

e-Commerce Order Fulfillment 101

The whitepaper to help you get to know something about the global e-Commerce market and order fulfillment.



Fulfillment Made Easier

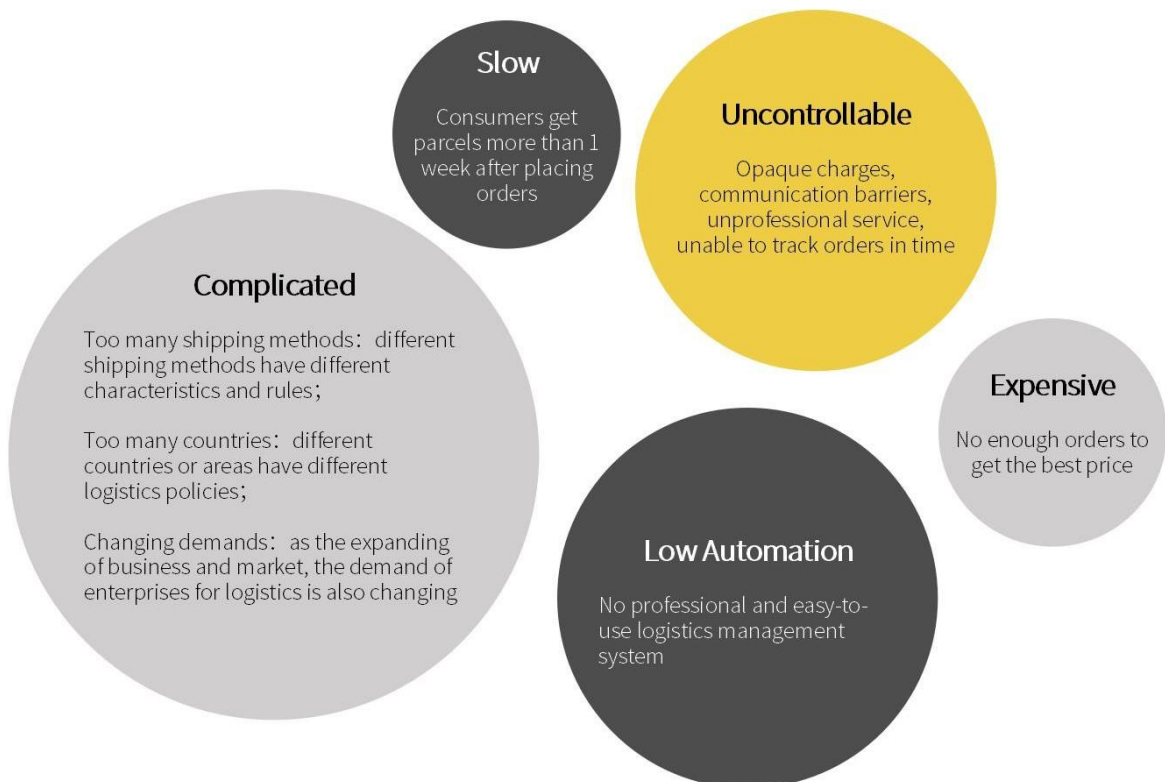
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Preface

eCommerce is growing rapidly these days. In 2018, global online sales reached 2.8 trillion dollars, and it is expected to reach 4.8 trillion dollars in 2021. Since every market is full of competition, it seems a good idea to expand business to other countries and regions.

According to the prediction of experts, by 2023, cross-border consumption will account for 17% of all e-commerce consumption, reaching 736 billion dollars. But while looking for new growth points, new challenges are always accompanied by new opportunities. When the consumers are at the other end of the planet, the complicated and expensive order fulfillment has become one of the factors restricting the growth of e-commerce.



There was a time when NextSmartShip still focused on doing business with Chinese crowdfunding businesses, we were amazed by how many business owners were suffering from logistics hassles-- They were distracted from their core business and struggling to explore areas they are not familiar with.

Customers' eager demands prompted us to step into the eCommerce order fulfillment field, after years of hard work, NextSmartShip has become a team of experts and gurus, helped a lot of eCommerce sellers, gathered a lot of success cases and valuable experiences. In that case, we decided to make this white paper to share our experience and spread the wealth of knowledge. The following pages is to provide the basic knowledge of global order fulfillment, all you should be knowing before expanding your eCommerce business to worldwide.

