Benchmarking Your OMS

Do You Really Need to Switch Systems?

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Introduction

At the junction of supply and demand, we find an eConsumer that expects commodity items to be delivered within a few days, for affordable rates. Yet that same consumer is willing to be flexible on shipping for rare, specialty and luxury items. The eConsumer is informed and disconcerting. They're globally connected, with limitless options and their expectation and peeves are all across the board. As a result, the new wave of retailer privileges innovative, omnichannel technologies in full view of this new generation of consumers, and Order Management Systems are integral to keeping consumers happy.

For some businesses, OMS is the elephant in the room—the messy, outdated filing cabinets that everyone at the company knows are there, but nobody wants to sort out. Conversely, plenty of retailers are chomping at the bit to develop a new OMS to compete with the big guys and grow.

But do these businesses really need to change their OMS? To answer that, they first need to review where they're at, where they want to be, and what their options are. Their choices should not be made reactively, rather deliberately, with an eye toward the operations level the brand aspires to be at several years down the road.

At Magento, we see a gamut of customers in all walks of business. Just as their businesses are not alike, neither are their OMS needs, so the question of whether or not their OMS is the right solution doesn't have a simple answer, but we can offer some perspective to help in the evaluation process.

"Many retailers are still in the nascent phases of their Omni-channel journey and have yet to fully map out their requirements."

- Peter Sheldon, Forrester Analyst, January 28, 2014

Background: What is OMS?

Before we jump into what the options for OMS are and who they're best suited or, we'd like to take a moment to discuss what an Order Management System is. An OMS is the inventory management software that captures, processes, and fulfills orders, while keeping a database of customers, records, returns, and refunds, and, as a result of it's positioning at the heart of business, it also has ties to several other business facets such as warehousing, shipping, and accounting. Order Management Systems are primarily used in the retail industry, but it can also be a part of businesses ranging from healthcare to finance.

OMS is not one-size fits all and there are a plethora of solutions for businesses in all phases of growth. Rather than trying to tackle this topic for all business types or sizes, we narrowed the perspective of "who needs a new OMS" into common types of business situations.

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Single-Channel eCommerce Businesses

Without the inclusion of a brick-and-mortar store channel, single-channel eCommerce only businesses have modest OMS needs. For these companies the best OMS system is cost-effective, efficient and simple: use the out-out-the-box OMS that comes with your web platform. The out-of-the-box OMS of a good web platform support online retailers with features like:

• Call Center Order Creation in Admin
• Order Notifications
• Ability to Create Re-Orders
• Quick Access to History by CSR's
• View, edit, create & fulfill orders from admin panel
• RMA Functionality
• Assisted Shopping

These features are strategically included in most platforms to cover the needs of single-channel eCommerce businesses, allowing them to invest their money and effort in other projects. When these eCommerce businesses reach a point where they are ready to expand their businesses, they can look to third parties to extend their OMS, as another cost-effective, a-la-carte way of adding functionality to help them meet their business goals.

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Magento Gold Technology Partner Dydacomp specializes in OMS extensions and highlights the following areas where a single-channel might want more from their OMS, especially as they grow.

Multichannel Selling

Single-channel eCommerce merchants who are looking to expand to or integrate with existing brick-and-mortar stores will want to make sure their orders and inventory are synced with all channels in real-time, bringing the information from all of their sales channels into one solution, improving their ability to support omnichannel retail.

Drop-Ship Supplier Management

Merchants can use upgraded OMS to issue the Purchase Order (PO) for drop-ship items and track their fulfillment process directly. Merchants can automatically issue a PO to suppliers, and, when the order is received from your supplier, it can be reconciled and inventory levels will be automatically updated.

Automation

OMS extensions can help growing eCommerce businesses automate and simplify the selling process, so orders are processed in batches.

Warehouse Fulfillment

Especially as they grow, merchants need to seamlessly integrate with their warehousing, view orders in process (track order progress) and track inventory across multiple warehouses.

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Extending to Achieve Omnichannel Growth

Extensions are a great option for businesses using an existing OMS—whether merchants have an existing OMS that they're happy with, or they just aren't in a position to change—and can help deliver omnichannel advantages, without a complete system overhaul.

"For most enterprise retailers, their OMS has been configured to suit their needs, and any additional functionality is generally available to them without switching systems." DEG business analyst Bob Owens.

Many of our Magento clients are eager to take advantage of ominchannel sales, they just need a few integrations to their existing OMS to get started. The appeal of a flexible platform comes from the option to hand pick which of these elements to put more focus on, when a business is scaling.

