



How to Increase **Customer Satisfaction** By Outsourcing Your Online Order Fulfillment

“In the world of internet customer service, it’s important to remember that your competitor is only a click away.”
Doug Warner

In today’s world, communication between consumers is faster than ever before. As more and more information is distributed through the internet and other channels, it is inevitable that buyers in the modern era are more informed, and thus more demanding, than in the past. People today don’t just want a certain level of service: they expect it.

Consider eCommerce retail. Due to the information-rich nature of the internet, less competitive retailers who don’t meet the standards of today’s market are quickly identified and abandoned, while retailers that exceed these standards draw consumers quickly.

There are many ways a retailer can boost their reputation, including quality of merchandise, type of merchandise, marketing, and customer service. However, one frequently undervalued yet vastly important part of a business's reputation is speed, accuracy, and cost of merchandise delivery. A study published by the International Journal of Quality and Reliability Management found that Reliability and Promptness, which includes order accuracy, speed, and customer service, is given an importance of 92 out of 100, the highest of any factor in perception of retailer quality (Mijoon). This whitepaper will examine how outsourcing your order fulfillment can improve these factors.

Reliability and Promptness is the strongest factor in determining retailer quality.

What is an Order Fulfillment Company?

The first question a company might have is this: What is an order fulfillment company (also called a product fulfillment company or fulfillment house)? Typically, an order fulfillment company is a company that is responsible for the process of carrying, packaging, and shipping products to customers. They will generally provide support to the company on issues regarding shipping, as well as supply detailed information about inventory.

Why is Speed Important?

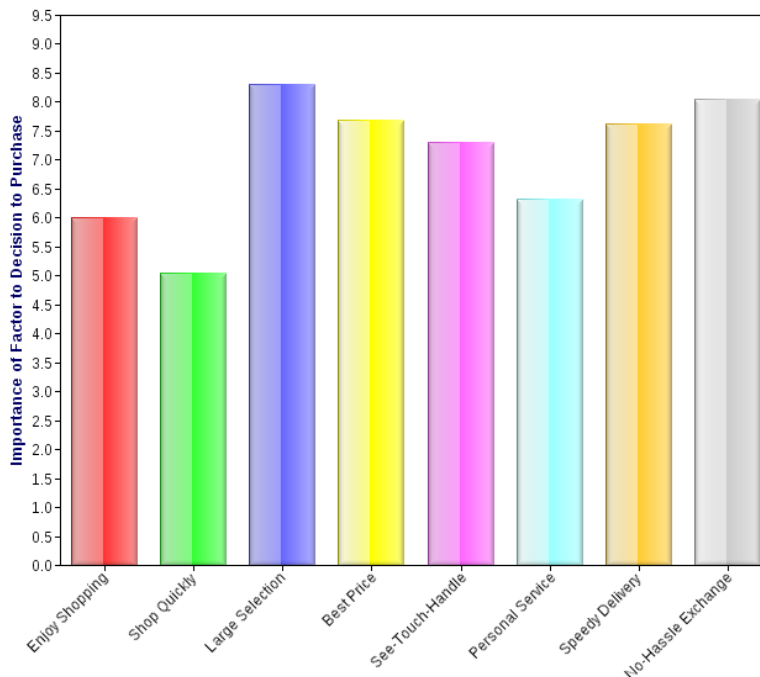
Instant gratification has always been a barrier that has prevented online retailers from reaching the same kind of prominence that traditional stores enjoy. In the world of iTunes, on-demand TV, and streaming video, it should come as no surprise that consumers want to receive what they buy as quickly as possible, preferably immediately. A study by Forrester Research in 2008 found that web buyers prefer offline shopping and,

on average, spend \$66 more in offline stores than online ones (Johnson).

The biggest advantage of traditional stores over online retailers is being able to pick an item you want and the ability to walk out with it the moment it is purchased. Compare that with ordering something online and receiving it a week later. From a consumer standpoint, that is a huge delay in the gratification process, which results in frustration and dissatisfaction. Of course, that is a tradeoff consumers make when deciding to purchase online in exchange for the added convenience of getting the merchandise delivered, as well as that distinct element of excitement when receiving a package. An online retailer cannot, currently, provide the same kind of instant gratification a traditional store can, but it can and should come as close as possible. A study conducted by the Journal of Electronic Commerce Research found that speed and ease of delivery was one of the most important factors for consumers seeking to purchase books online, next to price and selection (Levin).

