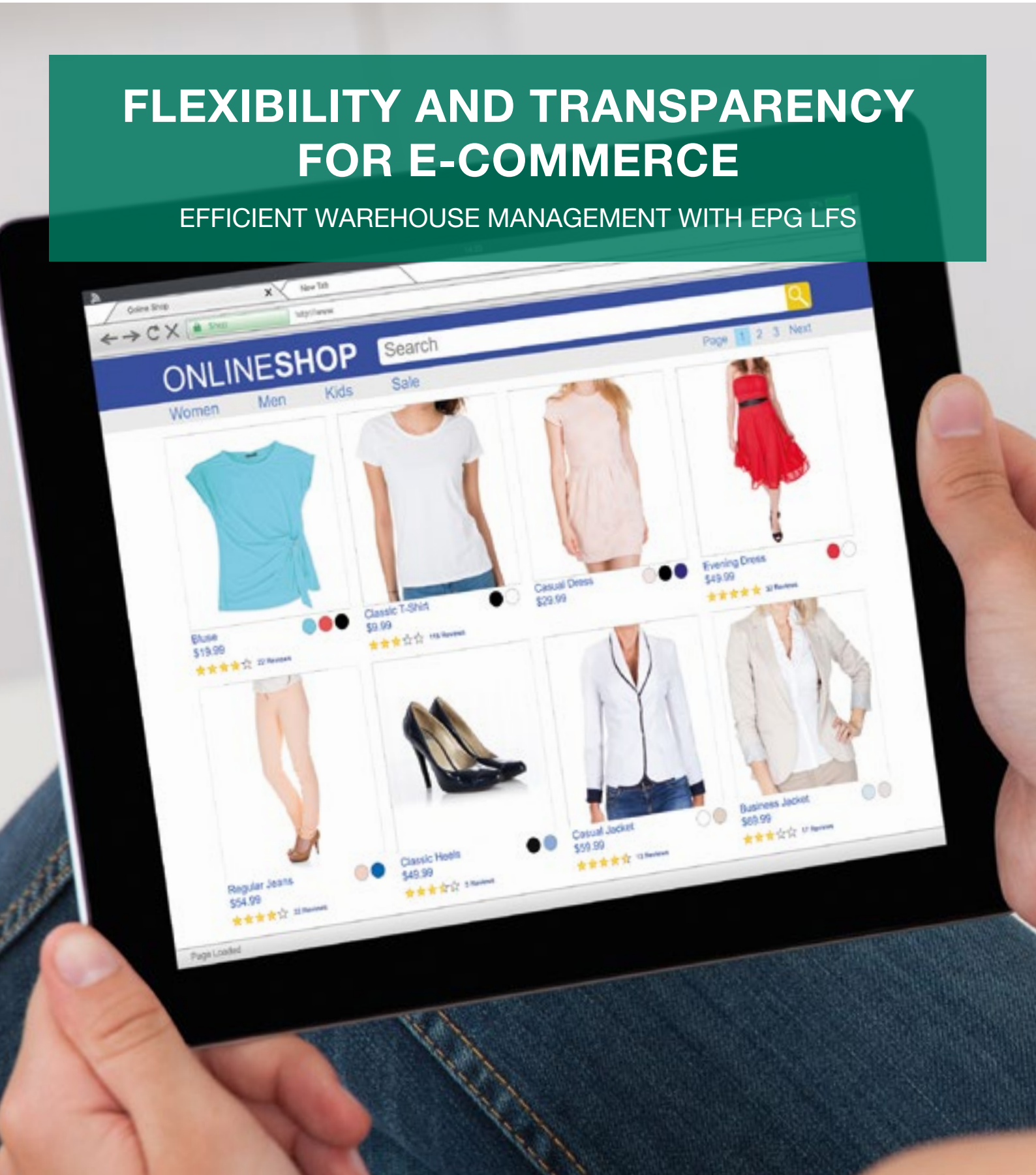
EPG® Ehrhardt Partner Group

Smarter Connected Logistics™

WHITE PAPER

FLEXIBILITY AND TRANSPARENCY FOR E-COMMERCE

EFFICIENT WAREHOUSE MANAGEMENT WITH EPG LFS



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WHITEPAPER
Flexibility and transparency for e-commerce