What is eCommerce order fulfillment?

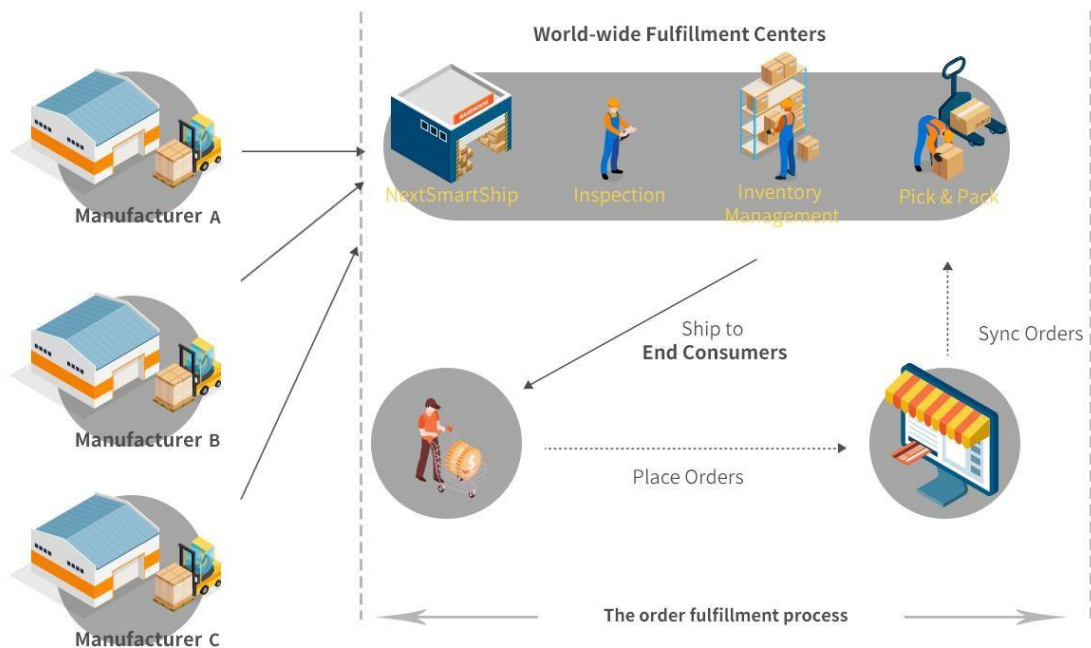
Order fulfillment means the complete process from point of sales inquiry to delivery of a product to the customer. For eCommerce businesses, order fulfillment includes everything happen between the consumer placed their orders on an online store and he/she got the package at his/her doorstep at last.

For eCommerce sellers, there are normally 3 ways to fulfill orders

In-house fulfillment: Sellers fulfill orders by themselves and send packages from their own warehouses, offices, garages, basements, etc.

Dropshipping: Suppliers ship the items directly to the end-consumers

Third-party fulfillment: One or more suppliers send items to a fulfillment center, the fulfillment center inspects items, manages inventory, pick & pack and ships the packages to the end-consumers



Instead of just putting items into boxes, a 3rd party fulfillment center works like this

1. Count the quantity and inspect the items according to the item entry record
2. Scan SKU barcodes and make inventory
3. Put items on the warehouse shelves
4. Orders placed by consumers
5. Orders synced to the fulfillment system
6. Pick the items from the warehouse shelves according to the orders
7. Double check the items
8. Put one or more items in one box
9. Print and stick the shipping label
10. Ship the packages out
11. Push the tracking number back to the online store
12. Consumers get the items they ordered

To outsource or not to outsource?

Although out-sourcing the order fulfillment part has become a trend, there are two types of eCommerce business that prefer fulfilling orders by themselves: very small ones and the big ones. When an eCommerce is small enough, 2-3 person and a small home office is capable to fulfill all the orders. And big multinational firms are well funded, enough to operate multiple own warehouses and large fulfillment teams.

A competent fulfillment center, no matter it's the 3rd party or self-owned, is supposed to have these features:

In the right locations: the right located fulfillment warehouse is either near to the supplier or the consumers, the former one saves budget, the latter one reduces shipping time. And a warehouse located in a more convenient, central location delivers products both more affordably and more timely. Once you get the fulfillment warehouse in the right location, your business can take advantage of the bigger margin brought by low shipping budget and better customer satisfaction because of the faster shipping.

