Adventures in ecommerce

Five Key Challenges in Multichannel eCommerce

And What to Do About Them

Introduction

TLDR: Like it or not, selling online on two or more channels increases complexity, effort and the opportunity for mistakes, all of which you can reduce by investing in the automating power of a system or systems.

We've identified five areas you need to resolve to be successful:

- Custom or off-the-shelf software?
- How to scale the business?
- How to balance inventory levels?
- How profitable (or not) are orders?
- What degree of marketplace process integration is right?

In this ebook we outline these five key challenges to growing sales and profits in your multichannel ecommerce business and suggest ways you can overcome them.

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Finding the fit: customisable ecommerce software

It's the age-old dilemma: if you want to invest in software to grow your business, do you adapt your processes to the way the chosen software works (sometimes called business process re-engineering) or do you customise the software to the way *you* work?

While the answer will depend on your size, circumstances and plans for your company, many ecommerce businesses – the vast majority of which are small-to-medium-sized enterprises – will justifiably argue that theirs is unique and therefore demands a unique solution to help them scale their growth and profitability.

Here are six good reasons behind opting for a genuinely customisable ecommerce software system.

1. A better user experience (for your staff and your web consumers)

Customisable ecommerce software allows you to improve the chances of a successful adoption by your staff, who don't need to unduly change the processes they follow. Resistance to change is the main reason for a poor software rollout, so if you can customise the software to make their jobs easier and more accurate, everybody wins. Furthermore, a customisable webstore platform lets you design your online store's interface to reflect your brands and the way your customers like to buy. By offering a tailored shopping experience, you can engage customers more effectively, suggest product bundles and other recommendations, and increase your conversions.

2. The opportunity to scale

As your business expands, diversifies and grows, this will place similar demands on your ecommerce software – inventory management, listing management, order management or even full ERP – to keep up. Customisable ecommerce software provides the flexibility to adapt and scale according to your business requirements. You might be introducing new products, or trying new marketplaces or regions, and a solution that fits your business can be adjusted to support these changes, with the emphasis on continued robustness and efficiency.

3. Streamlined operations

Your goal with customisable ecommerce software is that it encapsulates your existing business processes and systems. You're looking to minimise manual data input, cut down human error, and drive up overall operational efficiency. Supplier feeds automation, streamlined workflows and real-time inventory management are three examples of how customisation can streamline your unique operations. By reducing the administrative overhead, your team can focus on the value-add areas that increase growth and profitability.

4. Improved data security

Data security is of course a critical concern for any ecommerce business. While online marketplaces and webstore platforms carry a lot of the burden in this area, customisable ecommerce software allows you to implement your own additional security measures. This mitigates the risk of legal repercussions and builds customer trust and loyalty.

5. Better analytics and insights

Understanding how your customers and prospective audiences buy is key to making informed business decisions. Look for ecommerce platforms which offer advanced analytics and reporting capabilities that you can tailor to your specific needs. We've blogged regularly on the benefits of watching margins, stock levels and sales performance, and business intelligence informs all of these areas. With access to accurate and relevant data you can make good decisions on what you make or buy and how you market what you've invested in.

6. Staying ahead

Most ecommerce businesses focus on either having the best products, or being closest to their customers, or being the most operationally efficient. In a competitive multichannel ecommerce space, customisable ecommerce software enables you to hit the third nail squarely and repeatedly on the head. Added to that, the more of your business processes the software covers, the more you can embrace automation and scale your growth. Ecommerce ERP systems aim to do this for as much of your business processes and operations as possible.

We would argue that ecommerce is far too dynamic and changeable for you to adopt a 'fit and forget' approach to your software investment. It needs to marry your initial requirements to maximise the chances of adoption, then continually adapt to your requirements over time. By prioritising customisation, you position your ecommerce business to meet the ever-changing needs of your customers and drive your own success.

