

EXPANDING FROM B2B *to* B2C

A Guide to Effective Ecommerce Fulfillment

Saddle Creek
LOGISTICS SERVICES

Trend Watch:
More B2B Companies Adding B2C Channel

In today's competitive marketplace, many companies are opting to sell their products online – via online marketplaces or their own direct ecommerce channel – in addition to their traditional business-to-business (B2B) channel.

Companies are connecting directly with their end customers for better engagement, improved control of their brand and greater profitability. In fact, **83 percent of B2B merchants** that do not yet have an online sales channel expect to add one within the next 24 months, according to BigCommerce's 2018: B2B Ecommerce Report. In some industries, distributors are getting squeezed out altogether.

B2B companies are learning firsthand about pressures that business-to-consumer (B2C) companies have been experiencing since the rise of Amazon. Consumers tend to have higher service-level expectations, research their purchases extensively online, and actively share their buying experiences on social media. These buying behaviors are making their way to the B2B space as well. It's not surprising, then, that **90 percent of B2B leaders** say that customer experience is crucial to their companies' strategic priorities, Accenture research shows.



5 Ways B2C Fulfillment Differs from B2B

B2B companies often assume that they can simply utilize the fulfillment practices they use for B2B orders when selling directly to consumers. They are mistaken. Here are five key differences.

1 Different Order Profiles

B2C orders are usually lower in value and higher in volume than B2B orders. Instead of shipping pallet loads of products, it is more common to piece-pick a high quantity of single orders.

As a result, ecommerce orders are typically more labor intensive – requiring **two to three times the labor** needs of traditional warehousing operations, according to commercial real estate firm JLL.

Accommodating B2C orders also may require a more sophisticated facility design. To increase storage density and maximize picking capacity, ecommerce warehouses often boast features such as higher ceiling heights, narrow aisle widths, and strategic racking systems.

2 Faster Turnaround Times

Amazon continues to raise the bar for fast delivery times. While most consumers are not demanding next-day deliveries, their desired delivery window is certainly tightening. To accommodate these escalating expectations, B2C orders generally need to ship the same day they are placed.

Getting B2C shipments out the door faster requires more manpower as well as expanded use of automated fulfillment and material handling solutions.

Since ecommerce orders tend to be small package shipments, some companies choose to locate DCs in central locations like Fort Worth, Texas, and Lexington, Ky., to make it easier to tap into small parcel services.

Moving closer to the customer also can help to achieve faster, more cost-effective transit. With two or more strategically located DCs, companies are able to utilize lower-cost, two-day ground service.

Some companies move value-added services like kitting, labeling or engraving closer to the customer as well for faster customization and personalization.

3 Technology to Handle Increased Complexity

B2C channels have more sophisticated technology requirements than B2B. Cloud-based order management systems and inventory management solutions are essential for optimal omnichannel fulfillment.

A robust OMS can ensure faster order processing, provide enterprise-wide inventory and order visibility, accommodate a variety of order profiles under one roof and offer the ability to pull from multiple fulfillment sources. It also helps to give the end customer accurate, real-time information regarding product availability, order status and shipment tracking.

4 Transportation

Unlike B2B channels, B2C shipments usually involve small parcels versus LTL or truckload. Parcel shipping costs are rising exponentially as a result of ecommerce growth. In fact, parcel spending is projected to grow **4 to 5 percent per year** through 2021, *The Wall Street Journal* reported recently. Rising parcel rates, changes in dimensional weight rate calculations, accessorials for residential or rural deliveries, and other surcharges can have a significant budgetary impact.

When adding a B2C channel, it is important to pay close attention to shipping costs. Establishing relationships with numerous carriers, understanding various pricing considerations, and shopping for the best rates can help to keep parcel costs in check.

5 Reverse Logistics

Roughly **30 percent of all products ordered online** are returned. And consumers expect those returns to be efficient and hassle-free. Needless to say, making reverse logistics as efficient and cost-effective as possible is a priority in the B2C channel.

An OMS helps to streamline the returns process and get salable products back in inventory more efficiently and cost effectively. Technologies are also available to help with everything from generating return labels to issuing refunds to streamlining the receiving dock-to-stock time for resalable returns.

Distribution facilities conveniently located near end customers can minimize transportation costs and facilitate faster return processing to ensure customer satisfaction and get saleable products back in stock more quickly.

Flexible space and staffing help to handle spikes in return volume – particularly during the holidays or other peak seasons.

Why Consider Outsourcing?

Many B2B companies turn to a third-party logistics provider to help shoulder the burden of the transition to B2C fulfillment.

The right resources. With an established distribution network and scalable space and staffing, 3PLs offer the flexibility for channel expansion without a major overhead investment. They can help to determine the best network configuration to reduce transit times and control shipping costs.

A 3PL should have robust IT capabilities and expertise to facilitate integration and troubleshoot when issues arise. They'll also invest in upgrading technology to stay abreast of the latest developments.

Delivery options. Established relationships with numerous carriers and the cumulative volume to negotiate rates and discounts make 3PLs a valuable resource for carrier management as well. With extensive experience and understanding of pricing considerations, they're able to identify the impact of rate increases and surcharges and determine the best delivery options.

Ecommerce acumen. A 3PL with expertise in B2C fulfillment can apply best practices and proven processes to ensure a seamless transition. They're likely to be adept at handling multiple order profiles under one roof and increasing order velocity.

Quality management. Since the customer experience is especially critical for B2C, 3PLs can leverage quality methodologies such as Lean and Six Sigma to design and implement solutions that increase efficiency as well as order accuracy and consistency. Continuous improvement initiatives help to ensure that the consumer's experience keeps getting better and better.

Outsourcing in Action

"Saddle Creek's B2C knowledge and experience were instrumental in getting operations off the ground."

- Stephen Benard, G3's Senior Manager
BUSINESS DEVELOPMENT GLOBAL DISTRIBUTION



When E. & J. Gallo Winery decided to launch a B2C sales channel, the company looked to Saddle Creek for logistics and fulfillment support. Together with G3 Enterprises, Gallo's logistics arm, the 3PL established operations in Fort Worth and Chicago, helping to move products closer to the consumer for faster, most cost-effective deliveries.

Saddle Creek's custom omnichannel technology solutions played a key role in a successful ecommerce launch. The 3PL's order management system (OMS) serves as the integration layer and connects multiple systems on both ends, bringing data from a variety of sources into one centralized location.

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Need help transitioning to B2C?

At Saddle Creek, we design and deliver customized omnichannel supply chain solutions to help B2B and B2C companies get products where they need to be quickly, cost-effectively and seamlessly. Contact us today to learn more!

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