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COMMERCE ENGINE

Building an Efficient OMS:
A Step-by-Step Guide

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Building an Efficient OMS

A Step-by-Step Guide

Content

↗ TL;DR

To streamline order processes and provide a best-in-class customer experience an efficient order management system (OMS) is key. Efficiently implemented, your OMS supports you with:

- Faster order processing
- Increased customer satisfaction
- Optimized warehouse management

Despite its many benefits, many retailers are failing to implement their OMS solutions effectively – with <u>42% of retailers</u> stating that their OMS needs improvement.

In this guide, we present a five-step plan to ensure a successful OMS implementation.

1. Build a long-lasting technical foundation using headless architecture.
2. Focus on smart end-to-end order processing.
3. Implement intelligent multi-supplier stock management.
4. Establish a transparent customer service platform.
5. Maintain great customer communication.

An efficient and successfully integrated OMS will help you to meet the changing demands of your customers, both now and in the future.
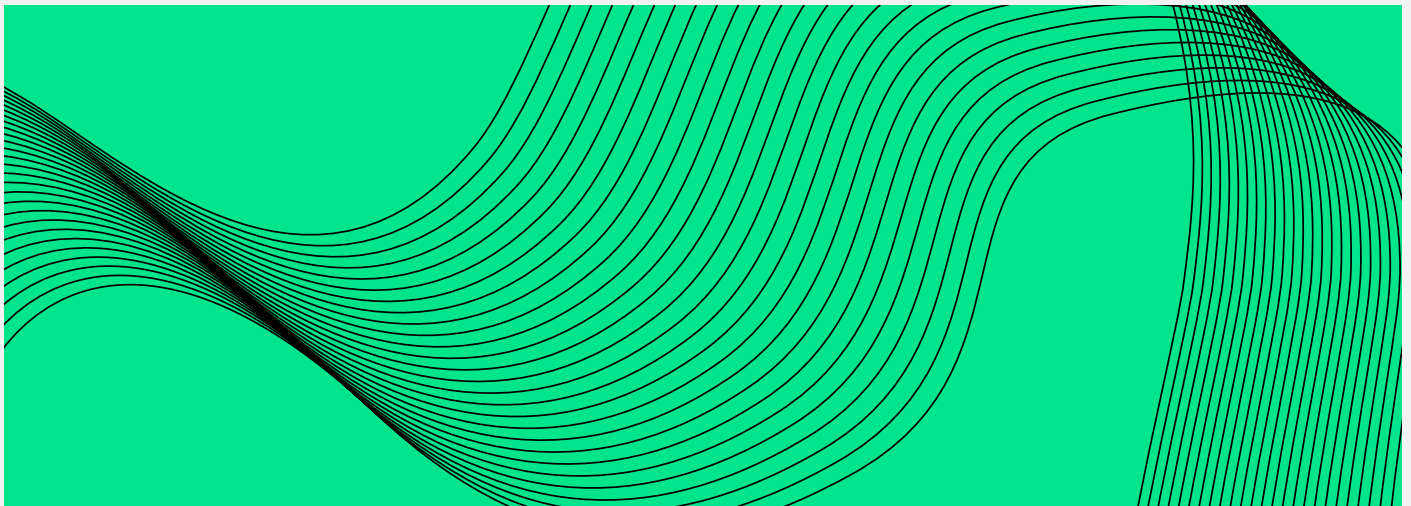
↗ Introduction

Welcome to the World of Order Management Systems

In eCommerce, having an efficient way to handle, track, and complete orders is key to delivering a seamless and intuitive customer experience. That's precisely why many businesses across the world are adopting an **order management system (OMS).**

By implementing an OMS, eCommerce businesses can deliver an interconnected order experience, unify touchpoints, improve profitability, and unlock a new 'fulfill & return anywhere' commerce model. A well-functioning OMS is also a vital requirement for great customer service – it allows customers and service agents to track order fulfillment, make changes, and cancel with ease.

According to BDO, real-time order tracking (55% of retailers in 2021 adopted), connected inventory management system (52%), and in-aisle restocking and warehouse management system applications (47%) were the most common solutions to provide omnichannel retail logistics in 2021.

