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OMS Buyer's Guide Part 1:

Strategies for Seamless Omnichannel Success

INTRODUCTION

As customer expectations for seamless shopping experiences grow, businesses must effectively manage inventory, streamline order fulfillment, and deliver consistent service across all channels—whether a customer starts their journey online, in-store, or through a marketplace.

While traditionally viewed as an operational system, modern order management has become a cornerstone of customer experience. Today's consumers demand transparency, expecting accurate delivery timelines, real-time product availability, and flexible fulfillment options. To meet these demands, businesses are increasingly adopting advanced order management systems (OMS) capable of distributed order routing, real-time inventory visibility, omnichannel fulfillment, and robust customer service support.

This evolution is reshaping the OMS market. Forrester has projected that the global market for OMS software will grow from $1 billion in 2021 to $1.9 billion by 2026, driven by rising demand across industries. Retailers continue to lead the charge, but manufacturers and B2B organizations are also rapidly adopting OMS solutions to support direct-to-consumer (DTC) channels and complex marketplace integrations.

Selecting the right OMS is no longer just a technical decision—it's a strategic one. The right solution can enhance operational efficiency, reduce errors, and unlock innovative customer experiences that drive revenue and loyalty. However, the abundance of options can make the decision-making process overwhelming.

This 3-part guide is designed to help you navigate the complexities of choosing an OMS. We'll outline the key capabilities to consider, the benefits of MACH-certified OMS solutions, how to build a case for investing in a new OMS platform, and key considerations when evaluating vendors.

Interactive

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BENEFITS OF OMNICHANNEL ORDER MANAGEMENT

The retail industry is undergoing a rapid transformation driven by technological advancements and changing consumer behaviors. According to the Retail Global Market Report, the retail market is set to grow from $28,846.57 billion in 2023 to $31,310.6 billion in 2024, at a CAGR of 8.5%. Even stronger growth, up to $42,759.13 billion, is forecasted for 2028[1]. This reflects a healthy recovery from the disruptions caused by the COVID-19 pandemic, which forced many retailers to adapt, at alarming speed, to changing consumer expectations and operational challenges.



The rise of eCommerce has fundamentally altered how consumers shop, with many preferring a blend of online and offline shopping experiences. This shift necessitated robust omnichannel order management systems to integrate various sales channels and provide seamless shopping experiences. It is now critical for retailers to manage orders from multiple touchpoints—websites, mobile apps, marketplaces, and physical stores.

Omnichannel order management platforms streamline inventory management, enhance customer satisfaction, and reduce operational costs. However, many retailers still struggle to fully integrate these systems, citing "disjointed systems" as one of the primary barriers to delivering an omnichannel experience.

Cloud-native OMS solutions are helping retailers overcome these challenges by offering scalability, faster deployment, and improved flexibility. These benefits enable retailers to respond quickly to changes in consumer demand, optimize their operations, and accelerate innovation, making them a critical enabler in today's competitive retail landscape.



Customer Expectations: Why Omnichannel Matters

Today's customers are more empowered than ever. They expect a fluid shopping experience across multiple channels—physical stores, online platforms, and mobile applications. With countless options at their fingertips, expectations are high. Customers now demand real-time visibility into inventory, flexible delivery options such as buy online, pick up in-store (BOPIS), and personalized shopping experiences across all platforms.

A recent survey indicates that 56% of U.S. Gen Z consumers prefer shopping online rather than in-store[2]. This demographic's preferences highlight a broader trend where customers demand:

- **Personalization:** Tailored recommendations based on past purchases and browsing behavior.
- **Convenience:** The ability to shop anytime and anywhere.
- **Consistency:** A uniform experience across platforms ensures that product availability and pricing are consistent, whether online or in-store.



Retailers must adapt to these expectations or risk losing market share to competitors who can offer better omnichannel experiences. Integrating technologies like artificial intelligence (AI) is becoming essential for enhancing customer engagement and satisfaction.

Implementing an effective omnichannel order management system helps retailers meet customer expectations and thrive in an increasingly on-demand economy. As the retail industry continues to grow—projected to reach $47.24 trillion by 2029[3] —businesses prioritizing seamless integration across channels will be better equipped to capture consumer loyalty and drive sales growth.

