

The 2017 E-Commerce Fulfilment Report



The 2017 E-Commerce Fulfilment Report

Foreword

By Jonathan Bellwood, Founder & CEO, Peoplevox

E-commerce is entering a new era bringing unprecedented opportunity, risk and complexity. And in the thick of it are e-commerce and multichannel retailers.

Clearly, e-commerce fulfilment solutions providers fully recognise this and make it their mission to maintain a 360 degree awareness of immediate and future market requirements.

We know the buck stops with us when it comes to ensuring our merchant and multichannel clients are equipped with the right solutions for solving fulfilment challenges, allowing their businesses to continue to scale as quickly and profitably as possible – no matter what the future may bring.

However, we also recognise the vital role our clients and the whole of the e-commerce ecosystem can and should play in shaping the future – for the common good. And this is where shared market feedback and experiences helps solutions providers and users alike anticipate and respond to constantly changing market requirements.

Earlier this year we created a survey so we could dig deeper into the world of e-commerce fulfilment and look at trends, challenges and opportunities for the future, and this [2017 E-Commerce Fulfilment Report](#) outlines the findings from our industry peers.

It aims to identify key future trends in the usage and deployment of e-commerce fulfilment systems, and provide new insights and solutions to the growing e-commerce fulfilment challenges facing online retailers.

Thank you for your interest.

Jonathan Bellwood





The 2017 E-Commerce Fulfilment Report

Executive Summary

The *2017 E-Commerce Fulfilment Report* findings show the majority of respondents in buoyant mood.

82% of the e-commerce, multichannel and marketplace reseller businesses taking part reported increased sales in 2016 with just 6% reporting a downturn in orders last year. Furthermore, most businesses (89%) are expecting a rise in sales during 2017.

Despite such positive results and the generally upbeat outlook for this year, only 52% of respondents said they were happy with their fulfilment and warehouse operations.

Purchasing and Forecasting was highlighted as the most common challenge with 24% saying this area requires the most improvement in 2017. Furthermore, maintaining efficient business processes are proving especially challenging (35%), followed by keeping abreast of administration (33%) and finding time to do essential warehouse upkeep (26%).

Many of those businesses questioned admitted to not always shipping on time (63%) with 34% citing the unavailability of stock being a key reason. When it comes to rectifying shipping errors, the majority (80%) appear accepting of the additional carriage, customer service and warehouse labour expenses as an inevitable cost of order fulfilment. 1 in 5 admitted to not knowing the cost of shipping mistakes.

The majority (77%) of businesses questioned also found meeting the additional demand for orders at peak times an ongoing challenge in 2016, with just over half (52%) resorting to hiring temporary staff. Paying overtime to existing staff and pulling in staff from other parts of the business were other common solutions.

Conclusion

Fortunately, for those retailers still without or delaying investment in dedicated e-commerce fulfilment platforms, it is now easier than ever before to equip their warehouses with the tools necessary for maximising productivity, accuracy and profitability.

Survey Highlights and Analysis

Overview

A total of **154 respondents** from around the world took part in an online survey during the first quarter of 2017. These are the findings.

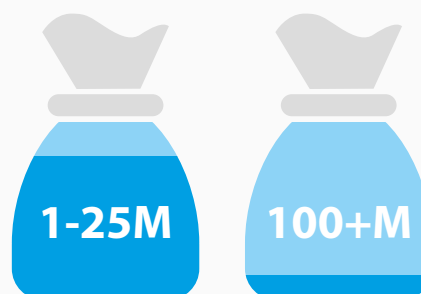
Organisation type

The respondents work in organisations predominantly identified as either multichannel retailers **31%**, online only **21%** or marketplace resellers **13%**



Organisation turnover

Approximately **80%** have turnovers of £1-25M, **12%** have turnovers in excess of £100M



Organisation operating time

58% – The majority have been operating for at least 7 years
Fewer than **3%** have been operating for under a year



Survey Highlights and Analysis

So far so good

Q In 2016 did your orders increase/decrease? In 2017 do you expect your number of orders to increase/decrease?



of respondents said that their orders increased in 2016



of respondents said that their orders decreased in 2016



of respondents are expecting their orders to increase in 2017

Q What do you see as your top pain points?