Big enough and scalable warehouses: as the expanding of your business size, item categories and market, the inventory volume may turn bigger and the turnaround cycle will be longer. Scalable warehouses make sure that you can be prepared for all kinds of marketing campaigns and seize the opportunity in time when the order volume is surging

Automated fulfillment system: consists of two parts, hardware facilities and software system

	Hardware facility	Software system
Basic Compositions	<ul style="list-style-type: none">• Well organized shelves with bar codes• Standard volume and weight measuring instruments• Bar code scanner• Bar code printer	<ul style="list-style-type: none">• Shipping method integration• eCommerce platform & shopping cart integration• Inventory management• Order management• Cost calculation and financial management

Professional warehouse management: warehouse management involves overall layout design, shelf arrangement, personnel management of the warehouse, etc, everything that ensures the fulfillment process can be effective, accurate and professional.

Skilled staff: it is the warehouse employees who actually lay hands on the packages. In order to ship the orders out on time, you need skilled staff to pick and pack each order accurately and quickly.

Safe and 100% insurance covered: inventory is valuable and costly, keeping it safe from weather, damage, theft, etc, is very important. And once accident happens, property insurance can minimize your loss.

Obviously most of the eCommerce business owners don't have this kind of time and money. So it's time to consider out-source the order fulfillment part.

Ready to Out-source the Order Fulfillment?

Before making the decision, ask yourself the following questions.

- 1.How many orders do you receive per day? Are you and your team able to handle them?
- 2.In the present situation, do you have to lease warehouse space or purchase equipment to support the company growth?
- 3.Do you have problems with inventory tracking? Do overstocking, backorders happen a lot and causing additional costs?
- 4.Do you find it challenging to keep on top of refunds, returns, complaints or support issues?
- 5.Do you and your team spend much of your time packing boxes rather than growing your business?
- 6.Are you thinking about hiring more people just to fulfill orders?

If you answered 2 or more Yes, it's time to outsource your order fulfillment.

Send an email to [**contact@nextsmartship.com**](mailto:contact@nextsmartship.com), our fulfillment team will develop the most suitable fulfillment solution for you.

How to choose the fulfillment center location?

As I mentioned above, getting the fulfillment center in the right location is one of the keys to reduce fulfillment cost and provide fast shipping for your consumers.

There are 5 factors to consider when choosing the location.

1. The manufacturer's (or the supplier's) location
2. The market places
3. The business type (B2B or B2C)
4. The fulfillment budget
5. Your ideal shipping time

Let's take a look at an example.

Mr A runs an online retail store selling home decors to the USA, his suppliers are in China. The store is quite new so the fulfillment budget is low, and most time, he doesn't need fast shipping. In this case, a China based order fulfillment center is the most suitable. The warehousing and handling fee are quite affordable due to the low labor and storage cost in mainland China.



When the holiday season is coming, Mr A decided to sell some holiday decorations, since they are seasonal products, he needs faster shipping, but keeping a large inventory in the USA is risky. So at this time, it's better to use China fulfillment center + USA fulfillment center. Unavoidably, USA warehouses are more expensive, the most brilliant thing to do is to keep the most of the inventory in China and just store 20%-30% of them in the USA, when the inventory is almost sold out, send another batch to the USA. By doing this, when the holiday season ends, the stock of the American warehouse is basically sold out, the remaining inventory in China can be returned to the manufacturer or just keep it one more year and sell them next Christmas.



In another word, getting one or more fulfillment center in the right locations can lay firm foundations for diversified marketing activities and help the business to seize every opportunity for growth. It is important to note that a fulfillment warehouse(or fulfillment center) is different from a simple warehouse, besides the capability of keeping inventory, it also has the following features:

- ✓ Item inspection
- ✓ Automated fulfillment system
- ✓ Kitting and assembly
- ✓ Labeling
- ✓ Pick & Pack
- ✓ Custom packaging
- ✓ Ship items directly to the end-consumers

In the following pages, we will introduce the characteristics of different fulfillment centers and the local e-commerce market in detail.

China Order Fulfillment

Among all the order fulfillment centers in the world, Chinese ones are very particular because of China's developed eCommerce, manufacturing industry and amazing domestic logistics. Statistics shows that global eCommerce sales grow 18% in 2018, and more than 60% of the products are sourced from China.

