



THE DREAM OF E-COMMERCE, THE CHANGES TO THE DC, AND THE FUTURE OF THE SUPPLY CHAIN: PART 1

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As the realization of e-commerce becomes more standard fare for retailers, distribution centers have to become more dynamic in their overall processing of goods and merchandise. The operation within the DC has become substantially more complex, and the need to effectively leverage technology and industry best-practices has become critical to the overall success of a company's supply chain.

In the past, cross-docking was the "end-all, beat-all" method of processing one's merchandise. Minimizing as much of your stock's time in your DC, and, instead, flowing cases and pallets through your building to your large brick-and-mortar stores, was the epitome of a well-oiled DC. In fact, the concept of being a "warehouse" slowly became antiquated, as holding an excessive amount of goods within the stacks and shelves of a building in the middle of nowhere was a terrible idea: no one can buy things that are in the warehouse. The concept of a "Distribution Center" became the overwhelming industry standard; namely, a consolidation location to take an excessive number of disparate vendor items, consolidate as quickly as possible, and get them back out to your stores "just in time" for customers to purchase.

The passion for providing the right selection of merchandise to the customer is still, obviously, strong. Now, however, global connectivity is ubiquitous. Cyber Monday is bigger, now, than Black Friday¹, and consumers in Washington State can use their cell phones to browse and buy from retailers in Zimbabwe. This virtual marketplace, in addition to the traditional physical store, accounts for a larger and larger portion of a retailer's offering to a customer. In fact, in 2021, Cyber Monday out-performed Black Friday by 1.8 billion dollars¹.

The size, ease, and benefits of e-commerce allow retailers to provide almost any good imaginable to their customers. The mythical "never-ending aisle", an infinite

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assortment of goods to tempt customers of any proclivity. Ah, that's the dream, right? Anywhere in the world, at any time of day, anyone can get online, visit your store, fill their cart with whatever their heart desires, and have it sent directly to them. The entire world is your customer, and the entire world is your supplier. Global commerce at the click of a button.

That dream scenario is, of course, only dreamlike for merchants and CEOs. CIOs and Supply Chain Executives see a bit deeper into the potential problems this scenario imposes. The new eCommerce requirements keep them up at night: We have to stock... everything? And we have to sell anyone just... one of them? And we have to do that... within a few hours? The challenges posed by this new methodology of selling are extensive. The entire paradigm of Distribution Center Operations, based on the rapid movement of large quantities of a few SKUs at a time, is now being asked to hold, split, discern, and ship ones and twos of an item, thousands of times a day. With the new challenges presented by e-commerce, the old model of supply chain execution, especially at the distribution center level, simply doesn't fit.

Remember the Rise of Wal-Mart as a behemoth in the retail sector in the late 80s/early 90s? Much of their meteoric rise can be attributed to their supply chain operation and the sheer efficiency at which they moved goods. They minimized supply chain costs so dramatically through things that are now standard practice, such as the aforementioned cross-docking of goods. Their ability to streamline their supply chain was instrumental to their success. They mastered the consolidation of vendor goods and transportation to brick-and-mortar stores. Subsequently, they became one of the quintessential examples of how a properly engineered and executed supply chain can affect your bottom line. Their rise was a testament to the fact that a well-run supply chain can drive profitability for a company to the next level, ensuring success.

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But that was the old way of doing business. And, even in the traditionally slower moving world of supply chain, things change. Effectively leveraging e-commerce requires a paradigm shift in comparison to brick-and-mortar supply chains. Without changing mindsets and methodologies, the supply chain of old will NOT lead your business to success. The way in which a company's supply chain operates has to drastically change in order to potentially realize the full potential of e-commerce. Trying to fit the square peg of e-commerce into your current round hole of case-distribution supply chains will simply not be profitable. A holistic look at DC operations and systems is necessary to determine what has to change to minimize potential DC costs. Changing with the times becomes necessary if you want to keep up with competitors.

Some of this may seem self-evident. However, you would be shocked to see the number of companies who refuse to or cannot make the changes necessary to properly work in this new world of supply chains. Or, even if they are open to new ideas, they focus on the wrong aspects and pieces of the puzzle. In order to rise to the top of the market or to even keep up with competitors, supply chain directors must mentally buy-in to this paradigm shift, learn the differences and dynamics of e-commerce fulfillment, and fully leverage technology and industry best-practices.

Godio, Mili. "[Cyber Monday vs. Black Friday: Experts compare the deals.](#)" NBC News. 2021.

*Contact us at info@hy-tek.com or call us at **678.842.9114** if you want to learn more about Supply Chain Transformation.*