

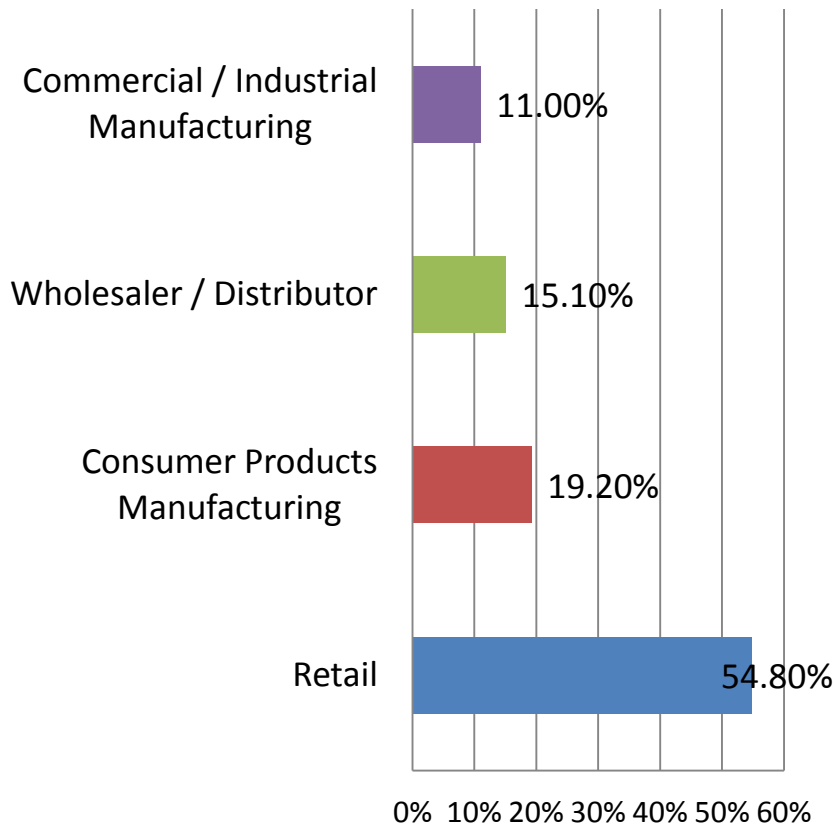


e-Commerce Supply Chain

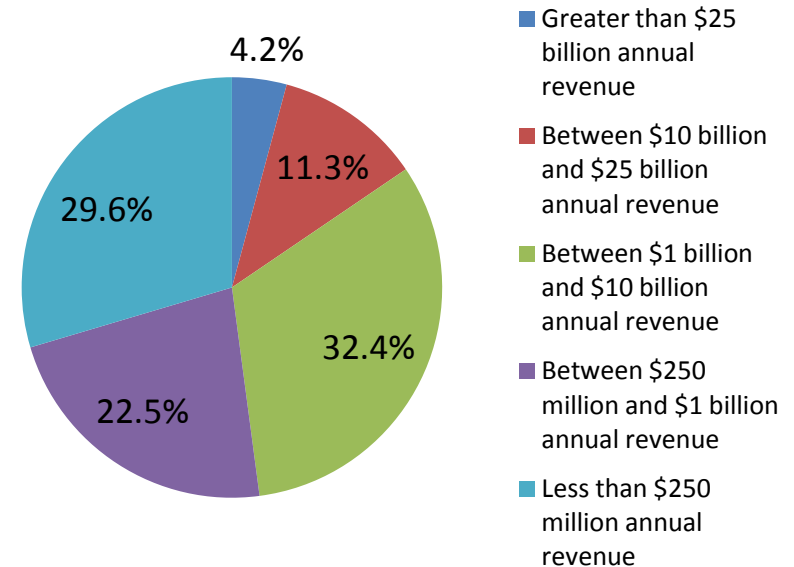
Survey Results
December, 2015

Participant Demographics

Industry

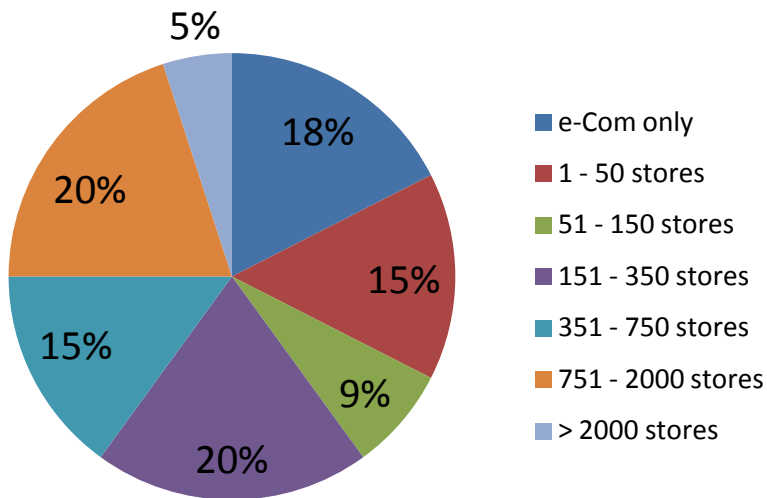


Company Size – Annual Revenue

