

A Retailer's Guide to Outsourcing eCommerce Fulfillment



In 2022, eCommerce businesses experienced a 59% increase in online order volume. In tandem, 51% reported that their fulfillment costs have increased. The pandemic lockdowns and shuttering of brick-and-mortar stores spurred the sharp rise in online shopping, introducing more customers to the convenience of eCommerce and ingraining new shopping behaviors that are here to stay.

While consumers have now returned to in-store shopping, they are more omnichannel in their behavior and retailers are expected to offer a seamless digital and in-store shopping experience with multiple fulfillment options that suit the customer's need for convenience, speed, and cost-effectiveness.

With the increase in volume, fulfillment costs, and customer expectations for fast delivery (despite supply chain disruptions and labor shortages), eCommerce retailers are shifting the heavy lifting of fulfillment to outsourced fulfillment partners—also called third-party logistics companies. Now, 57% of eCommerce companies are outsourcing some or all of their fulfillment processes—up from 29% in 2020—and 20% of online retailers say they will outsource fulfillment within the next 18 months.

If you are a retailer struggling to keep pace with order fulfillment, experiencing labor shortages, wrestling with rising costs in shipping and transportation, and are hard-pressed to implement the latest technology and automation on your own, outsourcing part or all of your fulfillment operations may be a strategic move that can improve your customer experience, keep a sharp competitive edge, increase efficiency, quickly scale, and reduce fulfillment costs.

In this guide, we explore whether outsourcing eCommerce order fulfillment is right for your business.



What is Outsourced Fulfillment?

Outsourced order fulfillment is when a retailer partners with a third-party logistics company to manage some or all of the order fulfillment process, including fulfillment center management; order processing; inventory visibility and management; picking, packing, and shipping orders; and reverse logistics (returns) management.



Outsourced fulfillment partners typically own and manage their own network of warehouses and distribution centers, as well as their own technology, materials, and employees to fulfill orders on behalf of their customers. Some companies, like Radial, also own and manage their own transportation management systems.

An outsourced fulfillment partner serves multiple clients at the same time, but often has the ability to customize services and packaging for each client so shoppers have a seamless brand experience. They work on behalf of the retailer and operate as part of the retailer's partner network. Outsourced fulfillment partners negotiate rates and delivery schedules with major shipping carriers. In essence, outsourced fulfillment companies are experts in order fulfillment.

Retailers that do not outsource fulfillment must own and operate their own fulfillment infrastructure and process as part of their business operations. Large retailers typically own their own fulfillment process and use outsourcing to supplement and support their need to scale, and to lower costs for part or entire aspects of the fulfillment process.

For eCommerce-only merchants that do not own brick-and-mortar stores, operating their own fulfillment will require them to own real estate and manage a large physical infrastructure. This typically is not cost-effective compared to outsourcing fulfillment to a partner that has the infrastructure already in place.

Advantages of Outsourcing Fulfillment

There are multiple benefits to outsourcing fulfillment, either entirely or to supplement existing fulfillment:

Expertise.

While giant retailers like Amazon and Walmart build industry-leading fulfillment operations, many eCommerce companies struggle to build the in-house infrastructure and fulfillment expertise needed to run at peak efficiency and continually improve the customer experience. Outsourced fulfillment partners specialize in the fulfillment process and invest heavily in it to ensure they can deliver the highest quality business outcomes for their customers.

Scalability.

It's not a coincidence that as order volumes skyrocketed, so did the rate of outsourcing fulfillment. The fastest way for companies to scale fulfillment when volumes increase is not to buy, build, hire, train, and manage larger fulfillment operations themselves, but to hand it over to a partner that is already capable of taking on the demand and any additional volume spikes in the future. Likewise, investment in brand-owned fulfillment operations is much harder to scale down should markets tank or disruption happen. Outsourced partners can be released without major losses in investment.

Lower costs.

Along with not having to own the operational costs of fulfillment, retailers that outsource to third-party logistics companies find that it typically decreases the cost of fulfillment simply by sheer efficiency and scale of an outsourcer's operations. When retailers outsource fulfillment, they reduce or altogether avoid the costs of real estate, property taxes, warehouse infrastructure, equipment and technology, labor, packaging, shipping, and reverse logistics, to name a few.

Latest technology.

Retailers often struggle to implement and upgrade to the latest technology—including artificial intelligence (AI) and machine learning (ML)—as fast as it becomes operational in the fulfillment industry. Advanced order management systems with distributed order management capabilities and automated processes—including the latest in robotics—are all things that outsourced fulfillment partners bring to the table.

Better rates with carriers.

Fulfillment specialists have long-established relationships with major shipping carriers and are positioned to negotiate better rates on behalf of their clients. Additionally, since they handle massive volumes, they are able to contract with shippers for optimal rates and delivery options.

Freedom to focus on growing the business.

With the growing popularity of online shopping comes an ever-increasing competitive market for retailers. Outsourcing fulfillment frees up the business to focus on growth strategies and improving customer experience to differentiate in the market. A fulfillment partner can often bring that competitive advantage with better shipping rates, speed, and overall order fulfillment experience.