COMMON CHALLENGES IN ORDER MANAGEMENT

Efficient order management is crucial for retail success, yet persistent challenges can impact operational efficiency and customer satisfaction. Some of the most pressing issues include:

Inventory stockouts and overstocks

Stockouts occur when inventory levels are insufficient to meet customer demand, leading to lost sales and dissatisfied customers. A study by IHL Group estimated that inventory distortion, including stockouts and overstocks, cost retailers nearly $1.8 trillion in 2023[4], with stockouts accounting for a significant portion of these losses. Over 50% of global e-shoppers reported being unable to purchase products due to stockouts in 2022, highlighting the impact on customer experience and brand loyalty[5].



- **Stockout rate:** The average stockout rate in retail is around 8%, which can double for advertised products. This means that many customers may leave without purchasing because items are unavailable[6].

- **Overstock issues:** Overstocking can increase storage costs and potential waste, especially perishable goods. Inadequate forecasting and inefficient supply chain processes contribute significantly to these challenges, highlighting the need for advanced inventory and order management solutions.

According to McKinsey, retailers increasingly turn to AI-driven demand forecasting and inventory optimization solutions to address these challenges, reducing stock imbalances by as much as 20%[7].

Delayed shipping and delivery

Delays in shipping and delivery can significantly affect customer satisfaction and retention. Customers expect same-day, or at most, two-day delivery times. Delays can result in immediate dissatisfaction and customer churn.

- Impact on sales: Delayed deliveries can result in abandoned carts and lost sales opportunities. Research indicates that 71% of consumers switch brands when encountering stockouts or delays[8].

- Cost implications: The cost of last-mile deliveries to meet customer expectations can further erode profit margins. Retailers must balance the need for quick delivery with substantial associated costs.

Retailers are adopting solutions like automated fulfillment centers and real-time route optimization to reduce delays, but the cost and complexity of managing logistics across multiple channels remain significant hurdles.

ORDER MANAGEMENT STRATEGIES AND BEST PRACTICES

To remain competitive and meet rising customer expectations, retailers must adopt strategies that streamline their order management processes and minimize inefficiencies.

Let's explore key approaches to optimizing your order management process and managing orders effectively.

How to optimize the order management process

Optimizing your order management process involves a holistic approach that touches on various aspects of your business operations, integrates seamlessly across multiple channels, provides real-time insights, and leverages automation to improve accuracy. Here are key strategies to consider:

1. Implement an integrated OMS
An integrated OMS serves as the central hub for all order-related activities. It should seamlessly connect with critical systems, such as your eCommerce platform, inventory management system, and customer relationship management (CRM) software. This integration enables real-time data flow, providing a single source of truth for all order information.

Key benefits of an integrated OMS include:

- Improved inventory visibility across all channels.
- Streamlined order processing and fulfillment.
- Enhanced ability to manage complex order scenarios like split shipments and backorders.
- Better customer service through access to comprehensive order information.

2. Embrace omnichannel fulfillment
Adopting an omnichannel fulfillment strategy efficiently leverages all available inventory and fulfillment options to meet customer expectations. This approach involves:

- Enabling ship-from-store capabilities.
- Offering buy online, pick up in-store (BOPIS) options.
- Implement drop-shipping for extended product ranges.
- Utilizing third-party logistics (3PL) providers for additional flexibility.

Diversifying fulfillment options can reduce shipping costs, speed up delivery times, and offer customers more convenient choices.

3. Leverage advanced inventory management techniques
To maintain optimal stock levels, utilize advanced inventory management techniques like demand forecasting and inventory optimization tools. These techniques help maintain optimal stock levels, reduce carrying costs, and ensure product availability. Consider the following approaches:

- Introduce ABC analysis to categorize inventory items based on their value and sales frequency.
- Align inventory replenishment closely with demand to reduce holding costs and minimize excess stock using a just-in-time (JIT) inventory strategy.
- Deploy statistical models to determine safety stock optimization.
- Ensure inventory accuracy by implementing regular, targeted inventory counts throughout the year.

