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5 Ways Outsourcing Order Fulfillment Can Benefit Your Business

Order Fulfillment Outsourcing Makes Growing Globally Easier

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Order fulfillment helps your business grow by letting you:

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Introduction

You've learned from experience as a growing business that initial logistics woes are manageable at the beginning. As your brand grows and sales increase, you may find yourself scaling your business to meet global demands.

Most small sellers and startup businesses just don't have the expertise to get effective carrier rates, employ the necessary staff to manage a warehouse or have the know-how for the numerous shipping restrictions, taxes, customs each country has. Using outsourcing shipping tactics from Fortune 500 companies is beneficial so you can spend more time channelling your efforts to your strengths: sales.

Let's explore 5 ways your business can benefit from outsourcing your warehousing and shipping.

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1) Explore new geographic markets and reach new customers

Search has made the marketplace for your brand global. Even with efforts to focus on local markets, internationalization is happening at a dizzying pace. Not only is there a steady recovery from the credit crunch, emerging economies continue to upgrade their purchasing power.

B2C Ecommerce Sales Growth Worldwide, by Region and Country, 2011-2017							
<i>% change</i>							
	2011	2012	2013	2014	2015	2016	2017
Middle East & Africa	70.0%	43.0%	31.0%	25.0%	17.2%	15.0%	13.0%
Asia-Pacific	37.2%	32.8%	23.1%	29.0%	20.9%	16.7%	14.2%
—Indonesia	104.5%	85.0%	71.3%	45.1%	37.2%	26.0%	22.0%
—China*	103.7%	94.1%	65.1%	51.2%	30.6%	22.6%	18.3%
—India**	47.2%	39.7%	34.6%	27.1%	23.7%	18.2%	16.6%
—South Korea	17.6%	6.0%	6.9%	9.3%	8.3%	8.2%	7.3%
—Australia	11.0%	10.5%	6.0%	5.7%	5.1%	5.0%	4.2%
—Japan	27.1%	13.2%	-7.2%	7.1%	6.7%	5.6%	5.0%
—Other	23.9%	12.4%	12.7%	12.0%	11.9%	11.0%	10.2%
Latin America	38.5%	33.0%	22.1%	21.7%	12.7%	10.4%	8.4%
—Mexico	46.7%	47.3%	29.6%	23.8%	15.4%	13.3%	10.3%
—Brazil	32.9%	21.8%	16.5%	19.1%	8.5%	6.9%	6.0%
—Argentina	40.6%	31.0%	14.9%	24.0%	18.0%	12.0%	10.0%
—Other	44.5%	46.2%	28.6%	23.4%	15.2%	12.7%	9.8%
Central & Eastern Europe	41.6%	30.1%	20.9%	19.4%	11.0%	7.0%	6.1%
—Russia	43.0%	30.1%	21.1%	19.3%	10.8%	6.9%	5.2%
—Other	40.8%	30.1%	20.7%	19.4%	11.2%	7.1%	6.6%
Western Europe	17.1%	17.1%	14.0%	11.9%	9.9%	8.3%	7.5%
—Italy	32.1%	25.5%	22.6%	20.3%	16.8%	12.4%	12.0%
—Spain	22.4%	18.8%	16.2%	13.8%	11.9%	10.0%	8.0%
—Sweden	22.0%	18.4%	16.2%	13.3%	10.3%	9.0%	8.4%
—Norway	21.8%	17.1%	15.3%	13.3%	10.5%	7.4%	6.4%
—Finland	20.1%	16.1%	14.7%	11.2%	9.0%	7.2%	6.3%
—UK	14.2%	13.7%	13.7%	12.2%	10.2%	8.2%	7.3%
—Germany	17.4%	23.4%	12.8%	9.4%	6.9%	6.5%	6.1%
—Denmark	16.5%	14.3%	12.4%	10.6%	8.9%	6.5%	5.9%
—Netherlands	20.2%	14.0%	12.4%	10.1%	9.0%	6.7%	5.7%
—France	12.2%	12.3%	11.0%	9.1%	8.0%	7.6%	7.1%
—Other	19.6%	20.3%	14.7%	12.1%	10.1%	8.9%	8.0%
North America	15.0%	14.0%	12.5%	11.9%	11.4%	10.9%	10.3%
—Canada	12.0%	14.3%	14.2%	13.6%	12.6%	11.0%	10.0%
—US***	15.2%	14.0%	12.4%	11.8%	11.3%	10.9%	10.4%
Worldwide	23.3%	21.7%	17.1%	18.3%	14.5%	12.4%	11.0%