Indeed, as the eCommerce penetration has skyrocketed in recent years, more consumers than ever are turning to online-only retail. With that ongoing transition, commerce businesses must adopt seamless digital infrastructure to handle the climbing demand for eCommerce.
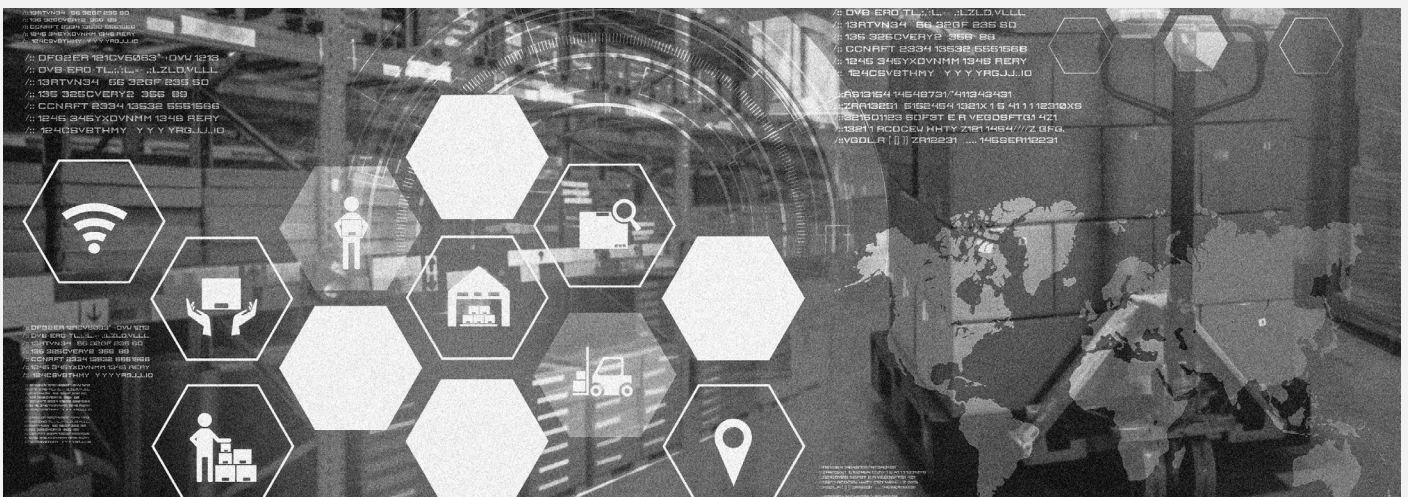
The Impact of COVID-19

The onset of the 2020 COVID-19 pandemic changed the way retail will operate forever. The pandemic has led to changes in consumer tastes and expectations. The resulting challenges for the eCommerce industry are best handled with efficient OMS solutions.

According to Kardex (2021), 35% of eCommerce businesses reported an increase in the volume of eCommerce orders. Conversely, 35.9% stated they were concerned about the increased customer expectations surrounding same day, next day, and free delivery. The biggest challenge, however, for eCommerce businesses (40.2% stated) was the overall labor challenges of the pandemic.

It is these problems that effective, efficient OMS implementations are best poised to fix. A smart order management process helps online retailers manage the high volume of orders. Unifying order management and fulfillment under one platform helps make fulfillment processes more efficient, making it easier to meet the tight delivery times now expected by consumers.

