

Choosing an Order Fulfillment Service

As you investigate the process of outsourcing to an order fulfillment service, begin by thinking about what you really need and want in a business partner to help grow your business. After all, the main goal is to increase sales and grow the organization both organically and externally.

On the surface, all order fulfillment services may look alike and offer similar services. However, when you take a closer look at their individual methods of delivering those services, you will find large differences. Remember that not all warehouses are created equal and the goal is to choose one that is appropriate for you and your business.

It is essential to develop a list of criteria that will enhance your companies operation. The ultimate question is what is important to your clients. The following items are things that might be important to them. Remember – these are only suggestions and it is crucial that you spend time developing a list of your specific needs.

1. Location

Location is one of the single most important factors to consider. While order fulfillment warehouses can be found in every state, it is essential to select a fulfillment warehouse that is close to your clients, rather than your place of business. By doing this, you will accomplish three critical actions – shipping costs will be lower, transit time will be reduced and you will operate in a more eco-friendly manner.

Did you know that shipping costs are almost equal to the fulfillment warehouse fees? If you are strictly a West coast publisher, then your warehouse needs to be located on the West coast. If your scope is national, then a Midwest location makes the most sense. With a Midwest location the savings are substantial. For example, when shipping nationally from the Midwest, you can save as much as 7% over an East coast or West coast operation.

In today's world, when you're competing with companies such as Amazon, clients expect quick delivery of their orders (especially internet orders). Your fulfillment center should be located in an area that can provide 1 to 3 business day transit times to the majority of your recipients.

When your warehouse operation is located centrally to your clients, you can operate in a more environmental friendly manner. Not only will you be saving money, you will also be reducing the amount of greenhouse gasses required to deliver your product to the customer.

2. Size and Volume

Your goal is to select a service provider that can cater to you and your daily order fulfillment needs. Fulfillment warehouses come in all sizes - ranging from very small with just a few employees, to large Fortune 500 companies with thousands of employees. On one hand you may need to ask yourself if you are the largest client, will you have to drive the organization to provide the services you need? On the other hand, if you are the smallest client, will you get lost in the daily operations?

Talk with your order fulfillment warehouse and ask about peak seasons and holidays. Peak seasons can impact fulfillment centers, and your fulfillment operation needs to be able to manage our peak season needs without any service interruptions. You will also want to know if the warehouse's other clients peak seasons will have an adverse impact on our business. You will want to ask the following questions: How much additional staff do they hire during the peak season? How are the seasonal people trained? Do their standards for service change during this time?

It is essential that you know when the last time available is for you to send a file and the cut offs for rush orders. You will also want to know the house of operation, whether or not you will be able to contact a customer service representative during your business hours and the requirements for orders to be processed the same day.

Not all fulfillment companies specialize in certain types of projects. Some warehouses only handle full pallets in and out, and some will pick down to full cases level, while others will pick individual units, cases lots and full pallets. You will want to know what types of clients they service, if they include B2B, direct to consumers or large chains.

It is important to know whether or not the facility has the equipment in place to handle complex assembly of kits for multiple products in one single order. One method for increasing the average selling price is to develop a kit. You can have a personalized order processing system, shrink-wrapping and many other benefits. These additional services may also include returns management, confirm receipt, inspection, testing, re-packaging products and the disposition of returns. In terms of order fulfillment, what more could a company ask for?

One additional factor of size is shipping options. Make sure the fulfillment service provider you choose offers the shipping options your customers are currently using or may want in the future. Some of the smaller facilities may only work with one carrier, such as UPS or FedEx. Most facilities will work with all of the different carriers. A good question to ask is whether or not there are certain carriers that the fulfillment house does not work with.

3. Management and Staff

Everything that happens in the warehouse will be driven by the management and will convey their business philosophies. Once you find a fulfillment center

whose location and size fits your needs, the next area to examine is the management and staff.