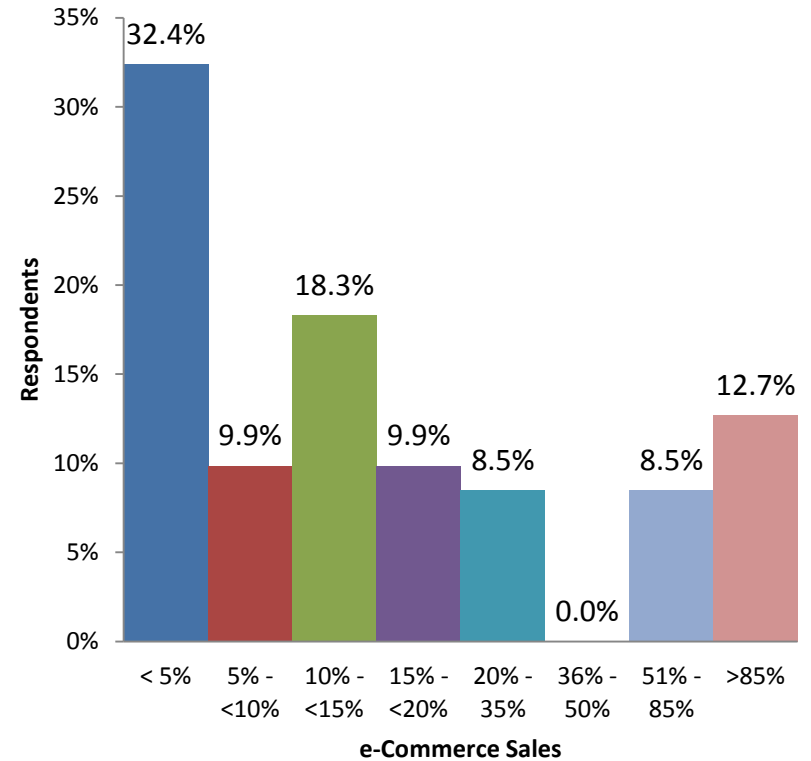


Participant Profile

Retail Locations Served

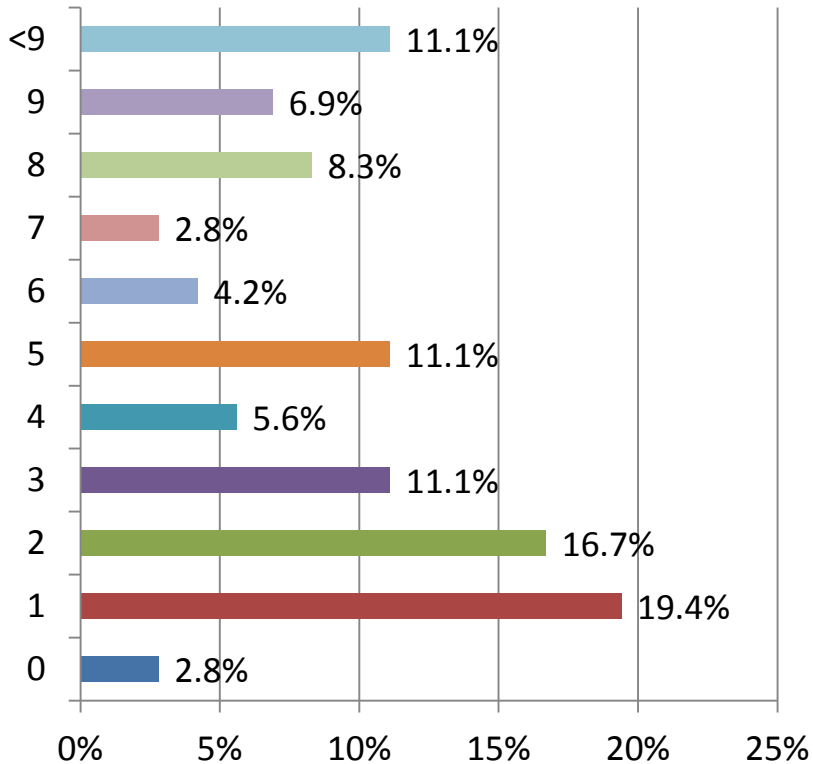


Percentage Revenue Attributable to e-Com



Participant Profile *(cont'd)*

How many distribution centers do you have in your network?



