Omni-Channel Inventory Management

Research reveals current challenges, best practices and improvement opportunities

“The topic of omni-channel supply chain and logistics is a very broad and deep subject that evolves by the day,” begins the research study, *Omni-Channel Logistics Leaders: Top 5 Inventory Insights*. “However, one tried and true supply chain discipline continues to impact omni-channel success—the management and optimization of inventory.”

One of the major findings from the study, jointly conducted by Adelante SCM and LEGACY Supply Chain Services, is that despite the effort and resources invested to date, “many companies are still not performing to their full potential when it comes to omni-channel fulfillment, and they continue to experience challenges related to inventory visibility and optimization.” Specifically, two-thirds of the companies surveyed characterized their omni-channel fulfillment performance (relative to peers in their industry) as average or below, with 30 percent characterizing it as below average.

**Omni-channel leader traits**

Four major traits emerge from the study. Performance leaders have greater real-time visibility across their supply chain nodes. They also have a greater confidence in inventory accuracy across the supply chain nodes.

Further, a greater percentage of performance leaders track inventory carrying costs, with 71 percent of above average performers measuring inventory carrying costs, while the figure for average or below performers is only 39 percent.

Also, a greater percentage of performance leaders use integrated e-commerce/traditional fulfillment DCs. Companies have started to consolidate e-commerce and traditional fulfillment operations into single facilities to reduce their inventory costs and improve order fulfillment performance. More than 59 percent of above average performers fulfill their e-commerce from integrated facilities, while the figure for all respondents is 37 percent and only 28 percent for average or below performers.

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A number of organizations are now testing new distribution strategies that includes dramatically truncating replenishment cycle times and reducing stores inventories while also transforming their distribution networks to replenish stores, fulfill online orders and to better align with today’s customer expectations for faster deliveries.

**Leverage the knowledge, resources and expertise of 3PL partners.**

According to the study, “A successful 3PL today is an operations manager, a strategic consultant and IT provider all rolled into one.” This combination of capabilities is particularly valuable when it comes to inventory optimization and omni-channel fulfillment.

As the report explains, “3PLs can play a leading role in implementing the report’s recommendations, as their core competency around fulfillment operations (such as knowing what metrics to use and how to measure them to drive continuous improvement) can help both omni-channel leaders and laggards close the existing capability gap.”

**Implement real-time visibility and control tower solutions.**

“Leading solutions go beyond providing visibility to shipments and trucks; they also enable visibility to orders and SKUs and they incorporate optimization capabilities (to re-plan when exceptions occur) and collaboration capabilities to facilitate communication and the exchange of data and information between trading partners,” according to the report.

Leading solutions are also starting to embed machine learning capabilities and leveraging broader sets of data sources—including weather, traffic, location and social networking—to enable predictive capabilities, especially determining more accurate ETAs.

**Re-evaluate network design.**

Recognize that existing supply chain and distribution networks, originally designed to flow truckloads of products from large DCs to stores, are becoming outdated. In this new market, speed of delivery and inventory reduction are paramount.

**Becoming a performance leader**

The study ([www.legacyscs.com](http://www.legacyscs.com)) recommends these five actions to improve performance:

1. **Measure what matters.** Companies should track fundamental inventory-related metrics such as inventory carrying costs, perfect order percentage and percent of orders filled from ideal inventory location.

   Additionally, multi-channel supply chain metrics must indicate how efficiently and cost-effectively product is flowing through distribution networks to diverse retail locations, distributors and wholesalers and end consumers.

2. **Automate data processes.** Implementing a WMS with radio frequency and barcode scanning capabilities is a basic, yet important first step. The most advanced companies are starting to use drones and RFID tags to automate inventory counts.

3. **Implement real-time visibility and control tower solutions.**

4. **Re-evaluate network design.**

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5. **Leverage the knowledge, resources and expertise of 3PL partners.**