mercātus®

Roadmap to eCommerce Excellence:

Sustainable eCommerce Grocery Requires Capacity Fulfillment

As grocery executives, from CEOs and CFOs to VPs of eCommerce and VPs of operations, seek to scale eCommerce to meet growing demand and take advantage of opportunity, the question of how to best leverage associates and fulfill orders effectively is gaining importance by several orders of magnitude.

Operating two major sales channels — online and physical store — is a major step that brings into play a number of critical factors and forces questions about how well existing solutions and makeshift processes can accommodate such fast sales expansion.

In most cases, grocery executives, managers and other associates are realizing that their current solutions are insufficient to meet eCommerce demand today, much less take on the challenges of tomorrow. Without implementing new systems and processes, and empowering associates to bolster service levels and efficiency, grocers will be hard-pressed to cash in on expanding online business opportunities. In many cases, these opportunities could help increase their sales by 1%-2% today, and as much as 8%-10% in the foreseeable future.

Grocery eCommerce and operations leaders, among others, must assess and select the right technologies to optimize fulfillment and accuracy to capture greater and sustained success.

The key to capitalizing on and solving fulfillment and related issues is setting optimal production standards, which means having the ability to define the amount of work called for at various stages in the picking, fulfilling and delivery processes throughout the day -- and then creating capacity schedules to maximize existing resources to most efficiently and effectively handle much higher sales levels.

Adding staff to capture eCommerce sales makes economic sense only when a grocer is already optimizing existing resources. There are two decision-making factors for management:

1. Defining realistic production standards
2. Scheduling resources based on actual capacity to fulfill

First Step to Success: Precisely Defining Production Standards

eCommerce is projected to grow by more than 20% annually and capture an increasingly large share of the estimated $600 billion U.S. grocery market, according to reports. Stores, meanwhile, are experiencing sales reductions or growth in the low single digits.

Among the most crucial adjustments grocers are making to succeed with expanded eCommerce business is implementing solutions that can accurately define granular production standards for the work required to fulfill complex online orders.
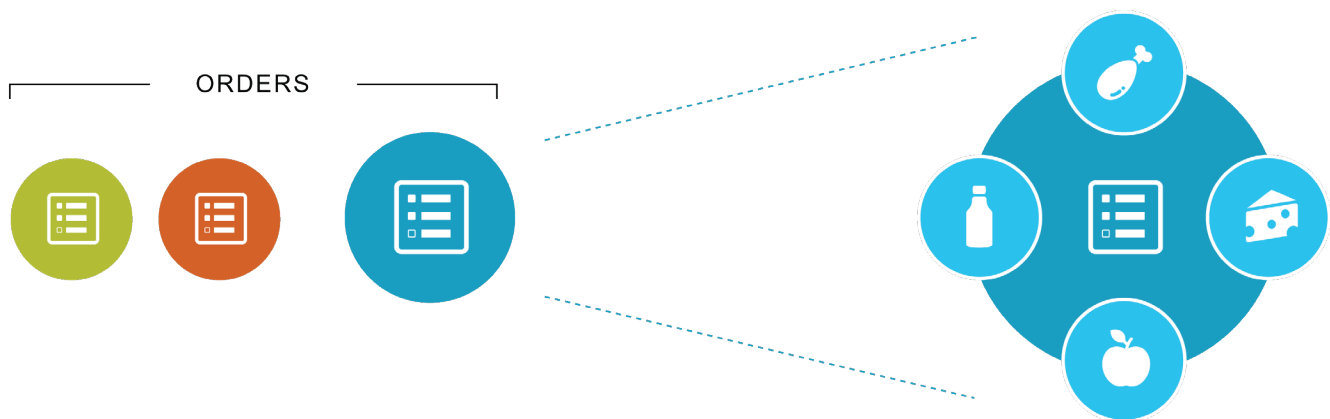
These scheduling and fulfillment systems must recognize that no two orders are the same. Making a cake, assembling a floral arrangement, coordinating the delivery of patio furniture from the warehouse and picking fresh produce are vastly different tasks and require distinct amounts of time and resources, and the orchestration of each task is relative to one another for fulfilling orders.

Store associates may know what the order is, but they lack the knowledge to coordinate and make sure they are picking and fulfilling in the most effective and productive manner.

Without precise enough tools, what results is grocers setting standards that are too conservative, placing artificial limits on throughput potential versus reality.

Failure to leverage such tools, and continuing to fulfill orders without clear guidance on what specifically is needed and how best to process eCommerce orders, results in inferior productivity, subpar customer service and lost online sales.

