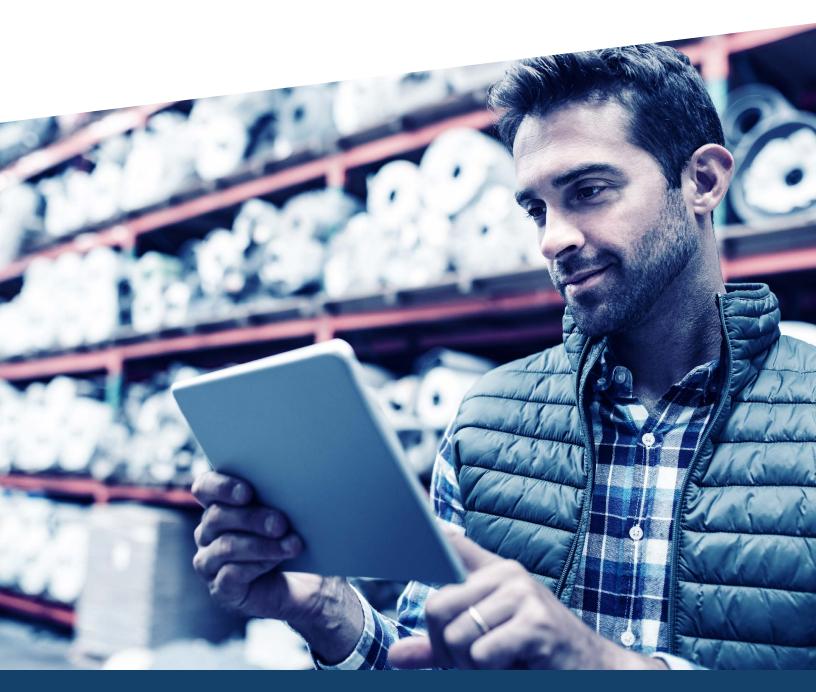# DESCARTES™

The Best Practices for Sustained Growth for Online Retailers

Introduction

No matter what they're selling, successful online retailers all have one thing in common: best practices. Those businesses that emerge stronger from the pandemic have developed best practices that foster sustained growth. Based on the growth journey outlined below, online retailers can start to plot a path by adopting the best practices of successful businesses and supporting technology. The best prescription for ecommerce success varies with business size. Here we examine the growth journey and the good habits of successful online retailers based on approximate daily shipment volume.

Smaller Companies (0–100 shipments/day)

Smaller businesses often have manual processes and get overwhelmed when volumes approach 100 orders per day. Hiring extra help may seem like an obvious solution, but that is only a temporary fix and will not correct systemic inefficiencies.

Small businesses need to start automating manual fulfillment tasks to scale. One best practice to effectively automate is to connect sales channels to shipping. With connectivity to marketplaces, order information gets automatically transferred to the carrier for shipment processing. This way, carrier-compliant labels can be batch printed. It is also a best practice to deploy solutions that automatically rate-shop to reduce costs, offer shipping options, and deliver branded customer communications.

CUSTOMER SUCCESS STORY

"By automating fulfillment with Descartes ShipRush, we're now easily processing 30 to 40 packages per day and over 1,000 per month and we're accomplishing this with two people, instead of six. It's been a boon to customer service, and it has given us a path to a sustainable and profitable home-based business"

- Billy Carmen
Owner, Wizard Distribution

It is a best practice for small businesses to start automating manual fulfillment tasks and seamlessly connecting to a broad range of sales channels.

Growing firms (100–1,000 shipments/day)

Online retailers in this category often face inventory management challenges. Businesses serving multiple sales channels may continue to sell products after stock outs in error. They may also develop separate and inefficient processes for marketplace. Effective order management must be a priority to achieve real-time visibility of the entire process.

- **Warehouse management**

    As order volume increases, error rates also tend to rise as employees rush to keep up with demand. A best practice is to utilize a barcode-based warehouse management system that uses mobile devices to scan merchandise. With the right technology, error rates can be minimized, and pick-speed increased.

    Another best practice is to improve warehouse productivity by adopting multi-order picking strategies. Instead of processing orders one-at-a-time, shippers can use warehouse management software to help them organize intelligent "pick waves" that minimize walk time. The introduction of cross-docking processes can also speed up shipment processing by reducing how often workers handle goods.

- **Shipping**

    Growth can also lead to higher than expected shipping costs if shipping processes are not automated. Automating the handoff of customer address information to carriers reduces manual labor and streamlines label creation. In addition, by configuring a shipping solution to send out tracking details to customers automatically, businesses can minimize the number of "where's my stuff" calls.

CUSTOMER SUCCESS STORY

The Tool Nut is an online supplier of woodworking tools and equipment. The ecommerce supplier required a mobile-based warehousing solution that fully integrated with NetSuite. The company rolled out the mobile-enabled, barcode-driven Descartes OzLink™ Mobile Warehouse solution to speed processes and minimize errors.

"It's very clean and streamlined and works perfectly in the hands of field workers who just want to do their job."

- Rudy Bergstrom
Operations Consultant, The Tool Nut

Growing businesses (1,000–5,000 shipments/day)

Companies in this category face speed and information management challenges. Online retailers at the lower end of this range can process an average of one order every 30 seconds, while best-in-class businesses can process an order in 6 seconds. Businesses that fail to use effective technology solutions at this stage are at a significant cost disadvantage and are soon outperformed by more automated competitors.

