

Crucial Knowledge: The Relationship Between Supply Chain Management and eCommerce

By David Rogers

The outbreak of a global pandemic last year caused swift and dramatic change to the eCommerce industry. In just a few months' time, Australia and New Zealand saw the [highest growth in eCommerce sales](#), as compared to every other country in the world. This sudden spike caused a serious disruption to supply chain management, and organisations that were not prepared inevitably fell behind.

Market predictions say that this upward trend in eCommerce sales is only going to continue to rise, with Australia's sales contributing to [6.6% of the total global sales](#) in 2021. This implies that supply chains and the organisations that employ them will have to have a deep understanding of the way that the eCommerce world functions – as well as how their supply chain fits into it – if they want to find success in the imminent future.

Supply Chain and Staff Members

The health and safety of essential workers has been a hot button topic since the very beginning of the COVID-19 spread. Many members of supply chains found themselves short staffed during a time of unprecedented online shopping. Additionally, [many companies](#) were forced to lay off their employees causing unemployment rates to skyrocket and supply chains to be left understaffed. Other companies, still, switched to a remote work model so their employees could stay safe at home.

High functioning supply chains with excellent management were able to adapt to this change quickly - especially those that employ robots. By utilising robotic technology, organisations did not have to worry about having enough staff on hand. On the other hand, however, organisations that had not adopted robotic technologies struggled as a consequence.

This fact proves that eCommerce supply chains are vulnerable, but they don't have to be. By understanding the staffing aspect of the supply chain and how it can be automated organisations can better allocate their human resources and keep their position in the supply chain running smoothly.

Inventory Management Across the Supply Chain

Inventory is the very basis of eCommerce. Traditionally, eCommerce retailers would use their own warehouses to store their inventory. When an order was placed, a warehouse worker would select the item from the shelves and see that it got to its next destination where it would then be packaged up and shipped right to the customer. These days, eCommerce businesses function a bit differently.

- Drop shipping has allowed eCommerce businesses to lower risk by not having to hold inventory themselves. It's very common for online retailers to outsource inventory management to a larger, third-party wholesaler.
- Click-and-collect allows consumers to pick up their items from a secure locker at a convenient location. This is most commonly seen today with Amazon, Australia Post and other freight companies having lockers in various buildings and locations for ease of collection.
- Reserve-and-collect is the practice of allowing a customer to try on one or more items before committing to a purchase. Some clothing companies are using this method – they send monthly subscribers a box of clothing at a flat rate and the subscribers keep what they like and send the rest back. Organisations that employ this method will need to have efficient reverse logistics in order to be successful.
- Same day delivery – Consumers may be able to receive their items the same day their purchase is made, provided there is a warehouse in their city that has the items in stock and an efficient delivery system for getting the item to the consumer. This could be a challenge for smaller cities and only applicable to certain industries

It will be crucial for inventory warehouses to understand their role in the supply chain as the eCommerce industry continues to grow in Australia and around the world. Warehouses are no longer only dealing with their own inventory that they will be shipping to their own customers – they are now a key player in the businesses of hundreds – if not, thousands – of businesses throughout the country.

eCommerce and Reverse Logistics

Reverse logistics involves the ability to return a product all the way back to its point of origin after it reaches the customer. It's [reported](#) that online retailers have a return rate that is three times higher than that of brick-and-mortar businesses. Retailers want to save as much money as possible on these returns, because there is zero profit in it for them.

Optimised supply chains can save online retailers money by helping them assess whether or not the product(s) can be resold, find ways to reclaim/recycle products that cannot be resold, speed up the return process, and save money on transportation and shipping costs.

In addition to saving an online business money, SCM and reverse logistics allows organisations to offer “no-hassle shipping” to their customers. Ease of returns is important to customers and can determine a [business' reputation](#) in many cases. Wharton University Marketing Professor T

Thomas S. Robertson says, “Your return policy helps define you as a retailer. If it is fair and equitable and consistent, that may very much be to your benefit. If consumers perceive it to be unfair or inconsistent, that may be damaging to your reputation.”

The Customer Experience

eCommerce (especially when involving small businesses) relies heavily on reviews and the quality of customer experiences. Supply chain management must include some way for businesses to measure their customers' experiences, assess the credibility of their distributors, and set key performance indicators (KPIs).

In that same thread – the [functionality of a supply chain](#) will largely determine a customer's satisfaction. If they experience slow delivery times, unresponsive customer service, damaged or missing goods, the organisation at the head of the eCommerce supply chain will ultimately be at fault.

Every member of the supply chain will need to fully understand their role from a logistics point of view, inventory, supplier management, purchasing, shipping, and beyond. In addition to understanding their role in the supply chain, their processes should be optimised and well-coordinated. The supply chain only works at its best when each piece is working together seamlessly.

Because eCommerce is largely driven by the customer experience, it would behoove every stop along the chain to increase their visibility. Once that visibility is there, decision makers can evaluate where they can improve on that customer experience. An increase in visibility along the supply chain will help an organisation be more transparent with their audience, thereby increasing trust and, ultimately, revenue.

Don't get left behind if you want to find success in the imminent future, implement IOT.