

Everything to Know: Retail Warehouse



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Introduction

Ecommerce industry has been blooming over the past few years. Retail ecommerce sales grew [25% annually](#) worldwide between 2014 to 2017. What's still kept hidden is the fact that warehouses play a crucial role in ecommerce's growth.

Before jumping into understanding what is a retail warehouse, let's first understand what exactly we mean by warehouse and what is its purpose?

The google definition of warehouse goes like this “a large building where raw materials or manufactured goods may be stored before their export or distribution for sale.”

The primary purpose of the warehouse is that it serves as an epicenter between your local distribution points to easily cope with fulfilling retail orders.

What is a retail warehouse?

Earlier days, warehouses were looked at as a separate part of the retail business. It had nothing to do with your sales or take part in business processes. However, with the advent of the 21st century, things changed!

In mid-year 2015, warehouse spaces in the U.S. were gradually decreasing. Retailers were facing a shortage of traditional warehouse spaces, and their business was getting hampered due to this. However, with the success of the ecommerce industry, the warehouse industry was once again back in the game. But this time, the traditional warehouse

was called a retail warehouse. According to a report, “Warehouses are [143% bigger](#) thanks to e-commerce.”

Developers across the country saw an opportunity to make retail to warehouse conversion, and the idea stormed. A retail warehouse is just like any other warehouse. They are big, generally built on the outskirts of the city, and covering thousands of square meters of floor space. The retail warehouse solves the purpose of having a centralized area for all your storage needs as well as a distribution center to save both money and time for all the retailers out there.

Evolution of Retail Warehouse



Retail warehouses evolved from generation to generation.

- First-generation: industrial units were converted for retail use
- Second-generation: purpose-built free-standing “solus” retail warehouse units
- Third-generation: multi-unit retail parks
- Fourth-generation: fashion parks dominated by a mix of a high-street style retailing and often developed to a higher specification than the standard retail parks.

Retail warehouses have the flexibility that has provided good opportunities for driving sales from reconfiguring stores (small stores).

According to Entrepreneur magazine, the following are the points by which the warehouse has evolved in the past two decades. The changes include:

- **Innovative storage systems:** placing new items on the first shelf of the warehouse. Using these kinds of systems look like a mess, but with the help of modern technological tracking systems, you can make them more efficient.
- **Better tracking systems:** When you scan a product, all of the product information is available instantly. You can communicate information on a product's price, function, expiry date, etc. to suppliers and customers in seconds.
- **Better training and technology:** Well-trained employees can better plan when to reorder products. On top of that, they are backed up by modern day inventory management software. Knowing when inventory is projected to run out maximizes the chance that the product will be available when customers want it.

Benefits of Retail Warehouse

According to Matt Leonard via [Supply Chain Dive](#),

“The retail warehouse is an excellent opportunity for companies looking to embrace the e-commerce revolution and expanded supply chain.”

Few of the benefits of retail warehouses in urban areas are as follows:

- You can utilize existing facilities as a blank canvas for your retail warehouse.
- Retail warehouses serve as local and regional store distribution centers.

- Freestanding facilities offer dock doors, clear heights compatible with industrial use, and ample parking.
- In the niche market, this will give you a competitive advantage if you decide to go omnichannel.
- Redeveloping struggling urban areas where Walmart left.

Challenges and solution of retail warehouse

The warehouse is not someplace where you store your stuff. It also faces challenges which if not paid enough attention, could hamper your business operations. Two of the main challenges that retail warehouse faces are:

- Managing returns
- Managing complexity while maintaining inventory visibility



Managing returns

Returns in any retail business are almost inevitable. Retailers often see as high as 22% returns in some cases. Managing return logistics is a complicated process that every retailer must manage in addition to their core warehousing and distribution operations while offering the same services and at a great cost. Each returned product must be treated as a valuable product and needs to be stored accordingly until it has been quality checked or destroyed/returned to the manufacturer for being an unsellable product.

Present day retail warehouses must be capable of handling multiple returns or linking each returned product to its initial order, thereby maintaining an audit trail.

