

The Ultimate Guide to

Fulfillment Centers

Ship**Monk**



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Part 1

ORDER FULFILLMENT



PART 1

Shipping customers' orders accurately can be challenging. There are many steps in the supply chain journey, and each carries the potential for errors, delays, and wasted monies. From tracking inventory and shipments to generating invoices and deciding on a shipping service, the requirements to deliver a perfect order can be intimidating.

But don't panic! It's totally doable.

Understanding what order fulfillment is and how it works is the first step toward improving your process, retaining more customers, and growing your startup.

In this part, we'll take you through the order fulfillment process so you can understand how it works *and* how it can significantly impact your business.

What Is Order Fulfillment

The term *order fulfillment* refers to every step taken by a company from the moment it receives a customer's order—at the POS or point of sale—until that order is delivered safely and accurately into the customer's hands.

Order fulfillment processes vary from industry to industry. A restaurant, for instance, receives an order, prepares the requested food items, packs them, and delivers them to the customer within an hour or so. For other industries, though, the process is not as quick.

The Fulfillment Process

First, you find—or design—a totally cool product, then set it up with a manufacturer or distributor. Then you set up your online ordering system, be it website and marketplace orders, shopping carts and/or retail sales. Then you hook up with a fulfillment company.

Let's assume you (very wisely) chose a fulfillment company that uses software as savvy as you are. This software can track your orders and integrate for multichannel shipping. The right company with the right software can even handle dropshipping for you. They'll also receive your products, assist with quality control, and even take pictures as needed, so you'll know what product is where in the warehouse and what condition it's in.

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So now you're partnered with a great fulfillment company with super-smart software. This is what happens next:

The first thing that software looks for is your product. Is it in the fulfillment company's warehouse already? Is there enough of the product to complete the entire order? Do you need to order more from the manufacturer? If it's in the company's warehouse, no problem, and the order goes out pretty much in a heartbeat. If it needs to be ordered, that's still no problem. Why not?

Because the software also keeps track of how much inventory you have on the shelves and will flag you when stock runs low. That lets you order from the manufacturer ahead of time, so there's no delay in filling your customer's order. Your fulfillment company can also handle freight forwarding and receiving and then log your inventory. The software will let you know every step of the way—pretty much the best possible tracking system on the planet!

The next step is relatively straightforward:

The fulfillment company's team picks, packs and ships your order to your customer using the standards you've set for your brand. That means they (literally) pick your product off the shelf, pack it properly for safe shipping, then get you the lowest rate possible for the carrier most appropriate for your needs.

You can also ship pretty much anywhere in the world if you want because the fulfillment partner will pave the way with all that tricky international documentation. And, you won't have to build a warehouse overseas to handle your overseas orders.

Another great feature of a good fulfillment company's packing step is that they'll also include whatever non-order materials you've asked for. That includes leaflets, flyers, coupons, and other printed materials, as well as a quality filler to pad the product appropriately. Then they'll either send it out in a generic box or another package that fits the product—always working to avoid that sticky volumetric weight “bag of potato chips” problem—or they'll pack and ship your things in the package you supply such as a custom size box with your brand

The right fulfillment company—like [ShipMonk](#), for instance—can also help you ramp up your customer's unpacking experience by supplying niceties like colored crinkle cut paper, snappy bubble wrap, and all kinds of things to make the unboxing experience one your customer remembers.

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Once the order is picked and packed just right and shipped to your customer, one of two things happens:

1) You have a super-happy customer who got exactly what he or she ordered, “had fun” unpacking your product, and is off to make good use of what they purchased from you.

2) Something went wrong along the way. Maybe the order got mixed up between the shopping cart and the warehouse. Maybe something in the package is wrong or got broken or damaged, or maybe your customer is unhappy for some other reason. It doesn't matter. Here's what your fulfillment partner can and will do:

With the help of—once again—that trusty software, they'll accept the return and do whatever it takes to make your customer smile. They can return the product to their warehouse. They can hold it—or dispose of it—whichever you want them to do. Or they can refurbish it to your specifications. Then, depending on how you tell them to handle things, the process starts all over:

A new order comes in—it's picked, packed and shipped—and this time (hopefully) you have a happy customer who will reorder from you because the return process was so easy, they almost couldn't believe it.

How Your Order Fulfillment Process Affects Your Reputation

One of the ways a customer judges a company is by the efficiency of its fulfillment process. A perfect order is one that is correct, complete, arrives on time and is undamaged. More than that, it's accompanied by the proper paperwork.

