

VOLO

Adventures in ecommerce

The Volo Lever Framework

The 5 Levers of Efficiency Affecting
Every eCommerce Business



Introduction

The Volo Lever Framework is a formula for explaining the forces at work on every ecommerce business. There are 5 levers affecting sales growth, and 5 affecting operational efficiency.

This ebook addresses the 5 efficiency levers in detail. Another ebook covers the 5 growth levers.

We've streamlined 5 posts we wrote in 2022, each post taking 1 lever at a time and analysing how it works and what you need to do to optimise it for your business. It's a very long and detailed ebook, so we advise you to take a look at the framework diagram over the page and drill into your specific areas of interest.

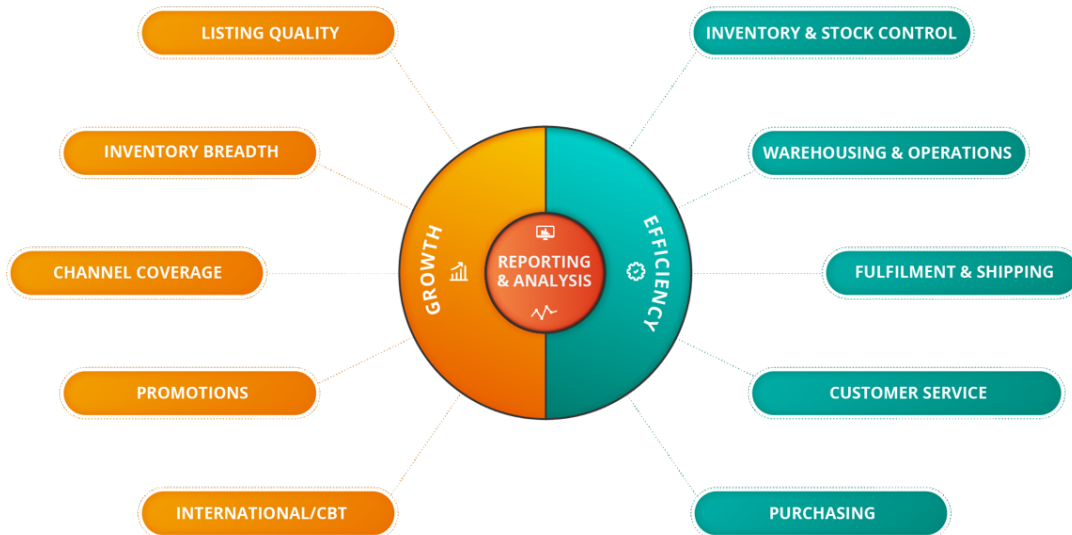
There is also a 'super lever' at work – reporting & analysis – which provides the insight and illuminates the decisions you can make for the 10 levers.

This document is a sister ebook to 'The Volo eCommerce Super Lever – How Reporting & Analysis Drives the 10 Levers of eCommerce Growth and Efficiency'.

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The Volo Lever Framework



Inventory & Stock Control

To increase your revenues (assuming you have good listings, prices and shipping for your products), you could increase the breadth of inventory on offer and make the inventory you have, 'virtual' or otherwise, available in more places. But what about the cost side of the equation? The more inventory you have, the more time, effort and money it takes to manage it. The more places you sell stock in, the more places you have to update the stock levels. It's a largely proportional relationship, where more stock means more operational overhead. With each sale you still have to rebalance the stock levels wherever you're offering the products.

Let's look at some of the factors affecting this lever. Firstly, if your processes are mainly manual, then you need a lot of work to keep tabs on everything. If you sell in one place, then this is manageable with manual processes. Many Volo customers find that the addition of a second place, if they don't have their own website, becomes the tipping point. They won't easily be able to use spreadsheets or paper to follow the flow of goods. They have to move from manual to automated.

Secondly, complexity can increase your business processes significantly with the addition of inventory and outlets for your products. This is especially true if a business grows organically rather than with an emphasis on planning and control. Complexity and success sometimes don't go together because the propensity for costly mistakes

increases. The answer here is to look for solutions to help simplify things by streamlining processes and reducing interdependencies.