This guide will explore the role of an OMS in the modern commerce landscape and offer businesses embarking on their omnichannel transformation a **step-by-step guide on how to build a successful, efficient OMS.**
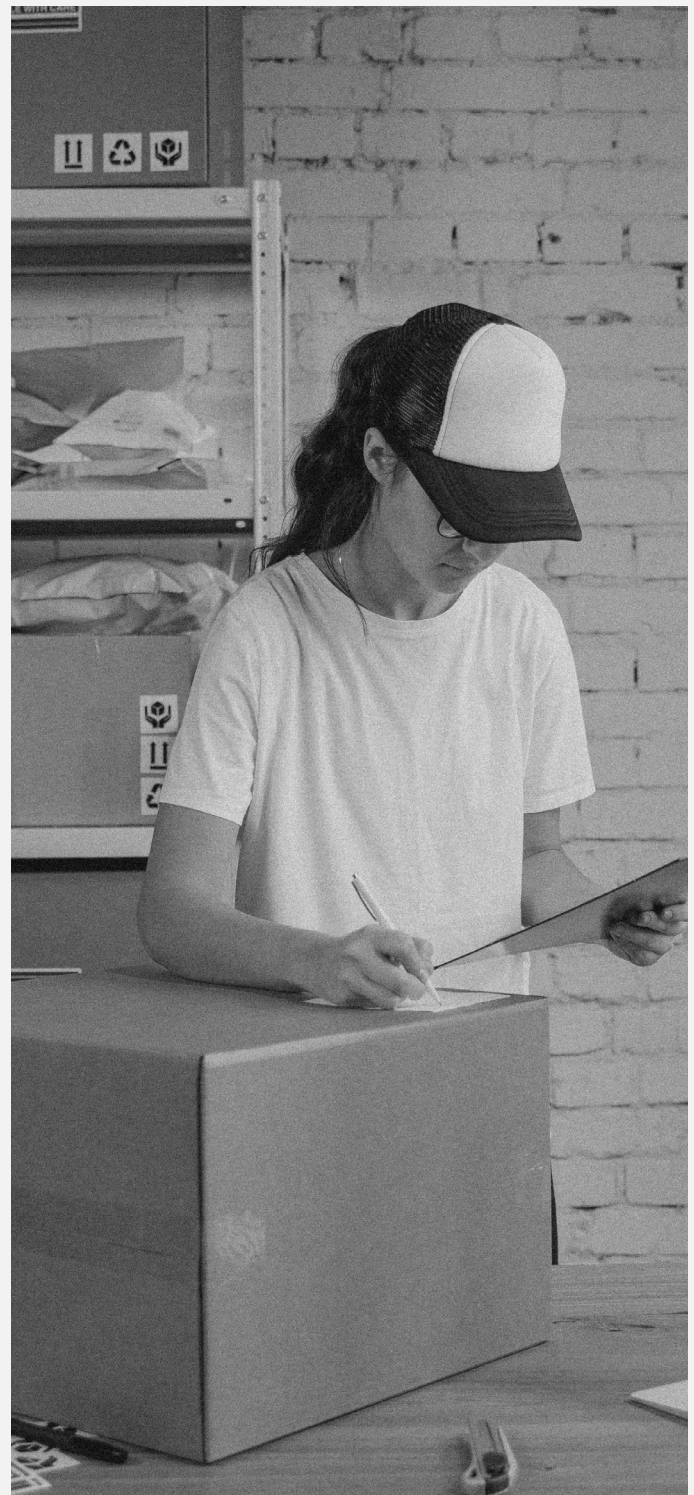
What Is an OMS?

An order management system or OMS is a software solution that simplifies the order lifecycle by centrally managing all aspects of customer orders.

It unifies order entry, inventory management, fulfillment, and customer service into one interconnected platform.

The roles of an OMS include:

- Tracking and monitoring customer orders from various channels (including from physical stores if applicable)

- Keeping track of multi-supplier stock in real-time using APIs to avoid overselling and overstocking

- Coordinating and tracking order fulfillment

- Handling returns requests and fulfillment

Some OMS solutions also implement customer service suites and communicate order updates to customers through push notifications and emails.

Challenges of OMS Implementations

Many of these OMS implementations are **inefficient and poorly designed,** limiting the gains businesses could potentially enjoy from their omnichannel transformation and even hurting profitability.

For instance, enVista (2020) found that while OMS transitions are extremely popular with 96% of retailers already having implemented an OMS, 42% believe that their OMS implementation "needs improvement". This often results in the inability to scale order volume with market demands, increasing interdependencies and complexity of logistics, and ever-changing customer expectations, which are challenges very familiar to many eCommerce companies.