Failure to launch: the ecommerce scaling problem

The 2006 film Failure to Launch, starring Matthew McConaughey and Sarah Jessica Parker, centred on the difficulties of easing an adult son out of the parental home. In an ecommerce context, failure to launch is about the challenges of profitably growing the business as it expands in sales, channel coverage and complexity.

Here we touch on six areas where the ecommerce scaling problem manifests itself, and what to do about it.

1. Managing listings and stock

Managing inventory across multiple sales channels is a daunting task, and many Volo customers approached us initially when they found the addition of a second selling channel was simply turning a 12-hour working day into an 18-hour one. With products to be listed on various platforms like Amazon, eBay, your webstore and social media marketplaces, keeping track of listings and stock levels and updating them in multiple places becomes increasingly arduous. The results of poor inventory synchronisation can be overselling, stockouts, or excess inventory, which can kill customer satisfaction and your bottom line.

A robust listing and inventory management system can provide real-time visibility and synchronisation across all your selling channels, ensuring accurate and optimal stock levels (and happier customers).

2. Handling order fulfilment and shipping

Efficient order fulfilment is what is closest to your customers' hearts, but this becomes more challenging when you're dealing with multiple separate channels. Each channel may have different fulfilment requirements, shipping options and return policies, all of which can lead to a very complicated set of rules governing which carrier ships which orders to where.

A centralised order management system can bring together your orders from all channels into a single interface. This streamlines the fulfilment process, ensuring consistency and efficiency across your own warehouse, your drop ship providers and 3PL partners.

3. Integrating and reporting on data

Scaling across multiple channels and multiple suppliers – each with their own different formats and qualities of product information – generates a vast amount of data from various sources which needs to move through your own systems. Bringing this data together can be challenging. Disparate data systems and standards can lead to incomplete reporting and make it difficult to see your true performance.

Invest in a system that can automate the receiving and sending of data feeds from all sales channels and other partners in your ecommerce ecosystem. This allows you to better monitor what's important to you and gain a window on how your business is really doing. To scale your business profitably, advanced analytics tools can help you identify trends, optimise marketing strategies and make good decisions.

4. Delivering a uniform buying experience

Providing a consistent and seamless customer experience across all channels is essential for building brand loyalty, but this is very challenging when the marketplaces you sell on own the customer relationship and buying journey. These marketplaces vary between themselves and your own webstore, in terms of look and feel, delivery standards and returns policies.

Where are you looking to grow the business? Which channels are most profitable and/or easiest to work with? Where possible, keep your customer service standard and messaging as consistent as you can, and do a good job of controlling the things that you can control, like the quality of your listings information and everything about your webstore(s).

5. Dealing with channel-specific rules

A barrier to success for you on any marketplace is learning how each one works and what its rules and regulations are. This can be very time-consuming, particularly for businesses operating in multiple regions or countries, and those experimenting with new additional channels that may only offer small incremental revenues at the outset.

If you invest in a system provider like Volo ERP, which centralises your multichannel operations, then it's generally their responsibility to stay updated with the functional requirements and underlying tech systems of each marketplace. Automation can help with this, but there's no substitute for also staying close to channel communications on changes in regulations, processes and new initiatives.

6. Picking the right channels to focus on

Effectively marketing your products across multiple channels requires a tailored approach for each platform, while trying to maintain consistency in brand image and values. This can be heavy on time and requires expertise to be able to scale the business across each channel.

Being present on multiple channels gives you resilience, but each channel must provide you with a return and acceptable profitability for your effort, otherwise it can dilute your focus and needs to be discontinued. Make sure you can easily analyse sales and margin performance for each channel, as well as with a consolidated view.

The ecommerce scaling problem is in many cases about the 'back end' not being able to cope with the processes and demands of selling across multiple online channels. This puts a lid on being able to grow the business profitably. Removing inefficient, inaccurate and duplicative processes characterised by heavy and frequent manual interventions is only cost-effective through software automation.

