Order Management Strategies for Efficiency and Growth

A Survey Report on Opportunities and Challenges within Order Management in Manufacturing, Wholesale Distribution and Retail
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Executive Summary

The Order Management Strategies for Efficiency and Growth survey report is a joint study by NetSuite and Oz Development, providing benchmarks and associated recommendations to small and medium-sized businesses on how to optimize operations to help grow their business. The study covers three major areas:

- Strategic initiatives and priorities including growth
- Operational metrics to assess company efficiency
- IT infrastructure to support automation, control and visibility

This benchmark study is based on a survey of more than 200 U.S. companies in the manufacturing, wholesale distribution and retail sectors. Manufacturing companies and wholesale distributors made up the largest segments at 29% each, while 19% of respondents classified themselves as mixed-model companies operating in all three segments. Nearly 33% of companies had annual revenues of $20 million or greater.

![Figure 1. Most companies are in manufacturing or wholesale distribution.](chart)
Optimism for Growth Is Strong

Businesses participating in the survey are strongly optimistic about their growth, with 88% expecting higher growth in 2013 compared to 2012. Ten percent anticipate 2013 revenues at the same levels as 2012, while just 2% expect revenues to fall. These figures align with other industry studies on bullishness in manufacturing, wholesale distribution and retail as well as macro economic indicators, such as U.S. consumer sentiment reaching a six-year high in May 2013.1

The improving economic climate, as well as growing use of processes and technologies to improve efficiency and better meet customer needs, is driving innovative companies to expand their product lines, penetrate new markets and expand their global reach.

Mixed-model companies (operating in manufacturing, wholesale distribution and retail) are more optimistic for growth than any one individual sector. More than one-quarter (26%) of mixed-model respondents expect 2013 strong growth of 25% or more, reflecting the wider array of customers and business opportunities available to mixed-model companies and their use of a broad range of sales channels, from ecommerce to retail stores.

Figure 2. Nearly 90% of companies expect growth to improve in 2013.

跷跷板公司（在制造、批发分销和零售业运营）对增长的乐观程度比任何单一行业更高。超过四分之一（26%）的跷跷板模型受访者预期2013年的强劲增长达到25%或更高，反映了混合模型公司所面临的更广泛的客户基础和商业机会，以及他们广泛使用各种销售渠道，从电子商务到零售店。

Top Growth and Channel Strategies

Ecommerce is the top growth and channel strategy for the majority of companies, with 47% focused on expanding successful ecommerce systems and 24% building out an early-stage ecommerce infrastructure. In other words, 71% of respondents named ecommerce as a key growth initiative.

Increasingly used by wholesale distributors and manufacturers to expand their geographic reach and support direct-to-consumer strategies, the focus on ecommerce aligns with the strategy of reaching new international customers (29% of respondents), as ecommerce enables companies to easily and effectively do business across borders.

Fifty percent of respondents are focused on introducing new products, indicating that companies are tuned into customer demand for a broader range of better products, as well as business efforts to appeal to broader markets, drive cross-sell and achieve a competitive distinction.

Figure 3. Mixed-model companies are most optimistic for growth.
Figure 4. Expanding products and ecommerce are the top two strategies for growth.

RECOMMENDATION

Expand ecommerce with strong back-office integration

A new storefront might help get the order, but without the right end-to-end solution for inventory, order management and fulfillment, companies risk botched orders and poor customer satisfaction. Tying orders from ecommerce websites and marketplaces into the order management and fulfillment process in a fragmented IT landscape is often problematic, particularly with a homegrown ecommerce system (in place at 54% of respondent companies). To ensure accurate inventory and timely fulfillment as customer demand for omnichannel commerce grows, back-office order management processes need to be as automated and streamlined as possible.
Ecommerce Grows as a Key Sales Channel

To support their growth strategies, the majority of companies continue to offer customers the option of ordering by phone, email and fax. Ecommerce is the second most prevalent channel, and in the retail sector, is more widely available than ordering by phone, email and fax. With numerous industry studies predicting double-digit growth in B2B and B2C ecommerce over the next several years, we expect ecommerce usage to rise from the levels in Figure 5.

