expectation that an item will always be in stock and can be delivered quickly. Expectations are further increased as customers have access to goods through an increasingly larger number of channels. For example, online marketplaces (Amazon, eBay, Alibaba, etc.), direct online order, fulfilled in store or perhaps in-store purchases shipped from a distribution center (DC).

In order to make this a reality, distribution centers need to be designed to support multiple channels of distribution — retail, e-commerce, wholesale, etc., also known as omni-channel.

Retailers are relying on high-speed sortation to accommodate this exponentially growing need. This whitepaper will identify the largest order fulfillment issues, as well as the different fulfillment methodologies and sortation solutions that can resolve them.

COMPANY SPOTLIGHT

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OMNI-CHANNEL COULD BE THE ANSWER

CHALLENGES

Managing multiple channels of distribution — Order profiles are significantly different when comparing retail, wholesale and e-commerce fulfillment. As the seasons change, the demand in various engines shifts as well — with footwear peaking around the back-to-school period, and apparel more concentrated during the holidays. Further, expectations are different at various times of year, whether it is Cyber Monday and the holidays that follow during which service levels are critical, or back to school where more forecasting is possible, for example.

Growing demand — E-commerce sales are expected to grow to over \$350 billion annually by the end of 2016¹. With the availability of smartphones and wireless networks to a broader population, the number of people who have access to products via online channels is increasing as well.

Further, this demand is not focused on one single retailer — It is an industry trend. Therefore, “throwing labor at it” won’t work for everyone, as there is simply not enough of it to go around, or enough budget to do so.

Inventory — Challenges exist when different channels are priced and/or packaged differently. For example, some retailers prefer to send apparel to its stores already on hanger, reducing store-side labor. E-commerce items are commonly polybagged without hanger to reduce costs related to the hanger itself and shipping (i.e., cube in the shipping carton).

Omni-channel fulfillment centers share inventories across channels. This aids the efficient use of space within the DC, reducing the duplication of SKUs. Further, retailers get a comprehensive view of demand from the consumer side — is a reduction in retail sales accompanied by growth on the e-commerce side? A common inventory allows retailers to more easily track company-wide sales outside of the silo of each channel, and track trends from a comprehensive point of view.

One-day delivery — Service levels are increasingly becoming a focal point, with retailers analyzing their networks to fulfill 95%+ of the U.S. in one day or less. With that, automation solutions need to be designed to handle high volumes quickly and accurately.

Peak season requirements — Do you design the church for Easter Sunday? How critical is peak season to your company’s bottom line? What percentage of lost business is based on a missed service level or order? Does seasonal labor impact your facility’s capabilities?

Answering these questions for your operation is crucial to maximize success during the holiday season.

Labor — Certain retailers face issues finding the labor necessary to stay ahead of the curve. Automation allows companies to manage this; however, the need will never be fully eliminated. Effective automation does not eliminate jobs — it makes the labor force more efficient and allows a company to grow without a linear increase in labor.

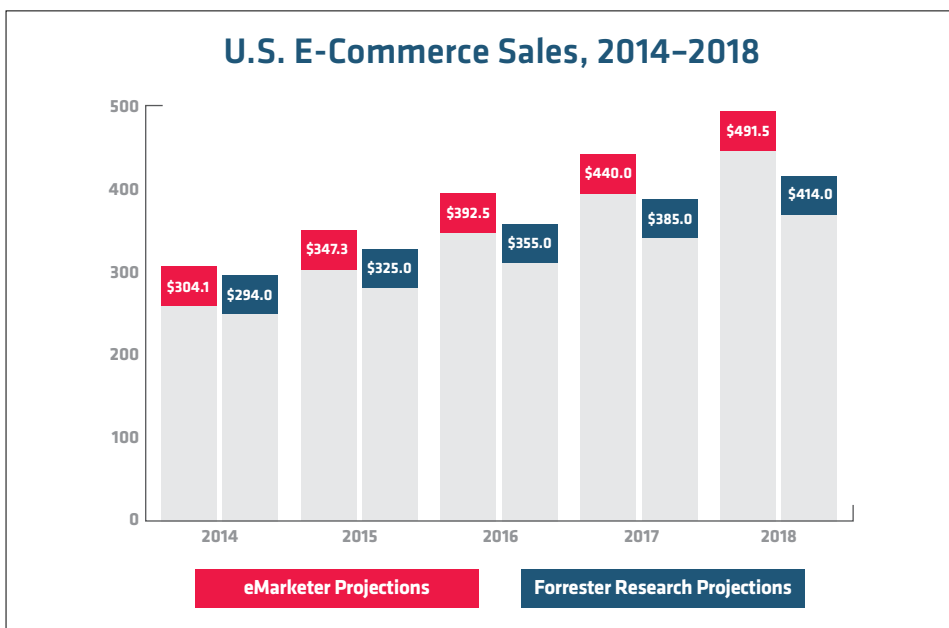
SOLUTION

So what does an omni-channel facility leveraging high-speed sortation provide for the user? **Efficiency, flexibility and processing power.**

