



5 Process Improvements for a Better Enterprise Order Fulfillment

"Online (grocery) is here to stay, and consumers are more demanding than ever."

– McKinsey

Online grocery ordering and delivery remain robust post-pandemic in the US. Most groceries are seeing a steady increase in online orders, even after a massive 50% growth in online orders over the past several years. Online grocery shopping is here to stay because customers' shopping habits have changed and they want convenience. To meet this demand, which will soon make up 20% of grocery sales, grocery stores must become more efficient, productive, and cost-effective.

As online orders and fulfillment become a "table stake" for groceries, changes must be made in people (training), processes (duties), and technology. Why? Again, consumers clearly want the option of convenience, with various studies showing that especially younger customers (i.e., future customers) have a strong preference for digital transactions. Convenience is King.

What factors contribute to a successful eCommerce operation?

However, let's face it: stores (or the store shopping experience) were not designed for the optimal fulfillment of **picking, packing, and shipping** online orders. Quite the contrary, the store layout is typically designed for shoppers to spend as much time inside the store shopping. National stores like the Krogers Group know this, which is why they have invested heavily in **online order fulfillment warehouses** and **MFCs** (Micro Fulfillment Centers). But they are hugely expensive and not the answer for everyone. For the majority of grocers, they will need to perform order fulfillment in-store - efficiently.

Online grocery fulfillment, whether curbside pickup or delivery—a seemingly boring topic—is turning out to be the centerpiece of what makes a successful eCommerce operation. Again, Why? Because how your stores perform this component will heavily determine customer satisfaction and the likelihood of repeat business. Why? Because surveys clearly show that **customer satisfaction strongly correlates with order accuracy** (the right item), **packing** (no damages), and **speed** (a predictable delivery window).

Additionally, from the grocers' perspective, in-store order fulfillment has a tremendous impact on unit economics, mainly labor, which affects margins. **Productivity** in order fulfillment will improve **profitability**. It's math. Doing this well takes work, but it's worth the effort. There are many moving parts to order fulfillment that are outside of your direct control, such as supplier supply chains, delivery speeds, etc., but there is one thing that you can do to make progress: **picking and packing**.

Let's clarify some definitions:

Picking

This refers to collecting orders from shelves :

- An eCommerce "system" will take online orders, and generate a "pick list(s)"
- The "system" will alert a store associate that an order is ready to be processed.
- A "Store Associate" will use the "pick list" to find the product location
- The Associate will then take the item and bring it back to the packing area or put it in a cart.

Packing

This refers to the process of packaging and processing products for "staging," curbside pickup, or delivery (or shipping). This can include various steps, but in most cases, packing includes the following:

- Packing items in the correct packaging (e.g., frozen, refrigerated, or fresh).
- Scanning the item for inventory tracking and validation of the correct item.
- Sorting the items (based on the delivery vehicle or pickup location).
- Taking the packaged products to the staging area for pick-up or delivery.

The above seems like common sense or an order, but to do it well for a large number of orders is a science and an art. Things get very complicated once the number of orders increases; the complexity increases almost exponentially. It's like juggling one ball vs. four balls. In fact, Amazon employs an army of scientists and industrial and IT engineers to make sure that their eCommerce fulfillment is at peak efficiency. Amazon knows that's where the margins are "hiding" in eCommerce (because the online price is similar)—that's Amazon's competitive advantage, and the devil is in the details.

In-store versus warehouse grocery order fulfillment

Without going into too much depth, let's focus on key areas where in-store grocery order fulfillment is different from fulfillment from a warehouse.

1. Most groceries don't have a dedicated "**order picker**"; orders need to be notified promptly and assigned.
2. A "**pick list**" has to be created on an app or on paper. New tools and technology are required. Most stores are not used to this. On a side note, believe it or not, pick lists and order clerks were commonplace before the age of supermarkets, cars, and suburbs. Grocery delivery used to be a norm, too.
3. A grocery store has aisles and shelves, not Location BIN codes. The associate has to be directly in the right area.
4. Online grocery orders contain perishables and frozen goods, and in some states, alcohol (behind a locked shelf).
5. Orders are placed, and inventory items are tracked in non-item units such as pounds, gallons, or bunches. You probably won't sell bananas in pieces.
6. Orders need to be **just-in-time** (JIT) ready for curbside pickup or a delivery driver.