Source Products from China

Everyone knows Alibaba, but it's not the only platform to source products from China. The advantage of sourcing or wholesale platforms is that they will do some screening for suppliers. Only qualified suppliers can enter the platform, and the platforms will show how long this supplier has been in the industry and credibility. But different suppliers have different priorities in supplier selection and cooperation policies. You need to select the most suitable platform according to your budget and product characteristics.

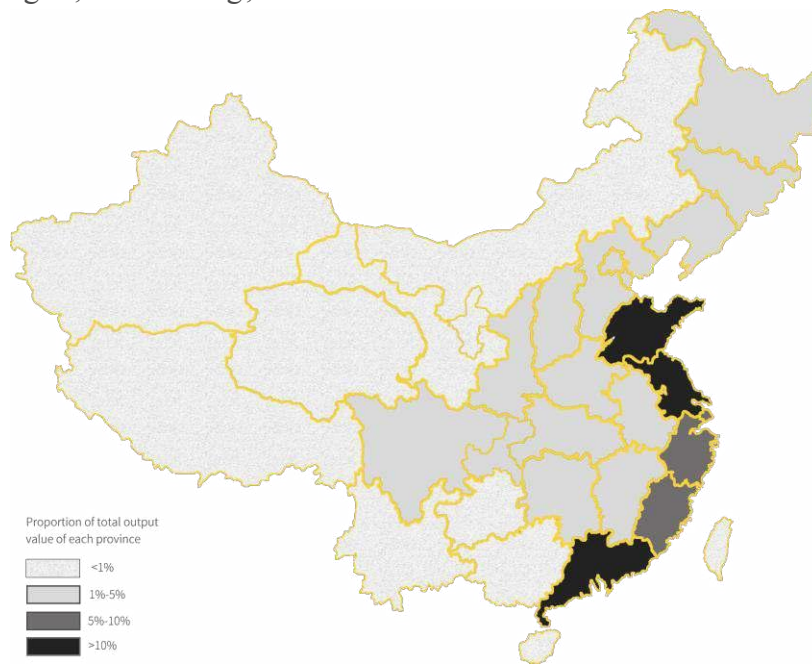
Platform	Advantages	Disadvantages
	World's biggest Comprehensive range of suppliers and products	Lots of counterfeits
	Lower minimum order quantity (MOQ) Safer payment: only passes payments when the buyer confirms receipt	shipping is slow to the USA, Canada, Europe, etc.
	Regular Hong Kong trade shows, help companies to do sourcing in China face to face	The website is not as fully-functional as Alibaba
	Dropshipping friendly No minimum order quantity (MOQ)	either companies or individuals can be a supplier, some scams.

World's Manufacturing Hub

According to the statistics of the world bank, in 2017, the added value of China's manufacturing industry accounted for 27.0% of the world's total, becoming an important engine driving global industrial growth. Worldwide, 80% of the air conditioners, 90% of personal computers, 75% of solar panels, 70% of mobile phones and 63% of shoes are made in China.

Since the 1990s, some coastal provinces and regions have achieved rapid development due to preferential policies and superior location, and a large number of capital and labor force have gathered in the coastal areas.

Manufacturing industry, especially export-oriented industries, has begun to be highly concentrated in coastal provinces including Guangdong, Fujian, Zhejiang, Jiangsu, Shandong, etc.



As a result, most of the suppliers on Alibaba, 1688, Taobao and AliExpress, DHgate, etc, locate in these 5 provinces. Among them, Shenzhen, the Special Economic Zone in Guangdong province has become the best international logistics hub because of its proximity to Hong Kong. That's why most of the Chinese order fulfillment centers are in Shenzhen.

China Domestic Shipping

China's domestic shipping is the fastest in the world. Taobao, JD.com and other platforms generate tens of billions of packages every year. Thanks to China's leading intelligent logistics system and developed domestic shipping, all the packages can be sorted and packed accurately and delivered to every consumer in just 1- 4 days. Take SF express, which is famous for its good service and fast speed, as an example, a consumer from Beijing can place the order in the morning and receive the package from Shanghai in the afternoon. In the United States, the same distance (about 1500km) takes 5-7 days. China's domestic logistics covers a very wide range. Even consumers in the most remote areas of Xinjiang, Tibet and Inner Mongolia are used to online shopping, and packages can be delivered in about 7 days. China Post, which is known as covering all China, has distribution centers even in Everest.