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THE FAST PACE OF E-COMMERCE REQUIRES ACTION NOW

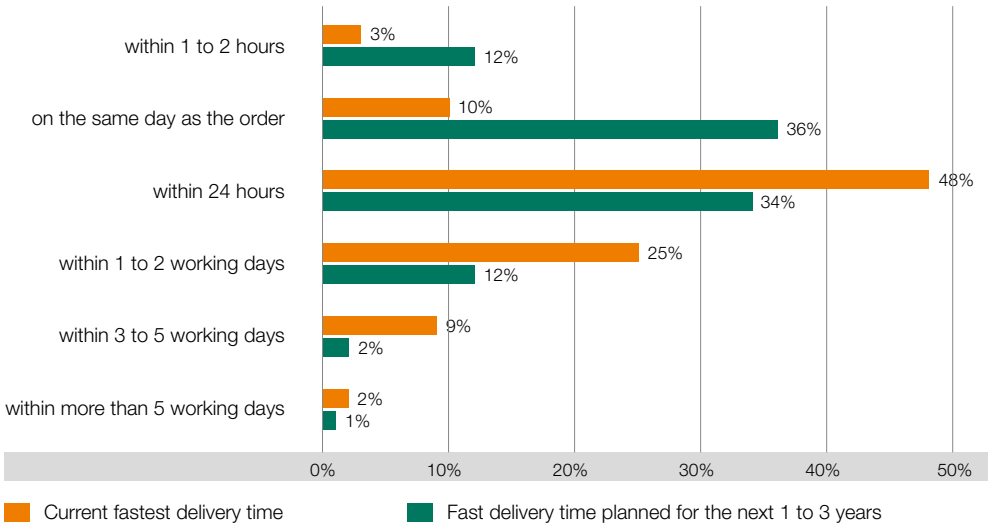
Cross-channel shopping experiences are now the norm for customers. Experts see omnichannel buying options in particular as the sales models of the future. Many online shoppers already take for granted that goods ordered via e-commerce can be exchanged and returned in store.

From a logistics perspective, the omnichannel trend is a real challenge. It is an even greater challenge, given that logistics is typically not a main topic, industrial and retail companies want to deal with. Integrating all the sales channels therefore becomes a highly complex process that requires investment in infrastructure and efficient intralogistics processes. Companies are increasingly recognizing that action needs to be taken in the fast-moving world of e-commerce, which means in particular process improvement from goods incoming through inventory management to order picking.

Users therefore now expect significantly more from a modern warehouse management system than just a system to manage and organize process workflows. The system has to be able to consolidate different channels and requests in a transparent way. It also has to reduce costs effectively.

Current and planned fastest delivery time for e-commerce

– Delivery times will become significantly shorter –



Source: EHI Retail Institute (EHI-Studie Versand- und Retourenmanagement im E-Commerce 2016)

COMBINING COMPLEX PROCESS WORKFLOWS

Small-scale orders, short response times and high volumes of returns are the biggest challenges for e-commerce. Customers‘ expectations are also constantly increasing. Whereas customers accepted waiting times for orders just a few years ago, they now demand next day delivery options as a matter of course. Flexibility and an optimized logistics structure are needed to meet the expectations of customers in the future. The challenge for many businesses is often to streamline the process workflows that have grown the most and adapt them to the requirements of e-commerce. If businesses do not have core logistics expertise in-house, a team of experts and a customized software solution can help to kick off the necessary process improvement.

A professional warehouse management system (WMS) delivers transparency in the warehouse and restructures order picking and the returns management processes.

