White Paper: The eCommerce, mCommerce and Omni-Channel Effect

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John Sell – Vice President, Retail & Transportation Solutions

1301 Perry Road, Suite 101

Plainfield IN 46168

1.317.838.8900

A complete look at how eCommerce, mCommerce and omni-channel are impacting traditional supply chain models.

Introduction

The Internet revolutionized how people form and foster relationships. For years, companies have sought to translate this unprecedented customer connectivity into business success.

Today, online and mobile commerce gives consumers the satisfaction of a quick and effortless shopping experience. In turn, this has transformed how companies manage their supply chains, since inventory availability and shipping times severely influence customer purchase decisions.

To remain relevant, companies must understand these trends and how they are impacting traditional supply chain solutions.

Background: When the World Went Online

e-Commerce, the process of buying or selling goods over the Internet, has altered how consumers shop[1]. Instead of traveling to stores, they are comfortable buying and receiving products in the comfort of their homes, despite additional shipping expenses.

In 1991, the National Science Foundation allowed commercial businesses to operate over the Internet for the first time[2]. Companies immediately incorporated the Internet into their business models and the eCommerce revolution began.

After the turn of the century, the trend briefly plateaued as ill-conceived supply chain models landed some companies in bankruptcy. As a result, manufacturers and retailers took a step back to address logistics, privacy protection and accessibility problems.

Today e-Commerce has grown into a giant income stream that is expected to generate more than $370 billion U.S. sales by 2017[3]. U.S. consumers aren't alone in embracing the ease and accessibility of e-Commerce; China's online retail market is expanding quickly due to more than 78 percent annual growth[4].

While commerce conducted through desktop computers remains the preeminent choice for online shopping, the use of mobile devices is the new frontier.

Background: When the World Went Mobile

The e-Commerce boom started with the new millennium, but the use of mobile devices for online shopping, known as m-commerce, is still an emerging trend. As technology evolved to offer Internet connectivity on cellular devices and smart phones made the Web more accessible, users began to shop beyond the confines of their computer screens. The introduction of tablets

and other midsize mobile devices furthered the trend by accommodating users uncomfortable with small cellular screens.

The ease of accessibility and user-friendly interfaces made 2013 a year of strong growth for m-Commerce. In 2013, Black Friday weekend mobile shopping more than doubled from the previous year[5]. While it's a growing trend, m-Commerce is still in its infancy. A survey conducted by Statista found that only 10 percent of U.S. consumers make purchases from their mobile devices[6]. This statistic is expected to change in coming years, as businesses develop mobile-friendly websites and consumer confidence in mobile purchasing rises.

Background: The Rise of Omni-Channel Commerce

e-Commerce and m-Commerce have forced companies to alter their business models to offer less traditional shopping options, such as online ordering from the store and site-to-store shipping. These options blur the lines between mobile, in-store and at-home shopping, forcing companies to move away from the traditional B2B and B2C mindset and develop supply chains solutions for a variety of fulfillment paths[7].

Solutions: The Big Picture Effects of e-Fulfillment

In addition to changing the consumer shopping experience, omni-channel commerce also impacts the supply chains that service them. Omni-channel commerce has resulted in several substantial changes for companies and their supply chains, including:

Increase in direct-to-consumer shipping
The traditional supply chain model revolved around transporting bulk product to brick-and-mortar retail stores or distribution centers that would handle small volumes of direct-to-consumer catalog orders. The ease and convenience of online shopping altered this model by significantly increasing the amount of direct-to-consumer orders.

As a result, retailers are mitigating the high carrying and employment costs associated with brick-and-mortar retail stores by emphasizing online, direct-to-consumer shopping.

High consumer expectations
Shipping time is a decisive factor for buyers making an online purchase. Buyers are not content to wait for inventory to arrive in a store. Instead, they will search the Internet and find a competitor offering quick delivery. This means a proactive and responsive supply chain is the key to maintaining market relevancy.

Relevance of brand identity
Today, companies face the task of fostering loyalty among customers who have never stepped into a store. To counteract the impersonal online shopping experience, companies must now reflect their brand identity in every part of order fulfillment. From customized packing slips to gift-wrapping, the most effective supply chains accommodate branding requirements.

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MD Logistics Corporate Office ● 1301 Perry Rd ● Plainfield IN 46168 ● +1 317.838.8900
MD Logistics ● 700 Perry Rd ● Plainfield IN 46168 ● www.mdlogistics.com

Solutions: The Small and Significant Supply Chain Impacts

The three trends listed above are impacting supply chains overall. As a third-party logistics provider, MD Logistics helps its customers adjust to small but impactful changes in the traditional work and labor models, such as:

Workflow changes
Online orders have been shown to spike at the beginning of the week, reaching a peak on Mondays and slowly declining through the middle of the week[8].

Small pick-and-pack orders
Before online shopping boosted direct-to-consumer shipping, manufacturers mostly shipped bulk orders to warehouses or retail distribution centers. Today, e-fulfillment solutions focus on effectively moving small pick-and-pack orders of one or two items.

Freight evolution
The traditional supply chain model was built upon moving large shipments exceeding 30 lbs. Today, companies are tasked with fulfilling pick-and-pack orders that average one pound. This means that postal services, and not traditional freight carriers, may offer the most economical transportation rate.

In response, traditional parcel providers such as UPS and FedEx are developing postal solutions that accommodate lighter parcels with quick shipping options.

Conclusion

e-Commerce orders come in quickly and can rapidly overbear an inefficient process. In today's fast-paced online shopping environment, being stagnant and unprepared will cause consumers to effortlessly take their business elsewhere.

The secret to mastering omni-channel logistics in the mobile world is a lean supply chain infrastructure that mitigates carrying costs and remains supple to logistics needs. MD Logistics specializes in helping customers develop customized fulfillment solutions. From special packaging needs to direct-to-consumer orders, MD Logistics offers seamless solutions that can help companies embrace the fluctuating industry.

Resources

1. Merriam-Webster Dictionary
2. "The History of E-commerce" from How Stuff Works
3. "US Online Retail Sales to Reach $370 Billion by 2017" from Forrester Research
4. "E-Commerce is the Next Frontier in Global Expansion" from ATKearney
5. "US Mobile Shopping Offsets Drop in Last-Minute Mall Traffic" from Mashable

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6. [“Less than 10% of US Internet Users are Mobile Shoppers” from Statista](#)
7. [“Amazon vs. Walmart: E-Commerce vs. Omni-Channel Logistics” from Forbes](#)
8. [“Why Monday is E-retailers' Favorite Day of the Week” from TIME](#)

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