

Daily-Deal Sites....Another Sales Channel!

The Explosive growth of Promotional and Daily-Deal e-Commerce Sites

One of the main drivers of complexity in the supply chain has been the explosion of sales channels. Lets say you wanted to buy a new sweatshirt. You could go to the mall to buy the sweatshirt. You may find it in a big box retailer such as Wal*Mart, Target or Kohls. Maybe you will see it in a catalog. What about a direct-response TV ad or shopping network? You could also go on line...just Google the sweatshirt and you will probably get more than a dozen sites offering it for purchase. More recently, you might get an e-mail from Groupon



offering the sweatshirt at a discount. One sweatshirt, so many ways to buy it...and so many different requirements on your supply chain to get that sweatshirt to the store shelf or deliver it to your doorstep.

Last year I wrote an article “The Rise of Outsourced Fulfillment and Distribution” in which I discussed how the complexity of all these different channels has driven growth in the outsourced fulfillment industry. To

prove that nothing is constant in retail, in the short time since I wrote the article, we have seen even more variations arise, if not whole new channels. Recently, we have been working with product manufacturers and web retailers on how to fill orders for promotional sites and daily-deal sites. This new breed of e-commerce can bring huge sales volume in a very short period of time by reaching a targeted audience with appealing offers.

Match Fulfillment to Your Sales Channel

Groupon, the largest of the daily-deal companies, announced that they sold more than 650,000 holiday deals between Black Friday and Cyber Monday. Remember though, all those deals that require delivering a product, need to be fulfilled with the right merchandise getting to the right buyer in a timely manner. Instead of a steady daily flow of orders, you have an explosion of orders, often in as little as 24 hours, that need to be picked, packaged and delivered. It is critical to have a

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fulfillment center who understands the channel and can handle the fluctuations without causing another explosion...this time in the supply chain. Some critical points to work through with your fulfillment partner are:

1. Plan Ahead Get your fulfillment center involved early, work out a plan and have inventory present at the fulfillment center prior to running the promotion.
2. Limit Variations Knowing how the product will be sold, the fulfillment center can pre-package and prepare the product for shipment prior to the daily-deal. The best scenario is at the time the promotion is run, all that will need to be done will be to pick product and apply shipping labels.
3. Understand Volume Dealing with volume fluctuations in fulfillment is all about dealing with capacity. It doesn't matter whether your volumes will be 500 or 10,000, if you predict in advance, your fulfillment center can plan accordingly with personnel and equipment. The hard part is if you think it is going to be 500 and it ends up 10,000!

“The importance of a true fulfillment partner becomes evident as retailers find more and more ways of promoting and selling their products....requiring more and more ways of fulfilling orders”

The new daily-deal sites and promotion sites have been called the biggest thing to hit on-line retailing since eBay. They are just in their infancy and many feel they will shape an entirely new way of shopping on-line. When thinking of using this channel, also think about your supply chain. There are some very unique characteristics of fulfilling orders from these sites and a little bit of planning and a whole lot of flexibility is necessary to ensure success.

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