Our take

The survey respondents' high level of growth so far is in line with buoyant market conditions as a whole.

According to The Centre for Retail Research:

Online sales in Western Europe and Poland grew from
£174.76 bn (€201.33 bn) in 2015
to **£201.90 bn (€232.60 bn) in 2016**

A 15.6% rise

They expect total e-commerce online sales to increase to
£230.62 bn (€265.68 bn) in 2017

A 14.2% rise

Online sales in the U.S. grew from
\$349.25 bn (£269.46 bn) in 2015
to **\$399.53 bn (£308.26 bn) in 2016**

A 14.4% rise

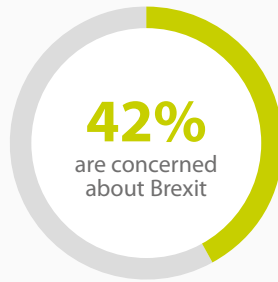
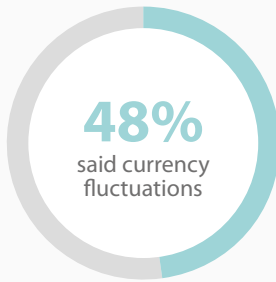
U.S. online sales are forecast to reach
\$459.07 bn (£354.20 bn) in 2017

A 14.9% rise

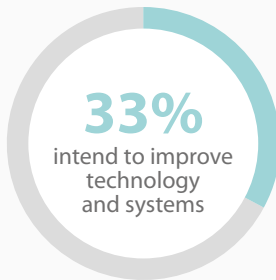
Managing Future Fulfilment Challenges

Overview

Q Which of these do you think will be more concerning to your business in 2017?



Q Which of the following are you going to do to scale your fulfilment to cope with your sales growth in 2017?



Our take

It is encouraging to see many of those surveyed displaying a healthy level of optimism as well as varying degrees of concern over their future ability to manage ongoing business expansion.

While the last recession helped ignite the online shopping revolution, the latest generation of smartphone devices is driving and accelerating e-commerce sales to unprecedented levels and with this, far higher consumer expectations on fulfilment and service quality.

The future looks promising but with this comes the challenge for both online and multichannel retailers to ensure they sustain growth while maximising profits.

As they face increasing competition including from Amazon, the ongoing challenges of currency fluctuations, and for some, Brexit pressures, they will need to become smarter at fulfilment. No longer will it be acceptable to justify wastefulness and preventable costs from inaccurate forecasting and poor purchasing

decisions, or shipping errors and high levels of returns, not to mention lost sales opportunities and customer loyalty. At the same time labour costs will need to be more carefully managed.

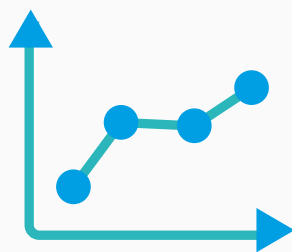
Because of this, more efficient approaches to managing key warehouse and fulfilment processes will be increasing priorities in 2017, principally in the areas of Forecasting and Purchasing, Goods In, Returns, Peak Time Management, Fulfilment Accuracy, and Shipping.

Managing Future Fulfilment Challenges

Purchasing and Forecasting

Q What is your number one area that needs improving?

The most common challenge is purchasing and forecasting



24% say this area needs the most improvement in 2017

Our take

Somewhat predictably, Purchasing and Forecasting was reported as the most pressing area of fulfilment requiring attention by survey respondents. After all, this is essential to successfully grow each and every e-commerce business.

Poor Forecasting and Purchasing decisions will inevitably impact on a retailer's ability to fulfil orders quickly and profitably, and to maximise as many potential sales opportunities as possible.

While e-commerce sales growth continues unabated and interest rates remain low, getting away with keeping stock that takes months to sell may be acceptable.

But as competition continues to increase, and with the potential for rates and wages to rise in the future, the need for more precise forecasting and purchasing is all the more apparent.