Current Outsourcing Strategies

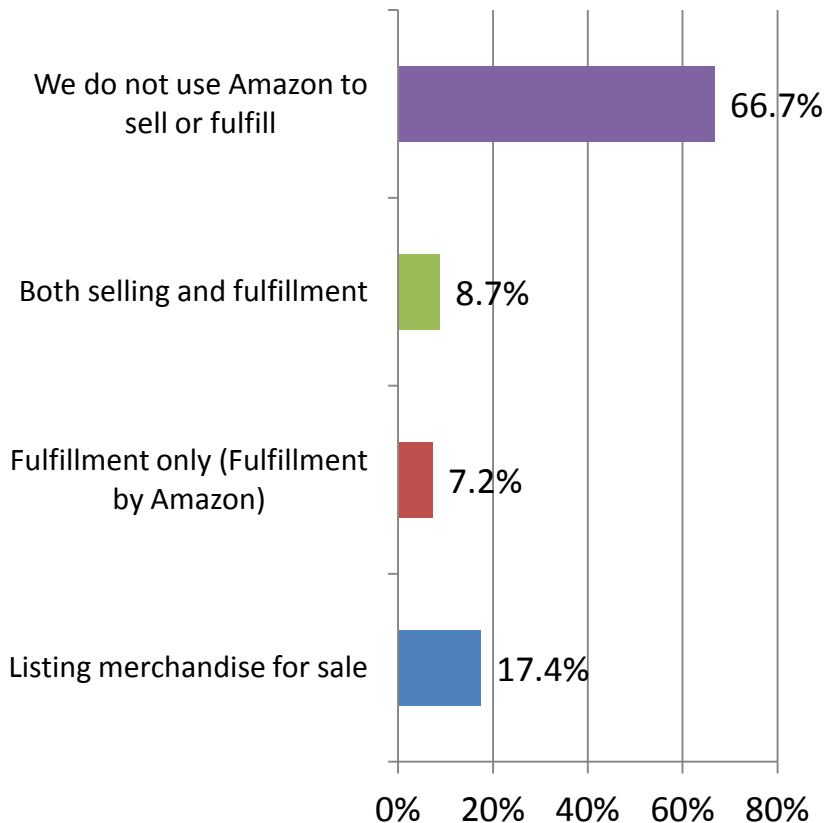
Sourced:	Distribution	Fulfillment	Returns	Liquidation
In-house	67.1%	61.8%	69.6%	67.2%
Third Party	10.0%	13.2%	11.6%	9.0%
Combination	18.6%	19.1%	15.9%	13.4%
N/A	4.3%	5.9%	2.9%	10.4%

Facility Layout & Capabilities

Facility Type	Distribution	Fulfillment	Returns	Liquidation
Stand Alone	40.0%	33.3%	34.8%	19.6%
Multi-Function	52.0%	56.3%	54.3%	47.8%
N/A	8.0%	10.4%	10.9%	32.6%