Speed and ease of delivery is one of the most important factors for consumers seeking to purchase books online.

Factors Influencing Purchase of Books Online



How Do Fulfillment Providers Ensure Speedy Delivery?

The problem with trying to speed up order fulfillment internally is that the more time a company spends on trying to improve supply chain operations, the less time it is spending on other aspects of its business. eCommerce retailers would no doubt prefer to spend more of their time on improving their product selection, product quality, and their general visibility in the market rather than micromanaging inventory and fulfillment operations. Not only that, order fulfillment is something that requires a great deal of time and commitment to do properly. Depending on how much inventory has to be stored, the company might need to lease or buy a warehouse. They would also need to hire warehouse workers, logistics specialists, and supervisors. For many companies, this is neither economical nor desirable due to the costs involved. Moreover, most online retailers are unlikely to have the kind of expertise in fulfillment that would be required to get their packages out the door as quickly as a dedicated fulfillment provider could.

There are a significant number of reasons why a dedicated fulfillment provider can ship packages more quickly than the average online retailer.

For one thing, they can take advantage of economies of scale. These fulfillment providers optimize their processes for receiving, storing, packaging and shipping thousands of items a day, as opposed to dozens. This allows them maintain more warehouse employees than would be prudent for an online retailer, and also allows for maximization of efficiency. Instead of one person doing two jobs, two people do one job. Instead of a final accuracy audit done just before shipping out an item, there are multiple checks performed throughout the process, keeping the operation running smoothly.

Process automation is another key factor to speed. Most fulfillment providers will have their electronic systems integrated with an online retailer's shopping cart. This kind of order management technology is generally specialized particularly for eCommerce order fulfillment, providing higher levels of efficiency than otherwise possible. The moment someone hits the "checkout" button, the fulfillment provider is instantly able to access the information for the order, including whether the shipment is a priority or not. This allows them to keep track of inventory, records of shipments, and easily identify mistakes, as well as more detailed information, which allows them to compile reports for the company.

Many fulfillment providers have multiple warehouses strategically located around the country.

In most cases, an online retailer will only rent one warehouse, due to the complications involved. Many fulfillment providers, however, have multiple warehouses strategically located around the country, allowing them to reach customers on either coast quickly. This can generally cut the time of delivery by a few days, which is significant from a consumer standpoint.

How Do Fulfillment Providers Save On Shipping?

Speed is not the only way customers benefit from multiple warehouses however. Price of shipping also decreases significantly, due to the shorter distance between the warehouse and the customer. A study done in conjunction with UPS compared a fulfillment provider with bi-coastal facilities to four other dedicated providers with only one facility. The study found that, on average, the bi-coastal provider saved around 51 cents per pound compared with the other four providers. Assuming an average shipment weight of around 4 pounds, that is about \$2.04 saved per shipment. While that doesn't sound like much, considering the volume that some online retailers need shipped, it could add up into considerable savings that could be passed to the customer.

Companies utilizing bi-coastal fulfillment centers save \$2.04 dollars a shipment compared to those only using a single fulfillment center.

Fulfillment companies also receive significant discounts for shipping items in bulk, as well as buying large amounts of shipping materials. A study by Nielson Research found that shipping costs were the single biggest factor in preventing consumers from purchasing groceries online (Swedowsky).

Why is Accuracy Important?

Accuracy is another important factor that greatly influences the buying process. Accuracy, in the context of eCommerce fulfillment, refers to the percentage of customers who order from an online retailer that receive the exact item they ordered, undamaged. It also includes the right amount of merchandise being shipped. Naturally, customer satisfaction drops when a customer receives an item they haven't ordered instead of the one they have, less than they ordered, or a damaged item.

How Do Fulfillment Providers Ensure High Levels of Accuracy?

It is not, however, so easy to ensure. Due to the volume of orders processed a day, it's entirely possible that a worker slips the wrong item into the box, breaks an item, or ships a package to the wrong address. There are a myriad of possible mistakes that can and have happened. This rings especially true for those executing fulfillment using a smaller warehouse. Fewer employees mean more tasks that each employee has to undertake. More tasks means more chances of committing errors, which leads to a lower accuracy percentage. For a number of reasons, specialized fulfillment providers generally have a higher level of accuracy than online retailers fulfilling their own orders.

Merchandise is inspected no less than four times before it leaves the fulfillment center.