There are several challenges here, not least including gaining real-time visibility of stock levels and sales volume by suppliers, both of which are key indicators when planning what to buy.

Others include avoiding buyers working off historical sales data, and dealing with a wide SKU base where it can be tricky to know the range.

In determining the level of optimum inventory for operation, this will only be achieved when a full range of what's wanted is actually available and stock doesn't sit gathering dust and subsequently requires discounting. In all cases, the availability of up to date and accurate data is a necessity, providing the market intelligence for a thorough analysis of which items are popular and easy to source.

Ultimately, retailers must decide whether to always have all items in stock versus back to back ordering.

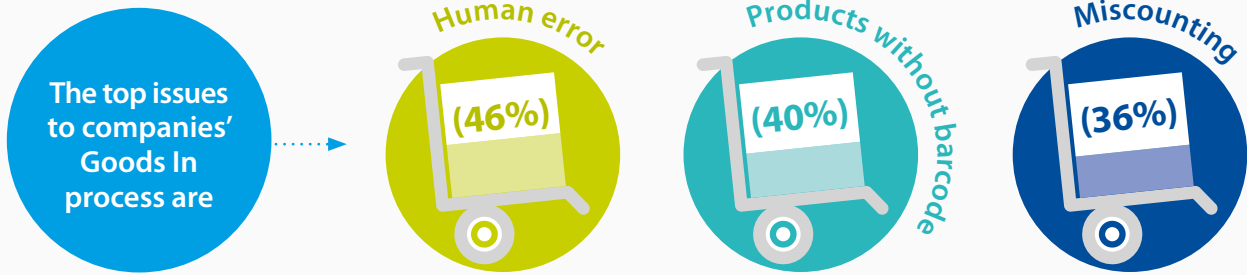
With increasingly reliable global supply chains, the need to keep everything on sale in stock is diminishing with more retailers electing to sell certain product ranges that they will only purchase on the back of sales order demand.

This allows businesses the flexibility of fulfilling a far more extensive range of products to customers while optimising their up-front purchasing costs and available storage space.

Managing Future Fulfilment Challenges

Goods In

Q Select the top issues to your Goods In processes.



Our take

From our report findings, making Goods In as efficient as possible is clearly an ongoing challenge for many retailers.

Judging from the responses, human error, missing barcode labels and miscounting appear to be at the root of the problem.

Understandably, with items arriving in pallets in large quantities, it is often difficult to unwrap and check each and every one. However, these issues need to be addressed sooner rather than later as Goods In is the lynchpin of any warehouse. Mistakes occurring here will likely cause trouble further down the line.

Performing regular stock takes is the solution but manual counting is inefficient as it increases the cost of labour and lowers the return. It also increases the risk of mistakes being made, misplaced or lost orders, and inaccurate stock figures appearing online.

The longer it takes for inventory to register online, the larger the window for missed sales opportunities.

Not checking goods received against a PO will also inevitably result in errors leading to lost sales opportunities, dissatisfied customers, and potential overpayment for stock.

A faster and more accurate method can be achieved by using a WMS, allowing goods to be scanned in and automatically reconciled against a PO.

Barcode scanning eliminates the margin for human error and ensures that all delivered items are correctly recorded.

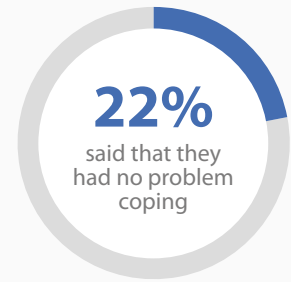
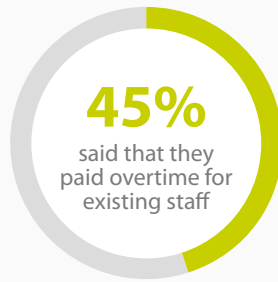
The correct stock figures will be listed online, meaning fewer oversells or missed sales opportunities.

Barcoding pallets and assigning products to unique pallet labels will also allow pallets to be moved around more efficiently.

Managing Future Fulfilment Challenges

Peak Periods

Q How does your business cope with fulfilment during your busiest periods?