Participant Profile *(cont'd)*

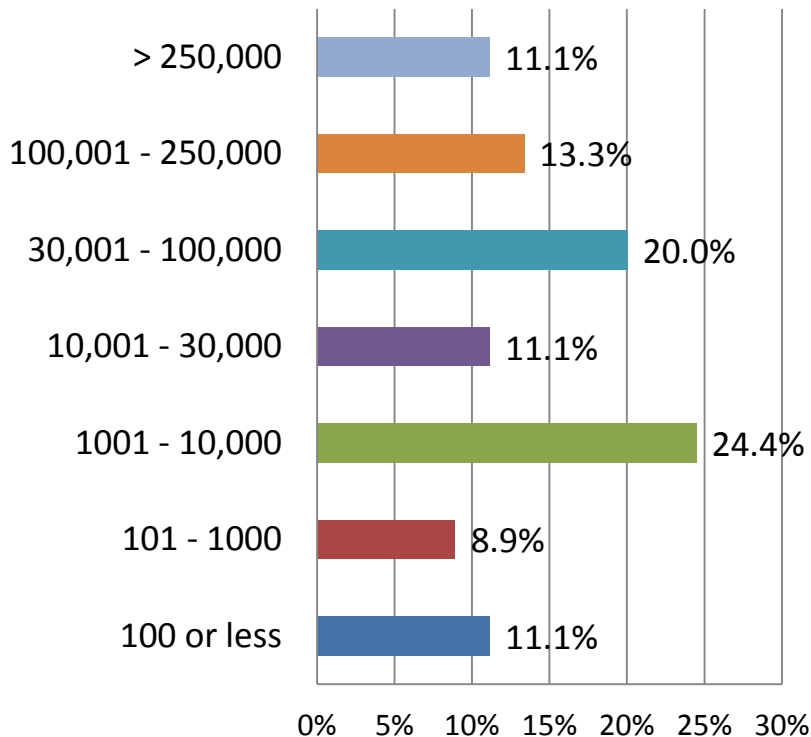
Amazon.com Relationship



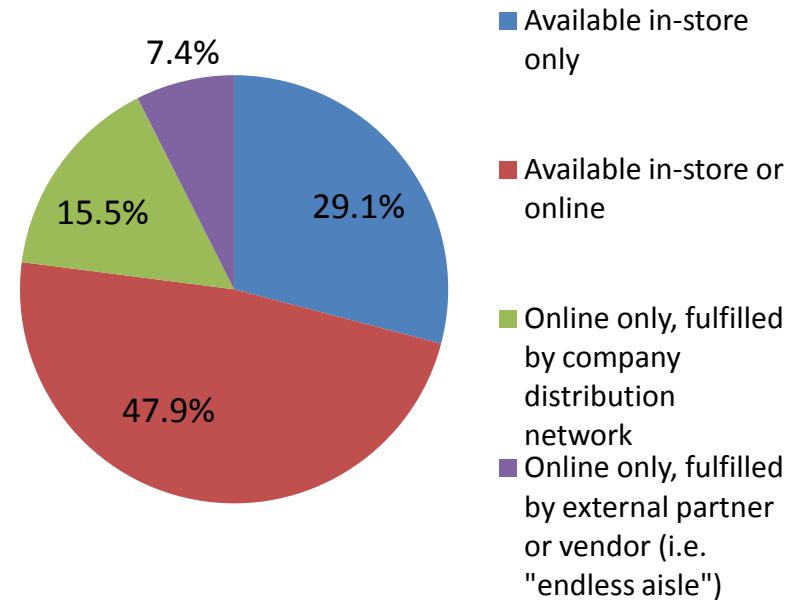
- Two-thirds of survey respondents maintain no relationship with Amazon.
- e-Commerce success largely depends on marketplace traffic. In the U.S., that means Amazon.
- Amazon represents a double-edged sword for manufacturers as Amazon can simultaneously be marketplace, vendor, and competitor.

SKU Profile

Unique SKUs



SKU Availability



- A surprisingly large (29.1) percentage of SKUs are still only available in-store
- Online-only SKUs – a low cost way to reach new, niche markets – represents only 15.5% of the average respondent's SKU profile.

SKU Profile *(cont'd)*

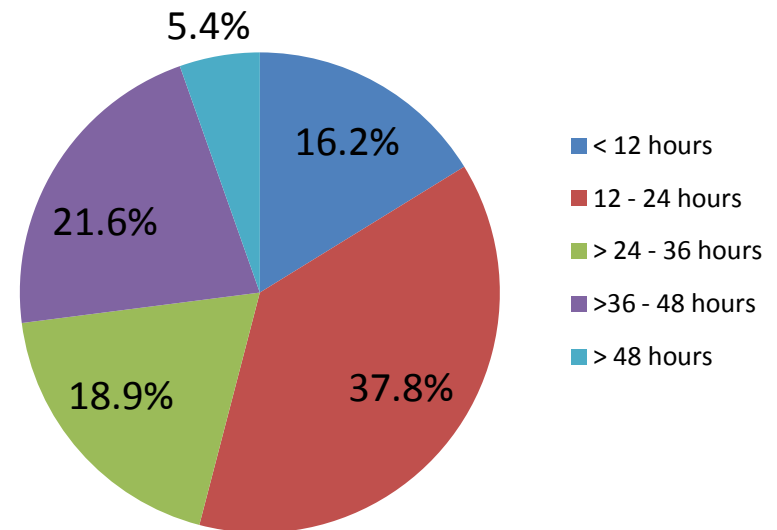
	<u>Decreasing</u>	<u>Increasing</u>	<u>Holding</u>	<u>Not Sure</u>
Available in-store only	23.1%	20.5%	51.3%	5.1%
Available in-store or online	-	45.2%	47.6%	7.1%
Online only, fulfilled by company distribution network	2.6%	36.8%	47.4%	13.2%
Online only, fulfilled by external partner or vendor (i.e. "endless aisle")	-	29.0%	51.6%	19.4%

