

Ecommerce Fulfillment Outsourcing Guide

Solutions for Today's Top Fulfillment Challenges

Saddle Creek
LOGISTICS SERVICES



Ecommerce Fulfillment Evolves

Ecommerce exploded in 2020 with estimated U.S. sales of $794.50 billion. While the coronavirus pandemic dramatically accelerated the trend, consumers are likely to continue shopping online post-pandemic.

The dramatic growth has forced fulfillment operations into overdrive. To ensure an optimal customer experience, retailers and brands must fulfill an ever-increasing order volume quickly, cost-effectively and seamlessly – no easy task.

While fulfillment operations face many challenges, common pain points include:

- Ecommerce growth/fluctuations
- Increased order fulfillment costs
- Meeting consumers' delivery expectations
- Supply chain disruptions
- Supporting multiple sales channels
- Technology limitations

These issues can quickly overwhelm all but the most sophisticated operations. As a result, many retailers and brands are looking to external experts for help in addressing these issues. Experienced third-party logistics providers (3PLs) are often better positioned to accommodate the growing complexity of order fulfillment.

This ebook will explore each of these pain points and recommend outsourcing strategies to help to overcome them.

BY 2024,

MORE THAN 25%

OF ALL RETAIL SALES IN NORTH AMERICA WILL TAKE PLACE ONLINE.

FULFILLMENT CHALLENGE:

Ecommerce Growth/Fluctuations

The past year has been one of extremes. Some companies have seen record ecommerce growth while order volume has plummeted or fluctuated wildly for others.



With volatile demand likely for the foreseeable future, fulfillment operations must be ready to change course on short notice – ramping up or down as volume dictates. To prevent service issues or delivery delays, operations need space and staff available to handle peak volume – even when sales slow.

As volume increases, so does the need for efficiency. Process optimization is critical at every step – from receiving and put-away to picking, packing and shipping outbound orders.

Ecommerce fulfillment operations also must be prepared for high return volume. Roughly **10 to 30 percent of all online purchases are returned**. To keep customers coming back, returns, exchanges and refunds must be fast and hassle-free.

Outsourcing Solutions

SCALE SPACE/LABOR

With a shared-space environment, a 3PL can adjust resources to meet your needs, flexing to accommodate peaks and valleys in order volume.

OPTIMIZE PROCESSES

By leveraging best practices, proven processes and quality methodologies like Lean Six Sigma, 3PLs can help to increase efficiency and improve throughput.

MANAGE RETURNS

A 3PL is likely to have the systems, distribution networks and transportation capabilities necessary to process returns efficiently and cost-effectively and get salable products back in inventory. They may also refurbish or repackage items as needed.

FULFILLMENT CHALLENGE:

Increasing Costs



"Order fulfillment can take a toll on operational budgets. Costs for warehouse space, labor and shipping add up, particularly when online sales volume increases."

—MIKE JENNISON
Vice President, Supply Chain Engineering
Saddle Creek Logistics Services

Picking, packing and shipping ecommerce orders is a resource-intensive process. Ecommerce fulfillment operations require **two to three times the labor** and **three times the space** as traditional warehousing operations.

Competition for these resources drives costs up. Over the past five years, rent for light-industrial warehouse space has **increased 30%**. Labor costs also have increased.

The pandemic has only served to compound the problem. Additional labor needs and improvements to accommodate growing ecommerce order volume have **increased D2C fulfillment costs by as much as 5% to 15%**.

Outsourcing Solutions

MAXIMIZE DISTRIBUTION CENTER CAPACITY

An experienced 3PL can offer layout and storage solutions to increase efficiency and optimize capacity – higher ceiling heights, narrow aisles, efficient racking systems and more.

REDUCE OVERHEAD

With a shared-space 3PL environment, retailers and brands only pay for what they use. They have access to flexible resources without the associated overhead investment.

INCREASE EFFICIENCY

To reduce labor needs, a 3PL can optimize processes and invest in automated fulfillment solutions that increase productivity (i.e., pick-to-light, powered conveyors, robotics).

FULFILLMENT CHALLENGE:

Meeting Consumers' Delivery Expectations



Consumers' expectations for fast, free shipping also impact the bottom line for retailers and brands.

The pandemic has helped to temper consumers' expectations for delivery speed. Free, however, is still the gold standard.

Of course, shipping isn't free for retailers and brands. And regardless of whether the cost is absorbed or passed along to customers, it is critical to control shipping costs.