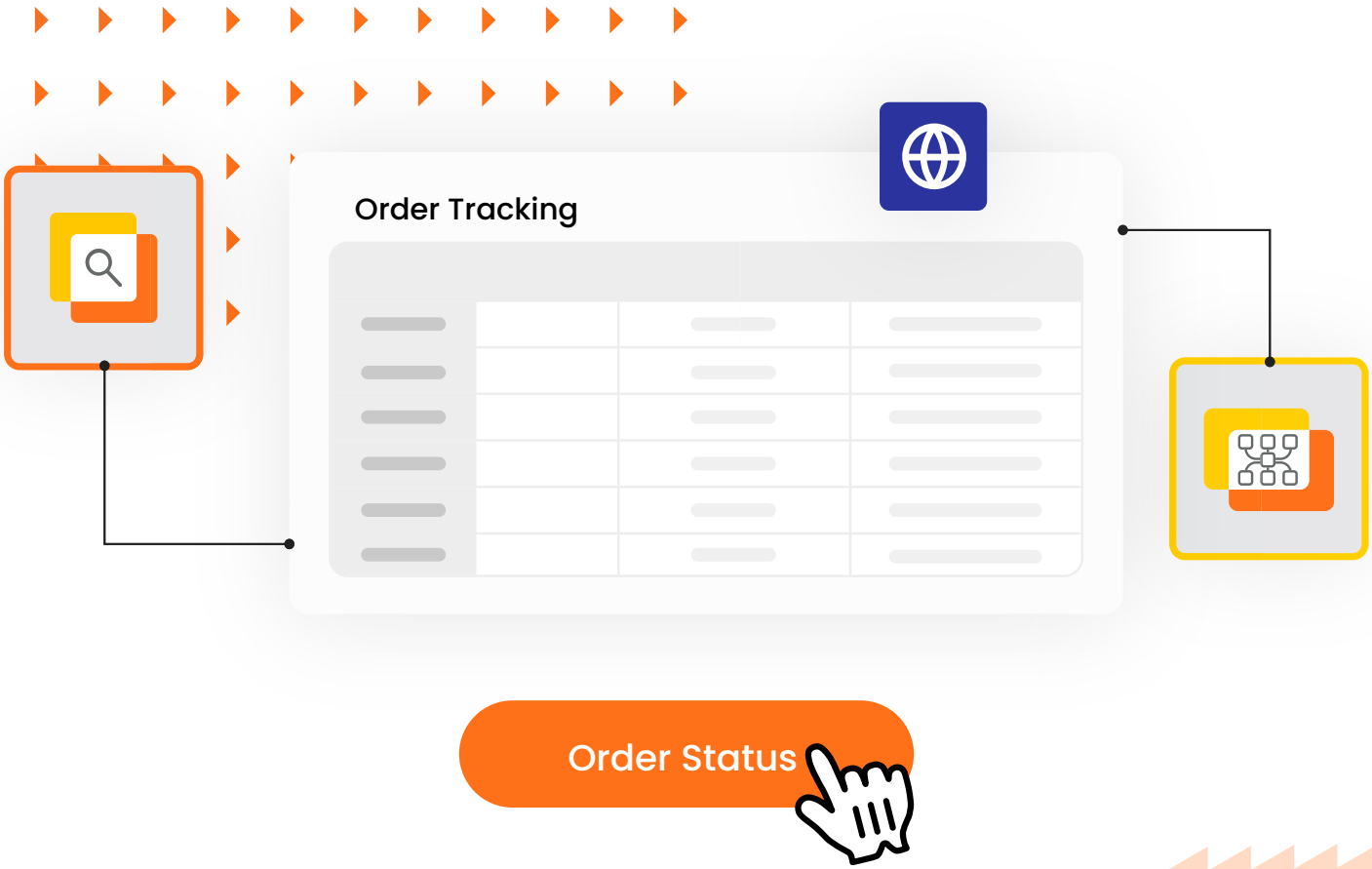
4. Leverage data analytics and forecasting
Advanced analytics and forecasting tools are used to make data-driven inventory management, demand planning, and order fulfillment decisions. This involves:

- Analyzing historical sales data to predict future demand.
- Identifying seasonal trends and adjusting inventory accordingly.
- Monitoring real-time sales data to detect and respond to sudden changes in demand.
- Using predictive analytics to optimize stock levels across different locations.

5. Automate order processing

Automation can significantly streamline the order management process, reducing errors and increasing efficiency. Consider automating the following areas:

- Order routing based on predefined rules (e.g., nearest fulfillment center, available inventory).
- Invoice and shipping label generation.
- Stock level updates.
- Customer communications (e.g., order confirmations, shipping notifications).