- When asked to predict where SKU profiles were heading, however:
 - 23.1% foresee in-store only SKUs *decreasing*.
 - Nearly half of respondents (45.2%) saw SKUs available both in-store and online increasing.
 - 29.0% expect online-only SKUs to grow.

e-Com Order Profiles & Processing

- Online order average ~2.5 pieces across all industries.
- Over half of survey respondents process orders in under 24 hours.
- Fulfilling orders from multiple locations can be a profit-killer; shouldn't happen more than 2% of the time.

Processing Time for e-Com Orders



Average e-Com Order Size

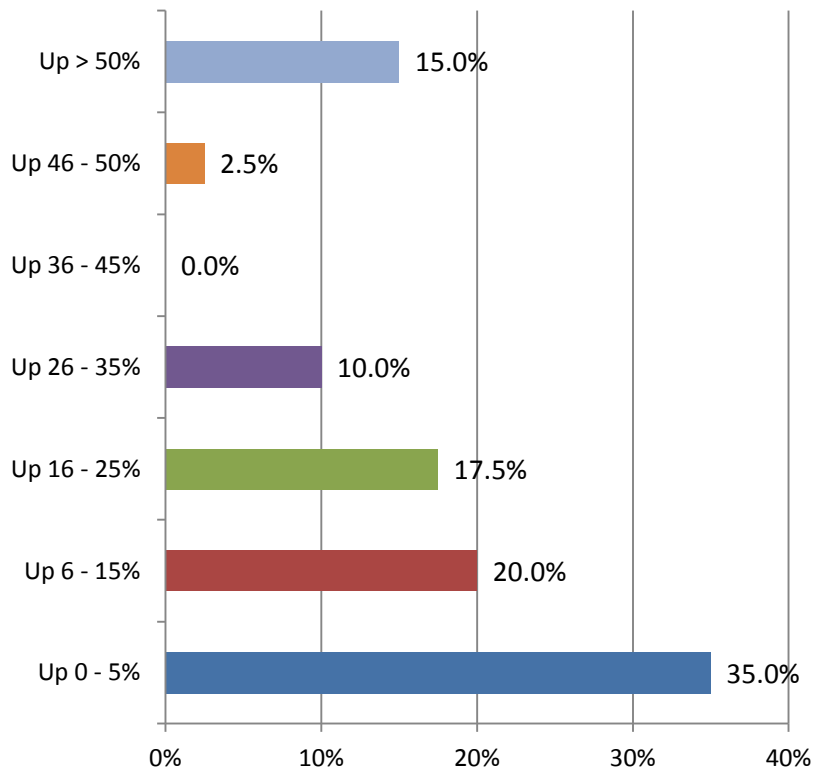
	<u>Min</u>	<u>Median</u>	<u>Mean</u>	<u>Max</u>
Overall	1.0	2.0	2.4	7.0
CPG	1.2	2.0	2.4	5.0
Retail	1.0	2.0	2.6	7.0

e-Com Orders Filled at More than One FC

<u>Min</u>	<u>Median</u>	<u>Mean</u>	<u>Max</u>
0.0%	2.0%	7.1%	40.0%

e-Com Order Processing *(cont'd)*

Average order processing time increases during peak season?