The expectations for strong growth among mixed-model companies goes hand-in-hand with their use of a broad array of sales channels, including ecommerce, phone/email/fax, retail stores and online marketplaces such as Amazon and eBay. These enterprising companies are raising the bar for the competition, offering the omnichannel experience that today’s customers demand.

![Figure 5. Ecommerce is the second most widely used channel in most sectors.](image)

RECOMMENDATION

Look beyond traditional business models

Regardless of your company roots (manufacturing, wholesale distribution, etc.), you must be constantly pushing the boundaries of your business model. Twenty-six percent of wholesale distributors are selling through marketplaces (e.g. Amazon, eBay), expanding beyond their traditional channels. Similarly, 59% of manufacturers sell through ecommerce. The blurring of the sales channels is also driving business upstream and downstream. Distributors are adding kitting/assembly type capabilities, while some pure ecommerce players are adding retail stores or showrooms.
Ecommerce Technology Adoption Is Still Emerging

Shopping carts and merchant connections are relatively mature at many organizations. However, when managing the broader ecommerce experience on marketplaces such as Amazon and eBay, most respondents rely on custom, homegrown integrations with ERP systems (51%) or manual processes (44%). This indicates that many organizations have significant room for improvement in such processes as catalog updates, pricing changes and inventory availability tracking.

![Pie chart showing how companies manage their marketplaces](image.png)

**Figure 6.** Most companies rely on custom integrations and manual processes to manage marketplaces.

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**RECOMMENDATION**

**Adopt a packaged ecommerce solution that can support omnichannel business**

As any new business segment evolves, companies typically progress from manual processes to automated, packaged solutions. Packaged solutions enable and drive growth much more rapidly and cost-effectively than manual processes. The key requirements are to ensure they are integrated in with the CRM process, the order management process, financials and the warehouse.
Improved Order Management Is the #1 Customer-Focused Initiative

At 37%, improving order management was far and away the #1 customer-focused initiative being pursued by respondent companies, reflecting the importance of order management in satisfying customers with fast and accurate delivery of goods. Expanding ecommerce was second at 15%, dovetailing with the role that order management plays in ecommerce by automating processes and supporting real-time information on order status, as well as purchase history, in a customer self-service portal.

At 13% each, order optimization and routing, a 360-degree customer view and customer profitability analysis are also high on the list of customer initiatives for many companies.

What is your #1 customer focused initiative?

![Bar chart showing customer focused initiatives]

Figure 7. Improved order management is by far the leading customer-focused initiative.

RECOMMENDATION

Implement integrated end-to-end order management to support customers and growth

The key element of this recommendation is “end-to-end.” The vast majority of respondents use a core ERP to manage the primary order management process, which is order entry and fulfillment. However, as outlined later in this report, over 50% of respondents characterized their fulfillment operations as “all-paper with limited automation.” On the tail end, standalone systems support 30% of parcel shipping and 45% of freight shipping, while on the front end 44% of companies manage their marketplaces manually. Incorporating these standalone systems into an end-to-end solution can significantly improve efficiency and customer service while reducing costs.
Growth Does Not Mean More Personnel

Despite the optimistic growth plans, 52% of companies said they planned to achieve growth with no additional staff resources in operations and instead focus on operational efficiencies. This was slightly ahead of better inventory control at 51%, which can reduce carrying costs, minimize costly stockouts and free cash flow.

Forty-nine percent cited eliminating fulfillment and shipping errors at 49%, which aligns with better order management being named the #1 customer-focused initiative. Meeting these objectives while order volumes are increasing over a greater number of channels will require focus and strong execution.

What are your top operational initiatives?

