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# Module 4

# Operations Management and Outsourcing

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# Operations Management

# Operations Management

- Operations management is the administration of business structure, practices, and processes to enhance efficiency and maximize profit.

- It refers to the management of functions that a business needs to run effectively day-to-day

It refers to the management of functions that a business needs to run effectively day-to-day, including:

- Overseeing multiple departments and providing goals
- Overseeing and streamlining processes
- Balancing revenue and costs
- Developing strategic plans
- Production, logistics, and supply chain

# Ecommerce Operations Management

- Product Management
- Inventory Management
- Order Fulfilment
- Customer Engagement
- Website Management
- Payment Processing/Fraud Prevention
- Analytics & Reporting

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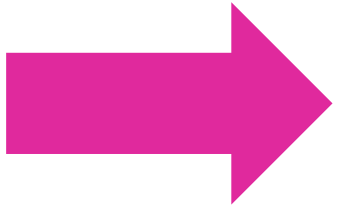
# Product Management Process

Steps:

- Product sourcing and selection
- Product listing creation
- Product pricing and promotion
- Product inventory management



Methods and Tools:

- Inventory management software
- Product information management software
- Pricing optimization software

## Examples and Scenarios

Example 1: An eCommerce business sources a new product and adds it to their store, creating a new product listing with accurate product information, pricing, and images.

Example 2: An eCommerce business runs a promotional campaign for a specific product, offering a discount to customers who purchase the product within a specified time frame.

# Product Management Process

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# Inventory Management Process

Steps:

- Monitoring inventory levels
- Forecasting demand
- Reordering products when necessary

Methods and Tools:

- Automated inventory tracking software
- Barcode scanners and RFID technology
- Demand forecasting tools

# Inventory Management Process

Example 1: During a holiday sale, an eCommerce business receives an influx of orders for a popular product. To prevent overselling, the business needs to monitor inventory levels and reorder products to ensure they have enough inventory to meet demand.

Example 2: An eCommerce business sells perishable products and needs to ensure that they have enough inventory on hand to meet customer demand while minimizing waste.

# Importance of Inventory Management in E-commerce

- Meeting customer demands
- Reducing inventory costs
- Increasing sales
- Maintaining a positive reputation
- Ensures that the right amount of inventory is available at the right time and place
- Prevents stockouts and overstocking

# Methods & Strategies

- Inventory Tracking Methods:
  - FIFO (First-In, First-Out), LIFO (Last-In, First-Out), and FEFO (First-Expiry, First-Out).
- Strategies for Managing Inventory Levels:
  - Just-in-Time, Safety Stock, and Reorder Point.
- Inventory Forecasting Methods:
  - Based on historical data, market trends, and other factors using Moving Average, Seasonal Forecasting, and Trend Analysis.
- Warehouse and Storage Management:
  - Cross-docking, slotting optimization, and pick-and-pack optimization.

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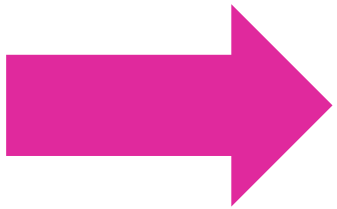
# Order Fulfillment

Steps:

- Receiving and processing customer orders.
- Picking and packing products.
- Shipping products to customers



Methods and Tools:

- Order management software
- Shipping software
- Warehouse management systems

# Order Fulfillment

Example 1: A customer places an order for a product and requests expedited shipping. The eCommerce business needs to ensure that the product is picked, packed, and shipped quickly to meet the customer's expectations.

Example 2: An eCommerce business sells customizable products and needs to ensure that the products are manufactured and shipped within a reasonable timeframe.

# Customer Engagement Plan

## The Process

- Define Your Customer Engagement Goals
- Develop Your Customer Engagement Strategy
- Create a Customer Journey Map
- Collect and Analyze Customer Data
- Implement Your Customer Engagement Tactics
- Measure and Refine Your Approach

This is a strategy to build and maintain strong relationships with customers, with the goal of increasing customer loyalty, satisfaction, and retention.

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# Customer Engagement

Steps:

- Receiving and responding to customer inquiries.
- Addressing customer concerns.
- Resolving customer issues.