- *How long have they been associated with the company?*
- *What has been their impact?*
- *How do they measure success?*
- *What are the key business indicators they use to manage the business?*
- *How are key indicators measured and what is done with that information?*

4. Percentage of Error

In most cases, the error is not as important as how the company handles the error. Whenever you have people and equipment, mistakes are bound to occur. There will be incidences when your clients will receive the wrong items, or a shipment is received at the billing address rather than the shipping address. When you speak to the management staff of a fulfillment center, ask if they measure error and how many there are. Ask them how mistakes are handled and what action is taken to prevent the same errors in the future.

5. Turn Around Time

Every warehouse has its own procedures for handling order processing and the amount of time that is acceptable. You need to be aware of what time files are accepted and when you can expect orders to be shipped. You have to take these deadline times into account and see if they fit your client's needs in terms of shipping times.

A standard in the industry is 3 business days for shipping. You need to determine if this is a timeframe your clients can live with. There are fulfillment warehouses that ship within 2 business days and some are offering same day shipping. You must choose which level of service will help you grow your business.

6. Technology

When it comes to the various types of technology within an order fulfillment facility, you must explore your needs. In any fulfillment warehouse, technology takes on many forms. These may include:

- *Integrated business management systems for publishers*
- *Warehouse management systems*
- *RF technology*
- *Automated picking systems*
- *Mailing systems*
- *EDI/ASN*
- *Secured method for transferring data files*
- *Customizable order interface*
- *Push technology for business alerts*
- *Customizable email alerts*
- *Reports and Web based data reporting*

7. Communication

Communication is always mission critical. There will always be times that require changes in the customer's address, cancellation of an order or checking specific stock. The fulfillment center that you select must be available by phone, email and fax. You should never have to wait more than an hour or two for any request.

8. Financial Stability

Your fulfillment center must be financially sound – especially during the current economic environment. You will want to question how much debt the fulfillment center is carrying, if they look and act like a profitable company, their Dunn & Bradstreet rating and whether or not they are willing to give bank references.

9. Rates

Regardless of the fulfillment center's methodology, you are paying for two things – space and activity. Each 3 PL or order fulfillment operation has its own methodology and payment schedule. Some fulfillment warehouses charge fees to store your books and fees to pick-and-pack and ship the books from the warehouse. Others will charge based upon percentage of sales. One of the best ways to control cost is by controlling your inventory. Whatever the fee structure, you must clearly understand the rates, terms and conditions of the contract.

Looking at pricing proposals from different warehousing and fulfillment vendors can be difficult because each one uses a different methodology for computing their rates. For this reason, reviewing the pricing proposals of warehousing and fulfillment companies should be done with great care and diligence. Here are tips to help avoid some of the challenges of warehousing and fulfillment pricing:

- *Make sure the warehousing and fulfillment vendor has listed ALL costs*
- *Beware of monthly minimum charges*
- *Determine all monthly fixed recurring charges*
- *Ask if the vendor makes margin on freight charges and UPS discounts*
- *Double check move-out charges – some warehouse operations add huge penalties for move-out fees.*
- *Ask for referrals from current customers to ensure that costs don't change after signup*
- *Check the vendor's BBB rating*
- *Make sure that everything is documented in a contract*

10. History / Credibility / Reference

Always ask for references, and be diligent in checking them. This is one of the items that you cannot afford to miss. A good starting point is to check the profile of these companies to get the overall idea of their credibility. Certain companies have developed reputations in the industry for speed, accuracy and fair pricing,

while others have developed a reputation for just the opposite. Find out the total number of years the fulfillment service has been in the business. Over time, a company develops a deeper reputation and greater credibility. However, don't dismiss a new company for its uncompetitive or unreliable nature.

Order fulfillment services are an integral part of your business. If your fulfillment center does not perform, you may be out of business. Performing good research on a company will yield information on its reputation in the market, how ethical they operate, and if they are a customer focused company. It will also tell you what types of fulfillment services they offer, such as kitting, adoption kits, POP (point of purchase) displays, shrink wrapping, stickering, marketing inserts, literature fulfillment and order fulfillment. The types of services an operation offers can be a deciding factor when choosing the right facility for your business.

Being diligent in your reference checks can be very important in selecting a fulfillment partner. It can help you choose the right partner to maintain the integrity of your brand and continue the same service standards that you have with your customers.