Efficiency — High-speed sortation allows the retailer to leverage larger pick wave(s), increasing the picks per zone. Further, bringing units directly to facility personnel using sortation technology reduces walking associated with alternative fulfillment methods. The combination of these two will reduce labor in picking.

The average order cycle time will decrease as well, as retailers can now fulfill thousands of orders simultaneously, across channels.

Retailers must ask themselves — How does a common inventory, and therefore common packaging, impact the network? What is the labor associated with placing product on hanger elsewhere in the DC or store side, and does it outweigh the savings associated with one inventory and savings in picking? The answer is often clear — the omni-channel switch provides significant savings.



¹ Source: eMarketer, Forrester Research



A large number of orders, fulfilled simultaneously, with decreased walking, time and labor.

Flexibility — Leveraging an omni-channel inventory allows a client to fulfill orders from a variety of channels without the requirement of duplicating pick faces. This saves space in the DC.

During the design of a high-speed sortation system, pre-determined priorities can be incorporated, reducing the human element related to decision-making and, therefore, potential error.

Further, automation can be designed to handle various peaks throughout the year, where various product engines are experiencing higher volumes. This is primarily achieved in customizing chute designs, and in planning for these surges ahead of time with varying induction methods, for example.

The ability to handle the uncertainty that comes your way allows a retailer to focus on the value-add and customer experience.

Processing power — Some percentage of missed orders is lost business. Customer loyalty is often tied to the adage “what have you done for me lately.” So the ability to process surges in volume, sometimes unexpectedly, is important. Further, by implementing a solution which is known for high throughput and processing capability, operations which

were previously separated in different areas of the DC, or geographically in separate DCs altogether, may now be consolidated to one common fulfillment method.

With an omni-channel inventory, the retailer is most flexible to handle growth in any direction, and high-speed sortation provides the ability to handle that volume efficiently.

BENEFITS OF HIGH-SPEED LOOP SORTATION

High-speed loop sortation delivers a core set of benefits that can have long-term strategic and competitive value for warehousing operations—those for retail, wholesale, or e-commerce, as well as courier and express delivery operations:

- › **Improved productivity**—allowing a lower head count and a higher number of units per worker per hour while often eliminating 2nd or 3rd shifts.
- › **Increased throughput**—moving more volume through a facility each day, increasing the number of goods moved and reducing the number of facilities required to move that volume through the entire network.
- › **Greater flexibility**—enabling operations to process direct-to-consumer, store, wholesale, returns, receiving and kitting/sequencing on the same piece of capital equipment.
- › **Heightened accuracy**—providing 100 percent scan and 100 percent track and trace of singulated units, critical for high security industries such as high-value products or pharmaceuticals.
- › **Higher service levels**—faster response time for order fulfillment, increased ability to respond to unique customer requirements, enabling same-day shipping or zone skipping.

Many companies have leveraged high-speed loop sortation systems to meet these challenges. Some have added unit sorters into their existing facility to further increase the picking efficiency related to maintaining a single inventory, maximize footprint productivity and extend the life of their current building. Others jumped further and left their old operations for greenfield facilities that employ high-speed loop sortation to process both retail and e-commerce orders on the same system, with some extending their ROI by adding return processing, shipping, kitting and rainbow pallet building operations to this single piece of material handling equipment.

Not only is this helping these companies solve their distribution problem, but smart companies are leveraging this to defeat competitors, gain market share, cut costs and even open up new business channels. The internet consumer does not wait for stock to be replenished; they jump to the next website/company and complete their purchase. If given a choice between receiving an item the next day vs. a week, at the same, less or no shipping charges, the consumer chooses the faster/cheaper option.

In the brick and mortar world, smaller backrooms create leaner in-store inventory, and push the risk of stock-outs to the distribution center’s ability to replenish based on nightly POS data. Some brick and mortar operations have leveraged high-speed loop sortation to guarantee in-store customers’ free overnight home delivery of out of stock items directly from the distribution center — in essence saving an otherwise lost sale. Most retailers will agree that this type of attention and service creates brand loyalty like nothing else can.

Contact BEUMER Group to discuss how we can help tackle the omni-channel challenges your organization faces.



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