International Shipping from China

When shipping items from China to the world wide, there are 4 factors to consider

- Price
- Shipping time
- Item weight and volume
- Special attribute of the item

Special Attribute	Example
Battery	Power bank Different kinds of batteries
With battery	Toys with dry batteries Electronic products with Lithium-ion battery
Liquid	Perfume Moisturiser
Cream	Face cream Makeup foundation
Powder	Makeup loose powder Washing powder
Magnet	Motors Magnets
Bluetooth	Bluetooth airbuds Bluetooth speaker
Counterfeit	Fake branded items

International shipping carriers

- DHL
- China Post EUB/ Airmail / Registered
- Dedicated Line

And more...

Global Domestic Order Fulfillment

When the manufacturers (or suppliers) and market places of a business are not in China, we normally recommend the owner to use domestic order fulfillment, that is, fulfill the order close to the consumer. Having a local fulfillment center means you can clear customs once in bulk, eliminating the risk, headache, and cost of clearing customs on a per order basis. More than that, domestic order fulfillment strategy brings faster shipping and better item return experience. You will find it very useful for seasonal and fashion items.

USA Order Fulfillment

USA Domestic Shipping



The United States of America is the 4th largest country in the world, therefore, the time and rate of USA domestic shipping are quite different, depend on the shipping destination and your fulfillment center location. That's why knowing something about shipping zones is very important. For example, shipping from Florida to California means you're shipping to Zone 8, but if you ship from Dallas to St. Louis, you are delivering to shipping Zone 4.

USA Domestic Shipping Carriers

USPS: United States Postal Service is affordable and reasonably reliable, but the customer service is not so good, so it's a good choice to ship lower-value items.



UPS: It's reliable and have good customer service, but of course, a bit more expensive. You can choose the “**sign in**” **service, that means the parcel can only be treated as** successfully delivered after getting the signature of recipient. Although it charges extra \$5 per package for this service, but it is very necessary when the item value is high.



FedEx: It's reliable and have good customer service. FedEx has the guarantee service that if the parcels are not delivered on time, you can get your money back.



DHL eCommerce: It is the most reliable and efficient shipping method for small packages, weighing 0-5lbs.



Warehouse Locations

Just as I mentioned, shipping to Zone 7 or Zone 8 can be expensive and slow, if your consumers are all around the America, it's better to get multiple warehouses. Normally, order fulfillment companies like NextSmartShip own warehouse in the East, West and South of the America. By storing 25%-35% of your inventory in each of the 3 or 4 warehouses, you can send items to 99.99% of consumers across the United States in 2 days.



Operations that May Generate Costs

Item receiving and inspection: some order fulfillment companies charge item receiving and inspection fee by working time or item weight, because they requires labor and time. (NextSmartShip doesn't charge these fees)