*Note: includes travel, digital downloads and event tickets purchased via any digital channel (including online, mobile and tablet); excludes gambling; *includes sales from businesses that occur over C2C platforms; excludes Hong Kong; **digital travel sales represent roughly 80% of B2C ecommerce sales; ***excludes event tickets*

Source: eMarketer, June 2013

158187 www.eMarketer.com

The option to enter into new international markets with access to world-class logistics management used to be only available to big brands. Yet today, e-commerce companies of all sizes can benefit from the convenience of intelligent online logistics and fulfillment services. Easy access to such fulfillment services has leveled the playing field for businesses the same way shopping cart software did for e-commerce and the internet for global accessibility.

Working with a fulfillment provider opens up many possibilities for a growing business. For a company whose products are manufactured and shipped out of North America, the Asian market seems beyond reach. However, having a warehouse at a shipping hub in Asia through a provider makes infiltrating the market less risky and opens up the potential of tapping into an additional customer base in a nearby country like Australia. With the absence of such logistical doubt, businesses can now take the leap and go global.

English-speaking consumers exist all over the world, and native English-speakers in strong economies like Australia - with an e-commerce market exceeding \$12 billion AUD² in 2010 - are underserved. In cases where internationalizing your product line (translating packaging, etc.) is a challenge, working with a fulfillment partner allows market testing without having to make huge investments.

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2) Reduce customs hassles for international shipments

Sending packages to international customers can be tedious at best and is often a logistical nightmare. Lost shipments, lack of tracking ability, brokerage fees and the unpredictability of delivery times make shipping to customers in other countries a difficult task.

If large merchants like Zappos¹ made the decision to discontinue sales in Canada after numerous unhappy Canadian customers due to customs hassles, these problems would magnify tenfold for smaller brands and merchants. In addition to the logistical troubles above, one major problem is the difficulty of estimating brokerage fees and VAT (value added tax). Retailers sending products to customers as close as Canada have run into problems where the package is refused when it arrives at the customer's front door after seeing a brokerage fee that doubles the price of the product. Since the shipping has already been paid for and the brokerage fee applied, returning the product to inventory ends up wiping out margins. The problem is further exacerbated because the purchaser has been essentially charged an unexpected fee that has little to do with the merchant. The reputation that suffers, however, will be that of the merchant and not the government imposing the fees.

As with most business processes, doing things in bulk is more beneficial than not. Sending a large shipment of products through the border once, and dealing with customs and duties without bothering customers with it, can be infinitely beneficial. However, unless you have a warehouse of your own in the destination country or market, this is a difficult task to accomplish.

Enter outsourced fulfillment. Outsourcing your shipping and fulfillment, especially with a cloud-based service, means that you only have to send the shipment - and pay brokerage fees - only once. The typical shipment works like this: first, a shipment of goods is sent to the warehouse of a fulfillment company. With customs forms filled out properly, the process is handled faster and there are fewer risks of delays. Once the product arrives in the warehouse, it is inventoried and ready to be sent to customers. Then, when a sale comes in from a customer in that country, the product can be sent directly from that warehouse.

The benefits are significant. The unpredictability of customs delays is eliminated, which lowers return rates and increases your margins. Furthermore, shipping costs are lower, allowing a merchant to compete in the country of choice where they could not beforehand. Lastly, customs fees can be calculated into the shipping costs of a product, giving a merchant the option of recuperating brokerage and shipping fees.