When a customer places an order via your website, they're looking to have that product on their doorstep as soon as possible. They don't want the worry of receiving the wrong item, dealing with damages, or waiting too long for the order to arrive.

In today's fast-changing business environment, companies that can't keep pace with customers' requirements will fail. Offering your prospects high-quality products, stellar customer service, and fast order fulfillment is paramount if you want a leading edge over your competition.

Imperfect orders not only affect your customers' satisfaction. They can also increase shipping costs due to the necessity of providing a replacement product. By minimizing flawed orders, you can boost your efficiency, increase customer satisfaction, and grow your revenue.

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Terminology and Fees

Each fulfillment center has a different pricing structure that they feel most benefits their target customer, as well as drives profit for the company. But, you need to find the best match for your business. It can be challenging to identify the pros and cons of all the different fulfillment firms out there and perhaps even daunting when it comes crunching the numbers. To help you out, we've created a simple checklist to help you with terminology and also to familiarize yourself with the customary fees incurred with order fulfillment.

- Receiving
- Pick and Pack
- Storage Fees
- Return Processing
- Customer Support
- Inventory Management Software
- Set Up & Shopping Cart Integrations
- Miscellaneous Fees
 - International Shipping
 - Special Projects
 - Order Minimums

Receiving

All fulfillment companies have a process in place to receive inventory in bulk, store it in the warehouse, log it into the system, and monitor inventory levels. Receiving inventory is an ongoing process, so if you choose a fulfillment center that charges for this service, you'll need to calculate your turnover rate and how often you'll need to restock. Another factor regards exactly *how* the fulfillment center charges for receiving, whether it's by the hour or by SKU (Stock Keeping Unit). Many fulfillment companies waive the receiving fee since they'll make enough on the pick and pack or storage fees. Still, it's something to consider and factor in.

Pick and Pack

Pick and pack fees are the easiest to compare because all fulfillment centers charge for picking order — you just need to compare fee schedules. The more important question to ask is, "At what level will I begin receiving *discounts* on your pick fee based on the number of orders I process per month?" Also, you'll need to ask about any fees for additional items included with each order, such as marketing or promotional collateral. Basic packing materials are typically included in the pick and pack fee, but it's worth clarifying. You shouldn't have to worry about a surprise bill

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for packing material at the end of the month.

Storage

Storage fees are the most difficult cost to forecast. This is because storage requirements are prone to fluctuation more than any other variable. More difficult is that some fulfillment companies try to mask storage fees in elaborate equations. Here's the gist of it:

Storage fees are calculated as cost per cubic foot and/or cost per pallet required to store your product. Most fulfillment companies optimize storage as much as possible, so you'll only be charged for space occupied and even then only on a month-to-month basis. The key things to consider when calculating storage are the size of the product, the number of SKUs, and the quantity of product on hand. Most commonly, you'll need a unique storage location for each SKU so items don't get mixed up. Confusion regarding location of items is the #1 cause of inaccurate picking which can lose you both money when it comes to returns *and* may lose you customers.



PRO TIP

Storage Insurance

When you store your inventory ask about different ways to insure your product. Some common options include:

- The fulfillment company insures the product on your behalf
- Adding the fulfillment warehouse as an additional location to your existing insurance policy
- Waiving coverage altogether

Each option has its advantages and disadvantages. Depending on the setup of your business and the value of your product, you can decide the best option for your business.

Return Processing

Since the fulfillment center's location is the "SHIP FROM:" address, your fulfillment partner will be responsible for receiving customer returns. Depending on the fulfillment company, returns may be processed and billed differently, so make a point to ask. Also, find out if they'll inspect the product for damage. Very often returns are billed close to the same rate as the original order, so exchanges will be charged almost as much as a *new* order requiring you to pay (again) for pick and pack.

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Customer Support

The biggest differentiator among fulfillment companies may well be Customer Support. Some fulfillment companies provide a dedicated support team. With other companies, you're lucky if you can get a live person on the phone. Be sure to find out *what level* of customer support—if any—is included in your monthly fees. Conversely, if you'll be billed separately, find out exactly *how* you'll be billed each time you or your customer needs assistance. Although every fulfillment company strives to keep customers happy and minimize the number of questions or concerns, issues are bound to arise. You need to know they'll be dealt with promptly *and* courteously so your brand isn't damaged.