Due to the size of the typical fulfillment operations, fulfillment houses are in a position to have extensive accuracy checks in place. Take Webgistix's fulfillment process as an example. From the moment an order is placed until the time it is loaded onto a truck and delivered, the merchandise has been inspected no less than four times for accuracy, ensuring an accuracy rating of at least 99.6%, meaning less than four mistakes per thousand packages. For most small to mid-sized retailers, putting outgoing merchandise through four separate checks would be costly and inefficient, showcasing why fulfillment providers, in general, have higher rates of order accuracy than internal operations. Accuracy also takes into account broken or lost merchandise, something that fulfillment providers take a great deal of effort to prevent. Stringent handling policies, experienced workers, and specialized labels ensure that delicate items are stored and packaged with the utmost care.

The Advantages of Having Dedicated Fulfillment Support

Besides speed and accuracy, there are other advantages to outsourcing your eCommerce fulfillment. Strong customer support is a critical factor in maintaining high levels of customer satisfaction. Of course, many retailers do have excellent customer service representatives. The problem however, lies in focus. If a retailer is handling their order fulfillment in-house, then they are likely to receive two different types of questions. The first type of question will be about the fulfillment process, including questions about the price of shipping, the way it was handled, and the speed and accuracy of the process. The other type of question will be regarding the product itself, including dissatisfaction with its quality, price, or any other complications that arise from it. The issue here is that the support infrastructure required to answer these two separate types of questions is completely different.

One side has to everything to do with warehouse procedure and nothing to do with the product itself, while the other side is deals entirely with the product. The advantage of relying on an order fulfillment company here is that it allows the eCommerce retailer to delegate part of the responsibility of the warehouse side of customer support to their fulfillment partner. Most fulfillment services will not interact with the end consumer, though some are partnered with dedicated customer service outsourcing solutions, which can lead to total delegation of a fulfillment operation. They will, however, provide detailed information, support, and troubleshooting to the company, allowing quick and comprehensive solutions to problems. This gives companies the opportunity to focus their customer service efforts primarily on product support. Of course, this can also become a disadvantage. In the case of complications, a customer will, in most cases, blame the retailer rather than the fulfillment company, so an inadequate order fulfillment can quickly affect their business negatively. However, a competent order fulfillment company can allow an eCommerce retailer to narrow the scope of their customer support and boost levels of responsiveness and, by doing so, obtain higher levels of customer satisfaction.

Alternatives to Outsourcing Your Order Fulfillment

Though outsourcing fulfillment, in many cases, will lead to higher customer satisfaction for the reasons mentioned, for some companies there is an alternative. In some cases, mainly for large businesses, it is possible to have an effective in-house fulfillment operation, as companies such as Newegg and Amazon.com have shown. Many of the reasons that outsourcing order fulfillment can be beneficial is that eCommerce fulfillment providers deal with large numbers of shipments, operate large warehouses, and have many specialists on staff dealing specifically with fulfillment.

Small to mid-sized businesses generally don't have the capital to invest in such operations, but larger businesses can. A separate division entirely dedicated to order fulfillment can be just as effective as some eCommerce fulfillment companies. It should be noted, however, that internal operations of this level are only feasible past a certain size threshold, and even for large companies, there is no guarantee of managing a fulfillment operation as efficiently as companies dedicated purely to order fulfillment.

For small to mid-sized companies, the advantages of outsourcing order fulfillment to boost customer satisfaction through speed, accuracy, and customer service are clear. However, it should also be clear choosing the wrong eCommerce fulfillment provider can not only fail to have any significant effect, but even lower overall customer satisfaction. For that reason, companies interested in outsourcing their fulfillment should consider choosing Webgistix, the global leader in eCommerce order fulfillment with the strongest records of speed, accuracy, and customer service in the industry. Webgistix has been helping eCommerce retailers streamline and grow their businesses for over a decade. They can contact 866-983-7447 for more information.

About Webgistix

Webgistix is a global leader in eCommerce order fulfillment that operates bi-coastal fulfillment centers that serve hundreds of established eCommerce retailers. Webgistix delivers SmartFill, Cloud-based technology that works with all major shopping carts and is optimized for mobile commerce. Webgistix customers outsource their order fulfillment to Webgistix to eliminate fixed overhead, increase the speed and accuracy of their global order fulfillment, and retain control and visibility over their fulfillment operations. For more information, visit www.webgistix.com.

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