Our take

Peak times are becoming the rule rather than the exception in modern day e-commerce.

This can place fulfilment personnel under huge stress, even when extra busy periods are actually expected as a result of planned sales promotion campaigns, or around obvious events in the year such as Black Friday and Christmas.

At the same time, a product going viral on social media can suddenly trigger unexpected demand.

It is therefore not wholly unexpected to find just over half of respondents proactively easing the fulfilment burden at peak times by engaging temporary contractors.

The addition of temporary staff is an obvious choice for scaling up fulfilment as needs be, while

reducing pressure on permanent team members and maintaining their job satisfaction.

However, this approach requires careful management and can be counter-productive if there are too many temps, or personnel from other departments, all requiring training and supervision at once.

At the same time, as our findings suggest, in readiness to absorb both planned and unplanned peak traffic throughout the year, it is not uncommon to find many retailers deliberately running 'top heavy' with permanent fulfilment staff.

This appears to be the case with a large proportion of survey respondents reporting they reward existing staff with overtime payments, enabling them to cope without hiring

additional contractors. There are a number of ways of de-stressing the fulfilment process at peak times.

Optimising the layout of the warehouse can help as will the provision of mobile systems to operatives, allowing faster access to real-time order, inventory and delivery data.

Mapping optimum picking routes to avoid pickers unnecessarily crisscrossing the warehouse floor will also improve productivity.

Tracking individual order status will also assist customer services personnel when dealing with higher than usual levels of inbound customer enquiries around peak times.

Managing Future Fulfilment Challenges

Returns

Q What percentage of your goods are returned and why?



said **0-5%** of their e-commerce orders are returned



said **6-10%** of their e-commerce orders are returned



said **16-20%** of their e-commerce orders are returned



said **21-25%** of their e-commerce orders are returned



said that they do not track return reasons

The most common reason for returns is incorrect sizing/fit (31%) or damaged product (16%)

Our take

Even when the retailer is not at fault – the customer may have simply changed their mind and exercised their option to return or exchange unused goods – the sooner the refund is made or the exchange shipped out, the better.

To handle e-commerce returns well, dedicate a specific area of the warehouse and assign a member of staff to check every order for defects or for repackaging.

The use of warehouse management software and scanners should allow operators to scan all necessary barcodes when repackaging items.

This eliminates the need for any typing or other 'human' activity, besides maybe folding.

Not only does this save time, it also reduces the chance of a mistake being made.

Clearly, prevention is better than cure, so ensuring online product descriptions accurately depict each item can help to avoid any misunderstandings for the customer when the product is delivered.

Use multiple high-quality photographs and succinct yet descriptive copy that includes all important information such as measurements, colour, or necessary product care.

Customer reviews are often a very good way of having these issues flagged up before the

customer makes their purchase, particularly with women's fashion, where sizing can generally vary between manufacturers.

Keeping track of just how many returns have been received and the reasons why will also help identify reasons for returns and the appropriate action necessary.

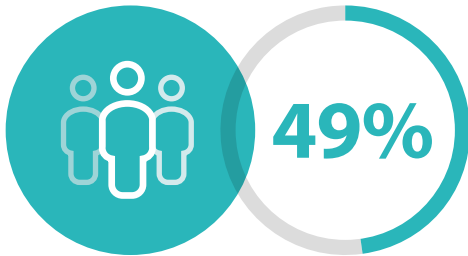
Managing Future Fulfilment Challenges

Fulfilment Accuracy

Q How do you prevent wrong items being sent out?

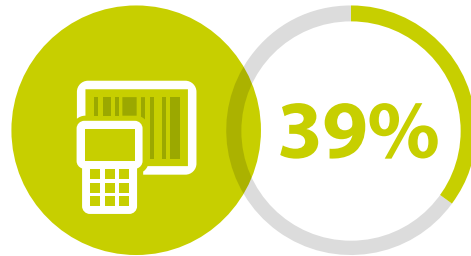
Most businesses prevent the wrong items being sent out by

having separate people picking and checking orders



or

using a barcode scanner to check the right item is picked against the sales order



Our take

The typical 'checks and balances' being applied by many of the survey respondents may not in themselves be surprising. However, there appears to be a disproportionately high number 'doubling up' – almost half – which could be an unnecessary and expensive division of labour when it comes to ensuring fulfilment accuracy.

