



eGuide

Retail OMS: Should you Build or Buy?

7 pivotal points to consider

Choosing the most efficient route to enhanced Order Management

Consumers are spoilt for choice, which is pressuring retailers to deliver on promises. Three-quarters of people are less likely to buy from a retailer if they experience product unavailability, and 55% will switch loyalties if their order isn't delivered on time [1].

Offering fast, flexible, convenient fulfilment options is an effective way to capture customer spend. And most retailers recognise the value of digitally optimising the Order Management process to achieve this.

Whether you are investing in Order Management software for the first time or looking to upgrade your existing OMS, the first question is universal: is it better to build or buy?

This balanced guide addresses 7 pivotal points to consider in your decision-making process. We'll help you to pursue the most cost-efficient route and create the best experiential outcome for your customers.

Retailers that invest in responsive operations, seamless interactions and a digitally enabled technology architecture are 2 x more likely to exceed customer expectations [2].



[1] Source: <https://www.theindustry.fashion/out-of-stock-eroding-customer-loyalty/>

[2] Source: KMPG <https://home.kpmg/uk/en/home/services/connect-enterprise-promo.html>

Consideration 1: complexity

Historically, many retailers built OMS platforms in-house because Order Management was a simple, linear process. However, the landscape has changed. OMS vendors are now developing highly sophisticated distributed retail order management solutions that optimise inventory around constantly evolving customer needs.



Many retailers find that Order Management functionalities developed in-house or bolted onto ERP systems 5-6 years ago no longer cover customer demands.

Order Management innovation is being driven by customer complexity. More than 80% of consumers report shopping across at least three channels in the past six months [3]. OMS systems need to be flexible enough to accommodate this channel hopping, while being robust enough to manage high order volumes.

OMS features that were 'nice to have' a few years ago are now essential to remaining competitive.

For example, 4 in 10 retailers are interested in adding Ship from Store capabilities [4], while a third of retailers plan to upgrade their dropship management capabilities within the next two years [5].

More than

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[3] Source: <https://www.pwc.com/gx/en/industries/consumer-markets/consumer-insights-survey.html>

[4] Source: <https://www.computerweekly.com/feature/Ship-from-store-a-pandemic-retail-trend-thats-here-to-stay>

[5] Source: <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/consumer-business/deloitte-au-cb-2022-retail-industry-outlook.pdf>

Distributed OMS technology is a powerful response to consumer complexity as it provides real-time visibility of saleable stock in all locations. As a result, your business has the flexibility to decide whether to fulfil from your distribution centre, store or through a partner, based on multiple operational parameters.

With distributed OMS software, fulfilment locations can be decided after the order has been accepted and payment is taken.

A distributed OMS system should be able to select appropriate fulfilment locations based on stock position in the business, to capitalise on latency in your inventory network and real-time operational conditions. For example:



If your warehouse is at capacity or there is a technical or workforce issue, you can change the orchestration rules on your OMS platform to bypass the warehouse and only Ship from Store.

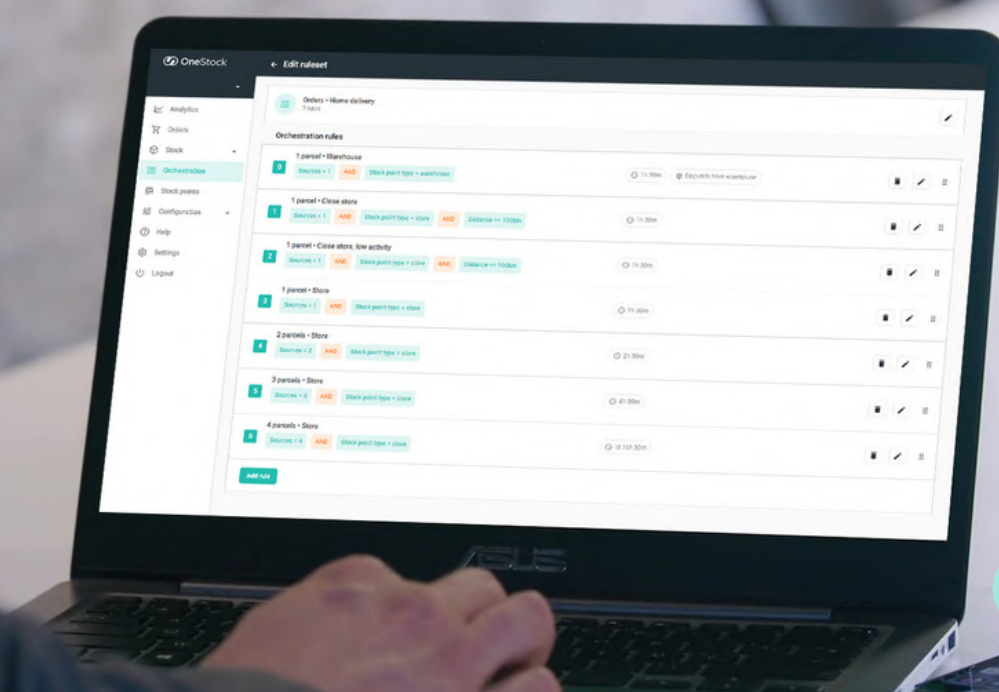


When a customer shops online, you can dynamically change fulfilment options based on stock availability and cost to serve – for example, only offering Click and Collect if that item is available at a local store.



