

How outsourced fulfillment can help you go global

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By Nate Gilmore of Shipwire [e-commerce product fulfillment service](#)

Many entrepreneurs get started by selling a product online on a web store like [3dcart](#). For these entrepreneurs, one of the biggest challenges to growth is finding a shipping solution that will scale with their business, offer business flexibility, be cost effective and not become a distraction from the marketing and sales efforts.

A good rule of thumb is that warehousing and shipping can run about 10% of costs for an e-commerce company (give or take a few % and clearly depending on the type of products you sell). Other than inventory, storage and shipping is often the largest component costs in an online retailer's business. It is sometimes more than marketing.

Setting up your own warehouse facility involves a lot of guesswork and probably won't give your business the flexibility you need. Leasing a warehouse forces the entrepreneur to guess sales volume, put cash up front to secure the location and guess as to where sales will be if they want to try and store products reasonably close to buyers. Factor in market volatility from the economy and unknown global traction and managing your own warehouse quickly becomes a scary proposition for fast growing companies.



To add insult to injury, most small sellers and startup businesses just don't have the expertise to know how to get effective carrier prices, or employ the necessary staff to manage a warehouse well long-term. Every wrong turn is money down the drain.

Whether you call it outsourced warehousing, third-party fulfillment, distribution service, product fulfillment or outsourced order fulfillment the idea is the same – find a warehouse to store your physical inventory; as you receive orders, route the orders to the warehouse. Your warehouse team will then pick, pack and ship to buyers.

Outsourcing order packaging and shipping allows you to focus on the core parts of growing your business. As an online merchant, your valuable time and resources are better spent on marketing, sales and product sourcing, [not shipping and fulfillment](#).

Having a third-party handle the storage will reduce guesswork and eliminate capital cost for buildouts as well as employee overhead. Outsourcing turns your warehouse costs into a predictable variable cost-per-order, providing your business maximum flexibility with limited exposure in the event that sales slow.

Outsourcing also allows you to scale up and down without having to hire more employees, build additional warehouse space or spend funds on infrastructure. This is especially beneficial for e-commerce merchants that experience seasonal fluctuations.

While your business goes global, your shipping can stay local. Order fulfillment can be done from one warehouse or from multiple warehouses within a regional or global warehouse network.

However, most product companies today are selling far and wide to attract buyers from multiple countries and through webstores and many online marketplaces with national or global buyer traffic. Having product stored in multiple locations around the country or around the globe makes a lot of sense. As orders come in, they can be shipped from the warehouse closest to the end-buyer. The benefits are obvious:

- **Cut shipping costs massively.** Savings of 35% on domestic and 75% on international are not uncommon. This is because the final shipment travels less distance.
- **Eliminate customs and duties.** 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.
- **Cut shipping times.** Get products to buyers in less time.
- **Fast and free shipping promotions will increase sales.** Cutting shipping times and costs allow you to grow sales and leverage winning promotions.

Multiple warehouses around the world is the cost-efficient shipping model employed by large retailers and product companies. This allows them to take orders from customers based around the world and then ship the merchandise from the warehouse closest to where the buyer is located.

Here are a few things to consider before hiring an outsourced order fulfillment partner:

- **"Try before you buy."** Get a free trial and send the vendor some sample inventory and ship it back to yourself. End-to-end test.
- **Transparent pricing.** You are 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 and favorite marketplaces.
- **Help when you need it.** Great customer support and knowledge. You're paying for the company to handle any problems that arise and you want the benefit of smart people to help your business.

Remember, in this economy, it's important for you to be prepared to handle increased sales volume without skipping a beat and without having to focus on building warehouses. If your company is like most, it's looking at costs and overhead and trying to trim the excesses. And, outsourcing fulfillment is a great way to turn a capital expenditure into a variable cost.

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