Without any additional 'eyeball' checks, pickers should be able to see and filter all orders placed, enabling them to prioritise based on order type (e.g. single, multiple, batch) and the delivery requirements.

Using appropriate software, every order will have a status assigned to it, whether it has been received, allocated to a picker, or despatched.

As the order moves through each stage, the status is updated in the system, triggering expected delivery alerts to customers while allowing fulfilment operatives visibility of exactly how many orders have been despatched and to whom.

To help with picking accuracy and productivity, it can often help to store dissimilar products together rather than, for example, putting all sizes of the same shade of hat on

the same shelf, making them hard to differentiate.

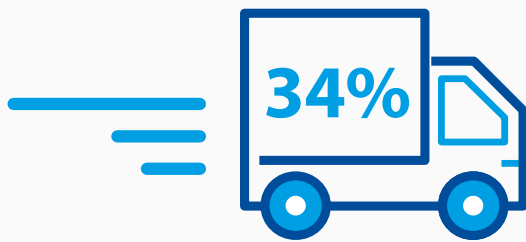
Ultimately, however, Despatch will be the opportunity for double-checking the right item is being delivered to the right customer at the correct address. The integration of a WMS with order processing and shipping software systems can assist here.

All customer addresses may be stored on the system with the order details so that when items arrive at Despatch and the order is scanned, the despatch label will print automatically with the correct details, saving time and reducing errors.

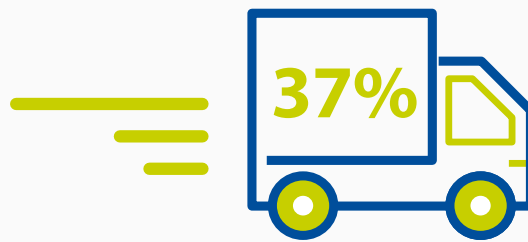
Managing Future Fulfilment Challenges

Meeting Delivery Deadlines

Q What are the main reasons you ship late?



said they ship late because products are sold when not in stock



answered that they ship all orders on time

Our take

Real-time inventory management is the most foolproof method for avoiding selling items not in stock and this should encompass stock items that are still at Goods In waiting to be put away.

This is a large proportion of respondents reporting late shipments due to products being out of stock.

It is particularly significant as it is symptomatic of over-selling and demonstrates the growing pressures retailers are under from all sides; for maximising all possible sales opportunities; keeping customers constantly delighted by the depth and range of products always available; and meeting or exceeding

ever more demanding expectations on delivery.

Without sales order processing being tightly integrated with live to the second inventory management across all available storage 'channels' – warehouses, stores, supplier warehouses - it is a huge, if not impossible, challenge to always know precisely which items are actually available for sale, and those that are not.

For e-commerce and multichannel businesses, which compared to brands have to hold and manage multiple SKUs, addressing this problem is particularly challenging. Putting in place real-time, single-view inventory

management is therefore the only totally 'foolproof' solution, so long as items that are still at Goods In waiting to be put away are not overlooked.

The major benefit of such a holistic approach is being able to 'see' and therefore sell more items, more easily and quickly. It reduces the risk of selling out of stock, or continuing to sell stock no longer available, and where there is an insufficient buffer in place.

With the increasing market acceptance and affordability of Cloud 'SaaS' based WMS systems, we will see more retailers being able to take advantage of real-time and single view inventory management.

Managing Future Fulfilment Challenges

Shipping

Q What do you calculate into the cost of your shipping mistakes?



Q Will you adopt more carriers in 2017?



are not adding on any more carriers in 2017



would add more carriers if they gave better rates



would add carriers if it enabled faster delivery

Our take

When it comes to rectifying shipping errors, the majority appear accepting of the additional carriage, customer service and warehouse labour expenses as an inevitable cost of order fulfilment.

