

## How to grow your e-commerce business on a tight budget

July 22, 2010 | Damon Schechter

1 Comment

*(Editor's note: Damon Schechter is the founder and CEO of Shipwire. He submitted this story to VentureBeat.)*

One of the biggest challenges faced by part-time or bootstrapped entrepreneurs who do business online is scale. Finding a warehouse storage and shipping option that grows with their business, offers flexibility, is cost effective and doesn't distract from their marketing and sales efforts is not an easy thing to do.



Warehousing and shipping can make up about 10 percent of an e-commerce company's costs. Other than inventory, in fact, it's often the largest expense a retail or wholesale business faces.

Setting up a warehouse facility involves a lot of guesswork and often doesn't give your business the flexibility it needs. Leasing one forces you to rely heavily on sales volume estimates – and often requires cash up front, along with various other potential problems.

There is an alternative, though. Outsourced order fulfillment finds a warehouse to store your physical inventory. Then, as you receive orders and send them along, packs and ships them onto buyers.

The process allows startup owners to focus on the core parts of growing their business – marketing, sales and product sourcing – while eliminating guesswork and employee overhead. It also provides flexibility to grow, while limiting your exposure if sales slow.

Order fulfillment can be done from one warehouse or from multiple warehouses within a regional or global warehouse network. Having product stored in multiple locations can make sense if you do business on something other than a regional scale. As orders come in, they can be shipped from the warehouse closest to the end-buyer.

There are a few benefits from this:

- **Lower shipping costs** – You can save up to 35 percent on domestic orders and 75 percent on international ones, since the final shipment travels a shorter distance.
- **No customs fees** - When shipments cross borders, governments layer on customers, duties and taxes. Bulk importing goods to an overseas warehouse allows you to sell in an international market like a local seller.
- **Faster delivery** - Get products to buyers in less time.
- **Increased sales**. Cutting shipping times and costs allow you to grow sales and leverage winning promotions, including free shipping.

Outsourced shipping isn't for everyone, of course. If you're thinking about it, here are a few things to keep in mind before making the commitment.

- **"Try before you buy"** - Get a free trial, then send the vendor some sample inventory and ship it back to yourself. That's a good end-to-end test.
- **Transparent pricing** - Since you're likely trying to get away from long-term agreements and hidden costs, watch out for long contracts, volume commitments or minimums.
- **Growth Markets** - Look for multiple warehouses in major markets where you can grow such as the U.S., Canada and Europe.
- **Connections** - If you sell online, your fulfillment provider should have a software platform that you can easily plug into your Web store such as eBay or Amazon.
- **Help when you need it** – Great customer support and knowledge is always important. You're paying for the company to handle any problems that arise and you want the benefit of smart people to help your business.

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