Thirdly, staffing costs associated with inventory and stock control can also start to rise. You could throw money at the problem and hire more people to manage the problem away. This will give you accuracy and peace of mind until you calculate how your cost base has increased. It will also have corresponding effects on your precious operating margins and profits. Can you raise your prices and risk becoming uncompetitive? Again, the solution is to get the right balance between automation and human hands on deck.

Fourthly, there's what the finance people call the time value of money. The more time it's taking you and your staff to stay on top of your inventory and stock movements, the more it's costing you. If your business is subject to seasonality variations, then these costs will peak and trough over the course of the year and you will need to plan for them. If your people can't update stock levels fast enough across all your marketplaces, you risk overselling your fast-moving items. You'll also disappoint your customers and see your seller ratings go down. Finally, you could potentially be removed from a channel.

Fifthly, it can sometimes be very difficult to get a true picture of what's happening in your business. If you've ever tried to walk or drive briefly with your eyes closed, you'll remember that feeling of disorientation and high anxiety. It can be a similar feeling with your business. Problems await the company without accurate and current information on inventory and stock levels. You also need to take into account sales performance across your products. Lack of visibility across your online channels, in the form of detailed data, can make it hard to make good, confident decisions.

So, what to do about all this? Our role at Volo is to provide you with the systems and advice you need to increase your effectiveness in this important area. Over the years, together with our customers we've accumulated a range of best practices on the subject, covering listing, data, stock levels and pricing. It's very hard to address any of these areas if you don't have the right information on which you base your decisions, so our approach is to help our customers get visibility into their stock movements. In our dealings with them, and for the rest of this post, we lean on our ecommerce analytics package which is called Vision.

You need decent analysis and reporting so that you're not paralysed by not enough information, or too much of the stuff which makes it inaccessible. As you might imagine, multichannel ecommerce systems like Volo come with detailed reporting that allows you to easily analyse where you're at and provide you with alerts to certain stock

situations. Here is a sample of the areas that can help you improve your inventory and stock control.

It's about dead stock, slow-moving stock or no stock, all of which are bad since they're either tying up cash in your business or not bringing any cash in. What stock hasn't moved and what stock is moving too slowly? Dead stock and slow moving stock reports identify stock that's no longer selling (or has never sold) and stock whose velocity is showing a downward trend. This enables you to make decisions on stock disposal or construct special offers to shift the products, thereby improving cash flow.

With zero stock you want to know as soon as possible how many days you are all out of key SKUs. Stock outs are especially a problem for your items that sell well, since this means that you're losing a key portion of your sales. Narrow down your analysis to individual SKU or variation SKU items. After this, you can make decisions on whether you re-order the inventory or discontinue offering it.

An early warning system always helps. First, factor in both the speed your items are selling (and how many days' stock of a product you have left) as well as the amount of time it takes your supplier to deliver new inventory. Then you can forecast stock availability and have a traffic light system or configure alerts to remind you when items get down to a certain level and need to be re-ordered at current or recent sales velocity. This is a big time-saver for you, as it frees you up from looking at figures all day to run the other areas of your business.

It goes without saying that you should keep your best sellers and your most profitable items well stocked, if you possibly can. Do you know your best sellers by value, volume or both? Can you evaluate which SKUs are making the biggest contribution to your profit? Focus on keeping the best sellers and the most profitable inventory constantly in stock, since these are closely tied to your cash conversion cycle and your bottom line. Again, sales velocity and order lead times are key variables to understand, unless you have a system to do it for you.

How much should you re-order? Keeping control of your inventory and stock costs is also about having the right amount of the good stuff, stuff which you can move in and out of your business and convert to cash as quickly and efficiently as possible. You gotta do the analysis, and speed is king as we've said, since it determines how many days coverage you have at prevailing rates before you run out, and in turn the re-order quantity.

When you have accurate stock information and the right stock levels for the relative speeds your products are moving, you increase your efficiency. We help companies

reduce costs through streamlined inventory processes and the automated processing of reliable supplier feeds.

