



How To

Relieve the Growing Pains in your *(eCommerce)* Back-End!

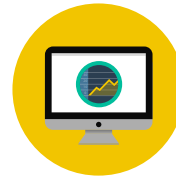
An eBook for thriving online retailers from



How Are you Addressing the “Painful Costs” of Managing Your eCommerce Orders?

(They’re impacting your time, margins, reputation and customer loyalty.)

Congratulations! You’re an eCommerce success story.



You’re growing exponentially. Generating thousands of orders a month. Your sales and marketing efforts and channels are becoming increasingly more sophisticated and successful. You’ve built a great team.

Along the way to success you’ve added more distribution partners – dropshippers, 3PLs, warehouses, etc. – to fulfill your orders. This was supposed to make managing your business easier, but instead ***building your own unique ecosystem of vendors has increased your investments of time and money to handle your complex order lifecycle.***

Like other online retailers, you may have found that your back-end processes now lack the same sophistication and elegance you have achieved with your selling efforts. Managing your order lifecycle – order processing, inventory management, shipment tracking and vendor performance monitoring – is harder and more ***manual*** than you thought. In fact, instead of decreasing, the effort has grown right along with your order volume. The cumulative costs are building: not just the ***hard costs*** in terms of time and money, but also ***softer costs*** of reduced customer satisfaction and seller ratings.

You know it hurts – but do you quantifiably know how much it's costing your business? And how do you relieve the pain?

First, let's diagnose the problem.

How many of these steps you are performing in-house today?

When you receive an order, are you double-checking the SKUs inside the inventory file(s)?

If the order is *in stock*, you have to route the order:

- Choose the appropriate fulfillment vendor
- Manually enter the info into a spreadsheet or flat file in their preferred format and on their schedule—not yours!
- Then send them an email or FTP

If the product is *out of stock*:

- email the disappointed customer
- issue a refund or backorder



At this point, you have a disappointed customer who can't understand why he was allowed to order something you can't ship. And, you actually have to spend time on an order that is not even an order.

How are you updating the inventory on your storefront/marketplace after the order is placed?

- Later in the day you get back all the shipping and tracking from vendors that were shipped two or three days ago
- Reconcile them in your shopping cart
- Make sure that each order number is in the data file
- Then you have to copy and paste the tracking numbers back into shopping cart, and mark them shipped

Lastly, how are you keeping the customer up-to-date?

- Don't forget to send the customer an email telling him that the product has shipped.

That's at least a dozen, individual *manual* tasks for each order you receive.

Many online retailers who spend their own time or hire additional staff to process orders are thinking that they are efficiently solving these problems. In reality, they are bottlenecking their business and adding costs by focusing on the wrong areas.

Do you know how many man-hours per day your business is spending actually involved in the processing of orders? For most eCommerce businesses, these are the overlooked costs in managing the order lifecycle that affect your margins and your ability to scale.

Let's assume you pay somebody *\$19 per hour to handle these functions. Data from HubLogix's customers suggest each order takes about 12-15 minutes when handled manually.



That's over \$4 per order. **HARD COSTS.**

**based on \$50K salary (261 days x 10 working hours per day)*

If you're doing 1,000 orders a month, that's up to 250 man hours or \$4,000 per month!

That's Painful!

If you are handling all of these orders yourself, you're spending significant time spent away from crucial needs like growing your sales. And if you've hired someone else to do it, what happens when they quit or call in sick? Does your well-oiled machine screech to a halt?

Now, try *scaling* with this type of manual order processing.

As your success continues, you will be selling on more marketplaces like Amazon or Channel Advisor and add more 3PLs and drop shippers (maybe even your own warehouse) to your ecosystem. But your back-end processes won't get any easier.

Now, choosing who should fulfill the order has more **permutations**. You have to check stock in multiple individual inventory files. Choosing which vendor you want to fulfill the order has more advanced business logic (cost, location, etc.)

For example – when an order comes in with three line items, you can send that order to one vendor. But when they are out of stock on just one item, you have to find another vendor for that one-off item, and you now have two purchase orders going out to two vendors, which makes it even harder to track. And you have just spent 20 minutes making that decision. Tick-tock. Tick-tock.

With all these fulfillment wires going this way and that, it is not uncommon to get them crisscrossed, causing delays and errors.

If the hard costs are not painful enough, now consider all the intangible, **SOFT COSTS** of using inefficient manual processes:

Errors are inevitable.