Best practices for managing orders effectively

Implementing order management best practices ensures that retailers meet customer expectations while keeping operational costs in check. Some proven best practices include:

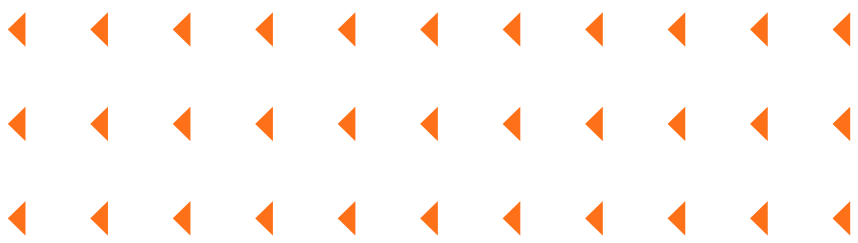
1. Establish clear omnichannel fulfillment policies
Clearly defined policies for order fulfillment—including shipping locations, delivery timelines, and return processes—help set customer expectations and improve satisfaction. Ensure that these policies are communicated effectively across all channels.

Key aspects of omnichannel fulfillment include:

- Unified inventory view across all locations and channels, including stores, warehouses, and drop-shipping partners.
- Flexible fulfillment options to meet diverse customer preferences.
- Intelligent order routing system that automatically routes orders to the most appropriate fulfillment location.
- Allows customers to return items through any channel, regardless of where the purchase was made.

2. Prioritize real-time inventory visibility
Maintain accurate, real-time inventory data across all channels and locations. This involves:

- Regularly syncing inventory levels across all systems.
- Implementing safety stock thresholds to prevent overselling.
- Using Radio-Frequency Identification (RFID) or similar technologies for improved inventory tracking in physical stores.
- Conducting regular audits to ensure system accuracy.



3. Optimized return process
An efficient return process is crucial for customer satisfaction and inventory management. Best practices include:

- Offering easy-to-use online returns portals.
- Providing clear, customer-friendly return policies.
- Implementing a system to process and restock returned items quickly.
- Analyzing returns data to identify and address common issues like sizing problems and product defects.

4. Enhance order accuracy and quality control
Implement rigorous quality control measures to ensure order accuracy and reduce errors. This includes:

- Using barcode scanning or RFID technology during picking and packing.
- Implementing a multi-point checking system for high-value or complex orders.
- Regularly training staff on proper handling and packing procedures.
- Conducting random quality checks on packed orders.

5. Provide proactive order updates
Keep customers informed throughout the order lifecycle with proactive communications:

- Send immediate order confirmations with estimated delivery dates.
- Provide real-time tracking information and updates.
- Notify customers promptly of any delays or issues.
- Follow up after delivery to ensure satisfaction and address any concerns.



6. Continuously monitor and improve performance
Regularly assess your order management performance and look for opportunities to improve:

- Track key performance indicators (KPIs) such as order accuracy, fulfillment speed, and customer satisfaction.
- Conduct regular reviews of order management processes to identify bottlenecks or inefficiencies.
- Solicit feedback from customers and front-line staff to identify areas for improvement.
- Stay informed about industry trends and new technologies that could enhance your order management capabilities.

CONCLUSION

As the retail landscape continues to evolve, the importance of a robust and integrated Order Management System cannot be overstated. It's not just about managing orders—it's about creating seamless, satisfying customer experiences that build loyalty and drive growth. By implementing best practices, leveraging advanced technologies, and prioritizing flexibility and real-time visibility, businesses can overcome common challenges and unlock new opportunities in an increasingly competitive market. In parts 2 and 3 of the OMS Buyer's Guide series, we'll cover key capabilities to look for in an order management system and discuss the benefits of a MACH-certified solution.

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About KIBO

Kibo Commerce is a composable commerce platform for retailers, manufacturers, distributors, and wholesalers who want to simplify complexity and deliver modern customer experiences. Supporting experiences that span Order Management, eCommerce, and Subscriptions, Kibo's platform is trusted by companies like Zwilling, Ace Hardware, and REEDS Jewelers to drive operational efficiency and exceed customer expectations.

For more information, visit **kibocommerce.com**.

About Grid Dynamics

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