Warehousing & Operations

When we think about multichannel ecommerce business processes, it's easy to focus on sales and growth. We put our customers first and we're focused on attracting their attention with good products at fair prices, converting them into delighted buyers, and hopefully retaining them as loyal repeat buyers.

The moment the delivery truck turns up at our warehouse, however, we start to incur costs. A salaried member of staff books or scans the deliveries in, checking that we've received exactly what we ordered. Then they allocate each product to a warehouse location. The products get moved from the delivery area to different but specific part of the warehouse where we know we can find them again, perhaps using other members of staff, operating machinery like fork-lift trucks to get the product stored in the right warehouse, aisle, shelf or bin number.

After the transaction occurs, our back office operations adjust stock levels, process payments and post to our accounts systems. From there, we incur fulfilment and dispatch costs, and finally customer service costs. If the customer decides they don't want some or all of the items in their package, then, depending on our returns and credits policy, we have to do things in reverse, at our expense: taking the returns back, warehousing them, doing the back office refunds checks and balances, until the product is sold again.

So what makes a good process? The better you are at managing these costs, the more profit you'll make. The converse is also true. Companies with poor warehousing procedures and lack of control over their operational processes can suffer high costs from mistakes and inefficiencies. These are costs that can turn a business into a broken business.

It's all about having the right warehousing & operations rules, since before the items get to the buyer's house, we need to keep them in our house. The three inputs into these rules in any organisation are the people in our warehouse and operations, the processes we follow, and the systems we use. We have to work hard to manage them and unfortunately plenty of challenges exist in these areas.

It's hard to get the resourcing right in the warehouse. Some staff are more experienced and productive than others, getting through the work more quickly and with fewer errors. Some staff are permanent, whereas others are temporary, brought in to cope

with seasonal fluctuations, and there will naturally be differences in abilities and workload.

In any warehousing or commercial situation, there is also the potential for fraud. Mistakes happen of course and items or parts of larger items can genuinely go missing. Sometimes though, the disappearances are the result of deliberately coordinated efforts to defraud the business, with resulting impacts on staff morale and business profitability.

For example, we know of a pre-digital-era story of a manufacturer of snooker tables, clearly a valuable item, who discovered an unscrupulous and careful operative taking 12 months to gradually 'accumulate' all the parts they needed to build their own table. Theft is a tricky subject to broach in any business, especially without a solid audit trail.

When it comes to our processes, the more manual and the less fluid they are, the more costly they tend to be. They're more time-consuming, involve more people, and are more prone to mistakes and inaccuracies. Sometimes when you're under pressure it's easy to feel like as long as the problems get sorted and the customers get what they want at the end of the day, that's OK. The reality is that the sum of these small inefficient parts adds up to something quite significant, like an extra one or two permanent members of staff. Volo customers typically find that the system and its automation save them a minimum of two full-time staff.

Finally, sellers dealing with virtual stock where their suppliers receive the purchase order and fulfil and dispatch the product to the buyer on the seller's behalf also need to have processes in place to handle this way of selling. To further add complexity, what is the right set of processes for returns and credits for each of these supply chains?

So, there are a number of challenges and costs associated with warehousing and operations for multichannel ecommerce businesses. For each person, and each step in a process, there need to be spreadsheets or ideally software to keep a record of everything. Often, the systems taking care of different parts of the business are separate, and not joined up into one integrated end-to-end solution.

From the booking in of goods, through to the back office reconciliation, systems that can't talk to each other need manual intervention to do workarounds: re-keying information and connecting the links in the chain, otherwise the numbers don't add up. As you can imagine, this adds an extra layer to the costs of doing ecommerce business, and the potential for error.

Since 2006 we've worked with hundreds of companies and developed some best practices around how to improve and automate the inventory management,

warehousing and operational sides of the business. You can boil these best practices down to two essential factors to control your costs: flexibility and co-ordination. Flexibility allows you to adapt and run a number of different processes and systems to match the complexity of your operations. Co-ordination allows you to bring together all the areas of your operations and link up the chain.