Errors are costly – from mistakes typing addresses or credit card numbers, to over or under ordering stock, from picking or packing the wrong merchandise, to shipping to the wrong customer. As a company grows in size, revenue or SKU count, its complexity increases, and so do the chances for making mistakes. If you get bogged down fixing mistakes, you are not fulfilling orders, and you are not selling.



“Typical error rates for manual data entry are about one error for every 300 keystrokes.”

-Purchase Order Management Best Practices: Process, Technology, and Change

“For Amazon, the maximum length of the SKU that can be sent is 40 alphanumeric characters.” (That’s a lot of opportunity for data entry errors)

More errors means more returns.

Returns are a fact of life in eCommerce. In fact that is one of the great incentives for customers to shop online. If they don't like what they received, back it goes. According to investment banking firm Kurt Salmon as much as a third of all Internet sales gets returned.



“Handling each returned item costs online sellers between \$6 and \$18, and that is before the losses from items that are returned in unsalable condition.”

-The Economist

Customers and marketplaces “penalize” you for stock-outs.

Inventory control is the lifeline of a retail business. Running out of stock, or worse yet, not knowing you are out of stock, can lead to lost revenue.

“According to a Duke/MIT research study, a stock out on one item increases the probability of customers canceling other items in that order, representing almost 33% of the total short-run opportunity cost. Additionally the study found that customers who experienced a stock out were less likely to place a subsequent order, ordered fewer items, spent less (revenue), and had a lower subsequent conversion rate.”

And in this day and age of ubiquitous social media you have to worry that the customer will give you a bad review online.

“Consumer reviews are significantly more trusted (nearly 12 times more) than descriptions that come from manufacturers.”

-EXPO eMarketer



Marketplaces like Amazon also “ding” vendors who cancel orders. As noted in the Amazon Top Reviewers Forum *“If you cancel several per month, Amazon will end your account. Once your account is banned, no one with your SS# or IP address can open another.”*

You should be earning customer loyalty, not putting out fires.

Customer retention is the unsung hero of the successful business. Customer acquisition usually steals the spotlight, but retention is what ultimately builds the foundation of a company positioned for growth. What really matters isn't how much a customer pays you today, but what their entire lifetime value is.

“A 5% increase in customer retention can increase a company's profitability by 75%.”

-Bain and Co.

“The typical online store gets 43% of revenue from repeat purchases. Return customers now contribute up to 75% of revenue for among online retailers”.

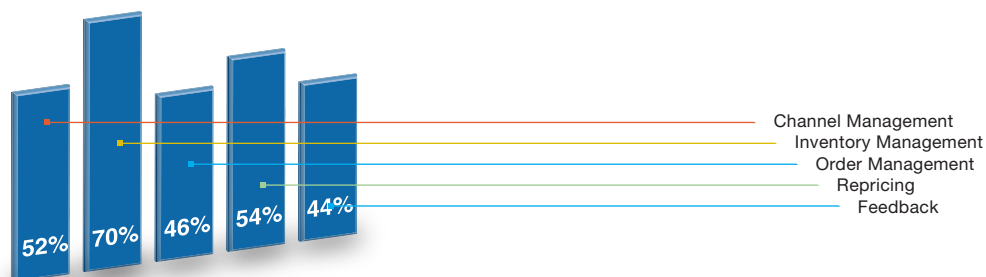
-RJ Metrics E Commerce Benchmark Report

Manually updating inventory on your storefront is “old-school.”

Your competition is automating inventory management for their online storefronts. Are you keeping up with the stars in the class?

“More than 70% of online sellers are looking for new software to assist with their Inventory Management.”

-Webretailer.com





We feel your pain.

We can help you cut your costs (hard & soft) and scale smarter by automating your back-end.

Every online retailer's supply chain ecosystem is unique. Through our flexible technology, we connect retailers' storefronts and marketplaces with their distributors and technology partners to cut fulfillment costs and create competitive advantages.



The HubLogix Order Lifecycle Platform will allow you to efficiently manage the complexity that results from multiple storefronts and marketplaces, as well as multiple fulfillment and distribution scenarios. Our platform goes beyond any point solution to provide comprehensive automation for:

- Storefront Inventory Management to prevent stockouts and cancellations
- Intelligent Order Routing™ to cut your processing time from minutes to seconds per order
- Shipment Tracking to confirm & close the loop on every order processed
- Supply Chain Visibility & Insight to assess vendor performance and identify order issues before they impact your customers

Automating your business today is just the beginning. By connecting your back-end through HubLogix, you efficiently scale as you grow. Adding new storefronts, distribution partners and technologies to your ecosystem becomes fast, flexible, affordable ... and pain-free.