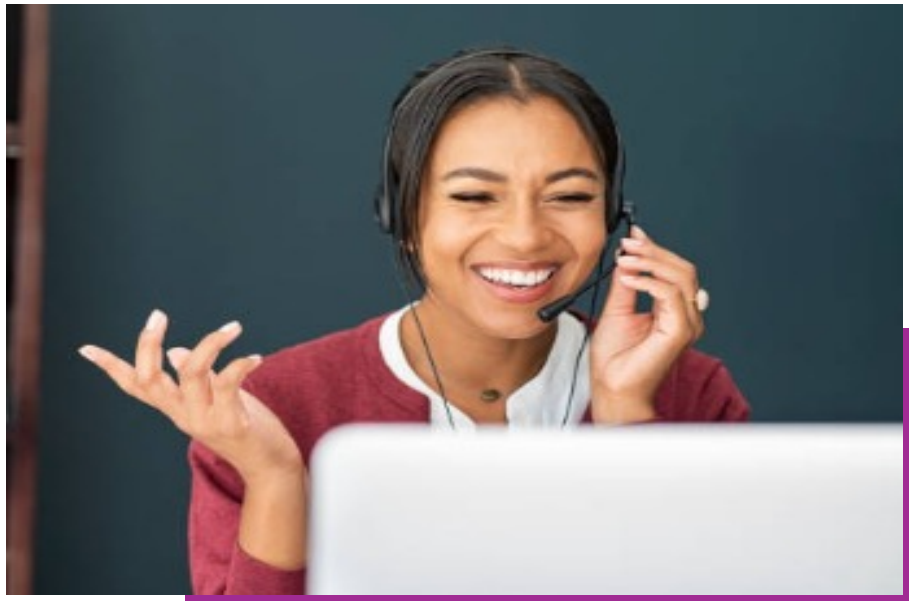
Methods and Tools:

- Customer relationship management software
- Live chat software
- Social media monitoring tools

## Examples and Scenarios

Example 1: A customer contacts an eCommerce business with a question about a product. The Customer Engagement team responds promptly and provides helpful information to assist with the customer's purchase decision.

Example 2: A customer receives a damaged or defective product and contacts the eCommerce business to request a replacement. The Customer Engagement team responds promptly and resolves the issue to the customer's satisfaction.



# Customer Engagement

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# Website Management

Website management involves the processes of maintaining, updating, and optimizing an eCommerce store's website.

## Steps

- Website design and development
- Website content creation and updates
- Website performance monitoring and optimization
- Website security and maintenance

## Methods and Tools

- Content management system (CMS)
- Website analytics software and services
- Website security software and services

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# Examples and Scenarios

Example 1: An eCommerce business updates their website's product pages with new images, descriptions, and pricing to ensure accuracy and relevance.

Example 2: An eCommerce business monitors their website's load times and optimizes their website's performance by compressing images, minifying code, and leveraging caching.

# Payment Processing and Fraud Prevention

## Steps

- Accepting payments securely.
- Identifying and preventing fraudulent transactions.
- Ensuring compliance with regulatory requirements.

## Methods and Tools

- Payment gateway software
- Fraud detection and prevention
  Compliance management tools

Payment processing and fraud prevention are crucial components of eCommerce operations.

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## Examples and Scenarios

Example 1: An eCommerce business accepts payments through multiple channels, including credit cards and digital wallets. They use encryption and tokenization to ensure that payment data is secure and PCI-compliant.

Example 2: An eCommerce business receives an order from a customer with an unfamiliar shipping address and a different billing address. The business flags the order for potential fraud and performs additional checks to verify the customer's identity.

# Payment Processing and Fraud Prevention

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# Analytics and Reporting

Analytics and reporting are essential for eCommerce businesses to measure their success, identify areas for improvement, and make data-driven decisions.

## Steps

- Collecting and analyzing data
- Generating reports
- Using insights to make data-driven decisions

## Methods and Tools

- Web analytics software
- Business intelligence software
- Data visualization tools

## Examples and Scenarios

Example 1: An eCommerce business wants to identify which products are driving the most revenue. They use analytics tools to collect and analyze data on product sales and generate reports that show which products are performing best.

Example 2: An eCommerce business wants to optimize their website for mobile users. They use analytics tools to collect and analyze data on website traffic and user behavior and use the insights to make changes to their website that improve the mobile user experience.