The goal is a back office process without seams. For example, for deliveries, you can accurately book in your received goods and automatically assign them to warehouse locations with a barcode scanner attached via a USB to your warehouse computer running a system like Volo. Your system should be able to support multi-item locations, multiple warehouses and virtual locations, as well as a combination of all three. Full automation of your purchase order system for ordering and re-ordering also drastically cuts down on administration time.

Systems like Volo can organise the printing of the location on the invoice, the shipping list and the pick list for your fulfilment team, saving you time and reducing errors. Systems can also take care of printing product labels based on the items received, for use on the product packaging and as shelf labelling, cutting down on manual intervention in the warehouse and making it easier and quicker for your order fulfilment team to locate the exact item they need as they assemble the picklist.

Back office operations have the tricky task of providing the necessary information to several parts of your business. Your customer service staff need to be informed with dispatch confirmations. Your supplier management staff need to understand stock levels and be sure the reordering processes are in hand. Your returns management operatives – probably part of Customer Service – need to process refunds and exchanges, reclassify goods and return the original products to the same or different locations. Finally, your finance staff need to post orders, invoices, sales and refunds to the accounts system.

How to do this? Automation is the short answer. The more you can automate, the more you can eradicate errors, accidental or otherwise, the more time you can save, the quicker you can operate, the more compliant you'll be for legal, regulatory and tax purposes, and the fewer people you need to manually intervene during the end-to-end process.

Ultimately, the more you can automate – for the budget you have – the more you grow your efficiencies, your margins and your profits. Multichannel systems like Volo's are designed to automate your ecommerce warehousing and operations processes and integrate them into one central system. It's dual aim is to help you sell more, and save more.

In conclusion, when you have sophisticated warehousing & operations you can eradicate errors and maintain an iron grip on your costs. Companies that are great at warehousing and operations have scanning systems, can handle multiple locations and multiple items in the same location and have streamlined processes. We help companies reduce costs through streamlined warehousing processes and rules-based operational automation.

Fulfilment & Dispatch

When a customer buys from you – in any or multiple sales channels – they've placed their trust in you. This might be the first time they've bought from you. Perhaps they bought or collected in store, bought from your webstore, or via a marketplace, or perhaps through social or messaging channels. Either way, at the point of purchase it's the time of highest risk for the customer. They're committing their hard-earned money to you. They've submitted their payment, they've received an order number and hopefully a confirmation email. For them, now the waiting starts and the fulfilment & dispatch process begins.

From your side, once the order pings in, this is where 'the rubber meets the road' – literally in most cases! Pick, pack and dispatch is the name of the game. How can your staff pick the orders as quickly and accurately as possible? How can your staff pack the orders as economically as possible, using the optimal container size, the right label and documentation, and put the packages in the right bin for dispatch? How can your courier get the item to your customer intact and close the loop on the process, all with zero error? How can you keep your order management process running smoothly?

On the picking side, if you're using drop-shippers, then you've no picking to do. You have to get your purchase order to your partner, and you still need to relay the information that your customer's order has been processed, packed, is out for delivery, and has been delivered. If you're doing the dispatch yourself, then you need to find the balance for the right number of pick runs you do during the day, depending on the day of the week and the season. You also need to have a picking process that works for you. Perhaps you organise your pick list order by order, or perhaps you do it cumulatively via a central pool.

On the packing side, your packer needs to print off the shipping list, possibly by courier, and assemble the order. The optimal size envelope, bag or box for the dimensions of the items needs to be selected, the items need to be packed, padding may need to be inserted along with the invoice and delivery docket, before the package is sealed

securely. Then it needs to be placed in the correct courier sack or bin in the dispatch area. Your relationships might be with the couriers directly, or they might be with a courier 'aggregator' in which case your multichannel fulfilment and dispatch process may be different.

Then the dispatch process kicks in. Your staff may print off a manifest for the courier. The packages might be scanned before going into the courier van and back to the courier's warehouse, where they're possibly scanned again depending on your couriers' own processes, so that you and your customers can check on package progress. Then they're out for delivery in another courier van, to be hand delivered and possibly signed for on a hand-held device which in turn automatically updates the various systems.

And that's just for a domestic or regional dispatch. Add the international dimension and you have more links in the chain, airports, airlines, customs, duty, international shipping infrastructure and providers and all of those considerations to contend with, which can impact your seller metrics.

