

# *The Right Network & Strategy for Future Commerce*

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# About Blue Horseshoe | TransTech Division

- **Blue Horseshoe (BHS) is a privately held solution services firm**
  - Over 300 customers across over 50+ industries
  - Over 140+ US-based employees (all W-2 based)
- **TransTech, founded in 1991, merged with BHS in 2010**
  - Continue to server as an independent management and industrial engineering consulting firm with a focus on:
    - Strategic planning & operations
    - Network analysis & design
    - Facility design & layout
    - Systems evaluations, selections and implementations
    - Program & project management
  - Over 220 combined years of experience
  - Each team member has over 10+ years experience
    - Including multiple years outside of consulting





## WHAT DO E-COMMERCE CUSTOMERS WANT?

# ENGAGEMENT

Eisingerich, A. B., & Kretschmer, T. (2008). In E-Commerce, More Is More. Harvard Business Review, 86(3), 20-21.

## HOW DOES THIS IMPACT OUR SUPPLY CHAINS?

# Agenda #whatwearegoingtocover

1. Trends in e-Commerce
2. Dilemma & Challenges of e-Commerce
3. Network strategies for e-Commerce
4. Four-wall strategies for e-Commerce
5. Future of e-Commerce Fulfillment



# 2013 Trends in E-Commerce

- e-Commerce Accounted for 5.8% of Total US Sales
  - 4.9% Increase From Previous Quarter
  - 18.4% Increase from 2012
- In US, \$243 Billion of e-Commerce transactions in the past 12 months



# Trends in e-commerce

- Social media impact on e-Commerce
  - Instant consumer feedback
    - Customer reviews
    - Customer complaints
  - Sales & pricing mistakes
    - Social media amplification on sales
- Good or bad, social media is the key engagement of the customer to the company
- Your customers are now global . . . is your online presence global?



# Dilemmas of e-Commerce

- **Customers want to know about the order (from click-to-ship)**
  - 50% of customers surveyed abandon an online purchase due to unsatisfactory delivery options\*
  - Other influencers that drive the customer to purchase \*\*
    - Pricing and Shipping information clearly stated (95.5%)
    - Total cost calculator (59.1%)
- **Choice paralysis on shipping options, just to name a few:**
  - Buy online, 2-3 day delivery / next day delivery / nominated day delivery
  - Buy online, collect in-store (all stock)
  - Buy online, collect in-store (in-store stock)
  - Buy online, same-day delivery (from store)
  - Reserve online, purchase in-store



\* Online Survey conducted by econsultancy.com , Aug 2013

\*\* OneUpWeb Research Study, July 2010



# Challenges of e-Commerce

- **Unusual vs. Commoditized products**
  - Preference to purchase large / commoditized products channels
- **The 'Mom-n-Pop' agility**
  - Once an afterthought, smaller companies aren't saddled with anachronistic structures that segment by channel
- **Mobile integration**
  - Mobile devices and tablets and overall sharing of data has made visibility to the supply chain a necessity, not a 'nice-to-have'





# Challenges of e-Commerce

- **Increased Customer Pool**

- Worldwide customer base can mean worldwide problems with shipping, VAT, and regulations.

- **Standard EDI Transactions**

- Take a lot of work to get to a standard shared between all partners and software solutions in the supply chain.

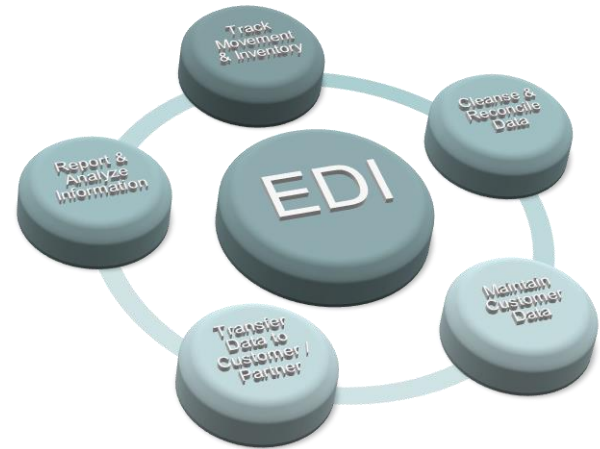


- **Security**

- Domestic and foreign threats to customer data and financial transactions are ever-present.

# Basis of an e-Commerce Supply Chain

- **Visibility requires data interchange**
  - Validated
  - Standardized
  - Transparent
- **A network to support the peaks (and valleys) of e-commerce**
- **Intelligent management of order processing as it relates to e-commerce vs. store/channel orders**



# What is the “right” strategy?

It depends...

- What are your lines and units per order?
- Are you serving a retail / consumer channel, industrial channel, or both?
- Is your customer base regional, domestic, or international?
- Do you have seasonal demands on your business?
- Do you have the right facilities in the right place?

# Targeting the Right Strategy

- **What are your lines and units per order?**
  - High lines / high volume could indicate the need for better automated systems (pick modules, conveyors, sorters)
  - Low lines / high volume could indicate a need for better flow thru systems (cross docking, flow racks, etc.)
- **Are you serving a retail / consumer channel, industrial channel, or both?**
  - Supporting TL / LTL deliveries vs. parcel
- **Is your customer base regional, domestic, or international?**
  - Taxation systems, international paperwork, labeling, facility location
- **Do you have seasonal demands on your business?**
  - Correct mix of active vs. extended storage across facilities to meet peak demands

# Targeting the Right Strategy

- **Facility Location**
  - Where are your products coming from?
    - International (East / West Coast)
    - Domestic
  - Where are they going?
    - 500 miles?
    - 1,000 miles?
    - 10,000 miles?
  - What do you need to get them there?
    - Parcel
    - TL/LTL
    - Specialized handling

# Systems Strategy for e-Commerce

- **E-Commerce Systems Demand:**
  - Ability to handle constant flow or orders from the website
  - Real time updates to inventory online
  - Integration with back-end systems to deliver constant order status updates
  - Immediate notification of delivery status

# A Four-Wall Strategy for e-Commerce

- **Quality controls**
  - Value-added services
  - Add-on items as it relates to slotting
  - Kitting requirements or assembly
- **Enhanced picking logic**
  - Cluster picking (single line / single unit)
  - Voice-picking
  - Enhanced outbound and inbound sortation capacity
- **Increased visibility to transactional data**
  - Customer visibility to order tracking (Domino's order tracker)
  - Labor management



# The Future of e-Commerce

# Flexibility





# The Future of e-Commerce

- **Systems Integration to support varying order volumes and order sizes**
  - Flexible sorters to handle either inbound or outbound
  - Rapidly taught picking technology, like voice, to facilitate variable labor needs
- **E-Shopping stores versus distribution**
  - Also called Omni-Channel Distribution
  - Add the ability to shop in store and purchase online if not in stock or shop online and pick up same day in store if available
  - Not limited to what is in the store or online. The entire inventory is available at all times to all customers

# The Future of e-Commerce

- **Liquidation E-commerce outlets**
  - Faster customer demand cycles makes inventory obsolete faster
  - Need to quickly move items not selling to liquidators
  - Gives customer entry to brands at lower price points
- **Electronic communications beyond B2B**
  - Customers want more information and want it now
  - Suppliers want to share more information.
  - Sales, marketing, and operations want that information too!
- **Reverse Logistics**
  - Better handling of returns in-store or from online sales

# For more information

## Blue Horseshoe Solutions

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