You can individually configure stores to leverage stock appropriately, maximising their value. For instance, stores at international transport hubs such as airports can be designated Click and Collect locations but excluded as Ship from Store points.

The pandemic provided an essential lesson in rapid store reconfiguration, as many retailers turned stores into warehouses to leverage their entire estate during national lockdowns. The most agile businesses could make this switch in a matter of hours.



Managing complexity: when to build versus when to buy

Whether you decide to build or buy, it's essential to create precise specifications for your OMS platform to ensure it can manage consumer behaviour. What is your minimum viable product (MVP)? What specific functionalities does your OMS need to meet customer demands?

Creating a development brief or RFP will help you determine whether you need to build a bespoke in-house system - or whether you can get most or all functionalities through a ready-built OMS platform.

In addition to logistical features, consider the analytics capabilities your software will require to demonstrate value across your business. Many off-the-shelf OMS solutions include BI and reporting features, so you can show how stock is utilised and validate the impact of intelligent Order Management on business revenue and other critical metrics.

Build your OMS if: you have a clear project brief, and your tech team are confident they can deliver the functionality needed.

Buy your OMS if: you want a real-time, real-condition Distributed Order Management System that is beyond the development resources and capabilities you have in-house.



Consideration 2: cost

Understandably, cost is a primary motivating factor in the decision to build or buy OMS technology. However, calculating the cost of building an OMS system versus buying something off-the-shelf isn't as straightforward as it seems.



Many retailers underestimate the initial investment needed to complete such an ambitious project.

This underestimation leads to costs spiralling as development progresses; there's a reason why the average large IT project runs 45% over budget [6]!

With time and internal resources under pressure, some retailers end up outsourcing development to get their new OMS platform ready for launch – further inflating project costs. For example, a freelance senior software developer charges £500-750 per day [7], and that's just the initial investment needed to build a functioning product.

To create a robust budget for building Distributed Order Management technology, you will need to calculate the total cost of ownership.

Implementing, maintaining and enhancing OMS software involves a significant long-term financial commitment, and some of these costs can be difficult to ascertain up-front when you're developing functionalities internally.

[6] Source: https://www.researchgate.net/publication/285851331_Delivering_large-scale_IT_projects_on_time_on_budget_and_on_value

[7] Source: <https://www.expertmarket.co.uk/web-design/how-much-do-freelance-web-designers-charge>

Controlling costs: when to build versus when to buy

Bought-in costs can be challenging to sign off when you have internal IT resources, but many retailers get burned by the reality of complex software development projects.

A bespoke OMS platform is only “free” to your business if you can use in-house developers to cover the cost of building, managing and innovating your solution throughout its lifetime.

You also must ensure that in-house OMS development does not lead to increased bought-in costs elsewhere in your business. Otherwise, it becomes a false economy.

While an off-the-shelf OMS platform is a big investment, financial information is clearly defined and readily available when you purchase the platform. The total cost of ownership can be factored into your budget from day one – including outsourced maintenance and technical support.

Build your OMS if: you're confident you have the budget to build, deploy, maintain and evolve a bespoke OMS solution.

Buy your OMS if: you want fixed, transparent costs for onboarding, managing and developing your OMS software.



Consideration 3: resources

The availability of development skills and resources is another critical consideration in the build versus buy decision.

Any major IT programme involves multiple project stakeholders, from business analysts and project managers to developers and quality assurers, overseen by a CTO. As a result, it's a resource-intensive process.

In-house technical teams are often under pressure and thinly stretched. Even with the best intentions, retailers end up outsourcing development to get projects over the line.

The alternative to outsourcing is recruiting more skilled workers, but this is not a quick process; it takes an average of 65 days to fill a tech vacancy [8]. Instead, an off-the-shelf OMS platform is ready to implement with minimal technical requirements and standardised, clearly documented user instructions.

Leading distributed OMS vendors also offer ongoing technical support. This will enable your business to resolve issues and limit system downtime, so your dev team can focus on other specialist projects rather than fixing bugs and failures.