You also need to make sure that your sales order processing systems are doing their job properly. If you're selling across multiple marketplaces, perhaps using different seller IDs, you can't afford to lose track of who's paid for which items to be delivered where. This means being able to match orders to payments quickly, which could involve going into more than one system, including your own order taking systems and systems of the payment processing providers that you're using. This can be a painstaking and time-consuming – but important – exercise.

What could possibly go wrong?! Clearly, with so much manual intervention and so many steps in the process, there are so many potential chances of error, delay and loss, accidentally or wilfully. This means, conversely, that there are many opportunities for you to set yourself apart from the competition by automating as much fulfilment & dispatch as you can, driving down your costs and errors, improving your efficiencies and the complete buying experience for your customers.

At Volo, we've been working with our customers for over 15 years to fine-tune their fulfilment & dispatch processes. Over this time we've accumulated best practices and procedures which we pass on to our customers to help them cut time, costs and mistakes out of their operations. This post shares some of our experiences in this critical area.

When it comes to labelling, consistency helps you improve speed and eradicate errors. Ideally your product codes and information are the same on the product box for warehousing, the warehouse shelves for picking, the shipping list for packing, the

manifest for dispatch, and on your invoice and delivery documentation. You can use a system like Volo to automate all of this printing, which has the effect of dramatically cutting down on the manual aspect. Instead of having someone full-time on printing, you can redeploy them elsewhere in the business where they can really add value to an area that is not as easy, or not as desirable, to automate.

Once the items have been correctly picked, the last thing you want is for the right items not to find their way into the package for the customer. Otherwise, this precipitates a costly and time-consuming re-pick, re-pack and re-dispatch to a frustrated customer at your expense. As with picking, the better you can organise your packing area, the faster you can pack the orders ready for dispatch with a zero error count. Systems like Volo have packing screens to allow your fulfilment staff to get the order assembly right every time, in good time.

Introducing a courier or aggregator into the mix introduces a third party into the equation and increases the chance of someone dropping the ball, or in this case the package...we advise you to integrate as much of your couriers' processes and data feeds as you can into your own system, since the greater the integration, the better the efficiency all round.

The Volo focus is on streamlining and automating your entire fulfilment & dispatch process and we've worked very hard to provide the most comprehensive range of fully integrated couriers, including all the major domestic and international providers, as we believe this is a critical area where you can make major efficiency gains.

The benefits of an integrated system are not confined to the courier and dispatch area. On the sales order processing side, your processes are better and your staff are happier if they can do everything they need to do in one system. At Volo, our approach is to help bring together all your order information into a single, coherent view. Taking this approach means that matching sales orders with payments and accounting systems then gets much more straightforward.

When your customer opens their package, you are presented with your first opportunity to re-market to them, where rules allow. Remarketing gives you the chance to secure more sales from your customer and build on what will hopefully be a long-term mutually beneficial relationship. Many of the marketplaces, however, where the question of customer ownership is super sensitive, frown upon or forbid your inserting marketing collateral into the package and this can be reason enough to suspend you from the marketplace.

With Volo's multichannel software, however, you can easily organise the printing of marketing messages and invitations to purchase onto the invoice and delivery documentation itself. Better still, if you can make your offer more compelling and more tailored to the item or items your customer has ordered, you increase your chances of them taking you up on the offer. It costs you nothing and even a small conversion rate is worth the effort at automating the personalisation of your service.

As well as the multichannel sales side of ecommerce, there's also the multichannel fulfilment aspect too since you have the option of doing it yourself, or using a drop-shipper as we've already touched on, or engaging the services of Fulfilment by Amazon, eBay Fulfilment, or other Third Party Logistics ('3PL') providers. Integrating multiple 3PLs enables you to set up rules that can automatically govern which fulfilment service delivers which order the most cost-effectively, collecting at what time of day, for true round-the-clock responsiveness to buyers. If most of your buyers are doing their buying outside of normal work hours, it gives you a competitive edge to be able to offer the most responsive delivery during peak buying times.