The difficulty is effective deployment of OMS solutions. How should retailers build an efficient OMS? What considerations do eCommerce businesses need to make when choosing an OMS? Why is a successfully implemented OMS so important in eCommerce? We will address these questions in the following sections.

Why Is a Successful OMS So Important in eCommerce?

Even big players in the eCommerce industry know the challenges that come with running an online business, but they have the right infrastructure in place to overcome them. With a well-functioning OMS, you can keep your business running smoothly and efficiently no matter how much growth or expansion you experience. Operating with an efficient OMS is essential because it allows you to scale, make data-based decisions, and maximize the efficiency of your logistics and warehousing.

To name just a few key features and benefits of an efficient OMS:

- Orders can be made and processed faster

- Unlocks intelligent crosslinking through all systems

- Stock level information from multiple sources and suppliers can be tracked and communicated in real-time

- Combines order data across all channels

- Streamlines third-party logistics coordination
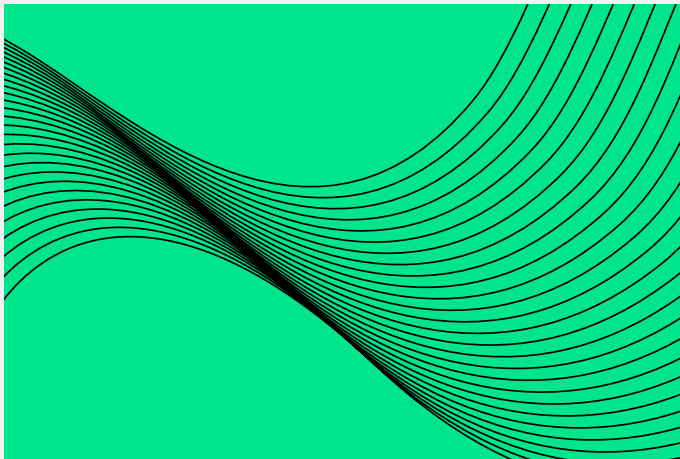
The aim of such a tailor-made software solution is to help eCommerce businesses scale effectively. It provides an interconnected data network for easy expansion of operations. For instance, a brand-new fulfillment center can quickly connect to the business' cloud infrastructure and access orders instantly. This allows businesses to stay agile and adapt to changes in market conditions.

Moreover, a well-functioning OMS successfully transforms your customer journey and enhances the customer experience. It ensures accurate information is provided to your customers at all times and that this information – stock levels, order statuses, or prices – remains up-to-date and consistent.
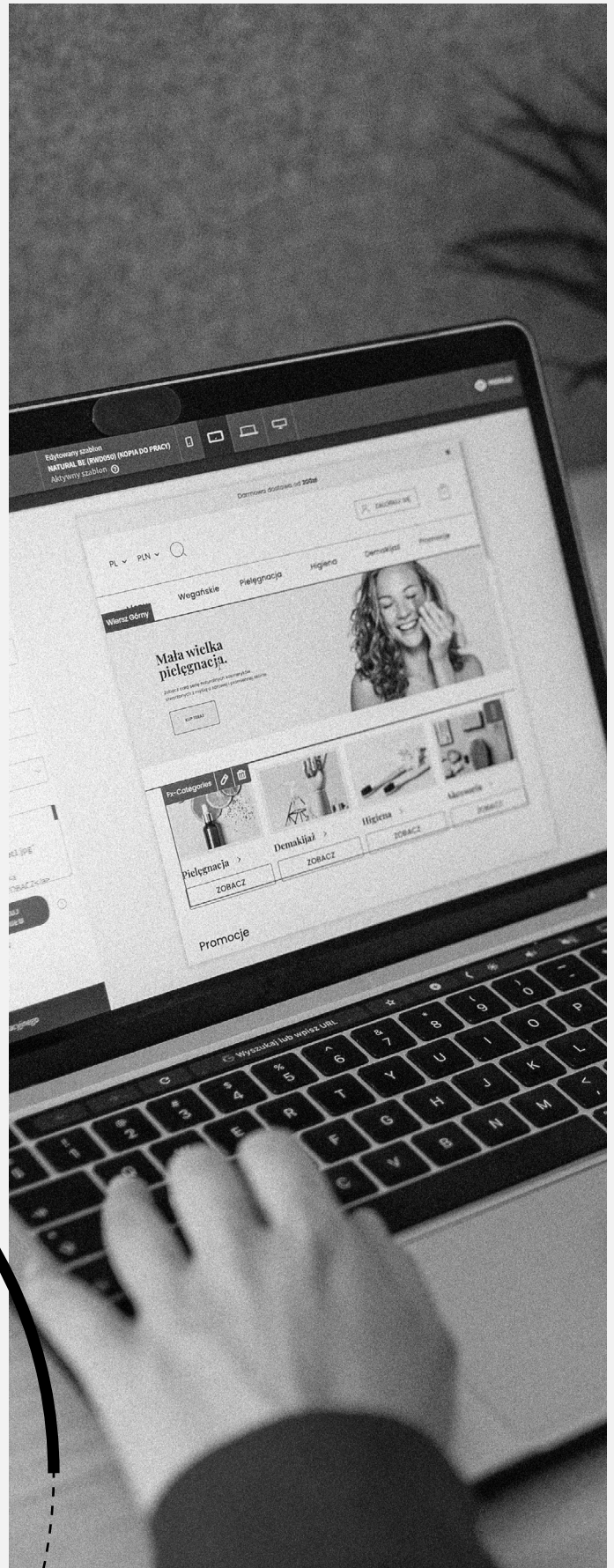
How Do You Create an Efficient OMS?

