



Fulfillment Options

Purpose

The purpose of this lesson is to show you three types of fulfillment options you can use to handle your order fulfillment needs. The benefits and drawbacks of each option will be given as well as tips on how to get started with each particular option.

Fulfillment Options

As stated, there are three fulfillment options to consider for how to handle your order fulfillment needs. These options are:

- **In-House** – you can literally operate from your house, office or small warehouse, depending on your needs, your current operations, etc.
- **Fulfillment Company** – there are lots out there that will ship your products for you. The negative reputation that used to be attached to these is being changed as better systems are being implemented. If you have good systems yourself, the interaction can be quite positive and have lots of advantages.
- **Fulfillment by Amazon (FBA)** – this is a service Amazon provides where they act as your warehouse, enabling you to ship the products to them and they in turn ship it to your customer.

Benefits, Drawbacks & Getting Started

Each of the options has benefits and drawbacks. Read through each to see what these are and how you can get started with your desired option.

In-House

When using *In-house* as a fulfillment option, a couple of the benefits are:

- **Control** – you are able to ensure every order gets a tracking # entered into Amazon because you have shipping info right at hand; you can control what goes into the packages such as inserts, marketing material, informational material, etc. (Amazon doesn't really want you doing that but they don't really say much about it).
- **Easy to get started** – all that's required is for you to set up a shipping account and supplies. You're not worrying about signing contracts with fulfillment companies or configuring Fulfillment by Amazon (FBA). This is especially true if you already carry inventory or have immediate access to it.



Of course, as with all things, there can be some drawbacks. The drawbacks of this fulfillment option are:

- **Hassle** – you're responsible for inventory management, packing, shipping, managing orders, etc. This kind of office-type workload could become a full operation that you really do not want to do.
- **More Expensive** – often people outsource not because it would be cheaper but because it would be more convenient. However, doing in-house fulfillment can actually prove to be more expensive because of 'scale' issues.

For example, when working with a shipping company such as Fed-ex or UPS, you may be paying premium shipping costs per shipment because you may not have a very high monthly volume of shipping. A fulfillment company, however, which can have several thousands in shipping volume, would receive great discounts on shipping from the shipping company. These savings would then be passed on to you, so even after paying various fees, etc. for working with a fulfillment company, the huge savings on shipping can make using a fulfillment company less expensive than operating in-house.

However, despite the drawbacks, in-house fulfillment may still be a viable option for you. To get started with this type of fulfillment, what you need is:

- **Location** – somewhere to receive and ship your products to and from.
- **People** – to manage orders – package them, put on labels, etc.
- **Packing material** – you'll need materials such as boxes, pouches, stuffing materials (bubble wrap, paper) etc., depending on your specific needs. A good site for getting this kind of material is uline.com.
- **Shipping accounts** – you'll need to set up shipping accounts with some carrier, e.g. Fed-ex, UPS. Check the rates to see which is best for you. Most accounts are free to set up.
- **Shipping Software** – at a certain point you may find entering orders by hand becomes too time-consuming and even costly. When you reach this point, good shipping software (e.g. ShipWorks) can help you. This kind of software can automatically pull your Amazon orders, generate shipping labels, etc. You'll probably reach this point if you're generating 20+ orders a month, so this is something to think about.

Another benefit of using shipping software is the ability to use first class mail over priority mail for lightweight (e.g. < 13oz.) shipments. For example, USPS.com doesn't allow you to print first class mail which is cheaper than priority mail and has been proven to be just as fast. However, if you have shipping software, you are allowed to print first class.



Fulfillment Company

Using a *fulfillment company* instead of *in-house* can have a few benefits, such as:

- Hands-free
- No people to manage
- No shipping supplies to monitor

What a fulfillment company does is they allow you to send your inventory to them, hold the inventory to meet the order requirements and then ship the products out for you. A number of them will be able to automatically tie into Amazon.com where they can get your orders, print them and update the Amazon info with tracking numbers, which makes a large portion of your Amazon operations hands-free.