Excelling at fulfilment & dispatch, then, helps you reduce costs with streamlined processes and the right manual interventions. Volo helps companies improve efficiencies through the integration of couriers and aggregators and rules-based automated workflows.

Customer Service

Marketplaces are relentlessly focused on their customer, and this 'Customer is King' focus encourages sellers to remember that everything good for the business stems from happy customers. This kind of business logic can't be argued. Once the customer clicks the submit button to buy their goods online, this is the moment when the waiting kicks in and we need to deliver on their expectations. They have the potential to buy from us again and again and so we work hard to delight them and build their lifetime value with us. Because it's much easier to sell to someone who has already bought from you, it's far preferable to cultivate existing customers than having to solely go in search of new ones.

Conversely, if we disappoint our customers in some way, and they look for a refund or return the item, then this unfortunate process starts to eat into our hard-earned margins. We work hard to make sure that returns and refunds don't happen, but when they do we try to recompense the customer as soon as possible so that we might win them back to the 'delighted repeat customer' camp. Working from the principle that we

all agree customer service is of paramount importance, there are a number of challenges to becoming great in this area.

First, there's the cost challenge. Customer service is a cost centre, not a profit centre, for the business. The more people you have in customer service, answering phones, reading and sending emails, locating orders, checking their status, processing refunds and returns, the higher your costs and the more pressure on your margins. It's no use hiring so many customer service staff that you lose money on every transaction you make.

At the opposite end of the spectrum, an under-resourced team means a seemingly unending stack of customer issues to resolve, slower response times, disgruntled customers and poor ratings. The alternative is to invest in better processes and technologies that automate some of the areas for you, save your staff time and make them more productive.

Second, there are your products themselves and how you list them. Your customer service, to a degree, is a function of the quality of goods you are supplied with and the quality of your suppliers. If your products are good quality, from reputable suppliers, with accurate descriptions and perform as advertised, then providing you have good control over your fulfilment & dispatch process your customer service costs will be lower.

The opposite should also hold true for shoddy products, poor listing information and unreliable suppliers. The more accurately you list your products, then, with realistic and accurate pictures and supporting detail, the more buyers' expectations will be aligned with the actual products and the lower your resulting customer service overheads.

Third, there are processes to think about. The more organised your customer service is, the lower your costs and better you can service your customers. As you might expect, this is easier said than done. Customer service staff often have to check multiple systems in multiple places to do their jobs, and this takes time. Sales orders, finance, emails, the website, payment gateways, the marketplaces; these are typically separate systems. There's also an awful lot of repetition, as customers tend to have the same or similar questions about their order.

Fourth, as we have already mentioned, there are the multiple ecommerce channels on which you sell. You decide the customer service rules and standards for your own website; that's entirely down to you and the expectations of your customers. Each of the channels or marketplaces where you sell, however, has its own ways of working, its own

customer service requirements, and its own ratings for how it measures and prioritises seller performance.

You need to be very close to how performance metrics and seller ratings are calculated in each marketplace, so that you maximise your sales here and don't fall foul of their service levels. The last thing you want is to be removed from a marketplace and see a major source of income compromised, because you've failed to maintain the required service standard.

So, how to address these challenges? To start with, the golden rule is to undersell, under-promise and over-deliver. You should see your buyer as an additional salesperson for your business, since apart from your website and the marketplaces there are independent review portals like Trustpilot where buyers can leave feedback and comments. Review sites are more stringent at weeding out fake or planted reviews and a buyer will always trust the opinion of a fellow buyer over the seller.

Most sellers operate in a multichannel environment, and buyers regularly complete the search and purchase process using a combination of channels, so you need to offer good communications on each channel, ideally covering telephone, email and live web chat. There are many communications that can be standardised, so you should have 'canned' communications and responses to frequently asked questions which can be automated or else pasted into conversations with your customers.

It's always better to be proactive, so posting answers to frequently asked questions, and constantly adding to that bank of answers, is a good way of stopping buyers from having to contact you in the first place. Furthermore, regular product-related questions may also be a signal that you need to enhance your listing. And, by doing that you're nipping the large part of those questions in the bud.