The following step-by-step guide refers to five important aspects of a successful OMS implementation. Following the below pattern helps ensure **stability and effectiveness** once your OMS is deployed.

Here, we'll also introduce you to some best practices for setting up and managing your OMS, ultimately preserving great performance for the present and future.

Step 1

Build a Long-Lasting Technical Foundation Using Headless Architecture

A successful deployment of omnichannel technologies such as an OMS requires a strong, responsive technical foundation. What does this mean in practice? It involves championing agile software architectures such as **headless.**

What is headless?

It involves decoupling the front- and backend of an application. Data is exchanged through various application modules via APIs, allowing for large, adaptable eCommerce platforms.
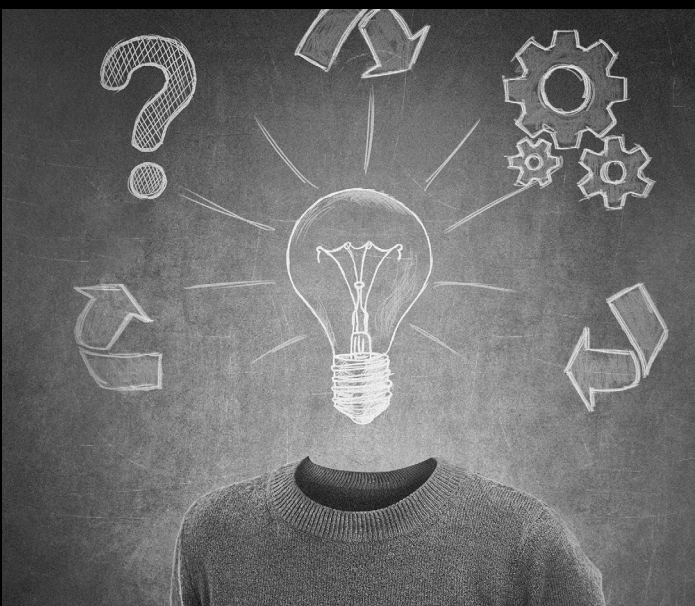
The benefits of a headless approach are clear:

- Headless architecture allows independent development of frontends for easier customizations and integrations.

- Redesigning websites, user interfaces, and touchpoints is simplified, requiring little to no changes in the backend.

- Information such as orders or stock information is centrally provided by the application backend.

- Headless shop systems are far easier to scale, as modules and front-end applications can continually be developed and added as needed.

