



case study

Overstock.com® Tackles the Challenges of Success

Since its launch in 1999, Overstock.com grew rapidly, and today is one of *Internet Retailer* magazine's 2005 Top 20 online retailers.

The popularity of Overstock.com has been exciting, to say the least. But with growth comes enormous challenges, not the least of which is maintaining the exceptional customer experience they have become known for, while maintaining cost effective operations needed to remain a leader in online discount retailing. This challenge is multiplied – by thousands of packages – during peak spikes, typically experienced during the holiday rush.

In October 2005, the retailer decided to move the bulk of its package shipping operations to UPS, leaving just about 30 days to prepare for the peak holiday rush between Thanksgiving and Christmas. Typically, Peak Season planning between UPS and large retailers begins almost as soon as the leftovers are cold, so the team basically had one month to complete a years worth of work.

Two key reasons Overstock.com chose UPS: capacity and technology. Overstock.com taps into UPS's enormous integrated air and ground and air delivery network for the much needed capacity necessary to handle massive surges in orders that are shipped directly from distribution centers in Salt Lake City, Utah and Indiana. Other orders are shipped by suppliers directly to consumers. Still, a strategy and an accurate forecast of expected volume had to be developed quickly in order to be ready. An analysis revealed that Overstock.com needed more than just carrier capacity for an impending avalanche of packages.

In the end, the Peak Season undertaking resulted in a blueprint for year-round shipping operations. To date, several process revisions and technologies have been put in place to help Overstock.com realize greater efficiencies and customer service.

UPS Services used by Overstock.com

UPS brought together a specialized account team to address the immediate holiday needs of 2005. Later, UPS technology specialists were brought in to integrate new systems and processes for Overstock.com that would provide additional visibility and other efficiencies year round.

Forecasting Tool: One of the keys to success was to redesign Overstock.com's processes for fulfillment and accurately forecast package volume. It's not enough to know how many shipments are expected. It is just as critical to understand the implications of the volume, such as staffing requirements to fulfill orders, as well as the coordination between technology systems.

Among the team members was a UPS industrial engineer who built a customized Forecasting Tool to calculate needs across the fulfillment function. Volume projections estimated from historical patterns were entered into the tool to help the team understand when spikes were likely to hit on any given day. A time study was conducted to establish the precise time required for each process. This, along with the volume data was then entered into the tool, which translated into the level of transportation and fulfillment

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Overstock.com®

Overstock.com is a leading Internet retailer of name brands sold at discount prices, typically up to 70 percent below full retail. Overstock.com offers an exceptionally diverse product mix: brand name electronics, furniture and other house wares, clothing, books and CDs, sporting equipment, jewelry and even personal health products.



support would be needed – the number of UPS tractor trailers as well as the level of staffing needed to fill them and when. One UPS team member refers to it as “the glue that holds things together.”

UPS Ready: UPS works with a number of software providers to integrate UPS shipping technology directly into their applications, which reduces the need for additional integrations into backend fulfillment systems. Overstock.com uses order management technology by Kewill, which participates in the UPS Ready program. As orders are received on Overstock.com’s Web site, address information flows directly into the Kewill application, which then feeds into UPS’s database to provide for tracking, billing and other information needed to complete the shipment process. The Forecasting Tool was also an integral part in synchronizing these systems during the fulfillment and shipping process.

Dockside Visibility: When a shipper is loading literally thousands of orders into trailers throughout the day, the need for detailed visibility becomes critical during each step of the process. Typically, shippers process packages with their shipping system and then “upload” package information to the UPS data network once orders have been picked up for delivery. Overstock.com wanted visibility of shipments as soon as they were loaded into trailers, before they left the loading docks and entered the UPS sorting system. UPS worked with Overstock.com to integrate wireless scanning into their existing Kewill shipping technology to provide a solution. Now, loaders scan packages as they are loaded on to trailers. This information is fed through the UPS database to Overstock.com. The result is that both Overstock.com’s customer service agents as well as Overstock.com’s customers can see that their order has been tendered for delivery within 15 minutes of being loaded on the UPS trailer. The result is clear cost savings due to a reduction in the number of incoming “WHIZMO” (Where’s My Order?) calls.

Tracking: Customers, customer service agents and Overstock.com’s logistics managers receive various levels of in-transit shipment information through two primary visibility tools: UPS XML Tracking and UPS Quantum ViewSM Manage.

- The XML Tracking Tool is plugged directly into Overstock.com’s Web site, which allows customers to view their order’s journey through the UPS system directly from their Internet connection, rather than having to call Overstock.com or toggle to the UPS.com Web page for this information.
- UPS Quantum View Manage, a suite of outbound and inbound visibility services, was built into Overstock.com customer service call screens so service representatives can quickly respond to any inquiries that do come in via telephone. Agents can pull status on shipments using the customer’s order number, which is “married” to the UPS tracking number in the backend data management system.
- Additionally, operations receives shipment status of all packages in three different ways: outbound orders, exceptions (or delays) and inbound. Outbound gives logistics managers a glimpse of all orders in transit. If a problem has occurred, whether it is a weather delay or even a problem within the UPS system, Overstock.com can identify these anomalies and deal with them proactively. Inbound visibility provides Overstock.com information on any packages destined for their own facilities – typically returns or shipments from suppliers.

Exchanges & Returns: Overstock.com uses sophisticated returns technology called UPS ReturnsSM on the Web, which was developed specifically for online retailers. This system provides complete returns functionality directly on the Overstock.com Web site, so customers can request and process exchanges or returns right where they made the original purchase. Once the customer’s request has been approved, the customer receives an online shipping label that is printed directly from the Web site on a standard PC printer. The label also includes a link that provides the customer instructions, including their nearest UPS returns locations and location maps.

Billing Analysis Tool: The UPS Billing Analysis Tool provides Overstock.com’s procurement and logistics managers detailed information on shipping cost allocations on a weekly basis. The tool details expenditures such as UPS charges for special handling or address corrections. This enables them to target specific areas for cost reductions or identify problems within their own process. For example, they are now able to target incorrect addresses within their database in order to reduce these extra fees.

Results

- The ability to forecast and plan for anticipated surges in orders, especially during the holiday season.
- Simplified integration of Overstock.com’s backend fulfillment systems with UPS’s shipping technology.
- Order shipment visibility of packages that have been loaded on to trailers within 15 minutes – rather than days.
- Ability for customers to track orders directly from the Overstock.com web site, helping to reduce telephone inquiries to its Customer Service Call Centers.
- Customers’ processing of exchanges or returns directly from the Overstock.com Web site.
- Inbound visibility of the packages destined back to their locations, as well as alerts about delayed or other “exception” shipments.
- More detailed billing visibility for better cost analysis, allocation and problem resolution.