One of the ways of removing the need for your customer service staff to have to use so many systems to do their jobs is to integrate your systems and processes where possible and centralise the function. This can be a huge time-saver for your staff and drive up their productivity considerably. Systems like Volo allow you to manage eBay customer service, for example, from inside the Volo software, so that your staff don't have to go to another portal. This also means that you can audit and track your communications more easily as they're all held centrally.

Another rule with customers is 'if you don't know, ask.' Although customers are a little more inured to them these days, surveys where you ask for feedback are a great way for you to stay close to your buyers and evolve your service according to their preferences. This is also a good opportunity for you to provide a link and ask them – if

they haven't done so already – to post a review on one of the independent review sites to bolster your ratings.

Finally, as we've seen already, it pays to stay close to what's happening with your customer service performance. You should use systems like Volo's reporting and analytics package to track the performance of your products and your suppliers across the regions and channels where you sell. If you start to see a trend of disproportionately high returns and refunds, for example, among certain products or certain suppliers, then you can address these early and improve the efficiencies in your business and your resulting profitability.

Companies that struggle with customer service are slow to respond, disappoint their customers and see their seller ratings suffer. Successful companies know the importance of customer service on their webstores, understand marketplace seller metrics and have frequent, transparent channel-appropriate communications and generous policies to keep their customers informed and delighted. Volo helps companies get great at customer service through the integration and automation of customer service functions with auditing and tracking.

Purchasing

When it comes to managing your costs, is there anything more important than the purchasing price you pay for your products, especially when supply chains are squeezed and buyers become even more focused on bargains? The majority of companies in multichannel ecommerce businesses are buying products from suppliers which they then sell on to their customers. In many cases then, the price you pay for an item – which you need to sell on at a considerable margin in order to make money at the end of the day – is your single most substantial cost. The other costs that turn your gross margin into net margin pale by comparison.

It follows, then, that the most successful companies are those who can command the best prices for good, reliable products that they then distribute to customers quickly and efficiently. It's easy to see why sellers often jealously guard the names and details of their suppliers.

Purchasing is an industry in its own right. It covers a multitude of areas in the spend business, from sourcing through to procurement, purchase order management, contract management and supplier management. It's a truly global business. The days are long gone when you had to rely on 3 quotes from your 3 local suppliers. Now you

can buy your products from anywhere in the world and factor in the huge variations in shipping costs to deliver the products you need.

Even though price is extremely important, it's not all of the purchasing picture. Another area is the reliability of your suppliers. Do they deliver when they say they will? Do they deliver what they say they will? Do they give you accurate figures for the stock they have left, and accurate lead times for getting the products to you? What's the reliability of the products they supply you with? What's the reliability of the information on the products that they supply? In what format do they send you the data? How much work do you need to do with that data in order to get their products into your warehousing system and get them listed on the various marketplaces?

Much of the purchase power that sellers can exercise over their suppliers comes down to the power of information sellers have on the performance of their business. They need to know which items are selling well. They need to know how quickly those items are selling and what the lead times are for getting more in so that they don't run out. They also need to know the items that are not selling, where the dead stock is and how long items have languished without moving. They need to understand the percentage of items that are being returned because they're faulty, not performing as advertised or the wrong item. They also need to be able to analyse and report on this across suppliers and regions.

An additional major headache is the management of the ecommerce purchasing process and the accompanying purchase orders and documentation. Purchasing needs an organised approach. You need to achieve the right balance between having enough stock in and carrying too much stock for all your items, each of which sell at different rates. You need to have your lead times under control, and make sure orders and re-orders don't get forgotten, leaving you with no stock to sell or exposing you to over-selling situations which threaten your seller ratings and status in your key marketplaces like Amazon, eBay and OnBuy.

Adding an extra dimension of complexity to purchasing are the different business strategies that ecommerce companies can take. Many of our customers use drop-shipping arrangements where the supplier does the order fulfillment and dispatch for the seller. This is a great way to broaden your offerings but sellers still need to agree the various components that make up the purchasing agreement. Some of our customers also do back ordering, where they adopt a 'just in time' approach and bring in a percentage of the items to fulfill orders as they come in. Again, this has the advantage of minimising the amount of stock being carried, but places additional demands on the purchasing side of the things.