# Analytics and Reporting

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# Sample Daily Time Management Schedule

| Daily Time Management | Activity |
|---|---|
| 8:00am - 9:00am: | Check emails and respond to urgent inquiries. |
| 9:00am - 10:00am: | Review sales and revenue metrics from the previous day. |
| 10:00am - 11:00am: | Check inventory levels and update product listings as needed. |
| 11:00am - 12:00pm: | Check social media channels and respond to customer inquiries. |
| 12:00pm - 1:00pm: | Lunch break. |
| 1:00pm - 2:00pm: | Create and schedule social media posts for the day. |
| 2:00pm - 3:00pm: | Work on marketing campaigns and advertising strategies. |
| 3:00pm - 4:00pm: | Review website analytics and make changes to website as needed. |
| 4:00pm - 5:00pm: | Check and respond to any remaining emails or customer inquiries. |

## Monday

- Conduct a team meeting to discuss priorities for the week.
- Review sales and revenue metrics from the previous week and set goals for the current week.
- Update product listings /optimize product descriptions and images as needed.
- Work on marketing campaigns and advertising strategies.

## Tuesday:

- Check inventory levels and place orders with suppliers if necessary.
- Review website analytics and make changes to website as needed.
- Create and schedule social media posts for the week.

## Wednesday:

- Check and respond to any remaining emails or customer inquiries.
- Conduct a competitor analysis and make any necessary changes to pricing or product offerings.
- Work on content marketing, such as blog posts or email newsletters.

## Thursday

- Conduct a customer satisfaction survey and analyze the results.
- Identify areas for improvement in customer service and support.
- Work on email marketing campaigns and newsletters.

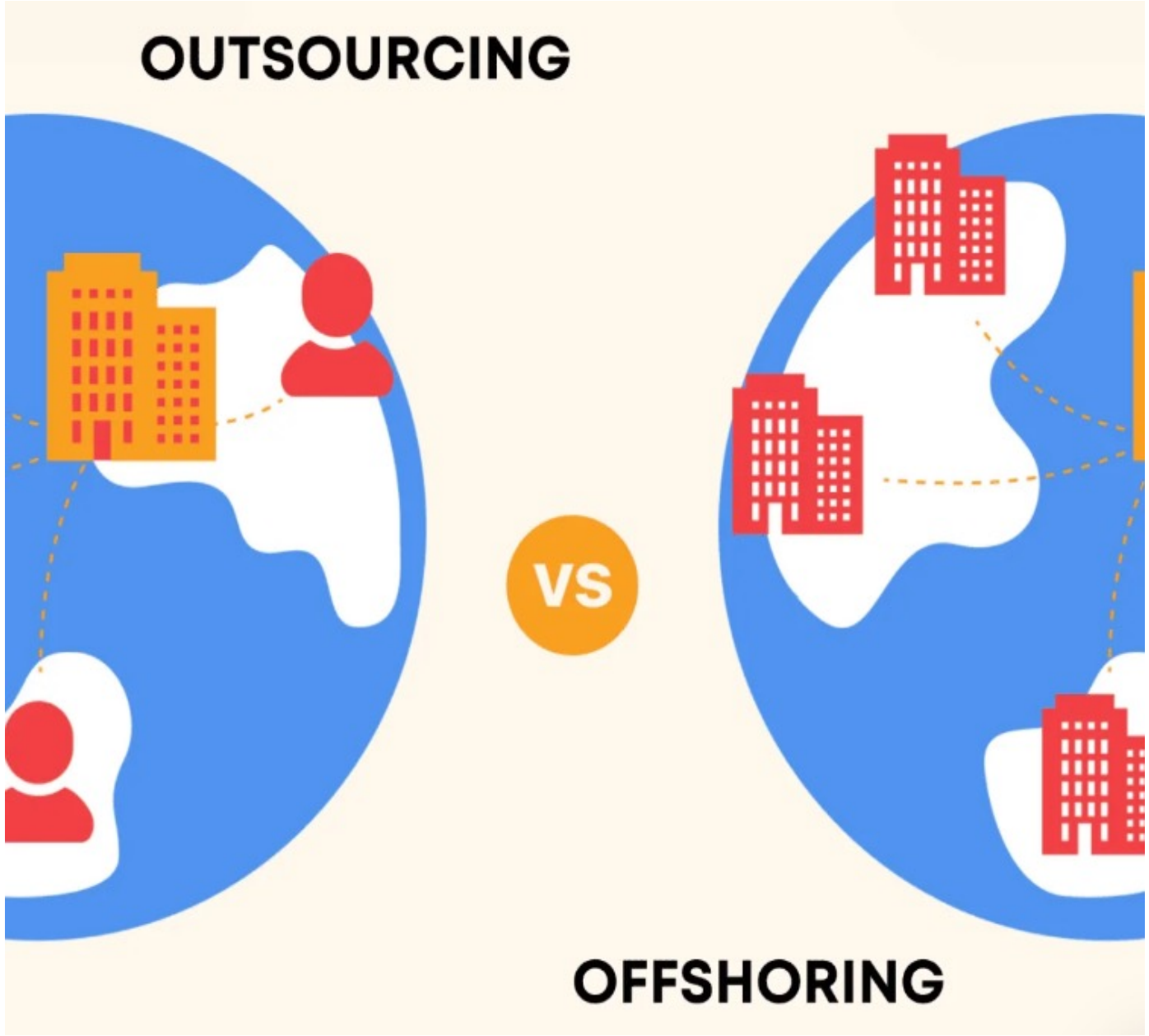
## Friday:

- Review the week's performance metrics and adjust strategies as needed.
- Conduct a team meeting to discuss progress and upcoming priorities.
- Work on any remaining tasks from the week.

# OUTSOURCING

# Understanding the Benefits and Risks of Outsourcing

- Overview of Outsourcing
- Different Outsourcing Options
- Business Functions to Outsource
- Implementation Plan
- Risk Management
- Decision-making Matrix




# Offshoring vs. Outsourcing

Both involve delegating work but the difference is location.

- Outsourcing simply means hiring an external company, regardless of where they are.
- Offshoring, however, specifically involves moving work to another country, often for cost benefits.

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# Benefits of Outsourcing

- Cost savings
- Access to expertise
- Focus on core activities
- Flexibility and scalability
- Improved efficiency

## Risks of Outsourcing

- Quality control
- Communication barriers
- Security concerns
- Dependency

# Examples of Outsourcing

## Manufacturing

A company can outsource manufacturing operations to another company, including assembly, fabrication, and packaging. This can include custom clothing or complex medical devices.

## Customer service

A company can outsource customer service to a third party, who can be trained on the product, services, and how to answer common questions.

## Marketing

A company can delegate marketing tasks to an agency, who can help with getting noticed and building credibility.

## Human resources

Outsourcing human resources can help with hiring and managing staff, freeing up time for managers to focus on other tasks.

## Accounting

Accounting is often outsourced because it's highly specialized and labor-intensive, and few companies consider it a core competency.

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# Types of Outsourcing

**Onshore outsourcing**: Hiring service providers within the same country.

**Nearshore outsourcing**: Partnering with companies in nearby countries.

**Offshore outsourcing**: Contracting services from distant countries.

# Outsourcing Models

## Project-based outsourcing

For specific, short-term projects.

## Dedicated teams

Long-term partnerships with dedicated teams.

## Managed services

Comprehensive management of certain business functions.

# Selecting the Right Outsourcing Partner

- Criteria for selection: Expertise, reputation, cost, communication skills, cultural compatibility.
- Evaluation process: RFPs (Request for Proposals), interviews, and trial periods.

# Business Functions to Outsource
## Customer Support

- **Current Situation**: In-house customer support team struggling to manage increasing customer inquiries and complaints.
- **Objective**: Improve response time and customer satisfaction.
- **Outsourcing Partner Criteria**: Experienced in ecommerce customer support, multilingual capabilities, 24/7 availability.
- **Selected Partner**: Partner with a renowned customer support provider with a proven track record in the ecommerce sector.

**Implementation Plan**

**Setup and Transition**

- Define scope of work and expectations.
- Train the outsourcing partner on company policies/products/systems.
- Implement a phased transition to ensure a smooth handover.

**Management and Monitoring**

- Establish Key Performance Indicators (KPIs) such as response time, resolution rate, and customer satisfaction.
- Schedule regular performance reviews and feedback sessions.

# Business Functions to Outsource
## Website Development and Maintenance

- **Current Situation**: In-house team lacks the technical expertise to implement advanced features and ensure website security.
- **Objective**: Enhance website functionality, user experience, and security.
- **Outsourcing Partner Criteria**: Expertise in ecommerce platforms (e.g., Shopify, WooCommerce), strong portfolio, reliable and responsive.
- **Selected Partner**: [Partner Name], a top-rated web development agency specializing in ecommerce solutions.