Lack of balance: the perils of (and fixes for) unbalanced inventory levels

Managing inventory effectively is crucial to ensure smooth operations and customer satisfaction. However, maintaining good inventory levels can be a significant challenge. This challenge increases markedly if you sell a multitude of products at differing speeds across different regions, marketplaces and webstores. Unbalanced inventory – having too much stock, too little, or none at all – can create a host of problems that negatively impact your business. Here are six areas of concern, each with a recommended remedy.

1. Stockouts and lost sales

One of the most immediate challenges of unbalanced inventory levels is stockouts, where customers see you've no stock or can't see your listing at all. Stockouts mean lost sales and disappointed customers, who may in turn switch their loyalty to competitors. Repeated stockouts exacerbate the situation, obviously.

Implementing real-time inventory tracking and automated replenishment systems ensures that stock levels, re-order quantities and lead times are consistently monitored and adjusted. Forecasting tools (like Volo Vision) can also help predict demand and prevent stockouts by aligning inventory levels and anticipated sales, creating timely purchase orders for new products.

2. Excess inventory and holding costs

On the other 'bad' side of the balance, having too much stock ties up your hard-earned or hard-borrowed capital and increases holding costs, sometimes with a third party. Storage costs, insurance, and the risk of obsolescence or damage add to the financial burden. Getting rid of excess inventory to free up cash is generally through markdowns, bundles and discounts, which clearly erodes your margins.

It might be the flip side of the problem, but you mitigate it in exactly the same way, to make sure you're always ordering the right levels of inventory to match product popularity and re-order lead times.

3. Cash flow issues

Unbalanced ecommerce inventory directly affects your cash flow, as we've discussed. Funds that you might have wanted for marketing or buying other product lines are sitting on your warehouse floor, or somebody else's warehouse floor. Conversely, not having the inventory that people want to buy, whether you know it or not, means lost revenue and missed opportunities for growth.

This is where your investment in a good analytics and reporting tool pays dividends. Systems like Volo Vision constantly analyse sales and flag the areas of opportunity or concern, in some cases automatically triggering time-sensitive re-order quantities which you can sign off or allow to proceed without your intervention.

4. Troublesome order fulfilment operations

Issues with unbalanced ecommerce inventory levels have a knock-on effect when it comes to order management and shipping, making them more complicated. Delays, back orders, and increased labour costs in communications and manual processes become the order of the day, which can end up frustrating your customers.

Order management systems, which streamline different types of order across multiple channels and via multiple carriers, give you inventory visibility and more effective fulfilment, especially when integrated into an end-to-end system, over which sits your analytics package. As with many processes saddled with manual intervention, automation can help ensure that orders are processed accurately and efficiently, driving up your 'customer sat'.

5. Poor demand forecasting

Unbalanced inventory levels often result from inaccurate, seat-of-the-pants or non-existent demand forecasting. Misjudging the ebbs and flows of customer demand can lead to either overstocking or understocking, both of which have negative repercussions. Seasonal fluctuations, market trends and old-fashioned bad luck can all impact demand, making a mockery of your forecasting efforts.

Having a good business intelligence system to give you accurate and up-to-date data on your inventory levels doesn't just improve your cash flow situation. It also makes your relationships with your suppliers better and can even give you better negotiating power as a well organised and digitally savvy business that they can trust.

6. The customer experience

The ultimate casualty of unbalanced ecommerce inventory levels is the customer experience. Too little or no stock can make them go elsewhere, and too much stock means stale product offerings and the risk that you're not seen to be in sync with customer needs.

The happy medium ground of inventory levels – a balance of availability and variety – comes from analysing regularly what your customer purchases are telling you. Do this by channel, but also by region, since trends and tastes will undoubtedly varywithin the different audiences.

Missing out on lost orders, or having cash tied up in stock that's not selling, can mean the difference between success and failure. A scientific approach to your inventory levels can maximise your cash flow and allow you to make the most of the selling opportunities you're pursuing.