So, a number of challenges face the ecommerce manager or business owner in the effort to stay close to suppliers and purchasing / sales data in order to make the best possible order and re-order decisions. Here's some of the expertise we've been able to amass from working with customers to improve their ecommerce purchasing.

The art of sourcing is spotting opportunities to sell new or different products and creating, fulfilling and satisfying demand in different markets or regions. In addition to your normal internet research, try using a resource like eBay's Terapeak for example, or pay-for packages Helium 10 or Jungle Scout for Amazon. These research tools can be used for analysing, understanding and predicting consumer and product behaviour. They can help you identify new categories, or categories where there's less competition. They can also help you find specific product opportunities. Once you've purchased your products, some of them can also help you improve your listings and search rankings.

Systems like Volo can also help you streamline your purchasing across all your channels, using a great deal of automation. Automating your purchasing cuts down the time and effort of doing it manually. You can set thresholds so that you automatically reorder product when stocks go below a certain level, and this automation can also factor how fast you're selling the items and how long it takes for the new product to arrive, so that you're not carrying too much stock or else running out of stock for your best selling items. Some systems have rules-based flexibility built in so that you can introduce manual over-rides into your processes and give you that extra degree of confidence and control.

Automating your purchase order system and keeping electronic records helps you improve your supplier communications and general business practice. It's so much harder to keep on top of everything if you're placing orders manually by fax or telephone. Furthermore, having a digital record of all your purchasing means that you can both show transparency in your purchasing activities and comply with any relevant policies or regulations around procurement.

Timing is everything, especially when it comes to re-ordering products. It's key from a cash flow perspective that you can convert the products you buy into cash from your paying customers as soon as possible. An intelligent ecommerce system like Volo can take the statistics from your sales performance to determine how fast your products are selling and how many days' stock you have left at those selling speeds. It can also factor in the lead times for getting new product in and either automatically re-order for you at the appointed time or else send you regular alerts so you can approve and place the re-order yourself.

Fast-moving stock is great for your business and a testament to your purchasing prowess, but let's not forget those items you bought in with the best of intentions but which are just not moving fast enough and occupy space in your warehouse and tie up your money. Good reporting can advise you of the poorly performing products and dead stock, as well as products with a poor returns and credit/refunds record, allowing you to address this with your suppliers.

With the right research and the right information on your buying and selling performance, you're in a powerful position to locate and retain the best and most reliable suppliers of the products that sell quickly and at good margins. You're well placed to negotiate the best prices, the best supply, and the best payment terms from your suppliers. You also optimise your cash flow and limit your financial exposure by minimising the time between investing in products and seeing a return on your investment in the form of satisfied buyers giving you their money. After all, you have the knowledge and experience, and you should translate those assets into real purchasing power.

Successful ecommerce purchasing businesses have powerful, flexible and accurate supplier information and take advantage of rules-based automatic re-ordering with manual overrides. When you're great at purchasing, you have great supplier choice, get great prices and you accurately manage your returns and costs. Volo helps companies improve ecommerce purchasing efficiencies through intelligent workflows and the joining up of supplier information, ordering and accounting systems.

Next step

Every ecommerce business has 5 levers of efficiency at its disposal, which it can move to suit its own unique situation and goals. The Volo Lever Framework helps you understand them all and gives you a handy, important dashboard for business success.

Mastering the flow of data and the automation of processes is central to executing how you want each lever to work in your favour.

To discuss any of the levers in this ebook, or do explore your requirements for operational efficiencies and profitability, take the next step and [get in touch](#).



Volo Commerce

Volo provides an ecommerce platform, a reporting platform and services for online multichannel sellers.

6th Floor, Eagle Tower, Montpellier Drive
Cheltenham GL50 1TA

www.volocommerce.com

+44 1242 500033

enquiries@volocommerce.com

REGISTERED ADDRESS: Suite 603, 6th Floor, Eagle Tower, Montpellier Drive, Cheltenham, GL50 1TA, UK

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