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# Twelve Questions to Ask Before Deploying Ship from Store

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In 2020, a pandemic required companies to close stores en masse and re-think how to quickly pivot to service higher levels of eCommerce demand than they had ever experienced. With inventory sitting idle in stores, many companies looked for ways to leverage their store footprint to meet the new levels of demand.

Truthfully, long before the pandemic, retail leaders like Macy's, Nordstrom and others were already looking at ways to unlock more value from their store assets to reduce order to delivery times with fulfillment options located closer to the customer, increase capacity across their networks, and to use inventory more productively. In addition to greater transportation speed and reliability, the benefits of doing so included transportation cost savings, improved margins due to fewer markdowns on inventory stranded in stores, and options for balancing volume during peak. The pandemic simply added a new reason to consider ship from store (SFS) strategies – to enable flexibility and resilience in response to disruption. A recent McKinsey survey found that "44% of stores were used partially or fully as fulfillment centers during the height of the pandemic, a figure they expect to increase to 57% by next year."[1]

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1  https://multichannelmerchant.com/operations/retail-stickiness-of-digital-shift-resets-priorities/

## Ship from Store Success

Amazon built a massive distribution network to enable the fastest fulfillment engine in the industry by positioning product closer to customers. Walmart and Target soon realized that to compete with Amazon on speed, they had to leverage their store network. Today, Target fills 95% of eCom orders through its store network.[2] They've added regional DCs to support store replenishment and sortation centers to support last-mile delivery. But this strategy has not been without its challenges. How you execute the strategy depends in large part on what your goals are as an organization and brand. For example, one company might look at ship-from-store to unlock more value from inventory and increase turnover. Another might see the strategy as a way to drive increased speed of delivery or postpone capital investments by leveraging more capacity from its existing physical assets.

### eCommerce Orders Filled by Stores

| | | | | |
|---|---|---|---|---|
| BED BATH & BEYOND | **36%** | | macy's | **25%** |
| BEST BUY | **30-40%** | | Michaels | **70%** |
| DICK'S SPORTING GOODS | **70%** | | NORDSTROM | **25%** |
| KOHL'S | **40%** | | petco | **80%** |
| LOWE'S | **60%** | | target | **95%** |

Each of these companies are deploying ship from store in a way that is unique to the business and the goals. Here are 12 questions to consider as you develop a ship from store strategy for your business.

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2  https://www.supplychaindive.com/news/target-sortation-center-fulfillment-inventory-robotics/595964/

## Considerations for a Ship from Store Model

### 1. What is the primary goal of your SFS strategy?

We've identified several of the benefits of a SFS strategy at the beginning of this article. It's important to identify the one or two primary reasons for evaluating stores as fulfillment nodes. Is it to enable faster fulfillment? What are your customer expectations related to order- to-delivery cycle time? Is your goal to offload volume during peak? Is it an inventory productivity play? Your primary reason will drive different enablement strategies and should be your North Star.

### 2. What level of inventory visibility is possible?

Inventory visibility is key to supporting fulfillment from stores. Customers want to know that the inventory is available and the timeframe for delivery as they browse your website. Anything less can lead to a less than satisfying experience, or worse, an abandoned shopping cart. Do your systems support this level of visibility at the store level? Can they do so in real time? Early adopters of ship from store wrestled with this issue as store merchandise is in a state of constant flux with shoppers removing items from shelves as fast as online shoppers can add to cart. What inventory level will you consider safe to promise?

### 3. How much of the store assortment will be exposed online?

Does inventory assortment in stores differ greatly from the online offering? Will the full assortment of SKUs be available to order? Do your stores stock the full assortment? What about seasonal or localized inventory? Certain verticals have different supply chains and handling processes for different types of products (temperature-controlled vs. ambient, bulk, hazardous materials). In some cases, the store may be the only place the full assortment comes together.

### 4. How much inventory is required in both DCs and stores to support?

Ship from store requires a careful analysis of where you hold inventory in the network. It's important to maintain enough inventory to ensure the walk-in customer has a good experience and to avoid costly split shipments. Do you have the right inventory in the right places? Can you identify and increase inventory of high affinity SKUs in certain locations to reduce split shipments? Detailed order profile and inventory analyses are needed to determine answers to these questions.