<table>
<thead>
<tr>
<th>Initiative</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce Mfg Re-work</td>
<td>40.0%</td>
</tr>
<tr>
<td>Better Inventory Control</td>
<td>50.0%</td>
</tr>
<tr>
<td>Eliminate Fulfillment and Shipping Errors</td>
<td>55.0%</td>
</tr>
<tr>
<td>End to End OM Visibility</td>
<td>50.0%</td>
</tr>
<tr>
<td>Improving Suppliers</td>
<td>45.0%</td>
</tr>
<tr>
<td>Growth with No Staff Increase</td>
<td>55.0%</td>
</tr>
</tbody>
</table>

Figure 8. More than half of companies intend to grow without growing their headcount.

RECOMMENDATION

Support growth by improving visibility, integration and control in operations

As many survey respondents believe, achieving growth objectives doesn’t mean increasing headcount. Cloud solutions for ERP, order management, inventory control and other functions enable companies to improve overall efficiency and growth through a unified data set and integrated process automation. But as another question in this survey revealed, 54% of respondents characterized their core IT systems as with fragmented or different applications with custom integration. This creates an extremely difficult foundation to accomplish the top operational initiatives above. Reviewing and identifying key choke points in visibility and end-to-end order management is the first step in driving to best in class.
Businesses with Integrated Cloud ERP Have Better Fulfillment Rates

Forty-seven percent of respondents had fulfillment rates (meaning on-time fulfillment with no partial or back orders) over 98%, with another 36% had a fulfillment rate between 95%-98%. Interestingly, a close look at the data shows that of those top performers with fulfillment rates better than 98%, 44% run NetSuite as their core ERP, while 27% are on QuickBooks, 15% on Microsoft Dynamics GP, 10% on Sage and 2% on SAP.

Conversely, nearly 80% of those low performers with fulfillment rates of less than 95% run on-premise ERP systems.

Figure 9. More than 45% of companies achieve a 98% or greater fulfillment rate.

RECOMMENDATION

Identify bottlenecks in fulfillment/operations, and implement integration and automation

With a cloud-based backbone, customers can spend less time managing IT to better focus resources on streamlining and automating processes and eliminating the risk of errors inherent in manually managing fulfillment processes. Implementing a bar code scanning solution can also provide huge benefits.
Paper-Based Processes Are Widespread, but Mobile Interest Is High

In operations, reliance on manual paper-based processes still plagues efficiency. For manufacturing and warehousing operations, only 12% and 9%, respectively, said they were fully automated with end-to-end visibility. Over 50% categorized themselves as all paper with limited automation. Reliance on paper processes was slightly higher at 58% in distribution than in manufacturing, at 51%.

Only 10% claimed to be fully automated, while nearly 20% of companies are supporting manufacturing and warehousing processes with mobile devices. We expect usage of mobile devices to continue to rise over the next several years.

Respondents identified performing inventory counts (32%) and sales order picking (20%) as the top two processes that could benefit from mobile technology. With mobile devices, personnel can accelerate inventory counting to reduce carrying costs, cut obsolete inventory and support on-time delivery. Mobile devices also streamline the labor-intensive sales order picking process in the warehouse to handle higher volumes with reduced picking and fulfillment errors.
Survey Report

Figure 10. Many companies continue to rely heavily on manual paper-based processes with limited automation.

Figure 11. Mobile technology could be leveraged to improve inventory count processes.

RECOMMENDATION

Go mobile to cut paper and manual efforts and improve inventory control

Mobile bar code scanning solutions can dramatically improve operations. If inbound goods do not arrive with bar codes, they can be applied at receiving. There are multiple options based on the goods, such as bar coding at the case level, warehouse locations, etc. This also helps other leading operational initiatives, such as eliminating fulfillment and shipping errors and improving supplier management.
Shipping Is Not Well Integrated with Order Management

Over half of respondent companies do not have end-to-end integration with shipping—51% of parcel shipping processes and 65% of freight shipping are either based on silos in the warehouse or standalone systems. This creates major issues for shipping accuracy as manually processing shipments in a standalone application often results in data entry errors, incorrect costs and lack of visibility for front-office staff into status and tracking information.

![How well integrated is your shipping?](image)

Figure 12. Most shipping processes depend on standalone systems.