Losing on every sale: selling products that don't cover the costs of fulfilling them in ecommerce

Ecommerce, especially marketplace ecommerce, is competitive. A variety of factors conspire to make the total cost of getting a product to a customer less than what they're paying for the item. These include low pricing, expensive logistics, costly delivery and returns.

To compound the issue, many businesses don't know the full picture of how much it's costing them to get an order safely delivered, until the financial figures for the period come in from the accountant and it's too late to do anything. So, there's selling products at a loss, and not knowing you're selling products at a loss.

Here are seven challenges and some suggestions on how to address them.

1. Eroded profit margins in the business

When you fulfil certain orders without knowing the full costs, including production, shipping, handling, and marketing expenses, you risk eroding your profit margins. The good orders are having to fund the bad orders. This lack of visibility can result in considerable financial losses.

The key is to focus your attention at an *order* level, or better still a *shipped order level*. In other words, if a customer orders five items and you send them in two packages, how much is the total cost of each shipped package? It makes sense to start recording not only the costs associated with buying and fulfilling each shipment, but also apply a portion of your business-wide fixed costs to that shipment. You can only realistically do this through automation, and let the software tell you which orders are not profitable, so you can fix the problem quickly.

2. Cash flow problems

Pricing – in the form of item price to the customer plus any shipping – that fails to cover your total order fulfilment cost can lead to cash flow problems. Cash flow is essential for your day-to-day operations, like paying for inventory and investing in the business. You know what they say: revenue is vanity, profit is sanity, cash flow is reality.

Regular monitoring of cash flow and creation of cash flow forecasts will help you plan for any pinch points coming up. Try to negotiate better terms with suppliers and creditors by demonstrating your track record with them.

3. Unreliable or delayed financial reporting

Not knowing your full costs can result in inaccurate financial reporting, making it difficult to assess the true financial health of your business. Not getting the financial results until weeks or months later means you're relying on lagging indicators of performance, rather than 'in-period' leading indicators from good measurement and analytics.

As before, setting up a full breakdown of your purchase costs, your order fulfilment costs like marketplace fees, and your fixed costs like utilities, allows you see your net margin on your orders and shipments. If you do this with analytics software, it can often automatically pull in all the costs from your various partners in the ecosystem – marketplace providers, shippers, software companies and so on.

4. Unsustainable growth

You might be growing the top line figures by selling too low, but this growth can exacerbate financial problems if it's based on selling unprofitable products. Scaling up your operations without a clear understanding of the costs of doing business, including factoring in post-sale costs like customer service and returns management, can lead to increased losses and financial instability.

When you have a clear picture of your actual order fulfilment margins and your net margins, then you can make some quick decisions. Can I raise prices on the products that are causing loss-making deals? Should I kill these products instead of continuing to throw good money after bad?

5. Damaged brand reputation

Consistently offering products at unsustainable prices can damage your brand reputation and may eventually torpedo the business. Build your brand around quality products that represent fair value and that you can make money on, so that you can cultivate customers who go to you for your quality and service.

6. Competitive disadvantage

Not knowing your fully loaded costs of delivering an order puts you at a competitive disadvantage. Competitors with a clear understanding of their cost structures can price their products more strategically and scale their business profitably over the long term.

Build a complete cost picture of your order fulfilment and automate this where possible so that you're getting early warning signals of loss-making orders without having to constantly crunch the numbers.

7. Limited ability to work on the business

Selling products at prices that don't cover full costs limits your ability to invest in your business. If you don't know your full costs you're working *in* your business, if you do, you're working *on* your business. Profits drive forward progress.

With the right intel, you can kill any more product-price combinations that don't bring in enough money to cover their total fulfilment costs. Then you can double down on the products that make up the orders where you know you're making the most net margin.

Who wants to work hard to fulfil orders at a loss? To maintain profitability, you need to know which orders you're making a loss on, when you've factored in all the costs – purchasing, marketing, fulfilment, returns, and fixed costs like warehousing, salaries, insurance and so on. Then you can fix the unprofitable orders. To do this, you need accurate and up-to-date analytics and reporting, so you can make good decisions.