How do these factors influence the success of an OMS implementation? First, decoupled architecture leads to a stronger, more stable backend. Consider the alternative: a monolithic commerce application. The backend code handling orders and fulfillment will be too tightly integrated into the application. As the requirements of the shop system grow, each update (adding touchpoints, implementing new features, redesigning front-end interfaces, etc.) will require some backend changes and, ultimately, a full-scale redeployment. This leads to a greater risk of bugs and errors in the backend. The result is inaccurate information, data loss, orders being missing – to name just a few risks. Development with headless is less risky, and therefore inherently more stable.

Second, headless shop systems are significantly more customizable than their monolithic counterparts. Flexible, adaptable front-end experiences are integral to getting the most out of an OMS and omnichannel transitions in general. They allow for services such as dynamic order updates, personal recommendations, and customer tracking.

Want to learn more about the importance of 'going headless'?

Read our guide on the topic!

Step 2

Focus on Smart End-to-End Order Processing

A true end-to-end (E2E) focus is important. To unlock the true benefits of supply chain visibility, all stages of the order lifecycle need to be easily traceable.

What are the main characteristics of E2E order processing?

- **Basket splitting** allows you to take advantage of dynamic order routing based on customized rules like location, merchant priority, warehouses, delivery times, or stock availability.

  💡 This order routing capability is especially important for large enterprises with multiple locations and fulfillment centers. Basket splitting optimizes warehouse utilization based on capacity factors and stock levels.

- Effortlessly **transfer and manage orders from confirmation to return.** This is facilitated by real-time order status updates for shipments and payments that are transmitted and synchronized by API calls.

- **Automated invoicing and payment collection** help to streamline the order-to-cash (O2C) process, leading to a more effective customer journey and boosting cash flow.

- **End-to-end visibility** ensures both customer satisfaction through order updates and tracking information, and affords more accurate order fulfillment.

The results are clear: optimized and faster fulfillment and happier customers.

Step 3

Implement Intelligent Stock Management

The goal of **inventory management** is to both maintain the right level of stock across all warehouses and fulfillment centers whilst also avoiding overstocking and bringing down storage costs.

OMS software provides an easy solution to inventory management woes. To create an intelligent stock management network, you'll need to connect inventory data from all warehouses and suppliers via an API. This affords you real-time visibility into stock levels and warehouse capacity. An OMS makes this particularly easy.

Every warehouse and every supplier should be integrated into your OMS. If even one of the nodes in your supply chain isn't integrated, this can lead to overselling, miscommunication, and inaccurate information.

How do you unlock the **advantages of intelligent stock management?** The key here is using this data effectively. Do you need to block stocks for inspection? This can be automated through quality management. With an E2E OMS solution, blocked inventory will automatically become unavailable on storefronts.

An OMS can aggregate all the stock information from multiple sources and leave you with a single macro inventory for storefronts to pull from. You can reserve stocks across multiple warehouses and even craft a virtual inventory where goods are stored in third-party warehouses, distribution centers, or stores. This helps reduce your warehouse footprint and helps avoid overselling.

Step 4

Establish Transparent Customer Service

Earlier, we briefly explored how an effective OMS implementation can help boost customer satisfaction, engagement, and

loyalty. However, smart order management won't automatically provide such benefits to your customers. How can you ensure this?

By using the order visibility afforded by an OMS to establish a **transparent customer support service.** Here, we need to take particular care with how we address the new customer expectations of how commerce customer service operates.

Successful implementations from best practice retailers have left consumers demanding:

- Automated visibility into order status, including an accurate delivery time and window

- Multi-channel customer support networks including telephone, live chat, and email

- Service agents who are able to solve their queries within minutes of their first interaction

To meet these demands, customer service agents must have full visibility into customer orders. No longer are customers willing to wait for case escalations and call-backs. Agents must be able to search for orders and

customer data, access customer baskets to complete orders on behalf of a customer, and edit orders if needed.

There should also be full transparency in the order process. Customers demand to know exactly where their shipment is and how long it will take. To access this information, retailers need to design intuitive user interfaces. Real-time updates should be easy to access and support should only be a click away.