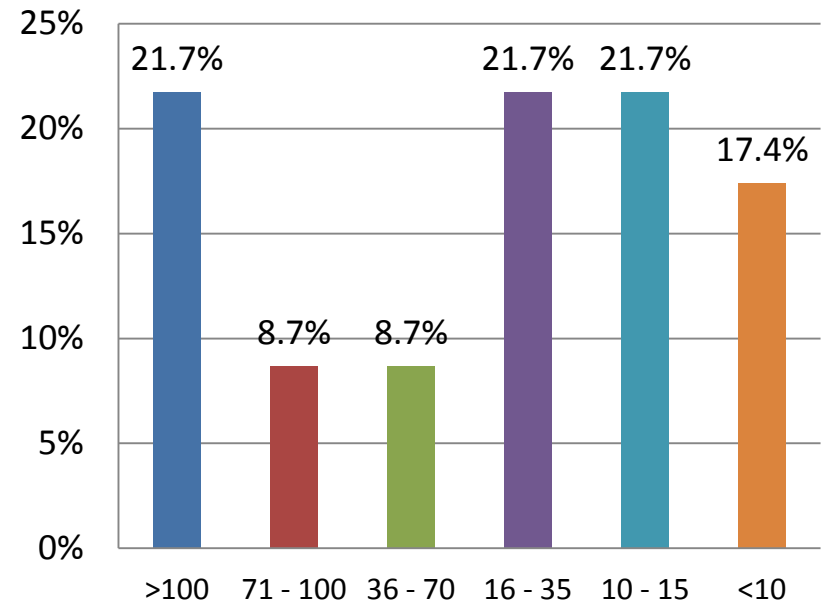


- 35% of survey respondents are able to handle peak season volumes with no increase in processing time.
- This response is more typical for companies with combined DC/FCs as the two functions have different peaks and can better utilize resources.

Fulfillment

- Units Per Hour (UPH) and Cost Per Unit (CPU) tend to be a function of automation and industry.
- Across all industries a processing CPU of \$0.60 represents top-quartile performance.

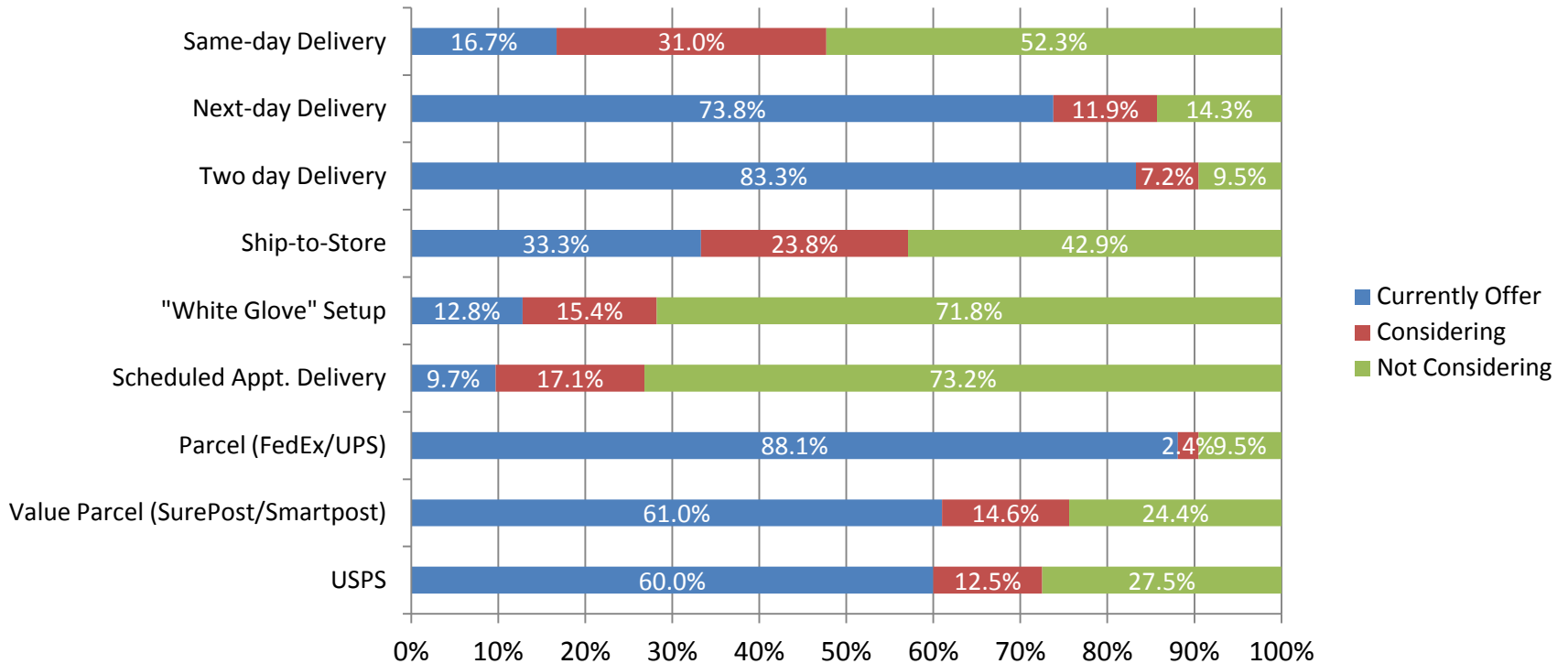
Fulfillment: Units Per Labor Hour



e-Com Orders: Processing Cost Per Unit

<u>Min</u>	<u>Median</u>	<u>Mean</u>	<u>Max</u>	<u>Q1</u>
\$0.19	\$1.25	\$1.45	\$5.09	\$0.60

