

Important Questions to Ask a Potential Fulfillment Partner

– Robert F. Tompkins, Landis Logistics

1. Where are you located? (In proximity to your customers)

With all the technology that is available in today's world, you should really evaluate a fulfillment company based on where they are located in relation to your customer base versus where you are located in relation to the fulfillment company.

With 70% of the US population located geographically in the Northeast, Midwest and Southeast with California containing another 16% then it is important to have your fulfillment partner in these population centers. If your order distribution is spread evenly throughout the US, then New York, Pennsylvania or Ohio are good choices to minimize shipping costs.

If most of your customers are in the East, then New York, New Jersey, Pennsylvania or Maryland are great choices.

If a majority of your client base is in the West, then Nevada is the place to be.

2. What is the size of your warehouse?

You want a fulfillment company that has a warehouse that is big enough to accommodate your needs (short-term and long-term), but not so big that your organization becomes a small fish in a big pond! In order to have a great relationship with your fulfillment company, you need to get the attention and service that you require.

Flexibility is a big criterion for choosing a partner - both expansion and contraction. You need to be satisfied that your partner can handle that influx of orders when your business takes off, but you also need to understand how they will handle your business if your business contracts. You need to fully understand how your growth plans fit in with the fulfillment company's future plans - will they be able to help you grow (new systems, procedures, etc.) or are they content to have your business (status quo).

3. What insurance coverage will I have?

Standard procedure within the industry is that you, as the client, are responsible for securing insurance on your products or goods, while they are in possession of the fulfillment partner. Some fulfillment companies will not under any circumstances provide insurance for your inventory, while others will cover your products while in their possession at no cost, while others are in between. You need to ask any company that you are interviewing what happens if my inventory is damaged? Make sure to ask the company for a copy of their insurance policy, most companies will not have any problems providing it to you electronically or via fax.

4. How long have you been in business?

Longevity demonstrates a commitment by management to run their business properly. Most companies fail within the first 4 years of the doors being open, so it is much safer to work with a company that has been around for some time.

5. Do you have minimum and maximum volume levels that you handle?

This is an extremely important question to ask, because some companies have minimum order amounts. If you do not hit these levels, then you could incur additional charges, so it is important that you size your order volume to the fulfillment company.

6. What shipping carriers do you work with?

Most companies in this industry will work with the standard common carriers: USPS, FedEx, DHL or UPS along with some Less Than Truck Load (LTL) and Full Truck Load carriers. In other instances companies may have contracts that tie them to one or two carriers only. So you need to make sure that there are enough shipping options for your organization so that you are comfortable in the event of a strike or problem that could disrupt service by one carrier.

7. How long of a contract should I sign?

Depending on the company you are looking at, some organization will look to sign a 2 to 4 year contract with you. This is due to the fact that companies will use the extended terms to help offset or justify the ROI on the implementation costs associated with bringing in a new customer. At a minimum, consider a multi-year contract as a bargaining chip for a reduction or elimination in set up charges. Also make sure that there is a clause within the contract that will allow you to exit early without a penalty. The last thing you want your organization to get into is a long-term contract that you can not get out of.

8. Is there any services guarantee in case of a mistake?

Most companies in the industry will provide some type of guarantee if they cause a mistake with regards to an order. However, you need to make sure that you fully understand the guarantee. In some instances fulfillment companies will look for ways to get out of paying for their mistakes - they may blame the mistake on incorrect order data that is received, incorrect or misunderstood product data, or on a shipping company's issue. Be vigilant and make sure that you have the data to substantiate the mistake and then hold their feet to the fire. Also make sure that the company provides you some written documentation as to why the issue happened and how it will be corrected in the long term.

9. How do you handle mistakes?

Even the best companies make mistakes, they are only human. It is how they handle the mistakes that will set them apart.

Picking/Packing and Inventory accuracy rates should at least be 99.5% or higher and the error rate on packaging should be less than (0.5%), which translate into 5 packages out of 1000 could have a mistake. As mentioned in the above question, when a company makes a mistake they should stand behind the issue, correct and provide some type of compensation (no charge, overnight shipping, etc.)

10. Is my program data online?

With all the technology that is available via the internet, you should be looking at companies that provide your program data online 24/7 at a minimum. There are plenty of companies out in the marketplace that provide online access to your program data and provide it at a minimal charge or no charge at all.

11. How safe is my data (is it secure)?

At a minimum any company that you work with should have a back up plan in place to secure your order and shipping data. This plan can be as comprehensive as a disaster recovery plan with offsite data backup or as simple as daily back ups, to tapes being taken offsite. No matter what, make sure the companies you are looking at have a plan in place to securely back up your data.

12. How much will I be charged for my program and what do I get?

This is a loaded question since each fulfillment company seems to be billing differently - i.e. there is no standardized method within the industry. However there are two basic charges - Monthly recurring and activity based charges.

Monthly recurring charges occur regardless whether or not you ship a package or not (storage charges, monthly minimums, account management fees). The activity based charges are exactly that - based on whatever work the fulfillment company does during the invoicing period - pick/packing, assembly, shipping, receiving, etc. The combination of the two types of charges will make up your invoice.

At a very minimum you should be looking for a detailed proposal that will address your program needs/ requirements and line item out what the fees will be based on the service(s) being provided. Keep in mind some charges will be hourly so you need to be prepared to ask the company to provide back up to substantiate their invoice.

13. Can the fulfillment company provide 3 or more references?

This is a vital step in the selection process. This is the chance that you can speak with your potential fulfillment partner's customers. Have your questions ready to go - make sure to ask the tough questions such as:

- How did the implementation process go?
- Have they made any mistakes, if so how did they handle it?
- What processes, procedures or systems have they put in place to make your program run smoothly?
- What do you like about the company? What don't you like about the company? What could they be doing better?

If a company can not supply a minimum of 2 client references, then walk away immediately - this should be a red flag.

Additional Questions to Ask?

- Do you provide low-inventory warnings?
- How do you process my order information?
- How long does it take to implement a program of my size or scope?
- Can you provide me with an implementation timeline?
- What is the turnaround time for shipping orders?
- Is your system customizable to meet my needs?
- What is your system's uptime?
- Do you have in-house programmers to assist me?

** parts of this article are taken from Anna "Shipper" Jones article on "How to Choose a Fulfillment Company".*

LANDIS COMPANY

1002 Patriot Parkway
Reading, PA 19605

CONTACT US

P 800.667.5947 **F** 610.736.0575
E info@landislogistics.com **W** www.landislogistics.com