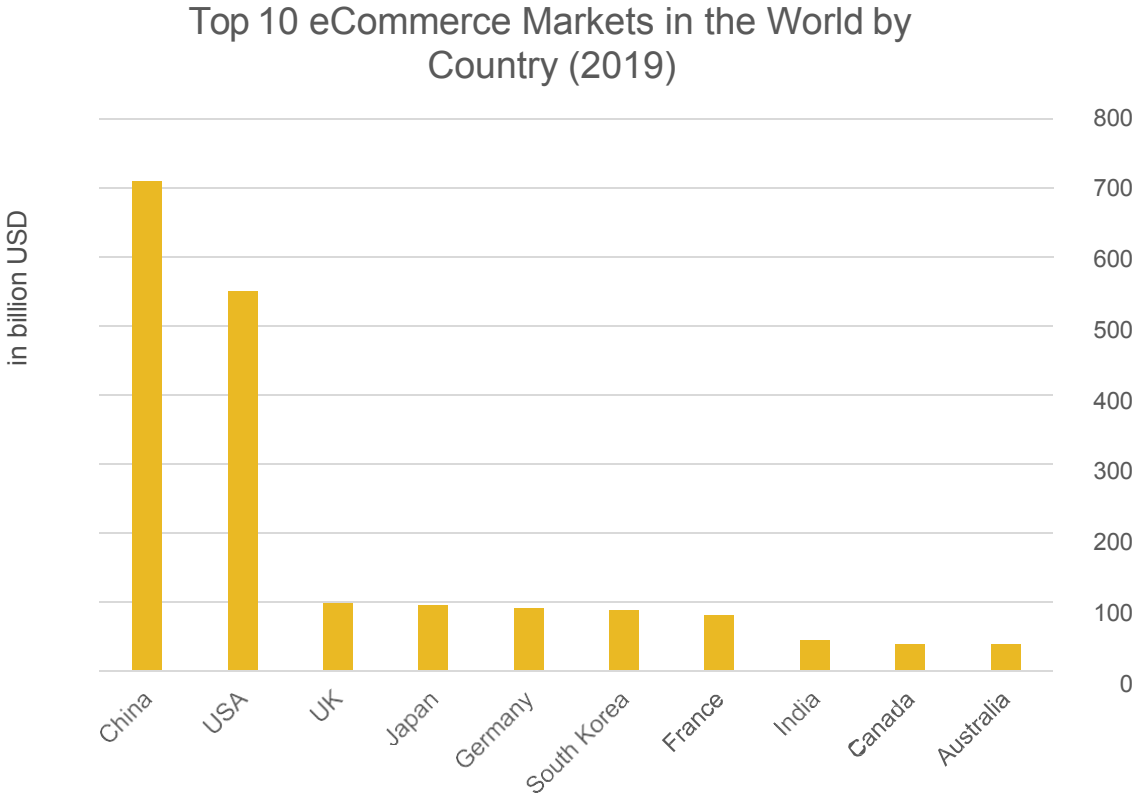
Overtime storage: normally if you store a batch of inventory in a fulfillment warehouse for too long (more than 2-3 months), it will occupy warehouse space and affect the turnover of other goods. In this case, it is recommended to keep the inventory batch by batch, keep a healthy inventory turnaround cycle.

Fragile item protection: add extra packing material to protect the fragile items. It requires expertise to ensure that the product is adequately protected without adding too much volume and weight.

Order merging packing: sometimes a same consumer will place several orders in one store in succession, it makes no sense if he or she get multiple packages because of it. Merging multiple orders with the same address and recipient is an effective way to reduce shipping costs and improve the shopping experience. Although it will generate extra fees (because it requires advanced order management), it's still more cost-effective than shipping every order separately.

Europe Order Fulfillment

The 2019 global ecommerce market size is 2.0 trillion US dollars, 11.3% larger than 2018. By 2021, the market will grow by 25%. In the top 10 countries based on eCommerce market size in 2019, European countries take 3. No matter you are a B2B wholesaler or a B2C retailer, Europe is the market that you have to fight for.



The Brexit Chaos

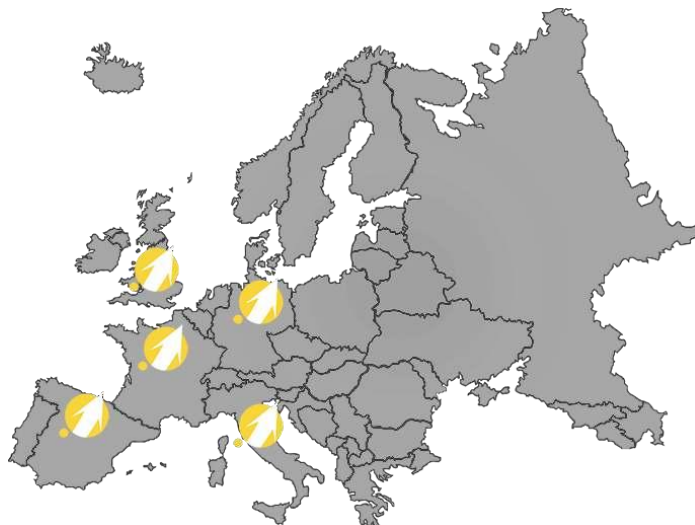
As the Europe's largest eCommerce market, UK seems a good place to run an order fulfillment center. It is simple to ship orders across the Europe from UK, because UK is the member of the European Union, for now... What if UK exit the EU for real? Can online retailers still provide fast and affordable shipping for the European consumers?