Unfortunately, parcel costs continue to rise. Major parcel carriers once again instituted a sizable General Rate Increase (GRI) for 2021 and continue to impose substantial peak season surcharges. In fact, surcharges can make up **10 – 40% of total parcel spending.**

Outsourcing Solutions

SPEED ORDER CYCLE TIMES

With a robust order management system (OMS), efficient processes and automated fulfillment solutions, a 3PL can save precious hours and get orders out the door faster – often same-day – to speed deliveries to your customers.

EXPLORE YOUR OPTIONS

3PLs can help to negotiate rates and take advantage of planned shipping volume and zone skipping to specific sortation hubs. They also can explore options to broaden your carrier strategy with regional carriers, postal workshare options, etc.

ANALYZE YOUR PARCEL SPEND

A 3PL with good parcel analytics software can review your parcel spending to identify factors that may be increasing shipping costs.

ADD DISTRIBUTION NODES

Many companies are optimizing their distribution networks by adding new distribution centers. A 3PL with strategically located facilities can move the fulfillment function closer to customers to reduce transit time and cost.

FULFILLMENT CHALLENGE:

Supply Chain Disruptions

During the pandemic, supply chain disruptions were commonplace. **Half of shoppers (51%) had orders delayed due to inventory issues**, and 30% canceled orders due to out-of-stock products. That's bad for business. The **majority of shoppers (63%) will try another brand** instead of waiting for an item to be back in stock.

While many companies faced sourcing headaches, others were forced to shutter their operations due to government mandates or an outbreak of the virus. This was particularly damaging for those that housed their entire inventory in a single distribution facility.

Fulfillment operations also faced a labor shortage. In spite of a high unemployment rate, retailers and ecommerce companies nationwide have scrambled to hire thousands of workers to fulfill the surge of online orders.



"In the wake of the pandemic, retailers and ecommerce companies are recognizing their vulnerabilities and striving to become more agile and responsive to changes in the marketplace. They're making risk management a priority."

—JEFF JONES
Vice President, Business Development
Saddle Creek Logistics Services

Outsourcing Solutions

KEEP OPERATIONS RUNNING

Since warehousing is designated as an "essential" industry, 3PLs are required to maintain operations, even during disruptions like the coronavirus pandemic. Therefore, they can keep business running for clients who may be forced to close up shop.

MEET LABOR NEEDS

With a scalable workforce, a 3PL stands ready to accommodate fluctuations in order volume. They may also be able to handle additional functions such as kitting and assembly to be responsive to changing needs.

SUPPORT DIVERSIFICATION

To mitigate risk, a 3PL with existing distribution centers can help a company to add facilities in multiple locations instead of housing an entire inventory in a single distribution facility.

PROTECT AGAINST FUTURE DISRUPTIONS

An experienced 3PL can help companies to recognize their vulnerabilities, explore strategies for mitigating risk and pivot to accommodate changing needs.

COMPANIES CAN EXPECT TO

LOSE HALF A YEAR'S WORTH OF PROFITS

FROM SUPPLY CHAIN DISRUPTIONS OVER THE COURSE OF A DECADE.

FULFILLMENT CHALLENGE:

Supporting Multiple Sales Channels

Today, retailers and brands utilize a growing number of sales channels – web stores, mobile apps, physical stores, online marketplaces and more. Providing a seamless customer experience across channels can be challenging.

Each channel can also have different fulfillment requirements. For example, ecommerce generates a high volume of individual orders that must be piece picked while traditional retail operations ship larger units. It can be challenging to fulfill both order profiles from the same distribution center because of the need to alternate between picking pallets, cases and pieces.



In the wake of the pandemic, many retailers have begun fulfilling orders from brick-and-mortar stores to support buy online, pick up in store (BOPIS) and curbside pickup as well as ecommerce orders. While it helps with inventory utilization, this practice can be problematic as most stores are not set up for efficient fulfillment and the process causes congestion which can alienate shoppers.

Outsourcing Solutions

SUPPORT MULTIPLE ORDER PROFILES

An omnichannel 3PL will be equipped to handle various order profiles – or supplement your in-house fulfillment operations by managing a subset of your orders, such as D2C.

OFFER TECHNOLOGY SOLUTIONS

With omnichannel technology solutions, like an order management system (OMS), they can help to pull from the best fulfillment source and accommodate a variety of order profiles to ensure seamless service.