> “Most retail and industrial companies do not want to deal mainly with the topic of logistics. The potential to improve warehouse management, however, motivates them to bring in an outside company. So getting expert advice for logistics is key to staying competitive.”
>
> Dennis Kunz,
> Marketing Director Ehrhardt Partner Group

OPTIMIZING RETURNS MANAGEMENT

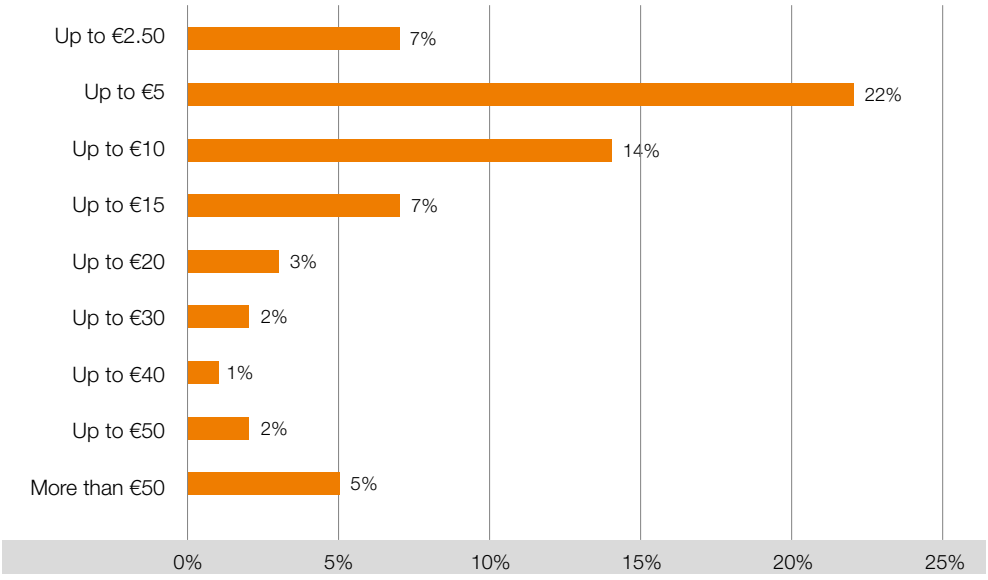
Very small orders and large returns volumes are standard

E-commerce has particularly complex processing structures. Very small orders and large returns volumes are standard. Every return on average costs the seller 10 Euros. Retailers have to check returned items for defects and damage and repack them before they can be dispatched. Modern warehouse management systems such as LFS offer a range of solutions to ensure that processes take as little time as possible and that the capital tied up in goods is quickly available for sale again. The RMA form, for example, can be printed and enclosed for the customer with the package when it is dispatched. This means workers can check the items against the customer's details and trigger any applicable value added services – an ironed shirt or laundered pants, for example.

SportScheck, one of the biggest specialist sports retailer in Germany, manages its returns with LFS so efficiently that the items are back on their way to the customer in just six hours. Workers start by checking the goods. If the items are OK, they are not shelved, but passed back to outgoing goods instead and then assigned to an applicable new outgoing order.

Average costs per returned item

– On average, a returned item costs an e-commerce business around 10 Euros –



Source: EHI Retail Institute (EHI-Studie Versand- und Retourenmanagement im E-Commerce 2016)

ACCURATE ITEM IDENTIFICATION

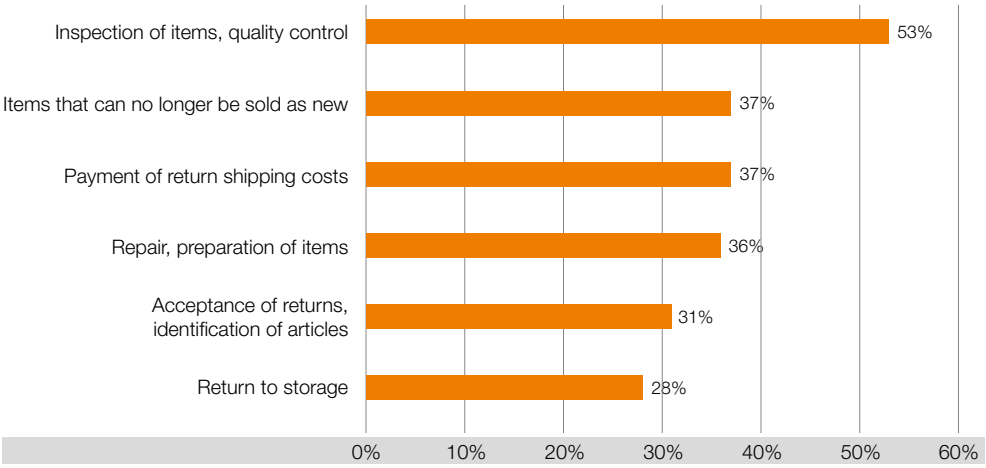
For returns, customers often unintentionally provide incorrect details or send items back in incorrect packaging. Another challenge for logistics is therefore how to reliably identify goods with all the applicable master data for returned goods.