### Implementation Plan

1. **Setup and Transition**
   - Outline project requirements and timelines.
   - Grant access to necessary systems and tools.
   - Initiate development sprints with regular progress updates.
2. **Management and Monitoring**
   - Conduct weekly status meetings.
   - Perform code reviews and security audits.
   - Monitor website performance and user feedback.

# Business Functions to Outsource

## Digital Marketing

- **Current Situation**: Limited in-house marketing capabilities leading to suboptimal online presence and sales.
- **Objective**: Increase brand visibility, drive traffic, and boost online sales.
- **Outsourcing Partner Criteria**: Proven experience in SEO, PPC, social media marketing, content marketing, and email marketing.
- **Selected Partner**: [Partner Name], a digital marketing agency with a strong ecommerce client base.

**Implementation Plan**

1. **Setup and Transition**
   - Develop a comprehensive digital marketing plan with clear goals and objectives.
   - Share existing marketing assets and data.
   - Launch initial campaigns and monitor results closely.
2. **Management and Monitoring**
   - Track campaign performance using metrics like traffic, conversions, and ROI.
   - Adjust strategies based on data insights and market trends.
   - Hold monthly strategy review meetings.

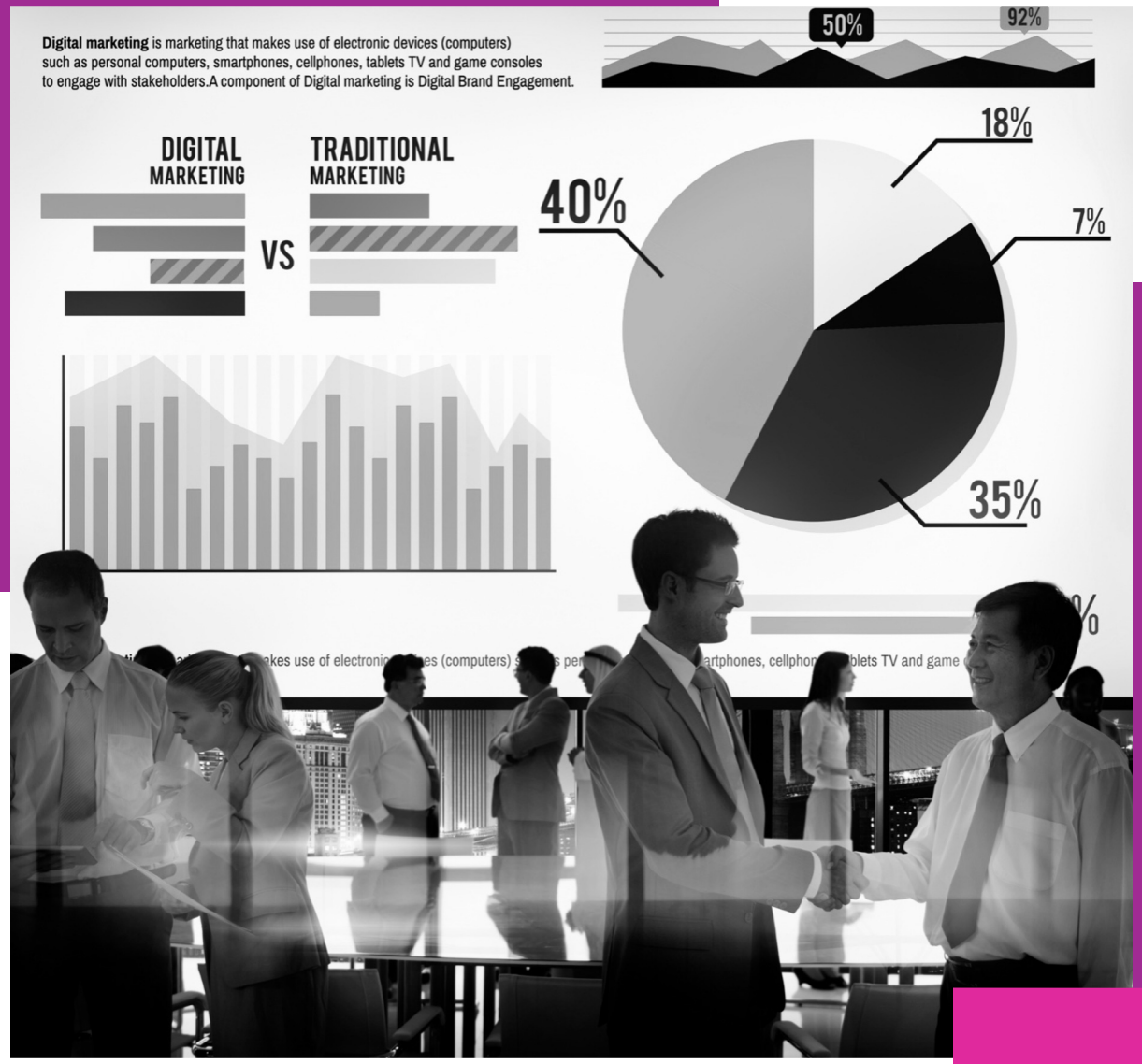
# Business Functions to Outsource

## Order Fulfillment

- **Current Situation**: In-house team overwhelmed by order processing, packaging, and shipping tasks.
- **Objective**: Streamline order fulfillment processes, reduce delivery times, and lower costs.
- **Outsourcing Partner Criteria**: Reliable logistics provider with ecommerce fulfillment expertise, integrated technology solutions, competitive pricing.
- **Selected Partner**: [Partner Name], a logistics company known for efficient and cost-effective order fulfillment services.

**Implementation Plan**

1. **Setup and Transition**
   - Integrate the outsourcing partner's systems with the company's ecommerce platform.
   - Provide training on product handling and packaging standards.
   - Start with a pilot phase to iron out any issues.
2. **Management and Monitoring**
   - Monitor order processing times, accuracy, and shipping costs.
   - Conduct regular inventory audits.
   - Review performance metrics quarterly.




# Risk Management

# Risks associated with outsourcing

# Solution: Continuous Improvement

- Encourage partners to suggest process improvements and innovations.
- Stay updated with industry best practices and incorporate them into the strategy.
