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February 5, 2019

Optimizing Your Supply Chain for Omnichannel



Credit: Getty Images by Busakorn Pongparnit

By **Jon Slangerup**

Fulfilling both in-store and online orders for custom furniture within 30 days is challenging enough. Factor in a 1,500-product catalog and a worldwide sourcing network, and an agile supply chain becomes indispensable.

For one major furniture retailer, a technology-enabled supply chain has been key for keeping up with today's retail environment. Customers can shop in-store or on the company's website, customizing their new couch or table to their exact tastes. Within a month, customers receive their finished pieces — a turnaround that demands flawless supply chain planning and execution.

As e-commerce grows alongside customer expectations, many retailers can relate to these types of supply chain challenges. The rise of omnichannel is forcing businesses to juggle demand across brick-and-mortar and online touchpoints, navigate countless paths from production to final destination, and meet accelerated delivery requirements, all while minimizing costs. As a result, traditional just-in-time inventory methods are giving way to a just-in-time delivery approach, with retailers reshaping supply chains to meet changing customer demands efficiently and cost effectively.

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Are All Deliveries Now Last-Mile Deliveries?

Online spending now represents 10 percent of total retail sales, with shoppers spending [\\$122 billion online in the third quarter of 2018](#). Meanwhile, companies like Amazon.com are leading the way on emerging fulfillment models, like same-day delivery and dedicated customer pickup lockers. Even if they're not expecting same-day delivery, today's customers won't wait around for purchases. A Slice Intelligence study found that

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As a result, while retailers once moved their goods from factory to warehouse to store, many orders are now skipping the warehouse as they travel to their final destination. Many retailers are trading warehouses for smaller fulfillment centers closer to final shipping destinations, and last-mile delivery reigns supreme.

With these changes come rising costs, such as increased reliance on air freight to get shipments to the right place at the right time. Demand for air cargo [grew 9 percent in 2017](#), more than twice the 3.6 percent growth in 2016. Shelling out for pricey air cargo adds to retailers' financial pressures, particularly those impacted by the current tariffs. With [hundreds of billions in Chinese goods](#) subject to duties, businesses that import everything from electronics to housewares are facing additional costs.

Keeping Up With Omnichannel

For the furniture retailer mentioned above, combining supply chain technology with dedicated supply chain expertise has been invaluable for meeting the demands of omnichannel consumers. With the right technology, processes and industry relationships, other retailers can follow suit by improving lead time planning, end-to-end visibility and flexibility. When optimizing your supply chain for omnichannel, here's where to start.

Prioritize lead time accuracy, not speed. Trimming lead times to meet tight customer timelines often means relying on more expensive modes. Instead, focus on forecasting demand to anticipate changing customer demands. A centralized supply chain platform puts historical averages at your fingertips, helping you to understand exactly how long it takes goods to move from production to fulfillment.

Make sure you can count on your vendors. All the planning in the world won't help if your factory keeps missing production deadlines or doesn't follow customs requirements. A supply chain system acts as a single source of truth for all vendor activity, allowing you to track performance trends and adjust allocations when needed.

Make exceptions your rule. By building your supply chain platform around your business rules, you can focus on what truly needs attention and react more quickly to issues. For example, the furniture retailer developed a "hot" shipment report of orders in transit, which it reviews daily to determine delivery order based on customer requirements.

Ensure customs compliance. With U.S. Customs and Border Protection paying close attention to shipments these days, customs issues can cause serious slowdowns that compromise delivery milestones and customer relationships. An experienced supply chain partner can help streamline the process by ensuring harmonized tariff classifications are up-to-date, managing filing requirements, and even helping retailers apply for [C-TPAT certification](#).

Be flexible on modes and carriers. The right technology system will allow you to see instantly where items are in transit and reroute as needed. Furthermore, a well-connected supply chain partner can help source capacity or identify creative transportation solutions. For the furniture retailer, receiving multiple transit options from its partner for each shipment, based on cost and transit times, allows the company to balance price with speed and make changes quickly.

As the rise of omnichannel transforms the competitive landscape, retailers across the spectrum must adapt or be left behind. By focusing on an agile, technology-enabled supply chain, retailers can better position themselves to meet customer demand across every channel.

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