1 in 5 admitted to not knowing the cost of shipping mistakes which is surprising.

In the new era of Next Day/Same Day delivery, customers just won't accept online businesses which fail to accurately ship to them on time, every time.

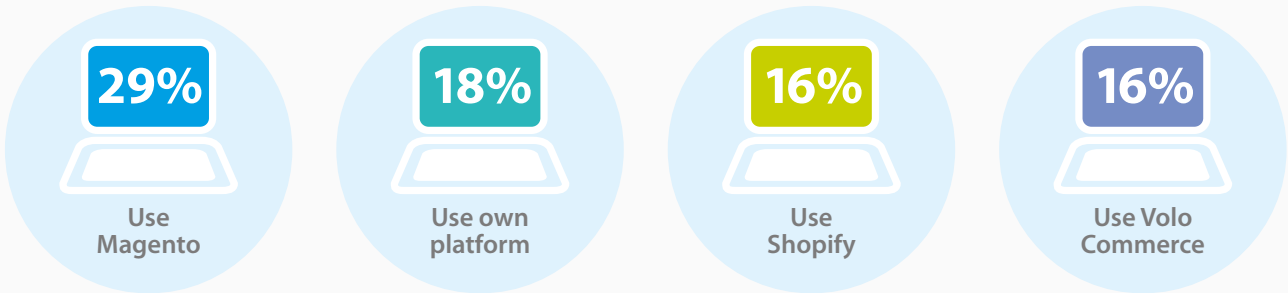
These fundamental warehouse and fulfilment issues need to be addressed before they grow into more serious problems that may risk

customer loyalty, cause increases in the number of returns, a failure to maximise available sales opportunities, and an escalation in avoidable overheads.

2017 Plans and Investments

Overview

Q Which e-commerce platforms do you use?



Q Which of these technology solutions do you use?



Q Which of these are you increasing your budgets for in 2017?



2017 Plans and Investments

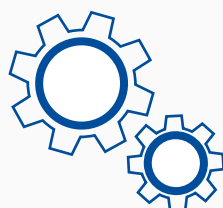
Overview (cont.)

Q Are you planning any of the following business changes in 2017?



20%

intend to change their e-commerce platform



20%

are implementing a Warehouse Management System



20%

said they are introducing new sales channels



29%

do not intend to make any changes to their business

Our take

As one would expect, e-commerce systems are well represented here and many businesses are planning to invest further or make upgrades during 2017. However, the current or planned deployment of various other technology platforms including WMS, CRM, ERP and Carrier Systems is also clearly apparent.

With the increased investment and reliance on a combination of different vendor platforms comes the requirement and challenge of successfully integrating these together in order to enable maximum functionality, ROI and a seamless user experience.

One of the reasons why many businesses delay implementing a WMS, for example, is the complexities they have endured in making current and future systems to talk to one another. This is why a new generation of dedicated e-commerce WMS systems have come to market which use open API integrations to connect to almost any modern e-commerce, sales channel, ERP, accounting or carrier system – quickly and simply.

The 'built-in' future-proofing that Software as a Service (SaaS) now allows for many e-commerce

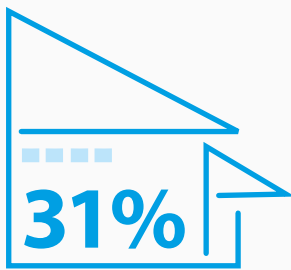
solutions is key to such straightforward integrations. Retailers can benefit from centrally developed technology whilst only paying a fraction of the development costs, receiving ongoing enhancements as part of the service. This adds up to retailers having much more freedom to escape those vendors trapping them in inflexible, costly to upgrade, proprietary software.

However, it is still far from being a 'one size fits all' situation. Look carefully and check which systems offer your business the appropriate level of integration with existing or other planned software.

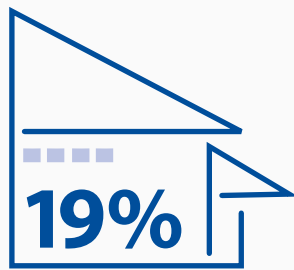
2017 Plans and Investments

Warehouse Management

Q Do you have plans to implement a Warehouse Management System (WMS)?