- Regularly review and refine the outsourcing strategy based on performance data and feedback.

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| Criteria | High (1) | Medium (2) | Low (3) |
|---|---|---|---|
| **Criticality to Core Business (CB)** | Core to business operations | Important but not core | Non-core |
| **Cost Savings Potential (CSP)** | Minimal cost savings | Moderate cost savings | Significant cost savings |
| **Access to Expertise (AE)** | Expertise readily available in-house | Some expertise available in-house | Expertise not available in-house |
| **Quality Control (QC)** | Critical to maintain high control | Important but manageable with guidelines | Less critical to maintain strict control |
| **Scalability (S)** | Limited need for scalability | Some need for scalability | Significant need for scalability |
| **Time Sensitivity (TS)** | Time-critical function | Important but not time-critical | Can afford delays |
| **Internal Capability (IC)** | Strong internal capability | Moderate internal capability | Weak internal capability |

# Decision-making Matrix

**Interpretation of Scores**

- **7-11**: Low suitability for outsourcing. These functions are critical to core business, require high quality control, or have strong internal capabilities.
- **12-16**: Moderate suitability for outsourcing. These functions have potential for cost savings and scalability but may require careful management.
- **17-21**: High suitability for outsourcing. These functions are non-core, have high - ost savings potential, and benefit significantly from external expertise.

| Criteria | Score (1-3) |
|---|---|
| Criticality to Core Business (CB) | 2 |
| Cost Savings Potential (CSP) | 3 |
| Access to Expertise (AE) | 3 |
| Quality Control (QC) | 2 |
| Scalability (S) | 3 |
| Time Sensitivity (TS) | 2 |
| Internal Capability (IC) | 1 |
| Total Score | 16 |

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| Function/Activity | CB | CSP | AE | QC | S | TS | IC | Total Score | Decision |
|---|---|---|---|---|---|---|---|---|---|
| Customer Support | 2 | 3 | 3 | 2 | 3 | 2 | 1 | 16 | Consider Outsourcing |
| Website Development | 1 | 3 | 3 | 2 | 3 | 3 | 2 | 17 | Outsource |
| Digital Marketing | 2 | 3 | 3 | 2 | 3 | 2 | 1 | 16 | Consider Outsourcing |
| Order Fulfillment | 2 | 3 | 2 | 2 | 3 | 3 | 2 | 17 | Outsource |
| Accounting | 1 | 2 | 2 | 1 | 3 | 3 | 1 | 13 | In-House/Outsource |
| IT Support | 2 | 3 | 3 | 2 | 3 | 2 | 2 | 17 | Outsource |

# Thank You!

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