

Overstock.com

Internet Retailer Supports Fast Growth With the HighJump Warehouse Management System

Company Profile— Overstock.com

Overstock.com is a leading Internet retailer of name-brand surplus and close-out merchandise headquartered in Salt Lake City, Utah. The company specializes in selling first-quality merchandise at deep discounts, including housewares, electronics, sporting goods, travel/leisure products, gifts, toys and jewelry. How does it work? Overstock.com buys up surplus inventory at deeply discounted prices and passes the savings on to consumers in a dynamic, discount online “warehouse” that draws heavy customer traffic.

Challenge

High traffic and rapid growth resulted in more than a 2,000 percent increase in sales at Overstock.com between September 1999 and July 2000. With customer demand increasing at such a rapid pace, Overstock.com management recognized that order-fulfillment capabilities needed to be expanded and updated to maintain the company’s excellent reputation for customer service.

Overstock.com customers simply point, click and send their orders instantly via the Internet. However, while the shopping experience was a seamless, paperless transaction, the order-fulfillment process was literally a low-tech “paper chase” for Overstock.com’s warehouse personnel.

The company had been using an internally developed warehouse management system (WMS) as a temporary measure to handle initial growth. However, this manual system was inefficient and potentially prone to error. To fulfill each order, warehouse personnel had to print out each customer’s order and pick from more than 4,000 SKUs while carrying the printout until the order was completed. And the worst case scenario—losing the piece of paper with the list of SKUs—meant that Overstock.com would lose the potential revenue from the order, as well as the customer and any future orders.

Management began an aggressive search and analysis of leading supply chain execution software vendors. Overstock.com management was looking for a highly

adaptable, comprehensive and automated system that could be quickly implemented to boost efficiency and accuracy. Moreover, this deep discount online retailer wanted a cost-effective solution that would provide excellent value—just as they deliver affordable value to their customers. Overstock.com found the solution it wanted with HighJump Warehouse Advantage from HighJump Software.

Solution

HighJump Warehouse Advantage went live at Overstock.com’s distribution center in October 2001 and successfully manages the picking, packing, receiving and delivery operations of thousands of SKUs. Warehouse personnel no longer have to run the “paper chase,” but can now enjoy the speed and accuracy of the WMS’ automated fulfillment process along with real-time visibility of inventory and order status.





According to Jim Hyde, vice president of Operations, the company also benefits from HighJump Warehouse Advantage's seamless interface with the Intermec® wireless radio frequency units. Plus, management is impressed with the flexibility and reporting power inherent in the suite. "HighJump Warehouse Advantage has great tools to help us monitor individual and team productivity, which was a real selling point with us," said Hyde. "The Web-based interface gives us great visibility to a wealth of productivity information that we previously could not access."

Hyde, Overstock.com purposely ramped up production slowly, but the problem-free implementation allowed the company to process orders at full capacity within three days and catch up with backlog within a week.

"This was the smoothest software installation I've ever seen," said Hyde. "Our normal volume is approximately 1,700 orders per day. The day we took Warehouse Advantage Suite live, we fulfilled 800 orders; the next day we did 900; and on the third day we were at full volume."



Overstock.com management is also especially pleased with the adaptability and configurability of HighJump Warehouse Advantage and the excellent on-site support of the HighJump Software staff during the implementation. The HighJump Software staff remained on site at Overstock.com throughout the rapid implementation process and the following week to help ensure that any minor issues were quickly resolved. According to

return on investment by facilitating labor savings and reducing overall operating costs. We're encouraged by the initial success and speed of this implementation, and the underlying adaptability of the solution's architecture that helps us meet our own very specific needs."

Inventory control has also been greatly improved thanks to the replacement of the manual, paper-based system. The fully

automated HighJump Warehouse Advantage solution tracks picked goods for each order through the entire order-fulfillment process. Warehouse personnel now know where all inventory is located at any given moment. In addition, HighJump Warehouse Advantage generates random inventory counts that direct staff to do a cycle count of inventory in specific locations throughout the warehouse. This helps ensure that inventory is counted at least once per quarter, giving Overstock.com greater visibility and tracking power of its stock.

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-Jim Hyde,
vice president of operations

"Given the nature of our business, we often have a dynamic inventory, with many thousand SKUs in the warehouse at any given time," said Hyde. "The HighJump system allows us to track inbound shipments and manage our rapidly changing inventory more easily and efficiently than ever before."