Managing complexity while maintaining inventory visibility

The rise in international trade has a direct impact on the complexity of supply chains. For example, we now have to implement multi-layer procedures across multiple supply partners as well as different time zones. The wider the supply chains, the complications to monitor it rises exponentially, particularly where important transactional data is collected and processed on various systems and networks.

- Retailers recognize the need to connect insular systems for stock transparency and to maintain the procurement and fulfillment system more accurately.
- Systems that combine all related processes like ERPs, WMS, etc. offer complete traceability and audibility, which gives the consumers confidence that they can recognize the origin of their products as well as track them across the supply chain.

- Data collection and monitoring across the entire supply chain is the key to have a competitive advantage. Collaboration amongst supply chain partners becomes necessary to provide a comprehensive picture of all the items in store as well as while in transit.

Future of retail warehousing



Technology

The future of retail warehouses is not only a question of floor space but its design and process. Although, the warehouse must be designed in a way that accommodates short term changes in terms of floor space.

New warehouses can be designed to facilitate this change, while the existing industrial building must invest in technological solutions to gain the edge in competition.

Technological solutions can range from robots helping in stock picking to the software, which enables workers to maximize space availability by effectively rearranging product placement in the warehouse based on the frequency of to and fro transition from the warehouse.

According to [Deloitte's report Global Powers of Retailing](#), shows how technology is going to be the building block for the future of the retail industry, providing a certain advantage and creating awareness of products both in retail and supply context.

One such application is the use of RFID technology. It is primarily used tagging items that stores and collects data about the individual products. Technology in the retail warehouse can be used for two things that will definitely boost your business.

- To keep track of stock throughout the supply chain.
- To allow consumers to access product information, origin, product tracking until delivery. This will not only increase your sales but also create trust amongst your customers.

Big data

The biggest challenge that retailers face is the operational challenges. The integration of various sales channels to the supply chain is a pain. For seamless operations of physical retailing and online channels, retailers and their supply partners must have far greater stock visibility that they used to have in the past.

The solution to this challenge involves the use of “big data” and associated technology to enable a better, more holistic understanding of the location of

inventory. In order to achieve this granular level product identification, investments in technology will be necessary.

Rise of urban sheds

The key aspect of every retail operation is to smoothen the process of product delivery to its consumers. What could be a better way than having a warehouse right close to your consumers?

The most significant change in retail warehouses one can see in the near immediate future will be the rise in demand for small urban warehouses. The idea behind this is being close to customers' locations and effectively delivering products on time.

Small urban warehouses also help in understanding the buying trends on a micro level and fill its limited stocks from a nearby mega shed warehouse based on local purchasing preferences.

Epilogue

The retail industry is always evolving and undergoing an enormous transformation. The national retail federation (NRF) forecasts that by 2020, retail sales will grow from 3.5 percent to 4.1 percent. As the retail business blooms, it is certain that retail warehouses are also going to flourish in the near future. But, people are always in confusion between a warehouse and a retail warehouse.

The main difference between a normal warehouse and a retail warehouse is so shallow that it can often create confusion. Through this article, I have tried to explain the origin of retail warehouses, its benefits as well as the

future of retail warehouses. Hopefully, this article will quench your thirst for knowledge about retail warehouses. However, if you have any specific questions related to the topic that you feel hasn't been covered above, feel free to ask me in the comments section below.

Relevant Links

<https://veridian.info/retail-warehouse/>

<https://isourse.com/blog/retail-warehouse>

<https://www.across-magazine.com/the-evolution-of-retail-warehousing/>

<https://www.supplychaindigital.com/logistics/retail-warehousing-and-distribution-networks-challenges-and-solutions>

<https://www.indianretailer.com/magazine/2009/june/Retail-Warehousing.m28-2-2/>

<https://www.inboundlogistics.com/cms/article/new-retail-strategies-its-a-store-its-a-site-its-a-warehouse/>

<https://link.springer.com/content/pdf/10.1057/palgrave.rlp.5090207.pdf>

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