As you can see, there are critical differences between in-store order fulfillment and warehouse fulfillment, so clearly you need a solution that is customized for groceries with enough flexibility to cater to differences in operations and locations. And skipping to the punchline, the most beneficial feature is the **capability to pick and pack multiple orders** in the same collection batch. You increase speed and spend less time; everyone knows **that time is money**.

The reason is straightforward. On average, on an online grocery order of \$100 per basket, approximately \$8 is the cost of fulfillment* (McKinsey) per order. If you can pick and pack multiple orders at the same time, then you will reduce this unit economics and increase your margins. It will make a small improvement in margin per order, but it will add up to significant savings at the end of the month. Again, sophisticated warehouse operations, such as those at Walmart and Amazon, do the same—multi-pick and pack.

Multi-pick and pack ("Batch Picking") must be adaptable to store

Unfortunately, multi-pick and pack capabilities are not possible with a simple eCommerce solution, and this feature needs to be **customizable** to meet the unique requirements of the stores—each store is different—even for the same chain. This is where **Local Express** can come to your aid. We specifically focus on and tailor our technology and solutions to multi-store grocery chains. This is our bread and butter. Again, to multi-pick and pack productively in a grocery store, it takes expertise and requires unique knowledge and features. We have implemented our technologies at many grocery chains to bring these large enterprise capabilities to your store.

The above requirements to process high order volumes and cater to their unique operations, including native web, APP, and support in Spanish, prompted Supermercado Econo to work with Local Express as a solution to their expanding online grocery business. **Supermercado Econo** of Puerto Rico operates **64 stores** around the island and is the biggest supermarket chain there. As they were searching for the right software partner, their key decision criteria were:

- 1) the ability to customize the multi-pick and pack process to meet their operations and varied store layouts (given that each of the 64 store layouts was different);
- 2) the ability to set up a dedicated online order processing and dispatch area; and
- 3) a comprehensive solution for their in-house delivery network and drivers.

Of course, there are many other reasons, but for this article, we'll continue to focus on multi-pick and pack.

For example, with Local Express, some of the unique processes that were set up for Supermercado Econo are:

1. **Pick and pack** multiple orders at the same time and have the ability to track them at the "bag" level. For example, if the frozen item needs to be placed in a separate bag (for the same order), we can track this.
2. Bag-level tracking is important because, when you collect multiple orders, you need to know which bags go together.
3. Tracking orders by bags is important because the orders need to be **"staged,"** i.e., ice cream or milk needs to be waiting inside a "cold" storage section while waiting for a pickup or delivery.
4. When it's time for an order to be dispatched, various bags need to be collected properly to ensure accuracy. We can even create a **bag "ticket."** I.e., don't forget about the ice cream.
5. **Local Express'** solution has many additional features. Another enterprise-level capability is our **"Driver App,"** where grocers have the option to deliver on their own using their own driver pool. Our system will dispatch the order to the available driver and track the order to customers' doorsteps. Our AI algorithm will ensure the routes are optimized for efficient delivery (to save costs) – again, like Amazon.

The Bottom Line

With Local Express, grocers get access to sophisticated Amazon-like enterprise-grade tools to serve their customers better and keep them coming back, both online and in-store – Supermercado Econo's 64 stores as an example.

Additionally, Local Express helps you with omnichannel capabilities, which include many other enterprise-grade features—too many to mention here. And all this technology isn't all about robots and expensive hardware. With minimal technology, innovation, and openness to new processes, your store can manually process 100 orders per day efficiently. No problem.

Thank you for reading this far; there is much to cover, so why not schedule a call with one of our experts and brainstorm how it can work for your stores?

Click the button below to schedule a call!

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