

The 11 Facets of Fulfillment

A Primer about Marketing Fulfillment Services

Overview

The purpose of this document is to provide an understanding of the industry known as "fulfillment" and loosely defined as those businesses engaged in the warehousing, management and distribution of marketing material *or actual product*. Our intent is to provide this overview so anyone evaluating these types of services can be an educated consumer and make a wise decision.

The type of material being distributed varies among items such as:

- Printed sales and marketing literature such as catalogs, brochures and sell sheets;
- Items with Logos such as mugs, hats, t-shirts, pens and thousands of other advertising specialty products;
- Binders, books, magazines, booklets;
- Software and related material;
- Point-of-Purchase displays, posters, signs;
- Audio CDs, DVDs, Videos, Cassettes, Videos;
- Product samples; and
- Kits sometimes with specialty packaging containing some or all of the above items.

Companies typically hire outside fulfillment firms when the demands of a project or process are beyond the capacity of internal resources. At the core of this service is the fact that the material is being delivered on a recurring basis to support revenue growth, and, as such, the timely and professional packaging and delivery of this information is critical.

Successful fulfillment requires a unique set of methods, skills, equipment and practices to achieve optimum performance at a reasonable cost. Generally there are 11 facets to an effective fulfillment company. A brief overview of each area makes of the balance of this report.

1. **Geography**
2. **Scope of Services**
 - a. **Core Services**
 - b. **Peripheral Services**
3. **Set-up Process**
4. **Materials Handling & Inventory Management**
5. **Pick & Pack; *Kitting and Assembly***
6. **Shipping**
7. **Infrastructure**
 - a. **Warehouse**
 - b. **Technology & Equipment**
8. **Staff & Staff Organization**
9. **Customer Service**
10. **Reporting**
11. *Miscellaneous*
11. ~~(Have we left something out, or is it only 10?)~~

1. Geography

There are a few considerations with respect to the geographical location

- A. Proximity to the manufacturers or printers of the material that will be warehoused and fulfilled.
 - a. *Often these are packed in boxes, put on skids, and shipped via truck.*
 - b. *Less shipping costs involved if your material and/or products are produced nearby*
- B. Is the fulfillment firm located close enough to be visited occasionally by the managers in charge of the project?
 - a. *Most clients don't see any need to visit their fulfillment company on a regular basis. If you have faith and trust in the company that you have chosen, then most visits are limited to yearly reviews.*
 - b. *If there is a problem with any aspect of fulfillment, then you may want to visit more often, to work out solutions, to oversee quality control, or for your own piece of mind.*
- C. Is the fulfillment firm's proximity to the receivers of the shipments important?

- a. *There are some efficiencies and costs to be had if the fulfillment company is located in the Midwest, since they are equidistant from each coast. Any savings may be offset by extra shipping charges for the collateral and/or products to be shipped to the central location.*
- b. *Most businesses and a lion's share of the receivers are located in the populous Northeast or the West Coast, so that the costs and the time saved is minimal. Plus if most of your receivers are on the coasts, then the cost to ship from the Midwest back to the East Coast, for instance, is now greater.*
- c. *Having multiple warehouses in different parts of the country to reduce shipping costs and transit time is great in theory, but in practice, this means having inventory in two different locations, exponentially increasing your margin for errors. Splitting up inventory means two sets of reports and two stocking levels that need to be monitored. It can even result in extra costs because space may not be utilized effectively due to the economies of scale.*

D. Is the firm located in an area with reasonably priced real estate and labor availability?

- a. *Overhead is a large factor in determining prices for services rendered and for space used. If a fulfillment company is in a high-rent district, no matter how convenient it is to visit, the cost of warehousing will be higher.*
- b. *Fulfillment companies traditionally need blue-collar workers to pick and pack the orders, as well as white-collar workers to program systems and manipulate data. Having a diverse labor force is very important. In addition, if your business fluctuates during the year, then the flexibility of the labor force should be just as important.*

E. Does the firm have adequate access to shipping routes?

- a. *Most shipping couriers, even FedEx or UPS Ground, need to move their shipments by air, even if it is to get to the main distribution facility. Having a company within easy reach of an airport, or a courier terminal, means that your shipments will go out the same night they are shipped.*
- b. *Many printers and manufacturers ship via truck if the volumes dictate, so access to highways are equally important.*

~~(For each, discuss briefly why it is important to consider, how you could be affected—negatively or positively—and what trade-offs might be appropriate.)~~

2. Scope of Services

Every fulfillment company will have a range of services it provides. These can be grouped into two categories:

a. Core - These are the basic services that every effective fulfillment company must provide:

i. ~~i.~~ **Storage/-Warehousing** to store clients' material for the express purpose of distribution as a result of an order or a request. It is not a place for cold storage or seldom used materials, although there may be instances where this happens. The warehouse is generally set up for efficient in and out movement of material.