PROTECT YOUR BRAND INTEGRITY

A reputable 3PL partner will serve as an extension of your brand. Using quality management practices like Lean Six Sigma can help to ensure accurate, responsive service.

FULFILLMENT CHALLENGE:

Technology Limitations



"Robust omnichannel technology helps retailers to address product visibility, inventory management across multiple locations, order-processing speed, reporting and analysis, and seamless services."

—STEVE CONGRO, Director, Omnichannel Fulfillment Technology, Saddle Creek Logistics Services

Ecommerce fulfillment requires sophisticated technology – especially when operations are spread across multiple facilities and serve a variety of sales channels.

Retailers and brands need real-time visibility enterprise-wide, so they can optimize inventory across all fulfillment sources and determine the best fulfillment source to pull from. If they sell through physical stores, they need to support BOPIS and curbside pickup. They also need to manage backorders and process high return volume.

In addition, today's consumers expect real-time information about product availability and order status and a seamless shopping experience across all sales channels. In fact, 67% of consumers say that **inventory visibility across stores, online and mobile** is important.

To meet these needs, a robust order management system (OMS) is a virtual necessity. However, top-tier systems can require a sizeable financial investment – and a knowledgeable IS department.

Outsourcing Solutions

OFFER ACCESS TO TOP-TIER OMS

Utilizing a 3PL's order management system gives you the advantages of a robust system – and regular upgrades – without the capital investment.

INTEGRATE WITH EXISTING SYSTEMS

A partner fluent in OMS operations can help to integrate the system through all of your facilities, including DCs, stores, vendors, etc.

PROVIDE EXPERTISE

Unless your in-house IS department is experienced in working with an OMS, a 3PL can be a valuable resource – overseeing implementation, troubleshooting problems and more.

Scalable D2C Fulfillment Speeds Start-Up

MUNICIPAL



When Hollywood mogul Mark Wahlberg helps to launch a new brand of men's apparel, it's likely to create a buzz. To facilitate a swift start-up and accommodate rapid growth, the team at MUNICPAL turned to Saddle Creek Logistics for D2C order fulfillment.

To meet the brand's evolving needs while ensuring quality at every touchpoint, Saddle Creek custom designed a scalable ecommerce fulfillment solution. Every aspect of the operation was carefully planned to increase velocity and throughput and deliver an optimal customer experience. As a result, orders ship out the day they are received, customers enjoy their experience with the brand, and operations are prepared for growth.

"Saddle Creek was definitely our best fulfillment option. With their overall operational knowledge, it was a 'no brainer.'"

—TYSON ALVAREZ,
Director of Operations and Planning at MUNICIPAL

READ THE FULL CASE STUDY »

Moving Forward

With so many pain points to navigate, finding a qualified ecommerce fulfillment provider is a top priority for many retailers and brands. In fact, **one-third of merchants outsource fulfillment for ecommerce orders** and more plan to do so.

What to Look for in a Prospective Fulfillment Partner

Of course, not all 3PLs are created equal. Before selecting a third-party provider, ask about the following:

- **Ecommerce fulfillment expertise**
  Can they show proven success in your industry?
- **Formalized approach to start-ups**
  Do they have clearly defined processes and an experienced transition team to ensure a seamless transition?
- **Established distribution network**
  Do they have facilities in strategic locations, or are they willing to open a new location to meet your needs?
- **Robust technology**
  Do they offer industry-leading technology, including an OMS and fulfillment automation?
- **Parcel management capabilities**
  Can they recommend strategies for controlling parcel costs?
- **Value-added services**
  Do they have the capabilities you need to customize or reconfigure your products to meet demand?
- **Continuous improvement**
  Are they committed to quality management?
  Do they utilize Lean practices?
- **Good reputation**
  How are they viewed in the industry?
  How long have they been in business?

Going forward, the ecommerce trend is likely to continue its upward trajectory. It is critical for retailers and brands to use every available resource to optimize their ecommerce fulfillment operations. A reputable, experienced 3PL with a variety of resources can be a valuable partner for the road ahead.

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Looking for an ecommerce fulfillment partner?

At Saddle Creek, we support the ecommerce fulfillment needs of many retailers and brands, helping to get their products where they need to be quickly, cost-effectively and seamlessly. In fact, we rank #4 for Fulfillment Services on *Digital Commerce 360's* 2021 list of Leading Vendors to the Top 1000 E-Retailers. Contact us today to learn more!



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