LFS also supports methods for identifying items, e.g. scanning serial numbers. Many large companies now require retailers to report all the serial numbers of sold goods per delivery address. Instead of scanning individual items, LFS uses mobile data capture devices or smart devices (such as a smartphone or tablet) to identify outer packaging with several serial numbers from a single scan. This saves time, especially if when retrieving large quantities and not individual items.

Another challenge in E-Commerce is that customers expect 100 percent delivery reliability – in B2B and B2C – which means by implication that companies have to keep an eye on their stock levels at all times. Inventory accuracy is therefore becoming increasingly important in this context. If orders are not delivered on time or are incomplete, customers are quickly dissatisfied and look for a new supplier. However, delivery reliability is far from being the only issue. Shortages and excess stocks are also an avoidable financial cost. Time should also not be underestimated as a factor. If the ordered goods are not available at the expected location, employees have to invest valuable time searching for them – a system is needed that faces all that challenges in case of the returned goods with maximum transparency.

LFS supports methods for identifying returned items

Largest cost drivers in returns business



Source: EHI Retail Institute (EHI-Studie Versand- und Retourenmanagement im E-Commerce 2016)

TRANSPARENT PROCESSES AND TRANSPORT MANAGEMENT

Transparency and item identification not only play a role in returns management – they are vital for logistics as a whole. Warehouse management systems give you information, such as the quantity of an item at a storage location, open orders and current picking data, a mouse-click away. Customers who, for example, manage multiple, physically separate storage sites know instantly whether an item is in stock and its current location. The physical storage locations are presented as a complete virtual warehouse and make your entire inventory transparent. Time-consuming annual and six-monthly inventory checks are a thing of the past – replaced by the much more accurate continuously updated system inventory. Every item movement is documented by LFS and an accurate inventory is kept for all bin locations. The exact location of specific products is not just important for stockkeeping.

The trend for increasing digitization in businesses also means that customers increasingly expect to be able to access information about the current shipping status of their order or the availability of goods at a particular location. Lots of retail companies, freight forwarders and CEP providers already provide applications for this purpose (ISS – Interactive Selling Systems), which retrieve data from the seller's warehouse management system running in the background. The increasing interconnectedness of the systems guarantees, for example, that the stores of large retailers can see stock and therefore provide customers with accurate delivery times. As a leading WMS, the LFS also connects to service provider systems. For example, the Transport Management Solution (TMS) add-on module can be used to communicate directly with shipping service providers.