Another perk is being able to use wholesale products and thus not having to rely on just drop-shipping. There's also the benefit of being able to control packaging and such just like you would if doing in-house. You are paying the fulfillment company and so they will do just about anything you ask (within reason), so things like adding inserts or marketing/info material to your packages is possible with a fulfillment company. In fact, some will even print that material off for you. The obvious benefit here is you won't need an office or warehouse or extra employees to handle a lot of these tasks.

The drawbacks of using a fulfillment company are:

- **Setup fees/initial fees** – fulfillment companies need to insure they are going to get paid for their services, so a good number of them will charge setup fees and, in some cases, initial fees or deposits. Since they charge on a per-order basis, on returns, or on a per-item basis (which is pennies per item but does add up fairly quickly), they want to make certain you're looking to do legitimate business and they are going to make money helping you.
- **Trust and reliability** – in the past, a lot of these companies failed to provide good service because of messed up systems which resulted in a lot of messed up orders. Nowadays, however, better systems have greatly improved their service and so it is now just a matter of finding a less scrupulous company to work with.

In order to get started with a fulfillment company, all you really need is your business information and a contact at a fulfillment company. You may find a local one by searching online which, if you find one, has the advantage of being able to meet face to face to check out their operations and make sure they are handling things properly.



However, you don't need to go local. A couple of reputable national fulfillment companies that you might consider are:

- Moulton Logistics – moultonlogistics.com
- National Fulfillment Services – nfsrv.com

You are able to contact either of these companies and they will assist you in getting up and running.

Fulfillment by Amazon (FBA)

In an FBA scenario, you, the seller, have a product on Amazon that you are selling. To maintain inventory levels, you can contact your manufacturer or wholesaler and tell them to ship the inventory directly to Amazon. The inventory can then be shipped directly to the Amazon warehouse with information indicating who the seller (e.g. you) is. Details for how this works are found on your Seller Central account (SA) dashboard.

Amazon then counts and stores that inventory on your behalf and reports that inventory as being received, including the current quantity for that item. This information can be reviewed on your SA dashboard. It should be noted here that the inventory is simply stored by Amazon, not paid for.

Finally, a customer orders your product and Amazon packages the item with any other FBA items the customer has ordered and ships them all directly to the customer.

Now, there are obvious benefits to using FBA, such as:

- **Better product placements** – if you view the top ranked listings of products on Amazon you will notice a large number of them are FBA products. Amazon likes this because they are less likely to mess up orders than anyone else, having shipped more packages and thus having well-established systems. Also, with Amazon being able to package multiple FBA items into fewer or 1 package, the customer has a more satisfying experience, resulting in Amazon achieving their goal of providing customers with a positive experience. With Amazon being happy, they reward you with better product rankings.
- **Cheaper shipping offerings** – Amazon indicates everything you ship FBA has a \$0 shipping cost. This matters because, as stated in other lessons, a large factor of where you rank with Amazon, aside from promotions you do and especially if competing for the buy box, is your price. Price is a function of the actual product price and the shipping cost, so with a \$0 shipping cost you gain an immediate advantage.
- **No inventory or customer service issues**



One major drawback to using FBA is control. If Amazon is handling your fulfillments, they will work hard to make it appear that they are selling your product. This means you're no longer involved in the fulfillment process, which subsequently means no opportunity to provide inserts, marketing/info materials, and so on.

Getting started with FBA is quite simple. All that is required is for you to log into your SA dashboard, pull up the item, and then select "change to fulfilled by Amazon". Then you just simply start sending inventory to Amazon and the rest is taken care of. You'll see some other instructions on this within your SA dashboard but the process is this simple.

Conclusion

Now you have learned of three fulfillment options you can use to complete orders for products your customers buy from you. Whichever you choose, you'll now be able to enjoy selling your Private Label and Wholesale items on Amazon.