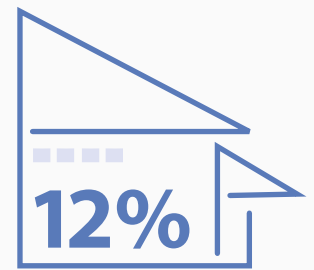
will not be implementing a WMS this year



said yes but not sure when

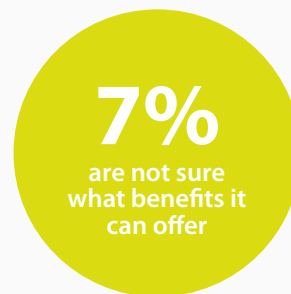


are implementing a WMS in the next 12 months



are in the process of implementing a WMS

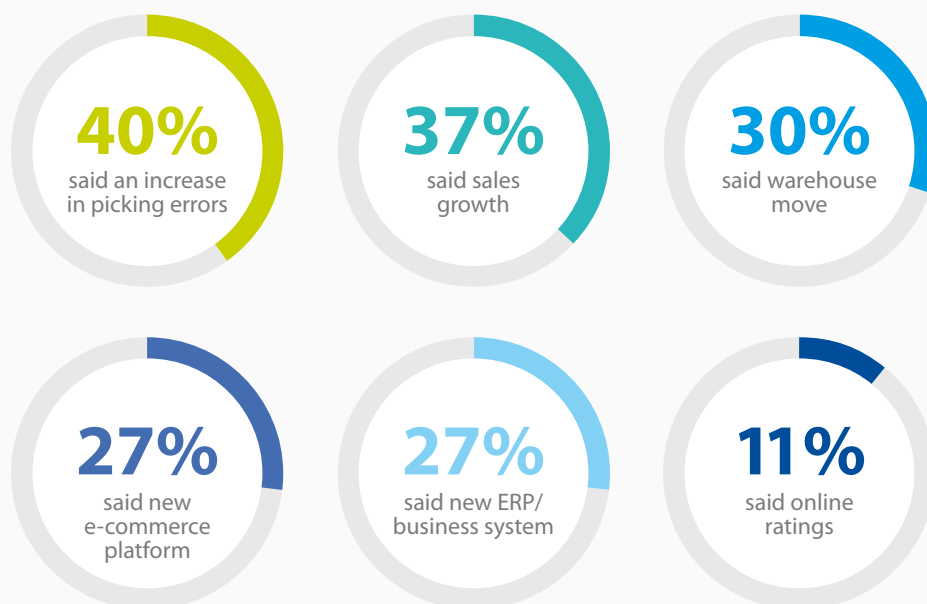
Q What has stopped you from implementing a WMS so far?



2017 Plans and Investments

Warehouse Management (cont.)

Q What are the main reasons that affected or would affect businesses decisions to implement a WMS?



Our take

Many companies are not taking full advantage of the latest e-commerce WMS solutions now available. Increasingly, these are cloud-based and therefore more easily and rapidly deployed than the previous generations of on-premise, proprietary systems.

SaaS allows the added flexibility of paying on a subscription model from OPEX, rather than making a large CAPEX commitment, and all software updates are provided automatically by the provider.

With so much at stake, it is surprising how many retailers continue to rely on 'paper and pen' based warehouse stock management and goods

despatch 'systems', even though their business has outgrown them and they simply cannot keep pace with the complexities of modern e-commerce.

Many will have prioritised investing available funds into acquiring suitable e-commerce order processing and delivery management platforms, and integrating them with their accounts software.

These are of course absolute necessities for any business serious in succeeding in e-commerce, however, on their own these won't be sufficient when the pressure is on to pick and despatch orders faster while maintaining accuracy. Neither

will they prevent, for example, underselling, overselling and overstaffing, or an increase in unforced errors such as mispicks or incorrect address labelling. All of these will inevitably slow things down, reduce productivity and incur unnecessary costs. And ultimately they impact on time to delivery.

