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Shipping 2.0

With a virtual warehouse service, all your smaller business has to lose are its rent and delivery costs. What it can gain are a larger daily run rate, cost savings, and peace of mind.

By Heather Clancy
InformationWeek
July 31, 2008 05:21 AM

Doggy pads.com founder Mark Stern was thrilled about outgrowing his 3,000-square-foot leased warehouse -- until he discovered that moving to a larger one would eat up his 4-year-old company's margin advantage over competitors.



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But instead of opting for an old-world warehouse fulfillment service, the million-dollar pet supply company linked up with a Web 2.0 service provider called Shipwire, simultaneously avoiding a capital expenditure and reducing shipping costs overall.

"As it stands now, Doggy pads saved 66% a month on rent by [using] Shipwire over our own warehouse," says Stern, whose company is based in Los Angeles. "Those savings continue to increase as our volume grows -- not to mention the costs we've offset or eliminated by using a third-party fulfillment company." Those costs include insurance premiums and expenses related to employee management.

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A Simple Proposition

Shipwire's proposition is simple: For a monthly fee, entrepreneurs can integrate its services directly into their e-commerce sites. Shipwire kicks in when the order button is pushed. Plans range from \$29.95 to \$160 per month, depending on whether you ship eight to 60 items, respectively. Shipwire can also negotiate custom pricing for entrepreneurs who opt for customer-service tools or who want to optimize inventory.

Stern says it took about 90 days from the time he signed up for Shipwire to become fully integrated with his warehouse partner. Instead of moving inventory from his old location, he simply diverted new shipments to Shipwire over several months.

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The switch has allowed him to redeploy some of his 10 employees into new marketing and customer service activities. What's more, he now ships out of two locations -- Los Angeles and Chicago -- instead of one, saving him about 15% on shipping to the East Coast. Another benefit: He has been able to recover costs related to damaged or undelivered shipments that he previously had to write off.

But the single largest benefit has been Doggy pads' ability to scale to a much larger daily run rate. Before Shipwire, the company could only accommodate about 40 cases per day; now it handles close to 300.

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Heather Clancy, a freelance journalist and consultant, has been covering the high-tech industry for close to 20 years.

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