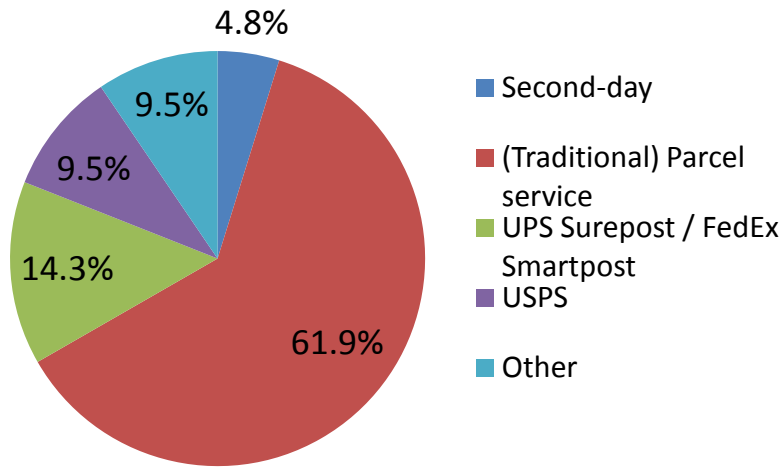
e-Com Delivery Options



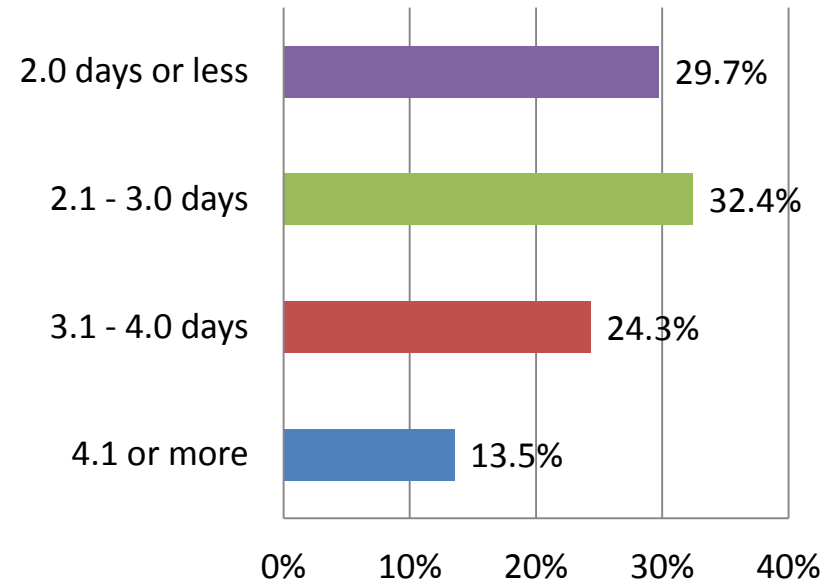
- Survey participants currently offer a wide variety of shipping options.
- “Free” ship-to-store is a best practice for brick & mortar retailers; an opportunity to get a customer in-store for follow-on sales.
- Almost one-third of respondents are contemplating a same-day delivery option!