Reliance on standalone systems appears to be reflected in suboptimal rates for accurate, on-time shipments at a fair number of companies. Thirty-eight percent of respondents reported on-time shipments of 98% or less, short of the 99.5% or greater ideal being achieved by 29% of our respondents.
Are Companies Prepared for Growth?

More than half of respondent companies (54%) run their businesses on different applications with custom integration (33%) or different applications with no integration (21%). As growth accelerates across more channels, these companies may face limitations in efficiency and cost that inhibit their potential. Manual processes that are manageable when a company is small often become problematic at scale, while maintenance and upgrades to on-premise software and servers consumes valuable IT budget.

What is your on-time shipping rate?

- Less than 95%
- Between 95-98%
- Between 98-99.5%
- Greater than 99.5%

Figure 13. More than one-third of companies achieve 98% or less in on-time shipments.

RECOMMENDATION

Make shipping one the key pillars in serving customers and cost control

The customer experience in orders includes expectations on costs and on time delivery at order entry. Without automation and control throughout the process, it is extremely difficult to balance customer-expectations against managing costs. Leading companies with best-in-class fulfillment show real time updates back through their CRM, and notifications to their customers. Automation and transit time analysis can be used to optimize the carrier and service, ensuring critical delivery dates while using the lowest cost option.
RECOMMENDATION

Consider a cloud approach

Leading organizations are turning to cloud solutions to automate and streamline processes, and interest in the cloud approach is on the rise. Among our respondents, 47% consider Software as a Service (SaaS) applications an effective way to reduce costs and improve efficiency. Yet awareness of cloud solutions and their potential benefits is still growing. Twenty percent of respondents said they were not familiar with SaaS, and 19% were not sure. From this and other industry studies, it’s clear that SaaS is increasingly viewed as a cost-effective approach to business in manufacturing, wholesale distribution and retail. For example, a recent survey of manufacturers by the research and advisory firm Mint Jutras found that interest in cloud ERP for manufacturing rose to a record high of 51% in 2012, up from 42% in 2011. Gartner, meanwhile, has predicted that 47% of manufacturers worldwide will be using or piloting SaaS applications by 2015, up from just 2% in 2010.2

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The official die-cast of NASCAR, Lionel NASCAR Collectables (LNC) is the leader in the design, promotion, marketing and distribution of licensed die-cast race cars. A joint venture with the NASCAR Team Properties and Lionel Electric Trains, LNC makes and sells replica die-cast race cars through a variety of channels, including corporate, national accounts, trackside, online and a network of specialty dealers.

Integrating the fulfillment operations of these businesses brought challenges, including:

- Increasing the flexibility of shipping options and services to consumers via USPS
- Supporting a sophisticated fulfillment process for retail customers such as Target, Walmart, and Amazon
- Handling a mix of small package and freight shipments and producing the correct vendor compliant documents

LNC looked to the cloud and implemented a NetSuite and OzLINK solution. The solution leveraged the best technology and processes from the two businesses and helped LNC to achieve:

- Increased IT flexibility to accommodate growth
- Automation and integration of fulfillment across B2C channel and dealer network
- Improved customer choice and lower transportation costs by including the U.S. Postal Service
- Reduced labor costs through an advanced pick process
- Automated ASN & UCC labels in the warehouse

**NetSuite**

NetSuite is the leading provider of cloud-based business management software. NetSuite SuiteCommerce enables B2C and B2B merchants, manufacturers and distributors to seamlessly connect every step of a multi-channel, multi-location business—from ecommerce, POS and order management to merchandising, marketing, inventory, financials and customer support—all from a single, unified commerce system. Businesses running NetSuite report they provide a more relevant and personalized experience for their customers while streamlining operations, increasing efficiency, better managing suppliers and stock, speeding fulfillment and improving customer service.

**Oz Development**

Oz Development is the provider of OzLINK. OzLINK is a set of cloud-based solutions that integrate and automate the order management process. OzLINK streamlines functions from ecommerce through to the warehouse and shipping. OzLINK has created value for more than 10,000 customers in industries such as manufacturing, wholesale distribution, retail, and health care. Oz Development has unmatched expertise in integration and order management. Learn more at www.ozdevelopment.com