Access to a broader array of solutions.

The best order fulfillment partners focus on developing and offering solutions to their clients that continually help them improve their business operations and customer experience. While some fulfillment partners stick to just offering pure fulfillment services, others, like Radial, branch out to offer more comprehensive solutions, including omnichannel technology solutions; transportation management; payments, tax, and fraud solutions; and customer care.



When Should You Not Outsource Fulfillment?

The benefits of outsourcing order fulfillment are numerous, but that doesn't mean it's the right decision for every eCommerce retailer. Often, it's a matter of knowing the right time to outsource or whether to do so at all. Here are signs that it may not be the right time to engage a fulfillment partner:

Having insufficient order volume. Small- to medium-sized eCommerce retailers may not have the volume of orders needed to make outsourcing a wise investment. Before engaging a fulfillment partner, smaller retailers should compare the cost of their current fulfillment operations versus outsourcing.

Needing to control every detail of the customer experience. Luxury brands and high-ticket orders often require high-touch fulfillment practices. Some brands prefer to retain control over every aspect of their customer experience. While the best fulfillment partners personalize packaging and fulfillment, they control their own operations and the retailer does not have a say in how they are run.

Having already invested heavily in large-scale fulfillment operations. Depending on how much a brand wants to scale, retailers that have already established substantial fulfillment operations of their own may find it more beneficial to outsource part of their fulfillment rather than all of it. Outsourced fulfillment partners can serve as support for high-growth periods.

What to Look For in an eCommerce Fulfillment Partner

Outsourced fulfillment companies vary in their level of experience, infrastructure, services, and capacity to serve eCommerce retailers. Look for the following characteristics in leading fulfillment partners:

Seasoned industry experience.

One of the primary benefits of partnering with a fulfillment company is gaining their experience and expertise in the industry. Longevity, company size, infrastructure, number of warehouses and distribution centers, transportation network, and global reach are all important factors. Seasoned companies have many years of experience and insights for every aspect of the fulfillment process and bring that to each client.

Automation and innovation.

Longevity in the market does not mean legacy systems. The best fulfillment partners never stop innovating and are active in their digital transformation process, including implementing automation such as robotics and other technology solutions that keep their business at the forefront of what's next in the fulfillment industry.

Diverse array of services.

While there is nothing wrong with fulfillment partners that focus solely on core fulfillment services, partners that offer a broader array while maintaining deep proficiency in their core solutions are often more innovative than their peers. Fulfillment partners that offer multiple solutions that support their clients' business value their clients' success.

Built for retail.

Very few of the leading fulfillment partners are built specifically for retail. Those that are, like Radial, have designed and customized their solutions, workflows, and processes to specifically fit the retail industry's needs. They tend to have a better grasp on what makes retail fulfillment unique and understand the deep correlation of fulfillment to customer experience and loyalty.

Global presence and reputation.

eCommerce is a global business with customers that expect fast fulfillment and delivery wherever they are located. Partnering with a fulfillment company that has global operations and a strong reputation in different regions creates a competitive advantage, particularly when negotiating customs and international shipping rates with carriers.

Complete visibility across the ecosystem.

Outsourcing fulfillment does not mean losing visibility in the order fulfillment process. A true fulfillment partner will advocate for full supply chain visibility and provide technology that integrates into the retailer's systems to achieve it. They will help improve inventory visibility and create transparency so the retailer and its customers can track inventory and orders in real time.

Support store fulfillment options.

Store fulfillment has become a mainstay for many retailers. With buy online, pickup in-store (BOPIS); buy online, pickup curbside (BOPAC); ship-to-store; ship-from-store; and buy online, return in store (BORIS), retailers are constantly juggling multiple fulfillment systems. A fulfillment partner will support retailers with technology and services that enable them to meet diverse fulfillment options.



Retailers should also evaluate and vet outsourced fulfillment companies to establish alignment on core values, especially around customer experience. A partner needs to share a strong vision for what customer experience means, including KPIs and SLAs in the contract that will keep them accountable for achieving outcomes that support the best customer experience possible.

Next Steps

Determining whether outsourcing fulfillment is the right next step for a retail business is a complex decision. However, for eCommerce companies experiencing high growth, spikes in order volume, labor shortages, and rising fulfillment costs, partnering with an expert in fulfillment can be the best way to stay competitive, meet customer needs, and ensure they can meet demands now and in the future.

[Learn how Radial](#) engineers tailored solutions to support the unique needs of retail businesses and eCommerce brands.

About Radial

Radial, Inc., a bpost group company, is the leader in eCommerce solutions. Premier brands around the world confidently partner with Radial to deliver their brand promises, anticipate and respond to industry disruption, and compete in a rapidly evolving market. Our expansive network of fulfillment centers, flexible transportation services and advanced omnichannel technologies, help clients meet increasing consumer expectations and maintain market competitiveness. With our personal customer care services and intelligent payment and fraud solutions, brands confidently deliver high-value customer experiences required today. We are flexible, scalable, and focused on our clients' business objectives. Learn how we deliver today's retail for you at radial.com.