Delivery Service and Time

"Standard Delivery" for e-Commerce



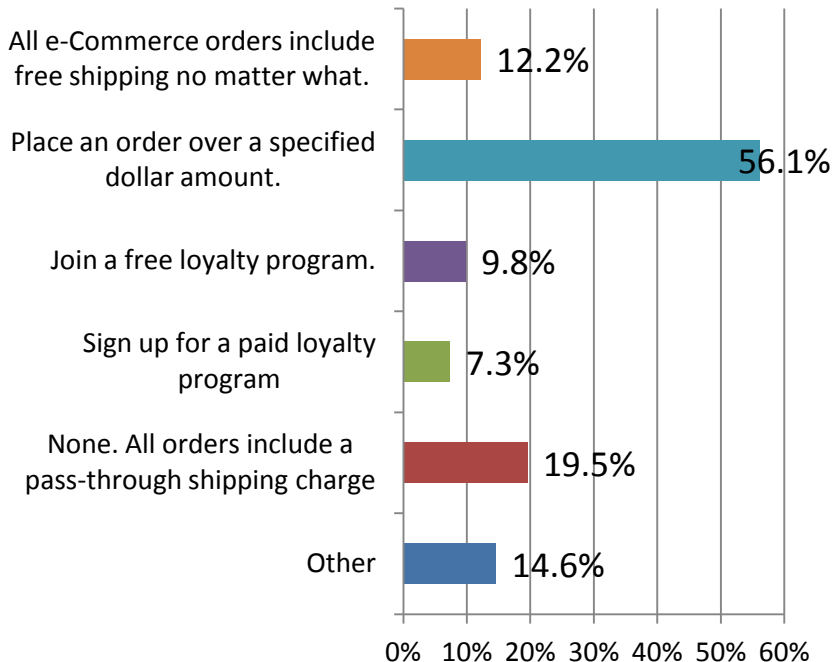
e-Com Orders: Average Delivery Time



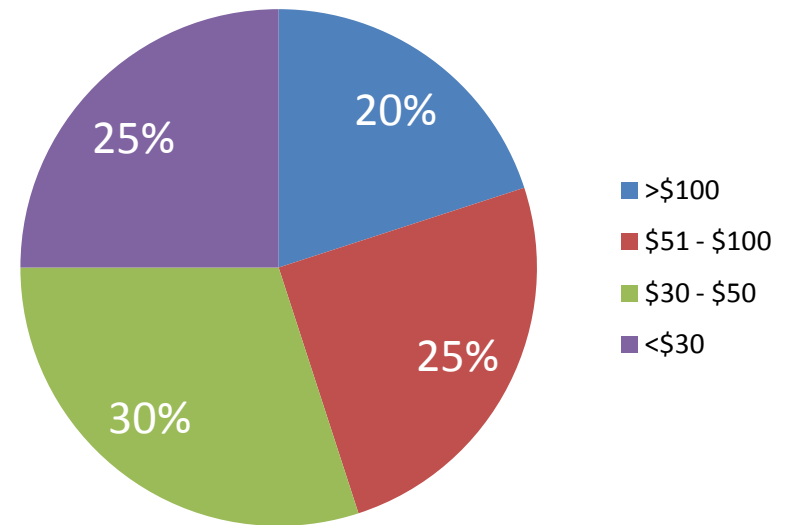
- Survey participants still use standard parcel service as the primary means of deliveries.
- Over 60% of shippers are getting orders to customers in 3 days or less.
- As e-Com shipping costs continue to rise, expect to see a higher utilization of both SurePost/SmartPost and USPS for final delivery.
- Participants do not currently apply different definitions of "standard" for large cities or rural customers; a trend that is likely to change over time.

“Free” Shipping

“Free” shipping options on e-Commerce orders



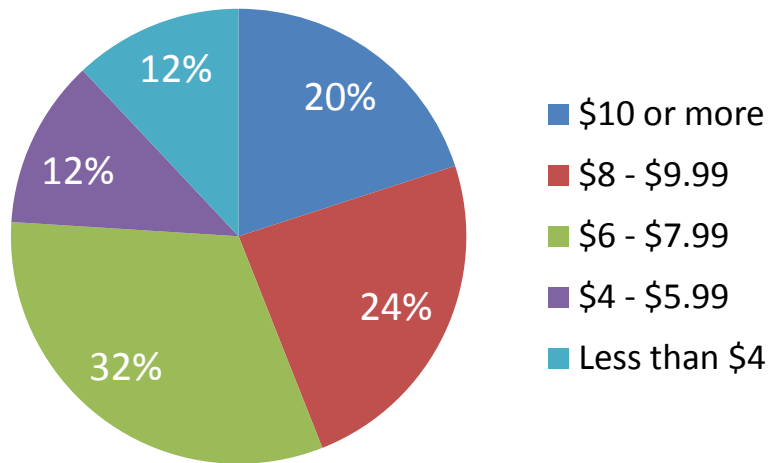
Amount Ordered to get Free Shipping



- “Place an order over a specified amount” was the most common answer to “free shipping.”
- For those companies, the amount required to receive “free” shipping was split evenly across all four categories.

Shipping Costs of e-Commerce

e-Com Orders: Shipping Costs



- Of course no shipping is truly “free”.
- Survey Participants paid
 - \$7.48 per package on average
 - Top quartile: <\$5.00
- Since DIM pricing went into effect the average cost increase for Parcel has been 3.5%.
 - Tends to be much higher for smaller shippers

e-Com Shipping Costs			
Min	Median	Mean	Max
\$2.50	\$7.00	\$7.48	\$14.00

Contact Information

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