Inventory Management Software

Every fulfillment company worth its salt uses software to manage your inventory. Since it's imperative to use software to optimize and automate your logistics, it's standard that software costs be integrated into general order fulfillment fees.

However, some companies try to make money setting up the software for you, which brings us to our next point.

Set Up & Shopping Cart Integration

The inventory management software offered by the fulfillment center needs to integrate directly with your existing shopping cart in order to download orders for automatic fulfillment. Chances are you're using a conventional shopping cart or marketplace that the software is preprogrammed to handle, so setup should be simple, fast *and* free. If you happen to use a shopping cart that requires a custom integration, you may be billed for the developers' time. That's not necessarily unreasonable, but the fulfillment company should have a general idea of how much specialized integration costs per non-conventional cart or marketplace and not try to sidestep and hedge a quote with "it all depends."

One more setup fee you may run across is setup of your SKUs (Stock Keeping Units). Simply put, a SKU must be created in the system and associated with the physical product in the warehouse. That way, when an order is processed through your online store, the SKU is identified via the software and the *exact* product is picked.

[Click here for more information on SKUs and product mapping.](#)

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Miscellaneous Fees

Fulfillment companies try their best to keep their pricing structures simple, but that doesn't mean they're all-inclusive. There are countless fulfillment activities that require additional effort on the part of the fulfillment center, and you'll most likely get charged if something's not included in your monthly plan. Here are some additional costs you should address with your fulfillment provider before you sign the contract:

- Rush orders
- International Shipping
- Special Projects
- Order Minimums
- Kitting and assembly
- Custom packing procedures (especially for subscription box fulfillment)
- Counting inventory
- Document filing

Feeling overwhelmed? Don't feel bad. This whole subject of order fulfillment fees is complicated, but it's better to ask questions up front rather than finding random charges on your bill each month with no clue where they came from *and* no way to eliminate them if the fulfillment company won't work with you.

To get a better handle on your estimated costs, check out our [fulfillment pricing](#) page or better yet, [contact us](#). We can either give you a custom quote tailored to your business needs or just answer a question about fulfillment. Either way we're more than happy to help!



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THE BENEFITS OF OUTSOURCING ORDER FULFILLMENT

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Sure, there *are* a few benefits to managing the order fulfillment process on your own. It's cheap, flexible, and easy to create a personalized experience for your customer. But as your startup business *and* your inventory grow, it can become challenging to keep track.

This is precisely why partnering with a fulfillment company can effect a crucial change.

The right fulfillment center will not only handle every single step of the order process for you, but it will also help you penetrate new markets. It can store, organize, and ship your orders more efficiently, thereby reducing the risk of errors and returns. Also, since the fulfillment company has greater negotiation power than you, your costs can be significantly reduced.

Fulfilling orders isn't easy, and it can make or break your startup in myriad ways. But with the help of order fulfillment companies and state of the art software, startup companies continue to evolve and learn, so delivering perfect orders is now an attainable goal.

Here are the top five benefits of outsourcing your fulfillment services:

1. Focus on Growing Your Business

Chances are, you didn't start your eCommerce business because you love packing boxes. Even if you happen to be gifted when it comes to filling and wrapping packages, it's the *other* skills you bring to the table that make your business unique. Even more than that, as your online store sales grow in volume, your time grows scarce. Even if you have a small yet exceptionally talented and efficient team on your side, you still don't want to spend countless hours of your business day packing and shipping orders.

Outsourcing eFulfillment will save you precious time so that you can focus on growing your business. The time you save by outsourcing can now be focused on sales, product sourcing, and/or online marketing rather than backend logistics.

2. Cut Costs

Although it may seem cheaper to fulfill orders yourself, as you grow, hiring an eCommerce fulfillment company can actually save you money. There are three key ways a fulfillment service will reduce your overhead:

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First, you'll no longer have to settle for long-term warehouse leases—a definite budget drain during slow periods. With a fulfillment service, you'll pay a monthly fee *only* for the amount of space you occupy and for the service provided.

Second, many fulfillment services can negotiate a better rate with couriers due to greater shipping volumes. Additionally, not only will you benefit from their expertise, you can also leverage the fulfillment service's negotiating power on packaging and shipping costs.

Third, when you fulfill orders on your own, as your business grows, so too will your staff. No matter how efficient and hardworking they are, managing employees still costs time and money. Outsourcing your orders to an eCommerce fulfillment company lets the firm worry about warehouse space, finding quality fulfillment staff, and negotiating great prices with shipping companies. You can then focus on hiring staff with the talents and business savvy necessary to grow your business, not pack your boxes.