As customer demand for speed of delivery and convenience prevails, taking steps now to integrate a fit for purpose, scalable e-commerce WMS platform that's able to easily integrate with popular e-commerce order processing, delivery management and accounting software could well be a more prudent approach.

The 2017 E-Commerce Fulfilment Report

Conclusion

While many of the retailers surveyed enjoyed strong growth in 2016, this is broadly in line with figures for the online retailing sector as a whole. However, in 2017 and beyond, an increasingly global, super-competitive e-commerce arena means retailers can no longer afford the luxury of inefficiencies in any area of their warehouse and fulfilment operations.

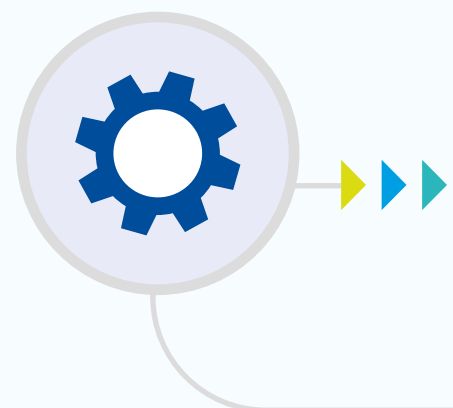
The *2017 Ecommerce Fulfilment Report* has identified a number of potential pressure points which are likely to grow into more serious problems for many online businesses as they continue to scale rapidly. Left unchecked indefinitely, these have the potential of risking sustainable, profitable growth, and for some, business survival.

Potential pitfalls for online businesses and consequences

- Poor inventory management resulting in overselling and underselling
- Erosion of hard won repeat business/customer loyalty from inaccurate/delayed shipping
- Inability to identify/respond quickly and profitably to new market opportunities/peak period
- Increasing returns from packing and shipping errors
- Lost market opportunities from poor purchasing and forecasting decisions
- Low productivity through inefficient picking routes/warehouse layout
- Escalating labour, storage and other overheads

Fortunately, for those retailers still without or delaying investment in dedicated WMS and carrier management platforms, it is now easier than ever before to equip their warehouses with the tools necessary for maximising productivity, accuracy and profitability.

With the advent of Cloud Computing, the availability of affordable, easy to implement and use Software-as-a-Service platforms is making it possible for online and multichannel retailers, of all sizes and at all stages of their development, to access and quickly take advantage of scalable, fit for purpose e-commerce fulfilment solutions.



The 2017 E-Commerce Fulfilment Report

About Peoplevox

Peoplevox is an expert Warehouse Management System (WMS) provider offering a truly fit for purpose e-commerce WMS solution capable of handling the complexities and pace of online and multichannel retailing. By partnering with Peoplevox, brands, pureplay and multichannel retailers are able to meet their fulfilment needs through improved people management, efficiency and performance.

As a leading mobile-first WMS solution, the Peoplevox WMS puts powerful e-commerce logistics software at the fingertips of warehouse personnel, at all times and in any location, ensuring they are always at the point of activity, enabling maximum agility, accuracy and productivity.

The highly scalable Software-as-a-Service (SaaS) Peoplevox WMS enjoys considerable market success, currently relied on for shipping over 3 million parcels per month by more than 100 clients in 20 countries, including such well-known brands as Barbour, Intersport, Mothercare and The Range. Easily configured and deployed by non-IT client personnel, its flexible open architecture allows straightforward integration with all leading e-commerce sales, marketplace, delivery, ERP and accounting platforms.

Formed in 2009, the idea behind London-based Peoplevox came from founder Jonathan Bellwood's previous career experience when implementing legacy systems at customer warehouses globally. Their growing frustrations at the associated costs, complexity and lack of flexibility involved led to the creation of the Peoplevox e-commerce WMS.

For more info on how we can help you please visit our website, peoplevox.co.uk or contact us via email on sales@peoplevox.co.uk

Telephone us on +44 (0) 203 824 1394 or if you're calling from the US +1-929-224-0715.

Thank you for reading our report and we hope you found it useful!
The Peoplevox Team