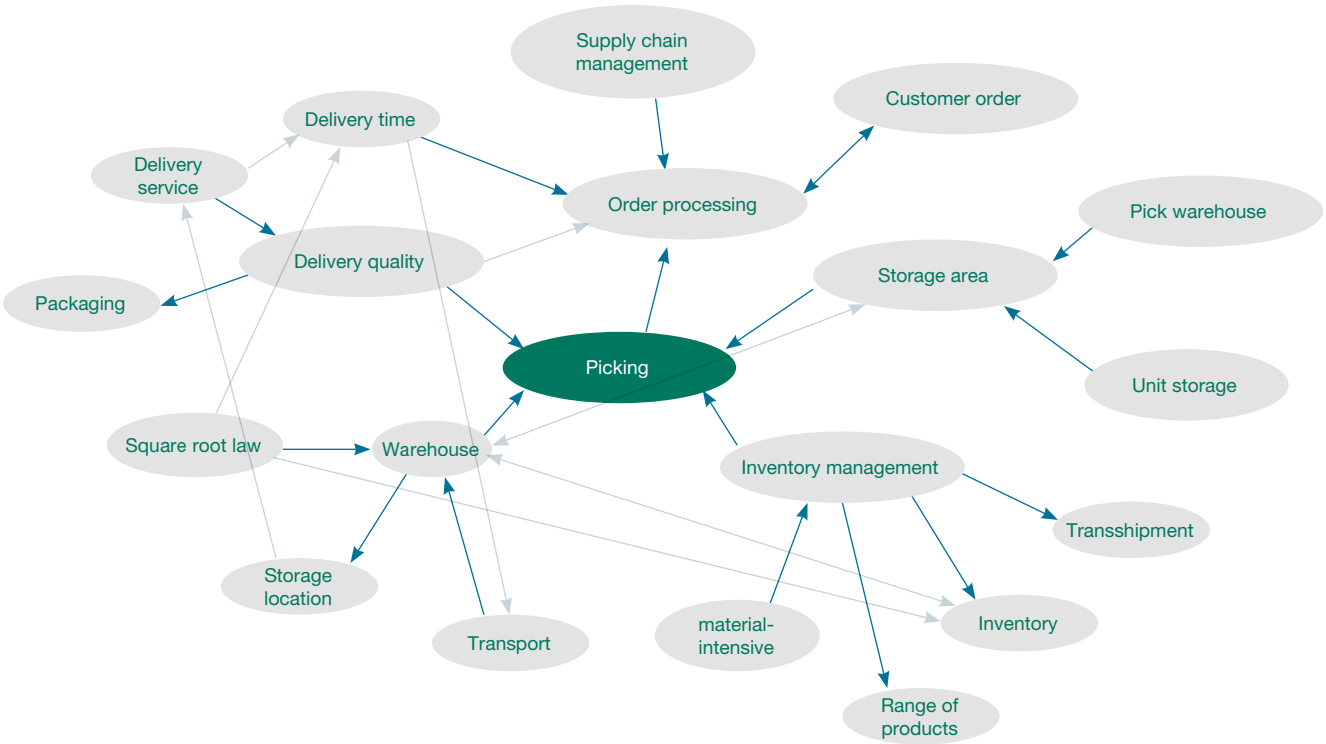
Labels and tracking numbers for current orders are generated fully automatically for freight forwarders, alongside other functions. Transport Management Solution (TMS) also simplifies all aspects of goods delivery by assigning orders. This involves the system distributing jobs to specific vehicles, taking into account maximum storage capacity and other requirements. Complete tour management including dynamic tour planning gives customers the ability to react to changes in the supply chain at all times. All warehouse data is transmitted to the tour planning software in real time. EPG's truck driver app also provides support for truck drivers, from planning the order processing work-flow to handing over the goods to the customer.

USING A RANGE OF ORDER PICKING PROCESSES

Complex logistics processes also require flexibility when it comes to order picking. Multichannel and omnichannel retailers therefore typically rely on a range of picking methods, such as pick-and-pack, multi-order-picking and pick-by-light, which are run as parallel processes. Only a flexible logistics system can really handle seasonal and offer-related fluctuations smoothly. Software support for the picking process substantially speeds up the processing of orders, as clever consolidation of orders into batches ensures that goods required for multiple orders are picked in just one run. If orders are not consolidated, multiple pickers go to the same bin location one after the other to pick the same item. The Transport Control System (EPG TCS) provides further value added. This add-on module manages the forklift truck fleet and guarantees that transport vehicles and resources are used efficiently.

LFS handles seasonal and offer-related fluctuations smoothly

Ideal resource management plays an important role when it comes to meeting challenging seasonal demand in particular. LFS uses the Transport Control System (EPG TCS) to optimize each single forklift truck journey to reduce the number of empty runs significantly.



Order picking is an important part of intralogistics and requires efficient processes, particularly for e-commerce.