Although there are many variables in this matter, an election and more discussion on the way, it's better to prepare before things happen. Once UK leave the EU, shipping from the UK to other countries in Europe will not be as smooth as before, customs checks and import duties will be heavier and more strict.

In this case, getting a fulfillment center in Germany is a good choice. Other than Germany, as countries famous for its fashion industry, France and Italy are also good order fulfillment places.



NextSmartShip Europe Fulfillment Center Locations

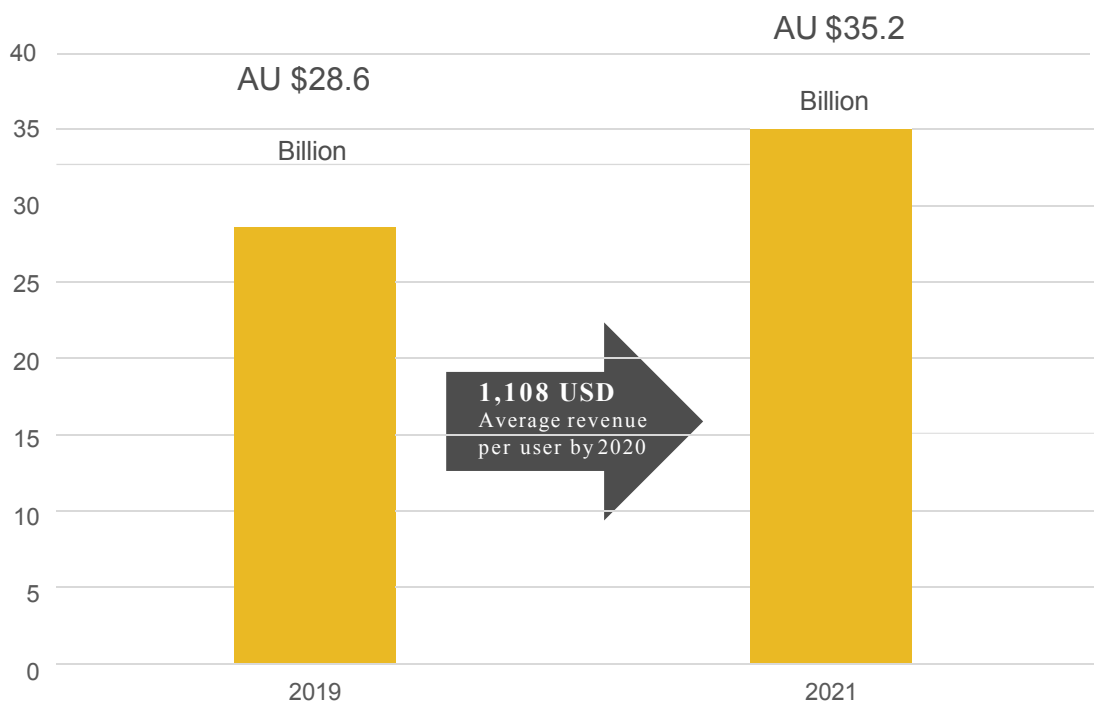


Australia Order Fulfillment

The Growing eCommerce Market

Due to the special geographical location and population distribution, Australia has the second highest online buyer penetration rate in the Asia-Pacific region. According to the eCommerce statistics for the Australian market 2019, 10% of retail revenue comes from e-commerce revenue, which has year by year grown into 27.5 billion USDollars.

