



**Outsourcing Ecommerce
Order Fulfillment
for Online Shippers**

As your business grows, the need for a reliable order fulfillment process does too. Many online businesses look to outsource this portion of their business because they do not have the resources such as employees, fulfillment systems, or warehouse space. A quality third party fulfillment company may be able to fulfill orders cheaper than you can in-house on a per order basis, making it worth taking the time to research different fulfillment options.

In order to see if you can save money by outsourcing this process, you first have to determine the cost of fulfilling in-house. Costs include warehouse space rent, supplies, labor, and systems. The soft benefits of faster turnaround times on order fulfillment or lower negotiated costs for shipping and materials should also be considered.

Outsourcing Considerations

There are few important questions that should be covered when choosing a fulfillment center for your products. While they will never know the product line as well as you do, you want to find a company that you feel is a good fit for your size and type of company.

1

Based on their rates, will working with them reduce costs?

2

Does the company have experience with products similar to yours?

3

Can they provide reliable references that check out?

4

Are their reporting capabilities and account support staff adequate?

For a retail startup business, the fulfillment decision is a big one. A general guideline for online retail startups is to look to outsource when order volume reaches 15-20 orders per day. Since that order volume is on the low side for a fulfillment center, bring your business and marketing plan to show estimated growth.

Pricing

One of the challenges in evaluating the options for outsourcing your order fulfillment is making a true comparison between companies. It is a good idea to get price quotes from several different fulfillment centers. Every company will present different pricing based on how they prefer to bill for services. Some charge based on a cost as percentage of sales, but most charge through a combination of per order costs plus storage and other variable costs. To make an even comparison, calculate a cost per order for each company including all charges. As a guideline, an online retailer should figure order fulfillment costs will run 3-5% of sales, with shipping representing an additional 5-7%.

Fulfillment Center Location

The closer the fulfillment center is to your customers, the faster shipments will arrive at their door. In addition, shipping costs will be minimized. While it would be efficient to have multiple fulfillment centers throughout the country, maintaining that large amount of inventory is costly, especially for a startup, so determine if how many products you stock vs. the volume of orders is worth a multiple location fulfillment strategy.

Many fulfillment centers do have multiple locations and can give you a network throughout the country. The optimal number of fulfillment centers can be broken down as follows:

For 1 location – Mid-West is the optimal location for a national program

For 2 locations – Mid-West and West (Reno, NV)

For 3 locations – Mid-Atlantic, Mid-West, and West

Shipping Options for Online Retailers

If you choose to fulfill orders in-house, you have many carrier choices for shipping to your customers, which helps to lower shipping costs. Figuring out which service provides you with the lowest cost can be tricky as rates are calculated differently by each carrier, but here are some general rules about the major shipping companies:

- *If you are less concerned about super reliable service, the USPS will most likely be your best choice for residential deliveries at lower weights. This is especially true for shipments less than 4lbs.*
- *For larger shipments, UPS and FedEx offer virtually the same service. It is worth spending some time to research rates, and even negotiate to get the lowest one.*

If you are using a fulfillment center, your choice of carrier is limited to their preferred partners, but you may be able to take advantage of a better rate based on the fulfillment center's shipping volume. Most centers use both UPS and FedEx in addition to the USPS, and will allow you to ship on your own UPS or FedEx account.

Inventory Management

When initially transferring inventory to a fulfillment center, it is important that all products are identified and put into inventory accurately. If inventory is not correct at roll-out, inventory discrepancies will spiral as time goes on.

Once you are ready to ship product to the fulfillment center, inventory management becomes critical. Most fulfillment facilities have an ASN (Advanced Shipment Notification) to let the receiving department know to expect a shipment of product. The better you can prepare the receiving team about incoming product, the faster it will get into inventory, and the chance is greater that it will be accurate.

SKU is the unique number used by online retailers to maintain inventory. Keep in mind that having a large number of SKU's makes your order fulfillment and inventory management more complicated. Many fulfillment facilities charge a monthly per SKU fee based on how many unique SKU's you keep in inventory.

It is also vital that information from the order data from your online store be transferred to your operations team so they can assemble orders. Most fulfillment operations have integrations that make connecting your online shopping cart to their system simple.

Fulfillment Process

The actual fulfillment process at a center is a detailed one. An employee takes a printed pick ticket and locates the items on the ticket and places them in a bin or carton. A packing list, which documents the items picked, is added to a box of picked items. The packing list might be the pick ticket itself, or a separate packing slip that can be customized with a company logo and return instructions. Once the box is sealed, it moves to the shipping station. A shipping label is printed and affixed to the outside of the box.

The fees for packing orders can be structured in a few ways. Many facilities charge a flat fee per order amount, which may include an additional fee per piece. Other centers charge a per box fee, while others charge as a percentage of sales.

How Kable Can Help

If your company is looking to outsource order fulfillment, Kable Fulfillment has state-of-the art fulfillment solutions, as well as co-packaging services. Our flexible services and competitive prices will ensure you are getting the best fulfillment partner for your business. Contact us today to learn more about how we can help your online retail business streamline fulfillment processes.



Contact Us

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