65 days
to fill a tech vacancy
on average

[8] Source: <https://www.intapeople.com/advice/how-long-should-it-take-to-fill-a-tech-vacancy/>

Coordinating resources: when to build versus when to buy

In the build versus buy decision process, your key consideration is whether relying on a small group of people to develop bespoke technology is a growth enabler or a strategic risk.

You may have sufficient in-house development talent to build an OMS platform, but this doesn't mean it's the best use of resources. What happens if a higher priority tech request comes through mid-build? Or someone leaves your business after the software launch?

If you decide to create a bespoke OMS platform, ensure you've assessed this project's impact on your wider operational and IT capabilities.

Also, insist that everything related to your Order Management System is formally documented. The last thing you need is detailed system knowledge held in people's heads. Miscommunication and knowledge gaps can leave your new OMS platform vulnerable to development errors and complex workarounds, impacting system reliability.

Build your OMS if: you can assign a dedicated team to OMS development without compromising other operational and IT demands.

Buy your OMS if: you want in-house staff to focus on day-to-day operations and niche projects while a specialist partner optimises your Order Management.



Consideration 4: technology

We've already discussed how Order Management has evolved from a linear process to a complex omnichannel challenge. Many retailers have responded to this shift by moving away from a 'one solution for everything' approach after finding that their ERP's OMS module can't cope with fulfilment demands.



Monolithic, catch-all software is being replaced by 'composable commerce', where retailers select agile, best-of-breed software to optimise each operational area.

As retail leaders adopt specialist OMS technology, the pressure grows on in-house development teams to create a platform that will integrate with multiple existing systems.

To add to this pressure, specialist vendors' technology approach is becoming increasingly sophisticated.

Cloud-based platforms, API-first development and microservice architecture make it simpler for retailers to integrate OMS software with other retail applications.

A cloud-based platform is also necessary to give your retail workforce greater flexibility and accessibility. Two-thirds of professionals want a hybrid working arrangement where possible, and retailers such as Primark, The Very Group, Lidl and Currys have already introduced hybrid working models for their employees.

Developing technology: when to build versus when to buy

“Moving to a modular, microservice-based architecture can enable organisations to achieve greater flexibility and scalability,” remarks analyst McKinsey [9]. You need to decide whether your business can build this or if buying a distributed retail Order Management solution makes greater commercial sense.

An in-house OMS tool can answer your needs at the moment, but it may be difficult to evolve if you want to test or deploy something new, or add new software integrations.

An excellent example of this is Ship from Store. It’s simpler to build a sequential fulfilment process, but smarter to run competitive allocation. Passing from one mode to the other may have a substantial impact on the success of your Ship from Store deployment.

The leading OMS vendors have developed pre-existing API-based integrations that seamlessly connect your Order Management solutions with existing ERP systems, commerce platforms and other technologies, to simplify deployment and management.

Build your OMS if: your dev team can use microservice architecture to develop a best of breed OMS platform that integrates seamlessly with your wider IT footprint.

Buy your OMS if: you want a flexible, ready-to-use API-first platform that is optimised for integration with other operational technology and can flex around your workforce.

[9] Source: <https://www.mckinsey.com/industries/retail/our-insights/the-tech-transformation-imperative-in-retail>

Consideration 5: speed

Even with the budget, resources, brief and technological capabilities in place, retailers still need to factor in speed of development when building versus buying.

Realistically, how long will it take your team to build, test and implement an in-house solution – and what will competitors that bought ready-built OMS technology achieve during that time frame?

Forty percent of retailers plan to carry out major upgrades to their Order Management solution in the next 24 months [10], which sets a clear deadline for internal technology teams building OMS software.

It's not just the speed of implementation to consider, either. How easily can your IT team maintain, upgrade and update a bespoke solution? Do they have the bandwidth to train new users and unlock new features? How quickly can they fix system bugs and errors?

Speed of change is critical to navigating disruption and seizing opportunities in the fast-paced retail sector.

For example, Pets at Home used its OMS platform to launch one-hour Click and Collect during the pandemic, and collections now account for 20% of online orders [11].

pets at home

20% of online orders came from one-hour Click and Collect

[10] Source: <https://www2.deloitte.com/content/dam/Deloitte/au/Documents/consumer-business/deloitte-au-cb-2022-retail-industry-outlook.pdf>

[11] Source: <https://www.onestock-retail.com/en/references-oms/gardening-diy-oms/pets-at-home/>

Running at speed: when to build versus when to buy

Specialist OMS vendors have one objective: to innovate and improve their technology. In contrast, in-house tech teams are working on multiple concurrent tasks and projects, which can impact their speed of response.

If you're looking to build your Order Management System, consider how frequently new functionalities will need to be developed and deployed for your software to compete with off-the-shelf technology.

Specialist distributed OMS platforms have already refined their basic features and are now developing advanced functionality – like gamification techniques to encourage staff competition to fulfil Ship from Store orders.