Some ways Magento clients are extending their OMS

• **Supply-Chain Management and Logistics integrations (SAP)**

• **Shipping Calculators (WebShopApps)**

• **Tax Calculators (Avalara)**

• **System Integration for ERP, Point of Sale, Social Feeds (i95dev)**

• **Multi-Carrier Shipping (ShipWorks)**

• **Order Fulfillment (ShipWire)**

• **Cross-Border Transactions (Bongo International)**

• **Drop-Ship Automation (Logic Broker)**

eCommerce Platforms Should Not Be the Reason for an OMS Change

As a caveat, we also wanted to cover merchants who are adding an eCommerce channel to their brick-and-mortar business or re-platforming their eCommerce website. It's important to call out these situations because they may have implications on the OMS. We've found that often these merchants are being bullied into switching their current OMS due to the limitations of the eCommerce solution they chose to build on. This is something that needs to be addressed when shopping for an eCommerce platform because a flexible platform will integrate with whatever OMS a merchant has.

> *"We haven't seen is anyone who has been willing to take on an OMS re-platform at the same time as a Magento build," DEG business analyst Bob Owens. "As a general rule, our clients come into the process with their OMS already defined – usually as a question of legacy."*

For an omnichannel merchant, the OMS is running operations beyond that of the eCommerce channel, so an eCommerce solution should not be the sole impetus for an OMS change. In this scenario, the IT line of the business and the eCommerce line need to hash out whether the benefits provided by the new eCommerce platform out-weigh the costs of switching Order Management Systems.

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Expanding Past Current OMS

Just as it is important for merchants to recognize that extending their OMS can save them money, it's equally important to recognize when it's costing them money to stay with what they currently have.

A rapidly expanding business should look to upgrade if their OMS:
• Can't integrate with extensions
• Hinders merchandizing strategies
• Does not reduce operational expenses
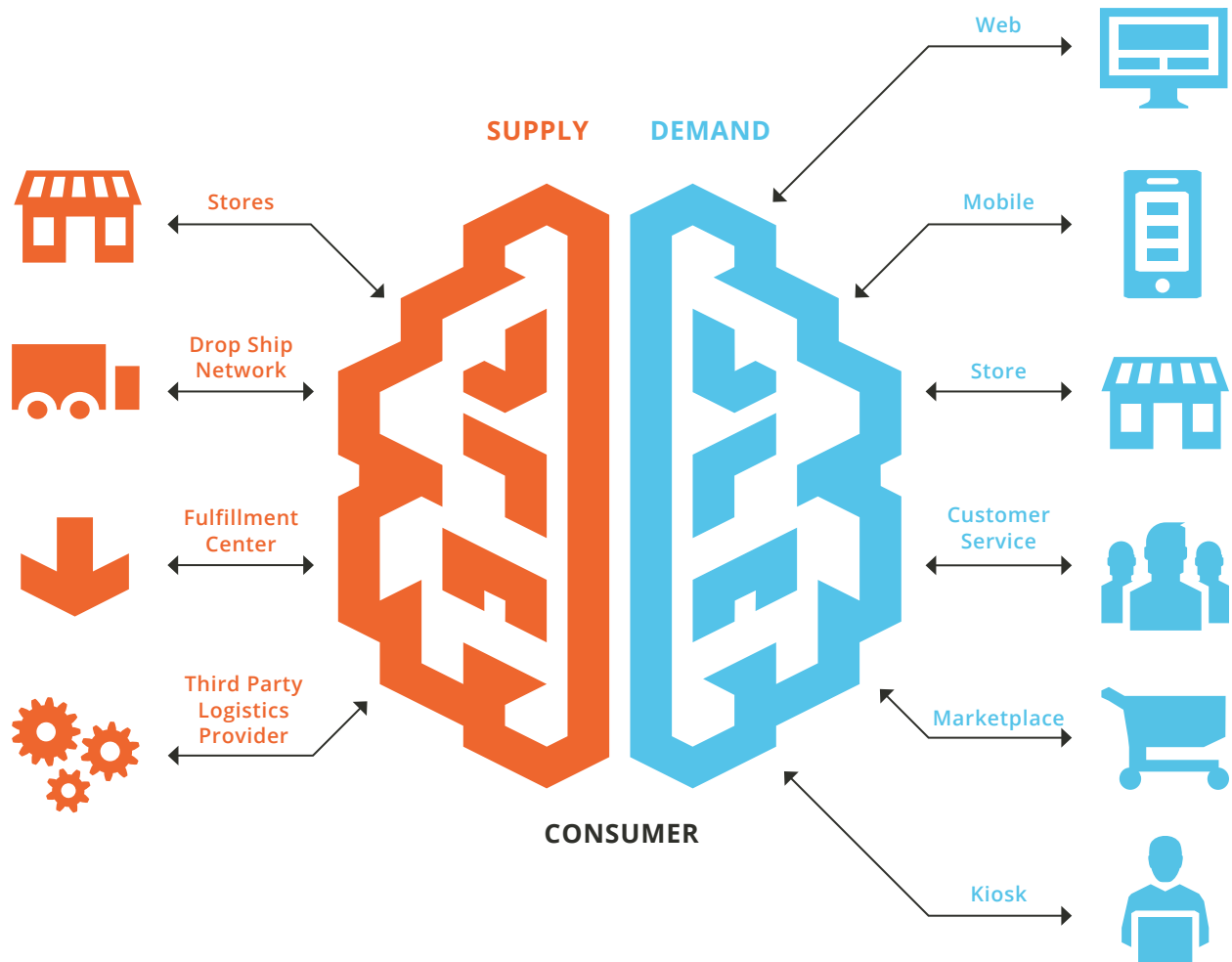• Does not support geographic growth plans