3. Efficient Storage and Distribution

It goes without saying that a fulfillment company lets you store, organize, and ship your orders more efficiently. They'll do all the work of receiving, storing, and managing your products, *and* they'll provide easy access for tracking your current stock levels.

More importantly, a fulfillment service eliminates the risk of shipping errors. Their state of the art inventory technology, automated processes, streamlined pick and pack methods, and advanced receiving and return procedures ensure accurate *and* efficient order fulfillment processing.

4. Scale Your Business with Fewer Headaches

As your business grows, shipping becomes more stressful, especially if you sell your products via multiple paths. Consider how many steps there are between receiving an order and delivering it to your customer's door and you'll realize that fulfilling orders yourself is rarely a walk in the park.

But when you take that walk with a fulfillment company by your side, you won't have to worry about packing and distributing, managing additional inventory, finding low-cost warehouse space, or hiring new fulfillment employees. Instead, you'll have all the confidence you need to grow your business as quickly as you wish *without* fear of negatively impacting your customers' experience.

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5. Enter New Markets More Easily

Without a doubt, eCommerce is one of today's fastest growing industries. Many small online businesses aspire to tap into the global market but hesitate to do so for fear of the risks involved. Outsourcing order fulfillment is an excellent way to enter new markets *without* setting up brick-and-mortar shops in every country you plan to sell your products. Furthermore, you can take advantage of the fulfillment company's excellent shipping rates and distribution location, and some order fulfillment firms will even assist you with the necessary documents for international trade.

Customer expectations are already high, and as the world of eCommerce progresses, they'll only get higher. In this swiftly changing market, you can't afford to settle for merely satisfactory order fulfillment—you must have it *perfect*. Outsource to a fulfillment company and you'll not only remain competitive and efficient, but you'll become even more so!

Benefits of Using a Fulfillment Center

-  **Focus on growing your business**
-  **Cut costs**
-  **Efficient storage and distribution**
-  **Scale your business with fewer headaches**
-  **Enter new markets more easily**

Part 3

CREATING COST SAVINGS BY USING A FULFILLMENT PARTNER



PART 3

Startups and small business owners commonly ask: Can I still save money if I'm not shipping thousands of orders each month?

The answer is Yes!

It's not uncommon for us to speak with a business owner—one who's seemingly happy fulfilling orders internally—but who then, after reviewing ShipMonk's services, recognizes that outsourcing fulfillment can not only save time *but* a whole lot of money. Needless to say, it doesn't take long for savvy business owners to realize that the resources saved by outsourcing can be put to much better use, thereby helping to grow their business faster.

While there are several expenses to keep in mind when fulfilling orders in-house, here's a simple list that to give you a start in factoring costs:

1. Warehouse rent
2. Warehouse equipment
3. Labor
4. Utilities
5. Insurance
6. Materials
7. Inventory management software
8. Shipping

1. Warehouse rent

The fixed cost of leasing a space large enough to accommodate growth can restrict cash flow that really could—and should—be better spent on acquiring new customers. Also, if you run your business from your home or office, you'll have to commute to the warehouse on a regular basis to ensure everything is running smoothly. You might even have to employ a warehouse manager to oversee your fulfillment center.

2. Warehouse equipment

Often overlooked, the equipment—shelves, label printers, packing tables, pallet racks, etc.—required to correctly set up an efficient pick, pack, and ship operation can add up quickly.

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3. Labor

You can pick and pack orders yourself, but chances, are your areas of expertise do *not* include fulfillment. Instead, fulfillment takes time away from what you're really good at, which is how you got into your business in the first place. You do have the option to hire Picker Packers so that you don't have to personally fulfill orders. Except then you'll interview, hire, train and try to retain them throughout the year. This becomes even more challenging and time-consuming if your business is seasonal enough that you have to adjust the number of personnel needed on a month-to-month or even day-to-day basis.

4. Utilities

Don't forget to factor utilities—water, sewer, electric, etc.—associated with running a warehouse. Even if your lease or rent contract is all-inclusive, you're still paying for utilities.

5. Insurance

Just like utilities, the moment you rent warehouse space, you'll have to obtain claims insurance to cover—to name a few—theft, fire, flood, roof collapse, missing inventory, damage during handling, insufficient facility maintenance... The list goes on.