To fulfill higher order volume, scaling businesses are often faced with a choice— hire more people or improve efficiency. Since finding and training high-quality workers is a slow and inconsistent process, the right technology is essential to meet the higher productivity goals for existing resources.

- **Connectivity**
  Data competency is a core differentiator for further growing business. Those ecommerce companies who employ the best practice of connecting internal systems with suppliers, marketplaces, and carriers are better equipped to manage information. For businesses operating at this level, Enterprise Resource Planning (ERP) integration is a necessity. Companies should seek out solutions that offer multiple methods to link systems with trading and logistics partners.

- **Warehouse management**
  Peak shopping seasons are a cyclical challenge for warehouse operations. For example, leading up to a peak, some businesses experience a rise in order volume up to 50 times higher than average within a two-week period. To handle volume spikes, companies need to have easy-to-use, system-guided processes in place to rapidly onboard seasonal staff. They also need scalable technology infrastructure capable of efficiently processing higher order volumes for a short period of time.

Returned merchandise is a frequent challenge for scaling businesses following peaks. When returns pile up, customer satisfaction decreases as does the accuracy of the inventory and accounting systems. When a scaling business neglects returns in favor of new order fulfillment, poor customer reviews can negatively impact a brand. An efficient returns process must be established so that merchandise can be rapidly restocked or disposed of, with refunds promptly issued or replacements sent out.

- **Shipping**
  Whenever possible, companies should offer comprehensive delivery services, real-time in-transit tracking, and multiple international shipping options. A best practice is to use a scalable technology solution as companies seek to expand their range of services available to their customers.

CUSTOMER SUCCESS STORY

"Our old WMS was very manual. Reporting was all done through spreadsheets, and we had no way to scan items in the warehouse. Tracking inventory was tough – especially when things weren't barcoded – and handling sales peaks was a major struggle. To make matters worse, the system offered very poor integration with Magento. With [Descartes] powering our warehouse, we're confident that our infrastructure will be able to support our strong growth trajectory for years to come."

- Jessica Knutson
Senior Operations Manager, Sigma

SIGMA®

Enterprises (5,000+ shipments/day)

Large ecommerce enterprises stand out by staying ahead of the market. Their key strategies often get widely copied by other market participants and can lead to the creation of new industry standards. Successful large ecommerce businesses view their digital supply chain strategy holistically. To them, logistics is a competitive advantage because they can use it to enhance their customers' experience with value-added services.

- **Connectivity**

   Enterprises typically have a well-staffed internal IT department to maintain existing systems, support new initiatives and foster innovation. Although they have long since established ERP connectivity, enterprise players are still driven to expand real-time data exchange because sales-channel complexity continuously changes.

- **Warehouse management**

   Order fulfillment processes, already automated and highly efficient, must be continuously streamlined. Optimization strategies may include zone-picking and picking by light, voice, or color. Large enterprises also rely on regional distribution strategies that leverage multiple warehouses for faster deliveries.

   By increasing visibility on inbound supplier shipments and returned goods, large enterprises can optimize resource planning and begin selling in-transit merchandise in the storefront.

- **Shipping**

  Large enterprises are in a good position to reduce shipping costs through closer collaboration with carriers and forwarders. Companies must continue to strike the right balance between profitability and providing customers with a competitive range of delivery options, including free shipping for longer in-transit times. As a result, it's possible that the cost of international transport and customs declarations could go up.

- **Home delivery**

  As in-house delivery fleets grow, cost savings, efficiency gains, and improved service can be achieved through route optimization. A best practice in home delivery is to use dynamic delivery appointment scheduling technology to increase delivery capacity. Time-definite delivery windows and value-added delivery services can result in higher customer satisfaction and tens of millions of dollars in additional revenue. In fact, leading ecommerce companies have created an entirely new revenue streams with this approach.

CUSTOMER SUCCESS STORY

Descartes helped John Lewis combine shop and web orders with any kind of service a customer would demand—From a simple delivery the next day, to installing a washing machine eight days after the order. The dynamic planning solution helps planners integrate orders in real-time during transport planning.

"Descartes' solution has provided customers with a one-stop shop to buy our products all in one place with one click of a button. We have seen a 500% increase in service take up."

- Danny Griffiths
Central Planning Manager
John Lewis Partnership

JOHN LEWIS
PARTNERSHIP

Conclusion

Highly successful retailers know that they may be small today but will likely scale in the future with the right technology in place. The more companies grow in ecommerce, the more complex processes become. The key is to partner with technology that can scale with you to enable sustainable growth.

We're Here to Help

No matter the size and complexity of your ecommerce business, Descartes can help companies expand, adapt, and meet changing customer requirements. Our ecommerce solutions provide an end-to-end ecommerce platform for fulfillment from sales channel connectivity to order and warehouse management to shipping.

We're here to assist and would like to share how we've helped other ecommerce companies to successfully grow.

About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses. Customers use our modular solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community. Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at www.descartes.com and connect with us on LinkedIn and Twitter.

Uniting the People & Technology That Move the World.