An external vendor also has a service level agreement (SLA) and performance KPIs to uphold, whereas internal teams often don't have the same level of accountability.

Build your OMS if: your tech team have the capacity to train users and continually maintain / update your OMS platform in a timely manner.

Buy your OMS if: you want a dedicated resource to be accountable for all OMS training, management and feature development, with set speed / performance targets in place.



Consideration 6: long-term ROI

Built or bought, a distributed OMS is a significant investment. So naturally, you want to maximise its value to your business. And the choice of technology stack will influence your software's long-term ROI.



A best-of-breed OMS solution delivers focused functionality rather than being part of a larger ERP platform that becomes complex and unwieldy as demands increase.

Some retailers can't add new functionalities to in-house systems without creating back-end complexity. As a result, purpose-built OMS software becomes monolithic and declines in value.

API-first OMS platforms are more flexible and scalable, as they can accommodate the demands of channel growth and product diversification.

With a bought-in solution, your vendor is already working with multiple retailers to help them manage change. Specialist OMS vendors constantly learn from real-world scenarios, and will add the features and best practices they developed with other users to your solution during software updates.

Making a good investment: when to build versus when to buy

Most retailers carefully consider the up-front costs when investing in OMS software. But continually delivering market-leading customer experiences involves ongoing innovation – and that commitment is often best delivered through bought technology.

Frequently, retailers who choose to create a bespoke solution don't allocate enough resources to enhance their OMS. Internal development teams get pulled into the next big project once their Order Management System goes live.

External OMS vendors have an ongoing R&D strategy to ensure they can offer continuity of service and performance – so innovation doesn't stagnate.

Plus, if your OMS partner doesn't deliver a return on investment, you can always adopt a different solution. It's much harder to walk away from an in-house solution you've invested time and resources into for several years.

Build your OMS if: you can commit to ongoing investment and innovation regarding your Order Management capabilities.

Buy your OMS if: you want an agile solution that moves with your business and the market, without having to invest additional resources into software innovation.



Consideration 7: partnership

Initial cost aside, the argument for buying over building is powerful. However, choosing an off-the-shelf solution isn't a panacea; your choice of technology partner is pivotal to success.



Choosing a best-of-breed vendor specialising in distributed retail Order Management will yield more value than a general ERP provider.

Creating a clear brief is critical to shortlisting and benchmarking suitable vendors. A good vendor will interrogate your RFP to understand these critical functions and key user journeys.

Once you've shortlisted software providers that tick the right boxes, the next step is to measure the flexibility of their solutions. Can they adapt to your internal model, or will you have to change structures and processes? Can the vendor develop custom features?

Even if you need bespoke functionality, talk to OMS vendors about their customisation capabilities. It may prove cheaper, quicker and less demanding to adapt an existing distributed OMS solution than starting from scratch.

There are deployment logistics to consider as well. For example, what does each vendor's training programme look like? How good is their customer support? How often do they release product updates and features?

Build your OMS if: you can't find a vendor that meets your brief.

Buy your OMS if: you have good chemistry with a vendor that has a proven track record delivering retail Order Management Systems.

Decision time: should your business build or buy?

OMS technology is the most effective way to maximise omnichannel fulfilment agility, efficiency and profitability. And there's no wrong answer to building versus buying

The key to success is choosing a route that works for your company size, goals, resources and budget. Just remember that a cheaper initial cost doesn't guarantee better lifetime value.

Distributed OMS software needs continual investment to remain competitive, and very few retailers are technology first and retail second. An in-house OMS or ERP bolt-on may meet your needs today, but investing in an outsourced solution will embed intelligent, dynamic, distributed retail Order Management capabilities within your business as quickly as possible.

Many retailers have paid the price for making short-sighted decisions and ended up buying an OMS system after investing significant time and money in their own platform. Or worse, 'making do' with software that doesn't meet their needs.

Sophisticated OMS technology can drive operational and cost efficiencies while supporting other business objectives – for example, launching sustainable delivery services.

Retail will only become faster-paced and more complex. Outsourcing Order Management puts the responsibility to meet evolving challenges onto someone else's shoulders. And asking for case studies, customer testimonials and NPS scores will help you to find the best-fit OMS technology partner.





Innovate your retail Order Management with OneStock

OneStock is Europe's market-leading SaaS-based Order Management System (OMS), providing retailers with a single view of inventory across all customer touchpoints. Our strength, unanimously recognised by our customers, lies in the efficiency and simplicity of our interfaces - both on the vendor platform and in the back office.

With more than 70 customers, OneStock operates in all retail sectors, including: Fashion, Footwear, Beauty, Luxury, DIY, Gardening, Sporting Goods, Toys, Homeware and Jewellery.

Book your free OneStock demo
to try our distributed retail OMS platform