6. Materials

You start out selling products to pay for all the warehouse expenses, but then you start incurring a *new* set of costs associated with fulfilling orders. Boxes, tape, cartons, shrink wrap, labels, safety equipment—those are all necessary expenses to ensure your orders make it to your customers in the same condition they left the warehouse.

7. Inventory Management Software

You're selling more and more orders—which is great because your fulfillment costs per unit start to decrease—but how are you controlling inventory? When you're just starting out, you might be able to get away with manually fulfilling orders that come in through your website. As you grow though, you'll need to invest in inventory management software—for instance, ShipStation or TradeGecko—that integrates directly into your shopping cart or marketplace for automatic product importation. But you can eliminate the costs of using pricey software by choosing a fulfillment company that's powered by inventory management software. Most reputable

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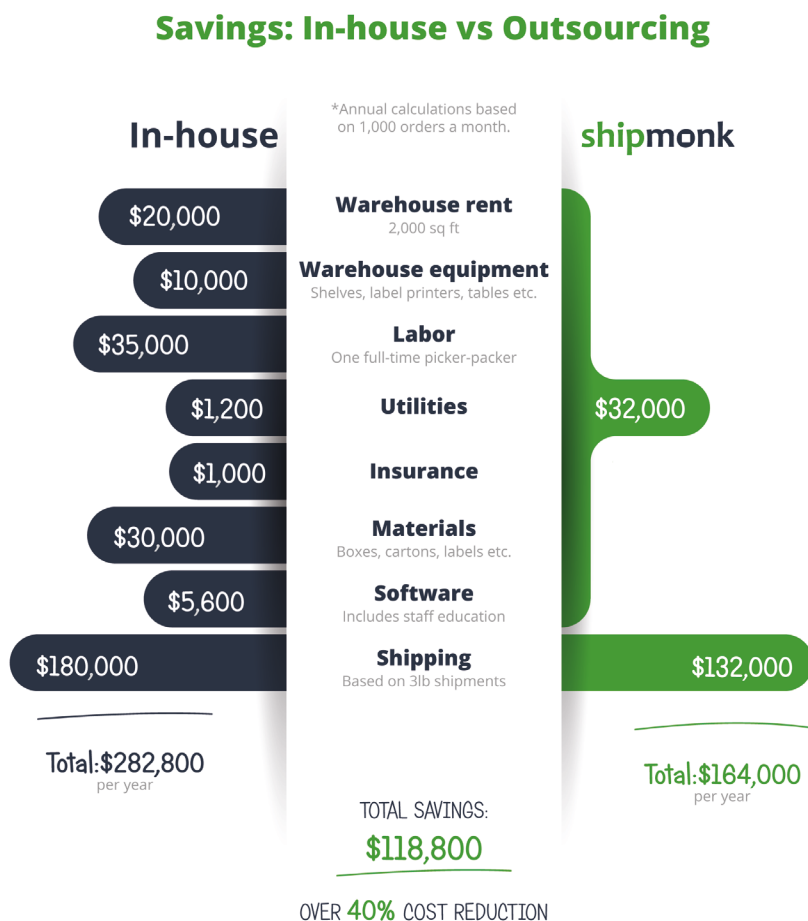
fulfillment firms use software to ensure order accuracy, and you'll have access to their system so you can review analytics, forecast inventory, and permeate more revenue streams.

8. Shipping

Even if you haven't saved a dime from implementing items 1 through 7, you'll *absolutely* cash in the savings when it comes to shipping costs. Not only will a fulfillment company guide you regarding the very best practices to reduce shipping costs, but but you'll also get access to their *extremely* low shipping rates due to their overall shipping volume per day.

On top of all that, having professionals handle your customs forms, bill of ladings, shipping contracts and other restrictions will exponetially *reduce* the number of risks your business is exposed to by in-house order fulfillment.

Here's a graph we've developed to better illustrate the cost of fulfilling orders in-house vs. outsourcing to an order fulfillment company.





Part 4

9 SIGNS THAT YOU'RE READY TO OUTSOURCE FULFILLMENT

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If you're unsure whether your company is ready to outsource fulfillment or not, here are some key considerations before making a final decision.

1. Your struggle to keep up with growth is reducing fulfillment to an afterthought

While agility is unquestionably a valuable characteristic of small businesses and startups, when your efforts are focused on more critical business operations, you may grow ineffectual when it comes to fulfillment. Chances are, you have other—and possibly stronger—skills and experience besides logistics. If fulfillment is in any way a distraction from the focused skills that will grow your business, fulfillment will either become an afterthought, or the presence of order fulfillment duties on your plate in the first place may inhibit your productiveness and short circuit creativity in the areas you *do* excel in.