Decision makers often have visibility into everything the OMS touches and because it can become so engrained in so many parts of a business, the mere thought of changing it begins to feel impossible. It's not, and merchants should never let their technology limitations stymie their growth, if they can afford to change it.

One OMS to Rule Them All
As companies grow, they add onto their business operations. Over time, they often add different extensions for too many OMS function or different OMS for multiple channels, and when they look at all the different solutions they are using to remain organized and fully operational, they realize that they are not organized or fully operational. Switching the OMS can be a great opportunity for a merchant to move as many operations as possible under one roof, to streamline their business for future growth.

According to eBay Enterprise's head of product marketing, Michael Sonier, an OMS should be a single brain, managing all the operation channels.

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The Brain

SUPPLY   DEMAND

Stores   Web

Drop Ship   Mobile
Network

Fulfillment   Store
Center

Third Party   Customer
Logistics   Service
Provider

                                        Marketplace

CONSUMER
                                           Kiosk

"Robust order and inventory management are the brains of commerce technologies, bringing information and intelligence to connect supply and demand."

– Michael Sonier, head of product marketing at eBay Enterprise

An ERP is Not an OMS

In many cases we see companies struggling with order management because they tried to augment their ERP to behave like an OMS. We find businesses choose this direction because they think it will get them to market faster. Not only is it not faster, these Frankenstein-like systems tend to require a large investment of money and resources to custom build, and often they are not good long-term solutions because they require a similar amount of both to continue building up as the company grows.

"Trying to sustain a ERP retrofitted as an OMS substitute is really an unnecessary headache. An enterprise OMS can integrate with most ERP and it wouldn't be a hindrance on a company's ability to scale," said Aaron Krass, Solution Consultant for eBay Enterprise. "It seems businesses that already have these systems built up are often afraid to take on an OMS replatform. However, basic aspects of growth, such as adding warehouses, end up being more costly and time consuming to custom build into their systems than standing up a legitimate OMS, which would ultimately better support their growth in the future"

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Taking Advantage of Store-Based Fulfillment

One of the main reasons retailers are changing their OMS is to provide store-based fulfillment such as "ship-from-store" and "in-store-pickup." An Enterprise-class OMS (like the retail order management provided by eBay Enterprise) is especially useful when merchants have brick-and-mortar locations spread around several geographic locations. Warehouses and fulfillment services can make sure B&M stores are stocked and online orders are fulfilled, but in order to fully connect all the dots in an omnichannel business, inventories across all channels must sync into one fulfillment system. Store-based fulfillment expands your fulfillment locations, decreases shipping costs and increases incremental revenue minimizing out-of-stocks and driving customer convenience. By connecting online and instore inventory, stores are able to compete with the shipping speeds of big online retailers.

Store Based Fulfillment Results

20-40%

Average increase in incremental ecommerce revenue

33%

Average percent of items shipped are inactive

30%+

Margin increase on items nearing markdown

80%+

1 day transit time, 96% 2 day

Based on eBay Enterprise merchant data.

Conclusion

There's no perfect, end-all-be-all solution for Order Management, but there is one that is right for your business. A new OMS may offer a lot of bells and whistles, but the decision to switch should not be made in haste and it should not be made as a reaction to what everyone else is doing. Like most business decision, it should be made because it positively impacts the business's bottom line and will move operations down the growth path they want to achieve in the foreseeable future of their omnichannel journey.

If you are interested in learning more about eBay Enterprise's Retail Order Management solutions visit: http://www.ebayenterprise.com/commerce_technologies/retail_order_management.php

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