### 5. What are the rules for split shipments?

Split shipments increase transportation cost and often result in a less than satisfactory experience for the customer. You will need to decide how to split orders between stores and the DC, as well as between different store locations, based on inventory availability and lowest cost transportation. At the same time, you'll need to consider service promise and customer experience. Some items, such as fragile products or those that require special handling, may be better off shipped from the DC by experienced handlers.

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## 6. What is the replenishment strategy?

You can't risk stock-outs for walk-in customers, so your network may need to replenish stores more often. The auto parts industry has been doing this well for years with a model that leverages regional in-market centers feeding clusters of stores, as well as providing same day delivery to automotive repair shops. Larger central DCs backfill slower moving SKUs. Do you allow suppliers to drop ship to regional centers or to stores directly? Do you need to deploy smaller in-market centers to support the replenishment of store clusters? Additionally, consider the handling and transportation costs of delivering product to the stores or in-market centers.

## 7. What is the labor and efficiency cost of SFS?

Store labor is often less efficient than that of the DC, especially when picking from the store floor as opposed to a back room. Even when well-trained, costly mis-picks are more likely with store associates, who are often tasked with walk-in customer service as well. And packing orders in stores is a lot less efficient than at the DC where automation is often implemented to save time and cost. Consider a time study to determine the efficiency and effectiveness of store picking and packing. You should be able to compare cost per order in the DC vs. stores to help guide your SFS strategy.

## Ship from Store Network
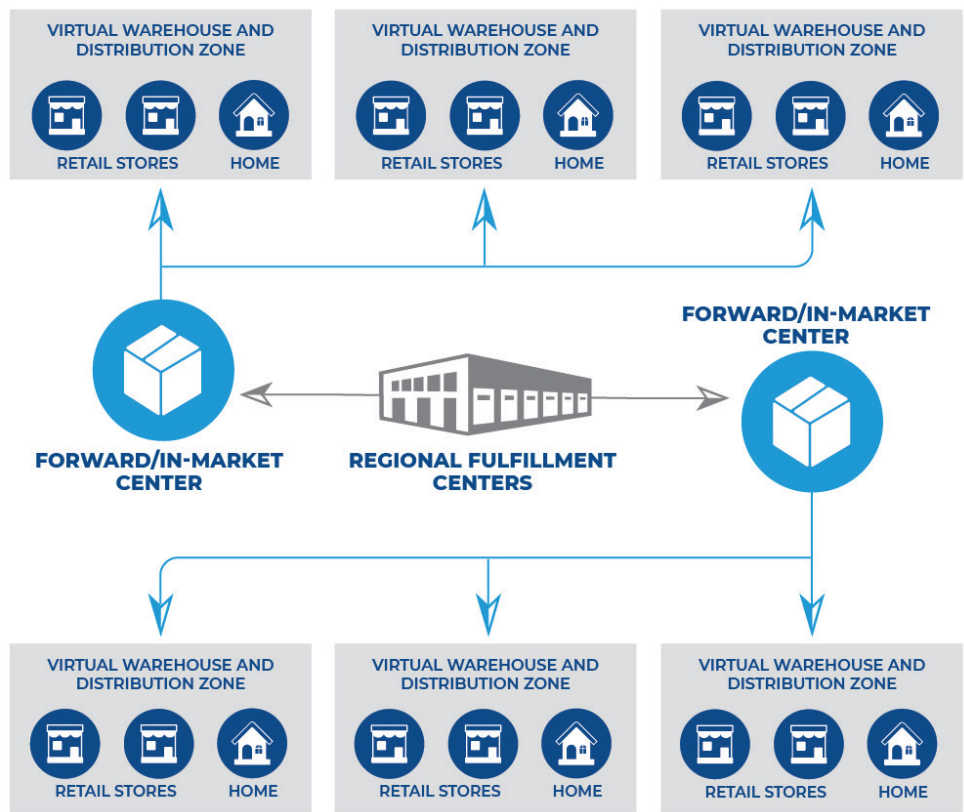
**8. How will you handle returns?**

Will returns be processed in store or through a central location? BORIS (buy online, return in store) is a popular option for customers who wish to avoid return shipping fees and inconvenience. However, it can create some interesting inventory challenges when a store is required to accept online inventory that is not part of its standard assortment.