Warehousing

~~iii.~~ **ii. Distribution of material for the support of marketing departments** upon request via an order which is usually communicated via e-mail, self-ordering on-line, by mail or fax, or through an 800 service.

Most business-to-business use is to support on-going programs such as replenishing sales literature to their sales channels, human resource and benefit information to employees, promotional items to attract new business or as a thank you for existing business, or in response to an offer.

Most consumer use is usually in response to an offer or an order. Payment is often exchanged, but not always.

Distribution is accomplished through the postal service, through express couriers, and through truckers.

iii. **Customer Service**

- *Customer Service can run the gamut from general upkeep of the account in the business-to-business environment to the more intense customer interface in a consumer environment. This would mean servicing your customers, communicating with them directly, and answering their questions and concerns. This type usually requires a lot more training of the Rep (on your part) so that the right information is given out and your company is represented in a favorable light.*

b. Peripheral –Peripheral services have grown as fulfillment firms try to differentiate themselves. A common error made by buyers of fulfillment services is to get "wowed" by peripheral capabilities and lose track of the primary reason that the function is

outsourced. Some of the common peripheral services are listed below. Those services listed with an * are considered entire industries in their own right and it is wise to look carefully at any firm who claims to be fulfillment specialists if they are also involved in running these businesses. Typically a business involved in the * industries added some fulfillment capability to satisfy a particular client.

- Advertising*
- Advertising Specialty Product Sales*
- CASS Certified mailings
- Commercial Offset Printing*
- Delivery*
- Graphic Design*
- Hand Match Mail Services
- Lead Management
- List Maintenance
- List Procurement
- Print on Demand Services
- Marketing Consulting*
- Machined Direct Mail Services*
- Screen Printing
- Telemarketing*
- Trucking*

3. Set Up Process

The set-up process establishes the objectives, structure, time frames, responsibilities and logical steps for the entire engagement. If the fulfillment company is well-organized, in control and has a systematic approach to its operations, the set-up process will go smoothly and usually presage a good and easy relationship. *This process should not be rushed, since this is most important to a successful implementation. This is where you define your needs and requirements, set business rules, and form a working relationship with your fulfillment company.*

The set-up process should also include training for your administrators to use the system and how to access data such as transactions, history, inventory movement, etc. for reports and accountability. In addition, there should be training for your users, whether it is on-line, a hard copy manual, or verbal instructions.

A by-product of the set-up process should be procedures that spell out your preferences on how you would want your system managed, including communications between you and the fulfillment company rep.

4. Materials Handling & Inventory Management

Every fulfillment company must have materials handling processes and inventory systems that enable it to ensure that it has sufficient material on hand to fulfill required orders. *This process should have built-in checks and balances such as notice of expected material, notification of incoming material received, low stock warning, and routine verification of counts. There should also be a visual inspection of your materials to check for damage in transit or for any variations in the packing slip.*

5. Pick & Pack

Pick and pack are two separate functions of picking the material from the warehouse shelf and bringing it to a packing station where the order is packed. This can be done by order or it can be done in bulk for all material contained in all of your orders for that day. In large operations, this is automated and done by radio frequency waves. In small to medium sized companies, this can be a manual operation. It matters less if it is automated or manual, the more important issue is how the quality is controlled, and what checks and balances are in place.

Fulfillment companies should have a variety of packaging materials such as boxes of all sizes, jiffy and rigi bags, envelopes, and poster tubes, as well as cushioning such as air packs, pellets, and bubble wrap. Specialty packaging can be ordered and stored at the fulfillment company in your inventory for your exclusive use.

Kitting/Assembly

Occasionally materials need to be assembled into a kit, binder, or package before they are shipped out. There are several reasons why you may want your fulfillment company to assemble kits for you:

- All of the items are currently being stored at your fulfillment company*
- The items are coming from different vendors and need a coordination point*
- The items are also available to be ordered individually*

The items are often pre-packaged and stored as a kit, which works well if there are many components such as in a binder, or if the kit components are bulky to store separately, or if the kit takes time to assemble ad hoc.

