



Outsourced Web 2.0 Fulfillment

Posted by sabrina on March 20th, 2008



When most people think of setting up a business, they imagine the pleasure that comes with being their own boss. They assume that they'll get to pick and choose the tasks they have to do, keeping the exciting stuff for themselves and delegating the dull work to employees who are happy to do it for a salary.

What often happens in practice is that, certainly at the beginning of business's growth, the CEO is also the company's Head of Sales, QA expert, Production Manager, Head of Distribution... and office cleaner too.

When you're a one-man band, you have to do everything — even the sorts of jobs that had a boss asked you to do them, would have had you storming for the exit.

While hiring help can be one useful solution, many small business owners are faced with a Catch 22: paying employees lets you focus on the most valuable parts of your business and boosts growth; but it also requires capital... which you won't have until you've achieved that growth.

When it comes to one of the most difficult (and frustrating) aspects of running a small business — the logistics of delivery and warehousing — there is a way out of this vicious circle. At least two businesses let small companies store their goods in a professional storage center (one that isn't a garage) and handles their packing and postage too.

Shipwire Lets you Buy Space

Shipwire has warehouses in Chicago, Los Angeles, Toronto and Vancouver but says that it's aggressively bringing more centers on line around the world. For just under \$30 a month, it will give you 16 cubic feet and for a delivery fee added to your products' sale price, ship up to eight different items. More space and product lines can be rented for a higher fee. The price also includes a number of useful goodies such as an easy insurance process, online shopping cart integration, and credit card and Paypal payments.

The whole system is very simple. You just have to ship your goods to Shipwire's warehouses, send them your orders — together with the delivery fees — and they handle everything for you.

Perhaps the most interesting thing about the company though is the businesses they describe in their case studies. These aren't medium-sized firms looking for an alternative to renting their own storage center; they're husband-and-wife teams producing one product and which don't have the space to handle everything from home. Their products include potties for pets and toilet deodorizers.

Presumably though, Shipwire can also handle uniquely designed lampshades or computer programs to be shipped on CDs.

Amazon's Other Business

It's certainly likely that Amazon can. That's the other company offering small businesses a share of warehouse space as well as delivery and stamp-licking services. The pricing here is a little more complicated. Amazon charges 45 cents per month per cubic foot for storage but lifts that fee to 60 cents in the fourth quarter of the year. (You might want to encourage your customers to do their Christmas shopping in the summer.)

It also has a three-step procedure to calculate the total fulfillment fee that takes into account whether the product qualifies as a "media unit," the price of the item and of course, its weight.

All of that — and particularly the seasonal price increase which cuts into profits during the biggest sales period — makes Amazon's system less than perfect. As a seller, you want to know exactly what to tell buyers when they ask to know the delivery charge. You want Amazon to take away a headache completely not replace it with a small pain as you try to calculate the costs.

But Amazon is familiar and trusted. Its pricing per cubic foot means that you only pay for the space you use, its distribution network is well-oiled and reliable, and it has plenty of experience.

It also offers a lesson in maximizing the potential of your business. Amazon might be best-known as an online retailer but in the process of selling and delivering goods, it's picked up all sorts of valuable knowledge and services. Selling those too provides a number of additional revenue streams.

Whichever company you choose, outsourcing distribution does require a cultural leap in your business. As a manufacturer, you'd be accustomed to seeing your products before they go out. That lets you feel like you've created something tangible and it reminds you of what your business actually does. Outsourcing storage and distribution, and unless you're still producing the goods in your garage, your products will ship straight from the factory to the distribution center, and you'll never see them.

Your own work will shift from manufacturing to marketing and managing. Until you employ people to do those too.

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One Comment

1. [nate](#) Says:
March 20th, 2008 at 5:46 pm

Hey Sabrina,

Thank you for the write-up!

We've got a lot of businesses outsourcing whole warehouses too us. Check out the keetza case study, they elected us over a 10K square foot facility.

We've also got a Free trial. No credit card needed.

I agree with you that sometimes it is a "cultural leap", the free trial is meant to make it easier.

Best,

Nate with Shipwire

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