Additionally, the opportunity cost of in-house fulfillment may hurt your business more than it helps. Fulfillment companies not only handle *all* of the pick, pack, and ship, but the psychological freedom from those details very often enables business owners to more creatively focus on marketing and selling their products. Delegating the crucial task of fulfillment may also release positive energy that you can put toward improving any other business-growing skills you need to develop.

Scalability is another key element in deciding whether or not you should outsource fulfillment. You may be able to keep up with orders now, but what about 3 months from now? Moreover, will you have the time even then to vet order fulfillment companies in order to determine which one is the *best* fit for *your* business?

2. You're interested in outsourcing but are concerned about the costs

Many startups bootstrap their operations to conserve resources in order to retain greater control while growing the business. The downside is that your resources are limited. This may stunt or slow growth, so you need to look past initial costs and take into consideration the bigger picture of outsourcing fulfillment. Does your business require you to scale quickly to maintain a competitive advantage? Or will you benefit by having a logistics partner? By bootstrapping fulfillment, you may miss out on the extensive network that a well-connected fulfillment center could provide by way of valuable industry-centric advice.

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If you're still hung up on costs, make sure you do the math. Once you factor in the cost of printers, scales, shelving, facilities, labor and supplies, it's not uncommon to find that the total outsourced fulfillment cost per order comes in at less than the DIY cost per order. This also doesn't take into account the value of freed-up working capital and management focus. Delegating the repetitive process of warehousing, picking, packing, and shipping to others can, over time, be the deciding factor between sales growth vs. stagnation.

3. You're overpaying for shipping

Unless you've worked with a fulfillment company in the past, or have spoken to someone who has, you may not realize that you are overpaying for shipping. Shipping is extraordinarily expensive for small businesses that don't have the leverage to negotiate better rates. Since fulfillment centers ship at high volumes, they've negotiated discounted rates with most shipping carriers, and these savings are passed down to the fulfillment centers' clients.

The overhead of daily UPS or FedEx pick up, endicia.com, or stamps.com fees, and the cost of package processing software like ShipStation can add up quickly. All of these basic costs can be avoided just by outsourcing fulfillment.

4. You're worried that inaccurate orders may lead to brand damage

Unfortunately, most customers today give a company only one opportunity to deliver on a promise. Therefore, it's imperative that you meet their expectations when they place their very first order. No matter how familiar you are with your product line, if you're inputting orders manually—or picking and packing products without an inventory management software—you cannot be assured that your orders are being fulfilled accurately. This is not to say that fulfillment centers are perfect. However, most fulfillment companies have implemented systems and have procedures in place to ensure your order is shipped correctly. This problem is magnified if you have multiple SKUs and aren't accessing the latest inventory management technology. A cutting edge SaaS (Software as a Solution) can monitor inventory levels to reduce back orders and eliminate misidentified, miscounted, and misplaced products.

5. You're running out of storage space

Don't let storage be a hindrance when forecasting inventory. By using an order fulfillment company, you'll be able to accurately predict inventory levels and store sufficient product based on market demand without having to factor in more

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warehouse space. Since businesses selling CPGs receive significant discounts for ordering in bulk, your price break from ordering a higher volume of inventory can cover a portion of the cost associated with outsourcing fulfillment. And of course, this is cheaper and much more convenient than renting a storage unit or, if your budget is really tight, storing product in your garage.

6. You're currently researching ways to develop an in-house fulfillment department

If you find yourself Googling topics related to fulfillment operations and how you can streamline your in-house efforts, it may be time to look into third-party options. Growing a profitable business requires a *lot* of work and every resource—both time and money—is valuable. So why waste resources on growing an order fulfillment department when you can simply outsource the entire operation altogether? Fulfillment companies have helped more business than they can count when it comes to streamlining and scaling their logistics operations. As experts in supply chain management, a fulfillment company can help your business with factors such as sourcing cheaper packaging, finding better shipping options, and even offer advice on your business model.

7. You're looking to grow by targeting an international customer base

Outsourcing your international fulfillment is an excellent way to penetrate a new market *without* incurring the risk of opening your own warehouse abroad. With help from an order fulfillment company, you can handle this problem efficiently. Not only do fulfillment companies get better international shipping rates—and may even be strategically located in your target country—but they're also experienced with export and the customs documentation filing that goes with it.

