

Optimizing Fulfillment for Membership and Subscription E-Commerce



MERCEDES
DISTRIBUTION CENTER

Optimizing Fulfillment for Membership and Subscription E-Commerce

Membership and subscription boxes have transformed e-commerce sales and offer unique fulfillment challenges for today's brands. Everything from wine, to men's grooming products, to pet snacks and toys, and an array of fashion accessories are driving the multibillion-dollar industry, showing no signs of slowing down.

"In many ways, subscription companies are the perfect complement to e-commerce, which has become the primary way American consumers buy products. Online shopping is optimized for efficiency, making it easy and quick to find the exact brand or product you are looking for," said Elizabeth Segran, Ph.D., writer at Fast Company.

"The monthly subscription box is all about bringing back that element of discovery and surprise. But importantly, it does so by allowing consumers to sample products in small batches, preventing them from experiencing sensory overload."

While subscription sales are blazing a new trail in e-commerce marketing, this new business model requires a different approach to fulfillment as it demands the coordination of many stock keeping units (SKUs). For example, a retailer selling dog snacks might offer different options based on the size – small, medium or large. Each may have different quantities of product. Another brand might package offerings based on a specific price range. Regardless of what is being ordered, fulfillment must play a key role in delivering a unique customer experience.

From the point of adding products to an online cart to how the merchandise is kitted, assembled, packaged, shipped, and ultimately unboxed, the end-to-end process is part of the overall brand experience which is fueling the growth of subscription businesses.

Unlike traditional methods of warehousing and fulfillment, subscription boxes present a new set of opportunities and challenges, especially related to kitting, assembly, and inventory management.

"Subscription brands demand an incredibly fast turnaround time of orders that require orchestrating a myriad of items," said Joal Savino, Executive Vice President of Mercedes Distribution Center. "Because of this, receiving is intense as there are large volumes of unique items, each of which must be identified, barcoded, located, properly packaged, and logged into a warehouse management system."

To keep pace with the high volume of daily transactions, brands and online retailers need to rethink how stock is procured and organized. Traditional warehouse methods cannot be applied and often adversely impact profitability and customer service.

"Once a brand starts to disappoint consumers, they will be willing to jump ship," said Marshal Cohen, Chief Industry Analyst at The NPD Group. "This means that brands need to earn their loyalty to their subscribers every single month. There isn't room for hundreds of these services, but there is room for a constant sea of change. Remember, a large part of what makes these boxes successful is the novelty factor."

Technology and automation such as scanners, intelligent conveyer systems and a flexible warehouse management system (WMS) can only go so far. A new approach and mindset is required to optimize inventory and keep pace with the explosive growth opportunities that subscription boxes create.

Inventory Control

Subscription boxes enable businesses to anticipate the volume of orders and shipments per month based on the number of subscribers or members they have. However, there are many unique SKUs involved in warehousing, which often makes inventory management complex. With no room for errors, every piece must be accurately accounted for. The goal of a successful subscription e-commerce business is to build strong customer retention which equates in recurring revenue. Botched or unfulfilled orders could result in dissatisfied customers, cancellations, and lost revenue opportunities.

Receiving

Since there is little time for delays, a brand's WMS must be able to track arriving stock from the time it hits the receiving dock to the time it is ready for sale. Electronic data interchange (EDI) compliance is crucial to improve the speed of receiving and to minimize errors. Faster transactions support reduction in inventory levels, better use of warehouse space, and fewer out-of-stock occurrences.

Storage, Kitting & Assembly

Due to the fast turnaround of membership and subscription box sales, it is unproductive to put stock into deep storage. Warehouses need flexible storage systems that can handle different types of products with no equipment conversion or set up.

As part of the constant depletion and receiving process, the storage systems and WMS must be able to easily handle consolidation of inventory. Entire blocks of pick locations must be consolidated and made available for new stock. New stock should be contiguous to streamline kitting and assembly.

Physical Inventory

Subscription sales require a new way to audit inventory. Annual physical inventories are no longer valid. Since stock in subscription sales environments turns over many more times per year than the typical mail order or e-commerce operation, there is increased potential for clerical errors, miscounts, and stocking errors. Continuous cycle counting is mandatory, and any system must be able to count on-the-fly and adjust for open orders.

Labor

With subscription sales, receiving is a labor-intensive process. Quality control is essential to ensure a positive customer experience, mitigating the occurrence of returns. An experienced, trained staff is critical to creating the out-of-box experience from kitting and assembly to folding, wrapping, and boxing merchandise.

Systematic, Piecemeal Approach

Like airports and other complex, business-critical operations, subscription boxes require the orchestration of just-in-time inventory, multiple SKUs, and personalization. The rigors of the business require around-the-clock management and specialization in subscription e-commerce fulfillment.

As brands opt to launch membership and subscription box offerings – new processes, techniques, and a flexible WMS are required to manage inventory, optimize revenue and deliver a unique customer service experience. The right partner can be instrumental in rolling out new packages, scaling operations, and keeping pace with changing market dynamics.

Mercedes Distribution Center

Located in the heart of Brooklyn, Mercedes Distribution Center (MDC) is the premiere fulfillment operation that serves the unique needs of top e-commerce brands. The proximity of our facility within New York's e-commerce epicenter enables us to deliver a strategic hub that includes fulfillment, warehousing and a design studio, all backed by a powerful technology platform and over 60 years of experience.

For more information, visit: mdist.com

Interested in learning how MDC can streamline your membership or subscription e-commerce fulfillment?

Contact us:

Email: info@mdist.com

Phone: 718-534-3000

Fax: 718-935-9647

The logo features a dark grey background with a large, stylized, light grey arrow pointing to the right. The arrow is composed of several overlapping geometric shapes, creating a sense of motion and direction.

MERCEDES
DISTRIBUTION CENTER