To reduce cart abandonment and maximize customer lifetime value, an OMS should be able to automate customer communication and trigger service emails. Has a customer left something in their cart? A message could remind them to complete their transaction. Have they just completed a customer service interaction? An email should automatically be sent to summarize their call and next steps.

Moreover, customers are increasingly demanding that refund requests take as little time as possible. An OMS empowers first-line service agents to investigate problems, initiate returns, and issue refunds. Quick and easy resolutions are vital to long-lasting customer loyalty.

Step 5

Maintain Great Customer Communication

Customer communication is important. Following on from the trend of demanding full visibility, individualized and automated customer relationships translate to loyalty and retention.

Effectively communicating issues, updates, and offers to customers makes them feel more valued. Consider that 58% of consumers are willing to stop doing business with a company because of a poor customer experience.
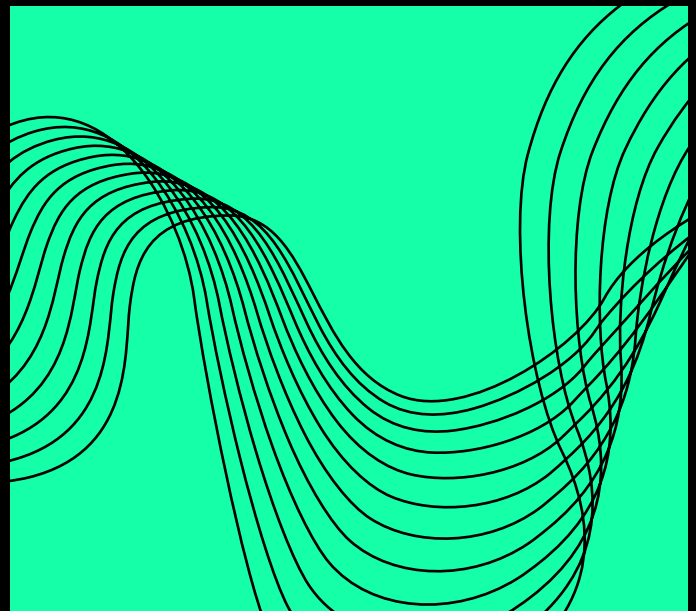
Here are some best practices that are possible with a successful OMS implementation:

- Retailers can customize transactional emails, delivering a personalized experience with product recommendations after an initial sale.

- Store apps can trigger push notifications or send emails regarding payment & delivery status.

- Omnichannel marketing campaigns can inform customers of back-in-stock items as well as promotions and discounts. Note that, according to the Global Web Index, 43% of consumers cite coupons and discounts as a reason they shop online. This is a lucrative organic marketing tool.

- Retailers can automate creating and sending shipment and payment notes.

The pillars of customer communication are transparency and personalization. What do retailers need to look out for? As shoppers become more privacy-savvy, they're increasingly skeptical about how brands use their data. Yet, 70% of shoppers are comfortable with personalization, as long as retailers are using their own data and not buying it from

third parties. Moreover, it's a fine line between positive and uncanny personalization. According to a survey by Gartner (2021), 55% of consumers say they will stop interacting with a brand if its communications feel intrusive, while 40% will stop doing business with brands whose communications they deem irrelevant.

