

E-commerce warehouse management - can you afford to keep it in-house?

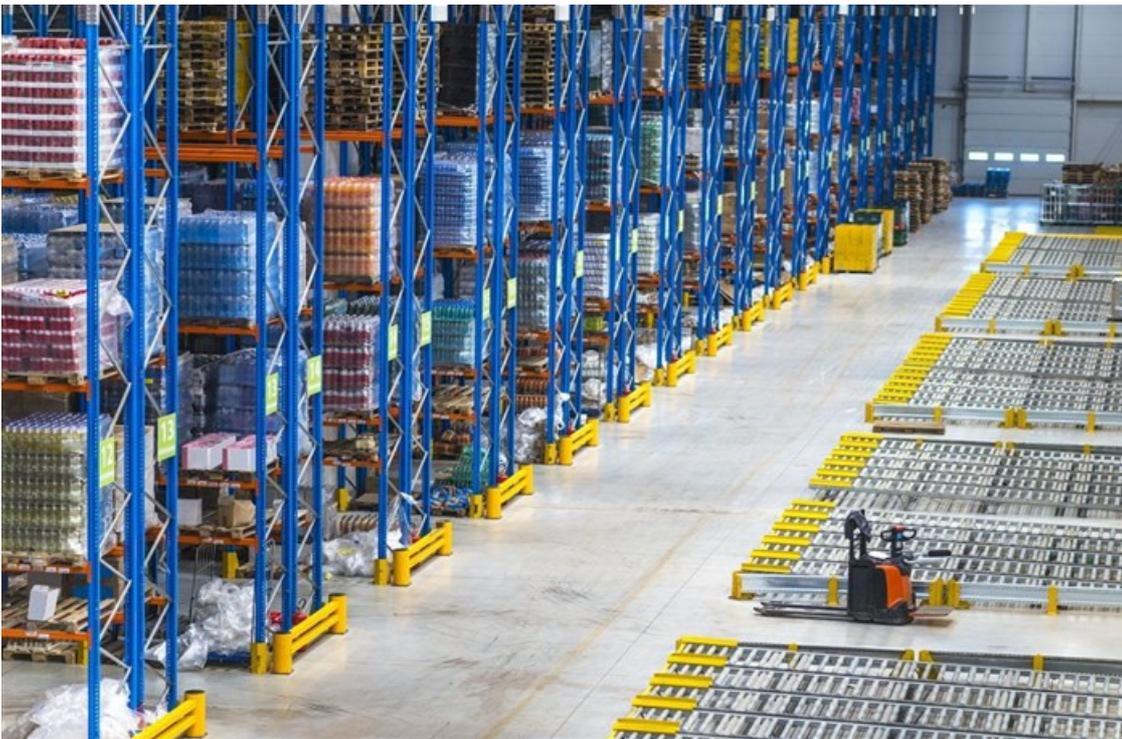
By [Tennille Bell](#)

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Ecommerce in South Africa has grown significantly in the past two years. Spurred by necessity during the Covid-19 lockdown in 2020, consumers are now familiar with online shopping as roughly 70% of South Africans now shop online at least once a month.

If fuel prices continue to rise, more South Africans will take advantage of shopping from home, which means that demands in the e-commerce sector from consumers are only going to increase. More customers will be expecting delivery that is fast, convenient, and accurate, and any delays or errors in delivery will not be taken kindly, resulting in e-commerce sellers losing potential repeat customers.

As demand grows, e-commerce players will need to reassess their Warehouse Management Systems (WMS) to be competitive in this space. Here, sellers will have to decide: keep their warehouse management in-house, or outsource the function entirely?



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More demand, higher expectations

Whether online shopping is driven by necessity or convenience, the reality is that e-commerce is becoming the preferred method for South Africans. While this increase in online shopping in South Africa presents an enormous growth opportunity for retailers, wholesalers, and manufacturers alike, it will be necessary for organisations to reassess their entire value chain to address efficiency and cost issues. This will help them scale up to meet the increased demand from customers as well as an increase in their delivery expectations.

If not choosing purely on price, customers are likely to buy from a seller that can deliver their order the fastest, which means there's little time or space for errors in the fulfilment of e-commerce orders.

The pitfalls of in-house management

With e-commerce players that started small, there is a tendency to want to keep it all in-house, including warehouse management. While this does offer the business a sense of control, this function is likely to experience even more pressure, which means that there's a heightened risk of error and mismanagement. It is also difficult for an internal warehouse function to meet shifting demands, particularly in peak shopping seasons such as Black Friday and Christmas.



Warehouse management - are you as efficient as you think you are?

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From anticipating sufficient stock to meet supply demand, to ensuring that orders are packed correctly and delivered timeously, there are a lot of variables for an e-commerce seller to handle, from the moment the customer clicks 'add to cart' right through to taking delivery of their order.

Identifying efficiency opportunities

When examining their business operations to identify areas for efficiency improvement, organisations should look at their warehouse management function first. Unless it's their core business, there is no real reason for a company to keep this function in-house. Outsourcing warehouse management is one of the most effective ways to increase productivity, using a Business Process Outsourcing (BPO) provider.

Such a provider will step in, conduct an in-depth needs analysis, identify gaps in performance and provide solutions that assist e-commerce sellers in streamlining their operations. The BPO provider assumes responsibility for the warehousing and order fulfilment function for the e-commerce seller, and in doing so, ensures that these functions are run optimally, which ultimately results in an enhanced customer experience.

Outsourcing to achieve efficiency

A lot of work goes into ensuring a seamless, fast experience for online shoppers, from placing their order to accepting delivery. However, e-commerce sellers do not have the luxury of time when it comes to getting it right by trial and error.

This is where a BPO provider can help e-commerce players leapfrog the learning curve and jump straight into delivering an experience that meets or exceeds customer expectations. By outsourcing their non-core processes to a specialist BPO provider, e-commerce players can re-focus their attention on activities such as sales and marketing, which will increase competitiveness and open new market opportunities.

In addition to reclaiming time, organisations that make use of BPO providers to manage their warehousing function will also

gain the benefit of complete flexibility. Here, using a warehouse management system and deep industry expertise, a BPO provider will help the business to anticipate and plan for fluctuations in demand.

Whether sale-specific or seasonal, a BPO provider gives their clients the ability to call on increased headcount to manage the volume of additional orders, while maintaining a predictable, fixed cost. The BPO provider also assumes responsibility for accuracy, which is enforced by Service Level Agreements that specify a tolerable rate for errors or returns.

Customer satisfaction depends on e-commerce efficiency

By implementing an efficient warehousing management system and streamlining processes for their clients, BPO providers help e-commerce sellers keep their promises to customers, and their effectiveness is measured strictly according to set KPIs. Given that profitability for the BPO provider depends on performance, their clients can rest assured that they will receive efficient service delivery that generates a higher revenue value as a direct result of outsourcing and optimising functionality within their supply chain.

When customer satisfaction is seen as a direct result of efficiency, it becomes clear that keeping warehouse management and the risk of inefficiency in-house is not a risk that any e-commerce business can afford.

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