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3) Cut costs by storing inventory in Europe

For a company that has one or several warehouses, having additional warehouses can incur a high cost which includes purchasing, refitting and staffing. With growth, expanding a warehouse or distribution network is necessary, but there are options which can lower the costs associated with such a move and still garner all the benefits.

Using a fulfillment house means increasing your coverage - both domestic and international - thereby lowering shipping costs to customers, and increasing the viability of a product in any given market. The available storage for inventory is also increased, which especially helps with high-growth enterprises as well as high-volume sales periods like holidays. In January 2014, UPS¹ announced a 5.9% General Rate Increase (GRI) and FedEx² announced a 4.9% GRI. Every year these increases happen inevitably but the trick to cutting shipping costs is to store inventory closer to your buyers and use these couriers' last mile services less.

A new addition to the distribution network can be done in increasingly high-risk markets because the costs associated with entering said markets is so much lower. This makes a firm more versatile and agile, capable of expanding rapidly to test new markets, while retaining the ability to withdraw just as readily. The biggest advantage, however, is that the aforementioned benefits are gained at a much lower investment cost than opening up a new warehouse by oneself.

In cases when there is no need for a new warehouse, the benefit of working with a fulfillment house is still significant. For example, if a warehouse is located in the Northwest, shipping to customers in Florida or California costs more, which either eats into margins if the merchant absorbs the cost, or lowers competitiveness due to higher sale price if they do not. With a fulfillment house, only the part of the warehouse which is used is paid for, thereby allowing faster and more cost-effective delivery of products to customers.

4) Refocus your efforts on selling, not shipping

While on the surface, better margins seem to be achieved with in-house warehousing and logistics operations, this benefit is rapidly eroded when you take into account the effort required to meet industry efficiency standards. Striving for a 100% accuracy standard in shipments and time estimates, hiring talented and motivated staff, outfitting operations with the right equipment for the job...all these tasks, and many more, require a significant amount of focus and investment.

Focus and specialization are required for success in any industry. Only when a firm is large enough to create separate divisions can proficiency be gained in different aspects of the business. For example, a mattress manufacturer should focus on the functional aspects of manufacturing rather than logistics side.

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In the case of a manufacturer, a strong knowledge base may exist in what makes a great employee in their own field, but it is rarely there when it comes to warehouse staff. The investment into equipment also eats into the apparent financial benefits. In cases where capital equipment is required, costs are higher for lower-volume purchasers, a case that also exists with purchasing and operating real estate. The associated costs further bog down a business and prevent it from focusing on its specialty, and more importantly, remaining competitive.

5) Increase profit margins

When it comes to warehousing, there are many costs merchants tend to overlook:

Hard Costs

- Shipping from one location versus shipping from multiple locations closer to your customers
- Employee hiring, training and management
- Leveraging bulk freight costs (when you move shipments in bulk directly from manufacturer, and then use a carrier to make final delivery, you're using the Walmart model and saving money)
- Rent, insurance, liability

Soft Costs

- The time taken a developer to integrate your sales system into your own warehouse inventory management versus a fulfillment provider's pre-built, ready-to-use integration
- The time spent manually entering orders if there isn't an integration

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Conclusion

Outsourcing logistics to professionals not only minimizes the risk of error and unnecessary expenses but allows you to focus on the core parts of growing your business. With one less hat to wear, your company can develop other aspects such as marketing and research, and easily scale up and down without adding more employees.

As your business goes global, outsourcing fulfillment keeps shipping local. In this economy, it's important to be able to handle ever-changing sales volume without skipping a beat. Knowing the right balance of what to focus on or to outsource defines a successful and efficient operation.

About SpainBOX

Shipwire, the leader in business fulfillment, effectively eliminates shipping headaches for growing merchants, with a warehouse in Spain, and software solutions.

SpainBOX is the only warehouse logistics distribution service that is on-demand and instantly integrates with leading shopping carts. SpainBOX business offers required plugin, modules and extensions to order fulfillment management and services for inventory warehouse management, and enables users to print online UPS postage. Stay up to date with our shipping fulfillment distribution blog. For a free trial or more information, contact +34 957767999 or visit <http://www.spainbox.com/mailboxes>