8. You're having trouble managing your SKUs and inventory levels

If you're a small business, you probably don't need state-of-the-art technology to grab a product off a shelf, put it in a box, and slap a label on it. But once you have hundreds of different products in your warehouse, you'll need to invest in some type of warehouse management system to keep track of inventory levels and sales forecasts. Mismanaged inventories—whether deficient or excess—can create significant financial problems. When choosing a fulfillment company, always ask in-depth questions regarding their fulfillment software. Depending on the company, you may have inventory management software access included in your monthly

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fee. This is another alternative to cut other operational costs when outsourcing fulfillment.

9. Your customers are experiencing slow shipping times and delays

Typically, fulfillment companies are strategically located next to major shipping hubs. This facilitates faster delivery times *and* lower shipping costs. The physical location of your business may contribute to delays simply due to lack of access to—or a relationship with—the major shipping carriers.

There you have it! We've learned through experience that, more often than not, the presence of at least a few of these 9 signs indicate the need for you to seriously consider outsourcing your fulfillment needs. No business is exactly the same, so you'll need to do a bit more business-specific homework before you can make an educated decision whether or not outsourcing fulfillment is right for you.



You're Ready to Outsource Fulfillment

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1. You're overpaying for shipping

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2. Your customers are experiencing slow shipping times and delays

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Don't let storage be a hindrance when forecasting inventory. By using an order fulfillment company, you'll be able to accurately predict inventory levels and store sufficient product based on market demand without having to factor in more warehouse space.

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4. You're struggling to keep up with growth

Fulfillment companies not only handle all of the pick, pack, and ship, but the psychological freedom from those details very often enables business owners to more creatively focus on marketing and selling their products.

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7. You're interested in outsourcing but are concerned about the costs

By bootstrapping fulfillment, you may miss out on the extensive network that a well-connected fulfillment center could provide by way of valuable industry-centric advice. Also, make sure you do the math. Once you factor in the cost of printers, scales, shelving, facilities, labor and supplies, it's not uncommon to find that the total outsourced fulfillment cost per order comes in at less than the DIY cost per order.

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8. You're currently researching ways to develop an in-house fulfillment department

Growing a profitable business requires a lot of work and every resource—both time and money—is valuable. So why waste resources on growing an order fulfillment department when you can simply outsource the entire operation altogether?

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9. You're worried that inaccurate orders may lead to brand damage

No matter how familiar you are with your product line, if you're inputting orders manually—or picking and packing products without an inventory management software—you cannot be assured that your orders are being fulfilled accurately.

We've learned through experience that, more often than not, the presence of at least a few of these 9 signs indicate the need for you to seriously consider outsourcing your fulfillment needs. If you have any questions related to fulfillment or logistics, we'd be more than happy to help!

Part 5

EVERYTHING YOU WANTED TO KNOW ABOUT FINDING A US FULFILLMENT CENTER



PART 5

Most eCommerce businesses target the local market before stepping outside their comfort zone to penetrate the international market. While there's certainly nothing wrong with validating your business locally, adopting a global mindset might help you scale your eCommerce business more quickly.

Outsourcing order fulfillment operations is becoming increasingly popular for many reasons, but for businesses looking to enter the international marketplace, the answer is simple: risk reduction. According to eMarketer, eCommerce is the *only* trillion-dollar industry growing at double-digit percentage rates, so why not take advantage of the market if you can reduce your risk?

Merely outsourcing your fulfillment operation is not nearly enough to reduce the risks involved with penetrating an unfamiliar market. Companies should perform the necessary due diligence to properly vet the fulfillment company to ensure they're suitable for their business's needs. You want a partner who's not only able to fulfill your orders, but also store your product while you focus on promoting your business to U.S. consumers. You also want a service that allows you to monitor your orders remotely.

Tip #1: Look for a fulfillment center with similar clients & industry specialization

You'll want to find a fulfillment company that already works with eCommerce businesses similar to yours. This advice is especially applicable to eCommerce merchants for whom experience and on-time delivery are crucial to the success of the business (e.g. subscription boxes). Just as your online store is different from others, so are order fulfillment companies. For instance, some specialize in certain industries and are more capable of taking care of your specific business needs.

