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How to grow your e-commerce business beyond the garage



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Many entrepreneurs start out by selling a product online in a marketplace like eBay or their own online store, and ship to the buyers right out of their own garage or spare room. This is a fantastic way to start a business; but, it makes for a lot of long nights and weekends as sales start to ramp up. With today's global marketplaces, buyers may be finding you from around the world, so today's new seller is navigating ever more complex shipping and customs needs earlier than companies just a few years older.

This leaves many part-time, boot-strapped entrepreneur's wondering - when can I outsource this headache and get back to growing my business? Should I outsource all my shipping or just some of it?

Outsourced order fulfilment

You have no doubt heard about outsourced storage and shipping before. It goes by many names: outsourced order fulfilment, third-party fulfilment, warehouse distribution service or product fulfilment. It all means the same thing, finding a warehouse service company to store your physical inventory. When outsourcing order fulfilment, you receive orders and send them out to a partner warehouse, where items are picked, packed and shipped onto the buyers.

Many entrepreneurs are weighing outsourced shipping against leasing a warehousing. Do-it-yourself is much more complex than just a lease on a facility and a label printer. What you will quickly find with your own warehouse is that you are dealing with real estate and not your business. Add to that, operating your own warehouse will consist of a lot of up front costs that take a lot of money out of your business. You have to take into account much more than a lease; some costs to consider include security, facility build-out, software, insurance and of course employee staffing.

Outsourcing order fulfilment can turn your warehouse costs into a predictable variable cost-per-order, with maximum flexibility and limited exposure, and it allows you to maintain focus on the core parts of growing your business, instead of dumping resources of money, time and brainpower into a warehouse.

Outsource some, or all

As you investigate outsourcing your inventory storage and order shipping, think of it as a tool in your toolkit. You don't have to outsource all your shipping - it's not all or nothing. Here are some ways you can leverage an outsourced warehouse for just a piece of your business:

Best sellers. Most sellers have best sellers that are driving a large percentage of their sales. The age old 80/20 rule. If you outsourced the storage and shipping of your best selling products would it solve the bulk of your problem?

International Shipments. We'll cover this more; but, International shipping can be a painful learning curve. Consider, cutting to the front of the class and outsourcing your international shipping.

Seasonal, Projects or large sales channels. Perhaps you set up a new sales channel and it is working out well, can you funnel those sales to an outsourced facility so that you can focus on growing the transaction volume. The same works for seasonal companies.

Growth markets. If you have your eye on a growth market that is geographically distant from your home office, such as an overseas market, this is an ideal time to outsource your shipping.

Evaluating outsourced order fulfilment partners

The most important part of outsourcing order fulfilment is finding a trusted partner and being upfront about your business needs. When vetting partners, you should:

"Try before you buy." Get a free trial and do an "end-to-end test" by sending the vendor sample inventory and routing it back to yourself.

Seek transparent pricing. Avoid long-term agreements and hidden costs like volume commitments.

Invest in Growth Markets. Look for a global warehouse network with warehouses in your growth markets.

Connect via Software. Online sellers should require a software platform that you can easily plug into your Web store, such as eBay or Amazon.

Help yourself. Require great customer support because you are paying your outsourced fulfilment partner to handle problems as they arise.

It is critical, especially in this market, to be prepared to handle increased sales volume without skipping a beat, and without having to focus on building warehouses. You also need to be able to control your costs if your sales decrease. Outsourcing fulfilment is a great way to turn a capital expenditure into a variable cost.

Go global, stay local

Generally, order fulfilment can be done from one warehouse or from multiple warehouses within a regional or global warehouse network.

Today, most sellers exposed to a nationwide or global audience of buyers - especially those with webstores and online sales - would benefit from the shipping cost savings of a global warehouse network.

Having your inventory in one warehouse makes sense if all your sales are in one region of a country, your products are perishable, or if you have thousands of products and your inventory is so complex that you don't have best sellers (example, some automotive parts sellers).

However, entrepreneurs should take a trick from the hat of large retailers and product companies that leverage warehouses around the world. The large volume product sellers can take an order online and route the order to the warehouse closest to the end buyer. Simply put, the primary benefits of selling globally and shipping locally are:

Cut shipping costs massively

Eliminate customs and duties hassles

Cut shipping times

Local returns processing

Fast and free local shipping promotions increase sales

*Nate Gilmore is a Vice President at Shipwire, a provider of **outsourced e-commerce product fulfilment** with warehouses in the UK, United States and Canada. Nate blogs consistently at www.shipwire.com/blog. Find out more about globalising your business using order fulfilment at www.shipwire.com/GlobalGrowth*

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