It's ultimately a balancing act. Using in-house data made possible by an OMS is a key factor in getting this right.
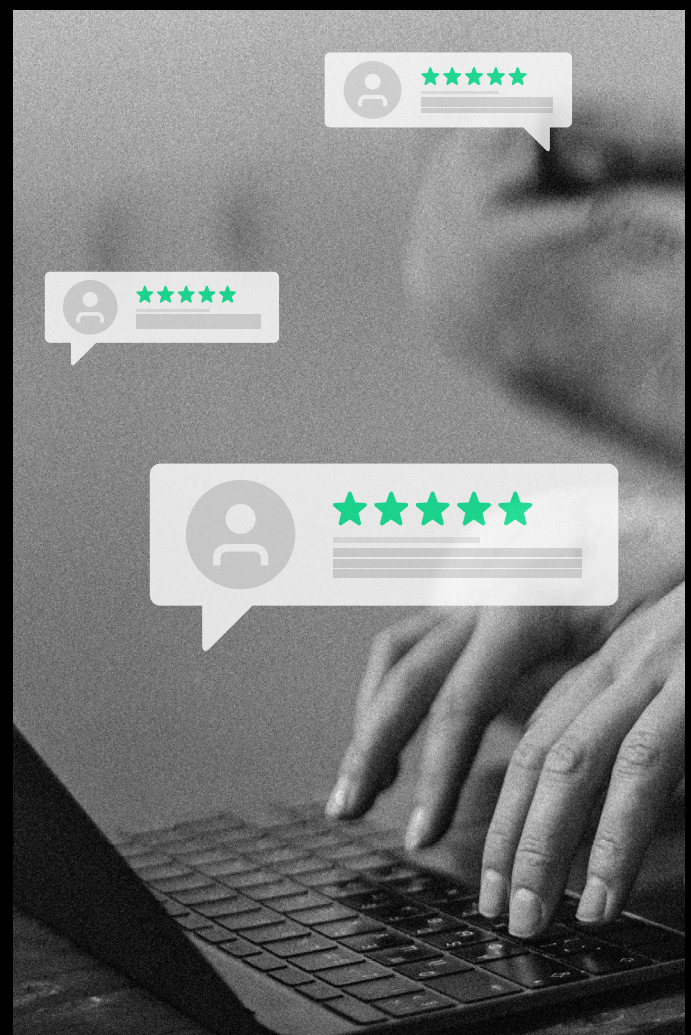
In a Nutshell: OMS Best Practices

An effective order management system is vital to the success of an eCommerce business. The efficiency, visibility, and customer satisfaction gains afforded by OMS solutions are clear.

It's also clear that consumer demands are fickle. We've seen a massive shift in how customers view their relationship with online retailers over the past two years. An OMS helps retailers make quick adaptations and adjustments to their processes and orders; now and in the future. This agility requires an equally **agile headless software architecture.** Increasingly, front-end experiences need to be malleable and personalized.

Personalization must be accompanied by **transparency in communication.** Keeping customers in the loop about their orders and offers leads to customer loyalty and satisfaction. This communication must be automated to some degree to allow retailers to scale freely.

With this, inventory management needs to be watertight. Warehouse costs, transport costs, and costs of carrying stock are bound to increase. Smart, **efficient management of stock levels is crucial** here too. An OMS allows for easy tracking throughout the supply chain, helping businesses to react to situations on a case-by-case basis.

Headless, API-first paradigms unlock agility and adaptability in the eCommerce space. For businesses to adapt to shifting conditions and consumer trends, commerce tech ensures the highest scalability and maximum flexibility. An effective OMS is a central pillar of this: transforming and optimizing the way retailers handle their orders and communicate with their customers.

SCAYLE for Excellence.

A smooth and efficient order management process is key to keeping your business running smoothly and keeping your customers happy. Our end-to-end order processing system ensures transparency for both you and your customers, from confirmation to return. We're here to help make your business run as efficiently as possible.

Optimize your order management with:

- Real-time order status updates for shipments

- Dynamic order routing

- Keeping track of multi-supplier stock via APIs

- Virtual stock management

- Customer service suite for excellent customer communication

- Automatically generated shipment notes and invoices

- ...

We support you by simplifying your order processes and keeping them transparent.

Our average customer can record a profitability increase of 50% after migration.

Read how we scaled ABOUT YOU and DEPOT.

Contact

SCAYLE is a flexible B2C SaaS enterprise shop system built on a headless and API-first architecture. An extensive feature set, including PIM, Shop Management, Checkout, and OMS, is combined with an intuitive UI. Brands and retailers use SCAYLE to stay on track with fast-changing market developments and to drive differentiation in commerce.

SCAYLE GmbH is a member of the ABOUT YOU Group and unites modern technology with a unique retail DNA. Leading brands like Deichmann, s.Oliver, Fielmann, FC Bayern, Marc O'Polo, and DEPOT choose SCAYLE's Commerce Engine. Managing directors are Christopher Metz, René Dalock, Sergio Sola, and Tobias Ring.

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