Tip #2: Never make a decision based solely on price

One of the most common mistakes in choosing an order fulfillment company, whether domestic or international, is to choose a company solely on price. Even though price does matter significantly, finding a partner you can trust is equally important. Look at what exactly is included in the pick and pack fees, as well as the level of customer service provided. Some fulfillment companies may appear to have lower pricing but are structured for businesses with higher volume than lower-volume companies trying to sell to U.S. consumers for the first time. Make sure you ask about monthly minimums before you ship your inventory to the fulfillment center and find out if there's a higher pricing structure for specific businesses, such as yours, that handle less volume.

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Tip #3: Flexibility > Size

No matter how foolproof your strategy for entering the U.S. market, things happen, and you'll need to rely on your industry partners to adjust and push through obstacles as they arise. That's why it's essential to be prepared and stay flexible, especially because your company is entering a new market for the first time. Your fulfillment company needs to understand your situation and be willing to adjust as needed.

Even if you're a larger company in your respective country, you may not need to hire a large fulfillment company when entering the U.S. Many times large fulfillment companies are a churn and burn operation and don't provide the 1-on-1 personal service or flexibility that a smaller fulfillment company would. Lack of adequate customer service is one of the biggest complaints in the supply chain and fulfillment industry. A fulfillment company that provides a dedicated account representative will reduce most issues that arise from a lack of communication and, if anything untoward were to happen, you'll have a consistent point of contact to reach out to.

Tip #4: SLA responsibility

Although a handshake and a 5-star reputation are great, a SLA (Service-Level Agreement) is even better. A SLA is a formal agreement that outlines the particular scope and responsibilities of the fulfillment service. This agreement defines items important to your business such as delivery times. An important section that's often omitted regards accountability of the fulfillment center if they're at fault and outlines what they'll do to make good on any mistakes. It's also prudent that you speak with current customers of that fulfillment center and find out what errors have occurred and, more importantly, how those issues were handled.

Tip #5: Software is king

Pick, pack and ship may seem simple enough, but it's crucial that you find a fulfillment center that utilizes inventory management and fulfillment software. It's even more important for foreign companies when it comes to tracking the status of your orders. You also need to be alerted regarding any issues (e.g. products out of stock, low inventory levels, orders with an invalid shipping address, etc.) and that alert *must* be in real-time to prevent delays. Fulfillment and inventory management software eliminates any errors that occur from manually importing orders and integrates directly into your shopping cart to process orders as quickly as possible. In addition, make sure the fulfillment company allows adequate time for training and offers resources to familiarize you with the software and how it can best be used to

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streamline your supply chain. It may behoove you to ask how often the software is updated and about update protocols. A fulfillment company that constantly works to optimize its software is one that listens to the needs and desires of their customers.

Myth #1: You need to have a U.S. company to ship and sell your products in the United States.

You may have been advised to incorporate your business as a U.S. company, but it's not required. You can accept payments through your online platform without an EIN # and use a fulfillment company to store and fill orders for your imported products. Most fulfillment companies will even provide assistance with customs and import documents if you ask.

Myth #2: A fulfillment company with multiple locations is a must

Partnering with a fulfillment company with multiple warehouses in strategic locations may not be necessary if you're just starting out. Virtually all fulfillment companies have partnerships with all the major shipping carriers, so most of the time they can ship from one location just as cost-effectively as shipping from a more strategic location. It also may be a nightmare to manage inventory at each of the locations when you're learning to penetrate a new market. My advice is to start small and expand. If your business doesn't require particularly fast shipping, you'll do fine using a fulfillment center with one or two strategic locations.

Bonus Tip: Shipping your products to your US fulfillment center

After choosing a fulfillment company, your first task will be to ship your inventory to them. You need to ensure that you ship with all duties and taxes already paid. Otherwise, you risk having your shipment rejected by the fulfillment center.

If you choose to transport your products via air, you must make sure that your products are shipped as "Delivered Duty Paid" (DDP). Delivered Duty Paid is a transaction in which the seller must pay for all costs related to transportation and is responsible for the products until they've been delivered to the buyer. In other words, you must pay for shipping, duties, and other expenses that might occur during the process. Most air carriers like DHL, FedEx, or UPS can take care of this for you.

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There are two crucial aspects you need to pay careful attention to when shipping your products to a U.S. fulfillment center: *Importer of Record* and *Ultimate Consignee*.

“Importer of Record” refers to the entity that accepts legal responsibility for ensuring your products meet local requirements. Some fulfillment centers don’t accept being named Importer of Record. In that case, name yourself as Importer and use your local address.

“Ultimate Consignee” refers to the fulfillment center where you’re sending your products in the United States. Just enter the fulfillment center’s name and address in that field.



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