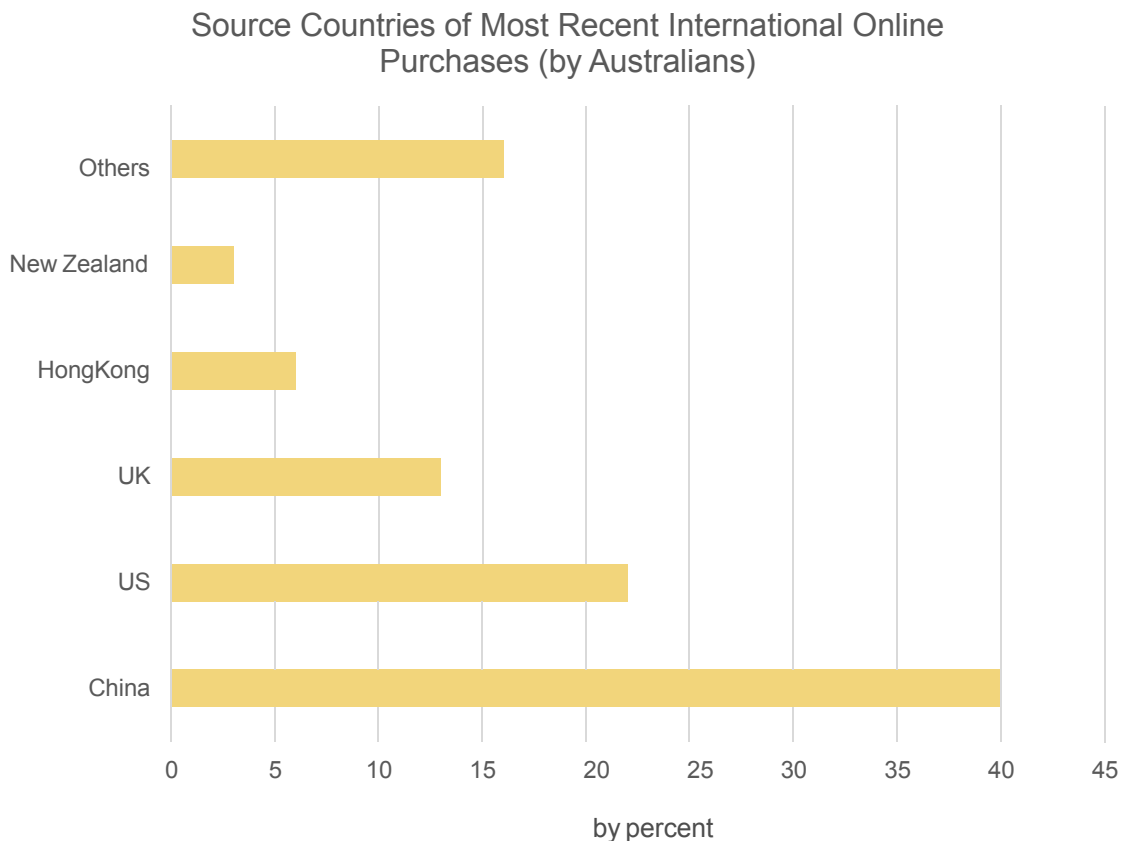
Growth in eCommerce Market Size (Australia)



Some Facts about Australia eCommerce Market

Australian consumers are becoming more environmentally conscious. 60% online shoppers want parcels to have sustainable packaging. If your market is in Australia, it's not OK to dropshipping directly from suppliers and use those shitty plastic bags and envelopes. The better way is to use custom packaging.

Australia consumers like to buy from China. 40% of Australian shoppers' most recent purchases were from China. China is the most popular global eCommerce destination for Australians, followed by the United States and the United Kingdom.



eCommerce Tips

Since we've gone this far, at the end of this white page, we will provide some tips for your eCommerce business, help you to become an expert in marketing as well as global order fulfillment.

Get one or two “bait item” and order them in bulk.

There is a marketing trick called “bait and switch sale”. Many retailers have a strategy of choosing a best seller to sell at a super low price, then customers (potential customers) will enter the website immediately after seeing the promotion information. Once they entered the website, they may be attracted by other products, as a result, they pay for a lot of items in the shopping cart, not only the "bait item". Since the whole purchase activity happens around the bait item, there will be a lot of orders for this item, it's better to buy them from suppliers in bulk so that you can keep this marketing campaign running and get more margins.

Offer multiple shipping options.

Consumers love to have multiple options. It's wise to provide an affordable and a fast shipping method for buyers to choose. People will adjust their expectations according to the money they pay, and it will be surprising if they get a free shipping order earlier than they expected.

Pay attention to the inventory turnaround cycle.

It's risky to purchase too many inventory at once, especially for trendy and seasonal item. It's recommended to purchase from suppliers batch by batch and stock inventory that can keep your sale running for 2-3 month. For example, if you can get 100 orders per day, always keep 2000-3000 units of items in the fulfillment center is more appropriate.

Listen to the experts

NextSmartShip has a fulfillment team composed of experts, every of the team member has years of experiences in eCommerce, global logistics and order fulfillment. They know what they are doing, please feel free to let us handle all the details, we will provide the most suitable solution for you.



Contact Us Today

Feel free to contact us about any questions you might have.

Email sales@nextsmartship.com

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