Bringing big-warehouse best practice to the smaller e-retailer.

The ability to control physical not just virtual stock is critical to success in this competitive sector.

Accurate control of 'physical stock' – otherwise known as warehouse management – should be a key component of any online retailing application. Providing customers with accurate and timely information on stock availability and delivery times is critical to ensuring a great online experience.

There is plenty of evidence that customers are increasingly fickle and will move on to another site if the items they want do not appear to be available, or will be delivered too slowly, even if that means paying slightly more. Conversely, retailers have long-since known[i] that shoppers are more likely to buy something if stock is running low, presumably to avoid missing out. Ensuring stock availability and visibility is therefore a mission-critical priority for any online retailer.

According to some assessments, around 75 per cent of the world's e-commerce stores[ii] are based on the five most popular platforms. It is therefore surprising that there are few if any specialist cloud-based stock control or warehouse management systems that can be integrated easily with them.

This is a significant and growing market. Online retailing in the UK is expected to be worth €174 billion during 2016[iii], up more than 10 per cent on the previous year. Over 43 million Britons shopped online during 2015 and 20 per cent of these did so using a mobile device. The average British online shopper spent €3,652 last year.

While customer-facing processes may be the most important there are good reasons for improving the control of stock in its physical storage environment. Primarily because this is the 'true' stock position, but for many other reasons related to costs. Warehouse space costs money, no matter what size the business.

Optimising stock levels helps to ensure this space is used efficiently. This could mean reducing warehouse space to control costs, but could equally mean using existing space better to support expansion or additional product lines without extra costs.

Handling items also costs money. With better physical stock control the number, frequency and even the distance of movements can be reduced. The right systems will also support more efficient order picking and assembly by automating processes and removing errors, all of which can improve productivity. They can also enforce stock rotation, for example managing first-in-first-out, or best before date regimes which can be important for products with a limited shelf-life.

Similarly, by collating and tracking important product-specific information such as batch number or production date they support traceability. This can be important for customer service but will also help in the event of returns or recalls. Reporting and analytical tools will provide insights that enable better decision making and service innovations based on real evidence.

The challenge facing many online retailers is that while this functionality and more is supported by many large scale or enterprise warehouse management systems the cost and complexity of implementation makes them unaffordable. At the same time the functionality included with the majority of the leading e-commerce platforms does not provide the level of sophistication required. In practice, online retailers have four broad options when setting their operations.

First, an enterprise warehouse management system with an extensive set of functions. These are widely used in traditional warehouses and distribution centres. They can be large, feature-rich and complex and are typically implemented by configuring a core application with additional requirements specific to the customer's operation. This can be a lengthy and costly process, which makes them beyond the means of all but the largest online retailers.

Second, users can use the stock control functions of their e-commerce or shopping cart applications. While these might offer an interim solution to get the business up and running few if any include the full set of features that provide a long-term solution to the needs of a growing business. This is understandable because physical stock control is not the speciality of the e-commerce platform vendors.

Third, many start-ups simply manage their stock using paper-based systems or spreadsheets. These can be effective and many traditional retailers and warehouses still use them despite the electronic alternatives available. However, for online retailers they offer little or no potential for providing the real-time information that is integral to providing an excellent customer experience. There are also limitations in the back office, where such simple systems can easily lead to errors and inefficiencies that take time and money to put right.

Another option is to utilise the service of a specialist fulfilment provider who operates the warehouse function on the online retailer's behalf. These will typically interface with the retailer's e-commerce platform to present a seamless experience to the customer. While this approach has many merits, not least in passing the function to a specialist service provider, it is not suitable for businesses that want to retain ownership of their supply chain and the associated data.

A better solution for many online retailers would be a specialist cloud-based application that integrates with their existing e-commerce front-ends to support a feature-rich, warehouse-centric stock control function. This would enable greater levels of customer service in terms of stock visibility but would not become a burden because the core service would be hosted and supported by the application provider.

At the same time, it would allow the retailer to retain ownership and control over their warehousing and stock control operations as well as the associated data. It would enable new levels of back office efficiency that, taken with the low implementation costs and monthly pricing associated with cloud services, would simplify cost justification and shorten the return on investment.

About ProSKU

ProSKU is a unique cloud-based stock control application that enables online retailers to manage and track inventory in warehouses and store rooms. It delivers genuine WMS functionality in a form that is simple to deploy and easy to afford for smaller organisations engaged in Internet trading and fulfilment, wholesale, 3PL, manufacturing and the public sector.

ProSKU was created by WMS provider Chess Logistics Technology as a distinct, independently branded product. Chess Logistics Technology has successfully delivered enterprise warehouse management systems for nearly 30 years.

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[i] *https://www.amazon.com/Influence-Psychology-Persuasion-Business-Essentials/dp/006124189X*
[ii] *http://tillison.co.uk/blog/which-ecommerce-platform-is-the-best-choice/*
[iii] *http://ecommercenews.eu/ecommerce-uk-reach-e174-billion-2016/*