Streamlining manual processes: why a fuller integration of marketplaces like Amazon or eBay is better for multichannel ecommerce sellers

Multichannel selling has become a necessity for ecommerce businesses aiming to scale their growth and profitability. Amazon and eBay are two of the most influential marketplaces, offering vast audiences and significant sales potential. However, managing these platforms effectively can be challenging. When you add in other marketplaces and webstores, your staff are performing essentially the same steps, but in multiple places and in slightly different ways to fit each specific channel.

Sellers often choose between providers offering fuller or lighter integration with these channels. Pricing, as you might imagine, generally reflects the level of integration. While a lighter integration may seem simpler and cheaper, a deeper integration offers substantial advantages that can drive sustainable growth and profitability – in other words, better return on investment. Here are seven areas where broader and deeper channel integration – by which we mean more ecommerce business areas and more functions within each area – is better for multichannel ecommerce sellers.

1. Supply chain and purchasing

No or light integration of the purchasing and supply sides means that your business is not joined up and you can't easily track what you paid for which products and how that relates to what your customers paid. Deeper integration of your supply chain and purchasing provides better financial transparency in turn delivering more profitable business, which allows you to scale your growth.

2. Warehouse and inventory management

Deeper integration to fully track the movement of your products from supply to delivery is important for avoiding logistical issues, stockouts and overselling. With lighter integration, updates from suppliers or on inventory levels might be delayed or inaccurate, for example, leading to customer dissatisfaction and potential penalties from the marketplaces.

3. Products and listings

A lighter integration typically automates the order management and updates to stock and pricing, but doesn't take care of product handling, meaning you have to create and manage listings directly on each channel, which is time-consuming and therefore ineffective. Deeper integrations centralise the product information and listing management processes so that you can do everything from one place.

4. Marketplaces and webstores

The largest marketplaces and webstore platforms are each a vast collection of rules, functions and workflows which are regularly being updated and added to. The lighter the integration, the more gaps there are in the functional coverage. The deeper integrations focus on incorporating as many of the native channel functions into the centralised system to maximise productivity.

5. Order management

Managing orders from multiple channels can be cumbersome with a lighter integration, often needing manual interventions which are prone to errors and delays. A deeper integration automates order processing, consolidating orders from all your selling other channels into a single system, resulting in a better customer experience and improved operational efficiency.

6. Customer communications

No or light integration means unproductive and fragmented customer service operations, where messages and issues are managed separately and often manually for each channel. Deeper integrations centralise all customer interactions and automate repetitive functions to provide a better, more trustworthy experience.

7. Data and analytics

Lighter integration may provide fragmented intelligence and limited data insights, making it difficult to get a complete and up-to-date picture of your business performance. Without comprehensive analytics, making informed decisions is a challenge. Advanced analytics and reporting tools present data across the business and all channels, enabling better decision-making and more effective strategy development.

All ecommerce software providers will tell you they have comprehensive integrations into key marketplaces like Amazon and eBay and webstore platforms like Magento and Shopify. This, after all, is the promise of such a system: streamlined multichannel selling and shipping. These selling channels are vast, however, and regularly update their structure, functionality and connections, which requires a continuous integration approach.

The truth is, all providers have gaps in their integration coverage that require you to do things directly on the channel. If you buy into the argument that the broader and deeper the integration is, the better for your long-term productivity and success, your challenge becomes identifying the major functions you do want integrated, and the minor ones you can live without.

Next steps

The five business challenges we've covered in this ebook – finding the right tech, scaling the business, achieving inventory balance, ensuring profitability and streamlining multichannel operations – are addressed by the right approach to data and automation.

Good data helps you make good decisions, and automation helps you improve productivity, increasing your top line revenues and your bottom line profits.

To discuss how you can better overcome these five key challenges in your own unique ecommerce business , please get in touch.

Volo Commerce

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

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