**9. What kind of physical changes are needed in stores?**

How much space do you have in-store for processing orders? What kind of digital tools and services are required? Many stores have limited backroom space and even less floor space for picking and packing orders. What equipment and systems need to be added to stores? Packing requires space, supplies, systems, and equipment for determining package weight. New technologies exist to support backroom operations in smaller spaces. Consider where you can leverage technology and DC best practices to increase efficiency.

**10. What are the systems impacts?**

Companies wishing to enable ship from store will also need a sophisticated order management system (OMS) capable of leveraging inventory against demand at a precise moment in time. They also need the ability to change how they allocate orders and/or replenish product at any point based on fluctuations in inventory or demand occurring across all channels. OMS are tied into a real-time inventory system of record that is capable of routing orders to the best fulfillment node based on cost and service criteria. Can point-of-sale systems be relied upon to accurately update inventory in real-time? Consider the systems requirements needed to support your strategy.

**11. What is the impact to in-store shoppers?**

Picking during store-hours can impact the customer experience. Even dedicated pickers are often mistaken for floor associates and their picking tasks interrupted by customer questions. Customers can get frustrated by having to navigate around pickers in aisles or finding empty store shelves due to higher eCom demand or slower replenishment. One way to minimize impact to in-store shoppers is to dedicate backroom space to fulfilling orders. But not every store has the footprint to support backroom picking. Sometimes it makes more sense to turn an underperforming store into a dark store dedicated to eCom only – a strategy that allows you to consider additional opportunities to leverage automation equipment for increased efficiency.

**12. What are the expectations and capabilities regarding customer communications?**

Today's eCom customer expects, at a minimum, timely communications confirming the order was received and indicating a timeframe for delivery. Most customers have also come to expect a communication when the order is processed, along with tracking information for the shipment, or in the case of a BOPIS order, a notification when the order is ready for pick-up. Curbside pick-up customers require yet another set of real-time communications acknowledging their arrival at the store. You will need to enable store systems to meet these expectations when processing orders.

> The first step in enabling a ship from store strategy is often a successful deployment of BOPIS (buy online, pick up in store) capabilities.

## Getting Started

According to the Accenture Holiday Shipping Survey, 65% of retailers offer either BOPIS or curbside delivery – up from 52% in 2019.[3] Further, you will want to evaluate which stores makes sense to enable as fulfillments nodes. The answer will vary based on your North Star goal and usually result from some combination of customer expectations and location/proximity to customers. Do you enable all stores to fulfill eCom orders or select Hub stores?

Next, consider the alternative ways of using store or in- market assets forward node fulfillment including backroom, dark store, regional centers, or a combination of different options. You may select different options based on geographic demand density.

Look at technologies that enable efficiency, including shuttle systems (when you need as much throughput as possible), high-density storage systems (when you want to squeeze in as many SKUs as possible), and mobile rack autonomous mobile robots (AMRs) when storing products in totes is not practical.

Finally, consider the change management needs of the organization. How much does the culture have to change? What are the training requirements to support?

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3  https://multichannelmerchant.com/operations/retail-stickiness-of-digital-shift-resets-priorities/

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## Summary

What is the tipping point for ship from store? Every company enters the journey from a different place and must look at their own operational maturity across several factors to determine the value of and unique approach to SFS. Total landed cost of goods should be analyzed, as well as trade-offs in transportation costs and store fulfillment efficiency. Does the strategy support the brand promise to both online and in-store customers? A ship from store strategy must carefully weigh the benefits and challenges and understand how these strategies fit with their current operations, systems capabilities, the culture, and brand promise.

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### FORTNA CAN HELP

FORTNA's data-driven approach to network strategy will help design a resilient fulfillment network to support eCom fulfillment. If ship from store makes sense as part of that strategy, we will help you identify which locations and technologies best support your business goals. The FORTNA eCom Network Strategy Tool can quickly help identify and test different scenarios for their suitability to your unique ship from store strategy.

Contact us today at **www.FORTNA.com**

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