Second Step: Capacity-Based Scheduling

The implementation of an eCommerce solution that can accurately analyze, schedule and orchestrate multiple tasks and tie them most efficiently to available resources allows grocers to economically expand eCommerce services and offerings.
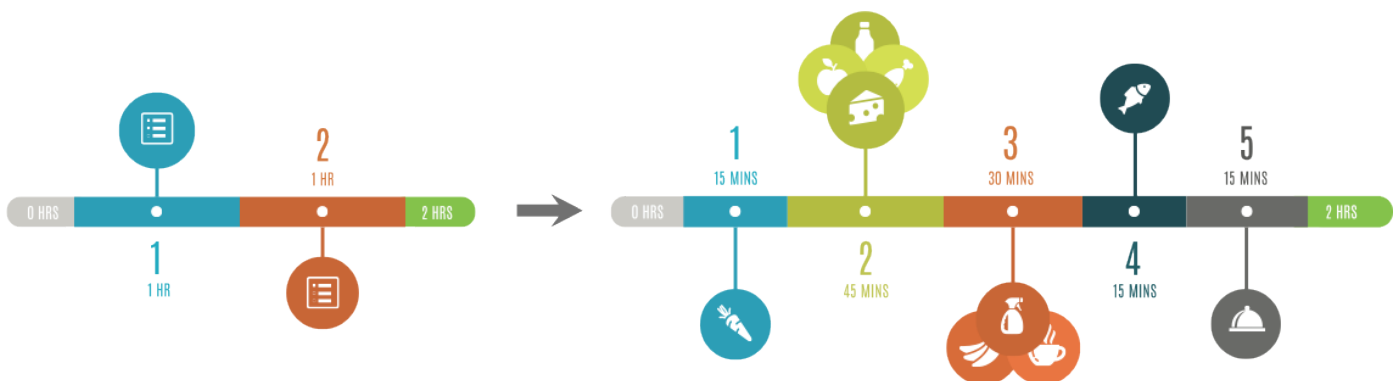
The benefits that come from defining accurate schedules and implementing capacity scheduling are enormous. These actions help eliminate unproductive work hours and ensure employees are where they need to be to maximize sales and fulfillment capacity.

While many grocers today allocate resources on a somewhat static and level persons-per-shift system, capacity scheduling reveals optimum resource levels by function and by hour to drive the most profitable fulfillment and bolster sales and service levels.

> " An eCommerce system that is aligned with operational realities empowers grocers to efficiently and effectively scale to demand. Grocers can anticipate higher throughputs, improved quality of service, and fully leveraged resources with higher morale," said Kevin Kidd, Product Director, Mercatus. "

Leveraging resources more effectively to optimize operations, service and branding is also critical for building customer relationships with shoppers who are increasingly turning to online shopping for convenience and quality.

Grocery leaders also face issues in motivating employees, maintaining performance levels and coping with high turnover rates. Integrating new tools and achieving success via an expanded eCommerce channel allows associates to better fulfill tasks in the time and situation most needed, thus enhancing both productivity and employee retention.

Improved capacity scheduling means grocers can expand availability of in-store products to offer a much broader range of products and special services online. In an age when the major growth is coming from digital and online shoppers, limiting products to the physical store no longer makes sense. Conversely, expanding eCommerce growth potential and capacity leads to higher profits from expanded sales and lower costs.

An eCommerce system aligned with operational realities empowers grocers to efficiently and effectively scale to demand. Grocers can anticipate higher throughputs, improved quality of service, and fully leveraged resources with higher morale. The benefits from capacity scheduling clearly extend from improved customer service levels and optimal allocation of resources to higher levels of eCommerce sales and service — and total profits.

Taking the Right Steps to Optimize eCommerce Productivity

AMONG THE QUESTIONS THAT MUST BE ASKED AND ANSWERED ARE:

Do you have accurate production standards for all facets of online order fulfillment, and are they adhered to?

For a given store, which pick strategy produces the highest throughput rate?

Are there ever dependencies between tasks when fulfilling an online order?

How much of a resource's time is spent serving in-store and online shopper needs?

How frequently could a resource review online order responsibilities?

What limitations does infrastructure place on online order fulfillment throughput? E.g. Trucks, ovens, fridges, handhelds, etc.

What is the maximum amount of orders that can be reconciled and tendered per time slot?

Learn how Capacity Fulfillment can lead to greater operational efficiencies

Join us for a customized demo of our eCommerce solution designed exclusively for grocery

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