6. Shipping

Shipping capability is a core competence of any fulfillment company. The more robust the shipping options, the better for the client. Industry standards comprise of US Postal options such as First Class, Standard mail, Priority Mail and Express Mail, and express couriers such as UPS, FedEx, and Airborne. International experience is invaluable in this global economy, so ask about the fulfillment company's familiarity with commercial invoices, customs, duties and taxes.

If your company has a relationship with a courier and has discounted rates, you may be able to get the same rates from the fulfillment company by giving them your billing number.

If there is enough activity, the common couriers will pick up at the fulfillment company on daily basis. If not, and the courier has to be called and a pick-up scheduled, then there is often a delay, so same day shipping is often not possible.

Turnaround time is how long it takes from the day of the order to the material being shipped out. Industry standard is 24 to 48 hours. Most companies provide same day turnaround, but usually there is a cut-off point and sometimes there is an extra charge.

The ability to track a package once it's been shipped is a great service to offer, so look for a fulfillment company that can provide that option.

7. Infrastructure

Fulfillment companies configure their warehouses and their equipment to make the process more efficient. There are any number of configurations both in terms of space and technology that can be implemented that would be efficient and effective. No one way is better than any other; what matters is that there is an infrastructure in place, with up-to-date technology and talented people who can run them.

a.o Warehouse

- 1. Space to house your materials is mandatory. There should be racks for open storage as well as room for skids and pallets. The racks and rows should be labeled for easy identification, as should all of the boxes. This identification can be written, or bar coded or radio frequency waves. As long as there is some order to the warehouse and they will be able to find your materials quickly.*
- 2. Room for growth is not mandatory, but is always reassuring especially if you plan to grow.*
- 3. Protection is also essential. This should include insurance, smoke detectors, and security systems. There should be an extra level of security for premiums and other valuable items.*

b.o Technology & Equipment

- 1. Fulfillment is not a high-tech industry, but certain tools can make the process more efficient which will result in quicker turnaround times, more accurate inventory, less handling, and hopefully lower costs. Some of these tools can include:
 - i. On-line ordering system
 - 1. integration with inventory and shipping is desirable***

larger overhead and often fulfillment may be a peripheral service and not a core competency.

The majority of fulfillment companies are somewhere in between. Usually their core competence is fulfillment and they have the experience and expertise to help you run your program smoothly and efficiently. The important thing to look at is the experience of the company (how long it has been in the fulfillment business), and the experience level of the employees (length of service, and turnover ratio.) A knowledgeable workforce can suggest process improvements and can more readily react to problems, often coming up with innovative solutions. There are currently no industry standards for training or certification. One of the professional associations is currently researching this, so there may be some standards in the future.

The structure of an organization is just as important as the staffing. A relatively flat organization (not a lot of levels between the workers and the executives) eliminates a lot of red tape, resulting in quicker problem resolution and faster decision making. Having the expertise of the executives available is also a plus, since traditionally, they are the most knowledgeable, and have the authority to make quick decisions.

Since most of the mid-range fulfillment companies are partnerships or limited liability corporations, they typically do not have an annual report. Looking at a financial report for these types of companies can be deceptive, because most of the profits go back into the company (or even to the employees), so showing a profit is not always desirable or even advisable.

9. Customer Service

Fulfillment companies differ in their approach to customer service, although most offer it under different names (Account Management, Client Service, etc). What is most important is how it is administered.

There are usually several different approaches to customer service:

- *Dedicated Account Rep*
 - i. *Usually for large Clients with high volume of activity. The Rep would have only one account, and depending on the activity level and value of the account, may have more than one rep*
- *Assigned Account Rep*
 - i. *The same Rep will be your contact, learning your business rules and forming a relationship with you.*
 - ii. *The Rep will have other accounts as well as yours, but the ideal mix would be a balance between accounts with differing activity levels from heavy to medium to sporadic*

- *Matched Mailings*
- *Print on Demand Services*
- *Marketing Consulting*

2. *In addition, most fulfillment companies have partnerships with other related industries.*

- *Advertising*
- *Advertising Specialty Product Sales*
- *Commercial Offset Printing*
- *Graphic Design*
- *List Procurement*
- *Telemarketing*

○ *Cost*

1. *There is no industry standard on how processes and services are determined and/or presented.*
2. *Some companies bundle prices, while others charge for every activity*
3. *A lot of fulfillment companies have minimums (daily or monthly) to attract companies that have a desired level of activity.*

○ *Trade associations*

- *Membership in associations usually means the company has access to relevant information to help them run their business.*