Source: https://wirtschaftslexikon.gabler.de/definition/kommissionierung-37853

LFS also provides support for maximum possible storage efficiency, as the system can trigger restorage of items automatically, if another bin location is better for fast- or slow-moving items. LFS also takes various parameters into account when retrieving items, such as the number of stocked items, FIFO/FEFO, NOOS or other priorities. The type of order is crucial when choosing the right picking method as well. Bulk orders that require delivery on pallets, for example, are substantially different from retail and consumer transactions that often involves small orders.

There are therefore benefits to setting up different picking sections targeted at the different requirements. UFP, for example, the specialist for printer and copying equipment, benefits from a significantly shorter control process in its retail business. Pick-and-pack picking is used to pack the retailer‘s typically small-scale orders directly from the bin location to the shipping container without intermediate stations. LFS also instructs the picker to load the right shipping materials onto the picking cart before the picker has even started the picking run. Pickers then pack the single items directly into the shipping container as they pick. LFS uses the item’s master data to calculate the size of the shipping container, the size of the item and the weight of the order before the process starts. Lengthy control processes after the picking run are therefore not necessary, because – if the accurately calculated weight matches the picked order – you can be sure there are no picking errors.

SYSTEM SUPPORT FOR THE FUTURE

Besides the large number of functions provided by LFS, customers also benefit from the ability to add a lot of changes to the process workflow to the system themselves. This is relevant when it comes to special requirements for specific industries and products. Special requirements range from the fashion matrix in textiles for sizes and colors to product-specific mandatory batch management for food. As the system can be customized, including for parameters such as FIFO/ FEFO, LFS gives manufacturing and retail businesses that do not want to mainly deal with the topic logistics and need a flexible tool that is fit for the future to organize warehouse management and that also offers potential for further strategic development and business growth. This will be essential expertise in the future, in particular for e-commerce, to remain competitive in a tough market environment. E-commerce will continue to grow and change traditional sales channels more and more.

> "Connecting the different pieces for e-commerce is becoming increasingly important for warehouse management systems into the future. For software development, we therefore focus in particular on connecting to other parts of the business and to service providers."
>
> Dennis Kunz,
> Marketing Director Ehrhardt Partner Group

AT A GLANCE:
LFS FOR E-COMMERCE

- 20 – 25 % reduction of empty runs by using a transport control system
- Increases the efficiency of logistics to comply with the delivery guarantee
- Ready out-of-the-box for same day delivery
- Implements an omnichannel strategy
- Implements industry-specific functions, such as a fashion matrix and batch management
- Manages value added services
- Effective returns management
- Never out of stock (NOOS) function and greater transparency across the entire supply chain
- Fast order processing workflow thanks to smart order consolidation
- Integrated shipping system including connection to CEP providers

COMPANY PROFILE

EPG – Smarter Connected Logistics

EPG is one of the leading international providers of comprehensive Supply Chain Execution Systems (SES) and employs 700 people at 19 locations worldwide. The company supplies its more than 1,500 customers with WMS, WCS, WFM, TMS and voice solutions to optimise logistics processes – from manual to fully automated logistics environments. EPG solutions cover the entire supply chain, from warehouse and road to ground and cargo handling solutions at airports. EPG's comprehensive portfolio of solutions is complemented by logistics consulting, cloud services and managed services, as well as logistics training courses at the company's own academy.

EPG IN NUMBERS

★★★★★ **MORE THAN**
1,500 CUSTOMERS
ON ALL CONTINENTS WORLDWIDE

700
EMPLOYEES AT
19 LOCATIONS
WORLDWIDE

OUR SOLUTIONS
ARE AVAILABLE IN
50+ LANGUAGES

LYDIA® VOICE
FASTEST GROWING
AND SECOND LARGEST
VOICE SOLUTION IN THE WORLD

30+ YEARS
LOGISTICS EXPERIENCE

SUPPLY CHAIN EXECUTION SUITE
INTERNATIONAL
LEADING LOGISTICS
SOLUTION

TOP 5
WAREHOUSE
MANAGEMENT SYSTEMS
WORLDWIDE

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