

# Can Your Fulfillment Operations Scale?

**Poor choices at the start can undermine long-term growth**

*A successful ad campaign and a couple of good PR placements cause a hockey stick rise in demand and revenue.*

*Life is good.*

*But then a cell phone rings at the quarterly "we hit our numbers" meeting and the CFO suddenly trades his champagne glass for a cup of coffee.*

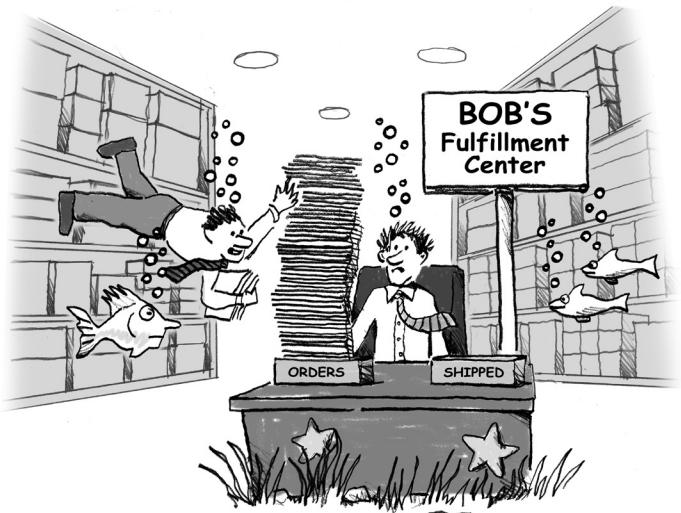
*It's the warehouse.*

*There's a huge inventory discrepancy and retailers are rejecting shipments because EDI transmissions are out of spec.*

*No one seems to have the answer.*

*You look at the calendar and Black Friday is two weeks away.*

**Is this kind of nightmare in your future?**



# The Risk of Not Thinking Ahead

You wouldn't be alone.

Growing companies face similar situations regularly because they don't think far enough ahead about the implications of growth on inventory management and fulfillment operations. They are consumed instead with raising capital, marketing, and people recruitment.

As for distribution operations and fulfillment, the prevailing attitude is:

*"If they come, we will build it."*

But that lack of planning can backfire.

Companies entering the growth phase of their evolution would benefit from a scalable, outsourced solution where space, automation and labor adapt to growth requirements, where risk is mitigated, and where distribution costs parallel revenue.

## Early strategy choices can impact future growth

Let's face it, start-ups rarely boast an operations and fulfillment guru as part of the core management team. As a result, decisions about how to handle product fulfillment can be made without proper diligence and foresight.

Let's examine some of the fulfillment strategies companies choose, and the ways they could impede growth and profitability.



# Early Strategy Choices Can Impede Scale

## Build it yourself

VC-funded start-ups that are flush with cash often make the decision to invest in infrastructure, instead of preserving capital. They build for anticipated volumes thinking, "We'll be ready with the flood gates open."

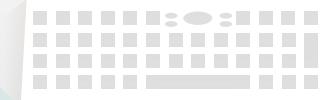
But do you really want to build the church for Easter Sunday?

The truth is you have no idea what the business will look like in three years.

Today, you may do 1,000 orders a month with 50 SKUs and 1 unit per order. In three years, it could be 50,000 orders a month, but with 3,000 SKUs and 4 units per order.

That change would require a completely different warehouse design and, if you've already built the future-state warehouse based on false assumptions, a rather embarrassing capital equipment write-off, as well.

The big winners: companies who buy up racking and automation equipment on the cheap when it's dumped on the secondary market.



## Local "mom and pop" provider

The warehousing and fulfillment industry is dominated by small local and regional companies who typically operate a single location. They likely provide good quality operations, great customer service, and proximity – you can visit the facility any time you want.

What they don't offer is SCALE – in size, location flexibility and systems.

When you outgrow them, you'll need to transition to a new provider, and that comes with pain and potential operational hiccups that can be disruptive to the business and result in lost customers.

# Early Strategy Choices Can Impede Scale

## "All-in-one" provider

Many companies offer fulfillment services as part of an "integrated" package of eCommerce services, including website development, marketing, fulfillment operations and customer care.

It's a tempting value proposition for lean start-ups – less work to find and manage partners.

But be careful here. It's hard to be "excellent" at a wide variety of very distinct functions. You'll want to do a deep dive into the provider's fulfillment design and operations approach.

- Are they experts or posers?
- What key performance indicator goals are they willing to commit to, in writing?

Keep in mind, too, that many turnkey eCommerce providers are in the start-up phase themselves, still waiting to turn a profit for their investors.

Your focus should be on your own company's viability, not the viability of strategic suppliers.

## Fulfillment By Amazon

They've become your sales channel (Amazon.com), your IT infrastructure (Amazon Web Services) and your shipping partner (Amazon Prime).

Should they be your fulfillment partner, too (Fulfillment By Amazon/FBA)?

Here are some things to consider:

- When Amazon ships your products, the customer experience is around Amazon, not your brand.
- It's hard to preserve margin given Amazon's high storage rates (check out their online price sheet and compare the price with others)
- Contrary to a common belief, Amazon customers don't share in large freight discounts.

# A Better Solution: Customized, *Scalable* Fulfillment

Companies that want to scale fulfillment operations through every stage of their growth cycle need a customized solution that adapts to changing volumes and requirements.

"Customized" may sound more expensive, but in fact the approach is very economical. The idea is to deploy systems and automation when, and only when, your volume dictates. That lets you funnel available cash to wherever it's needed at the time.

Pre-packaged solutions for a set price may sound easy and attractive, but they may force you to conform to inflexible processes. Better to have a modular design, where the pieces are ready to go when needed.

Below is a simplified summary of the stages of a growing fulfillment operation. The right partner can work with you to plan an evolution that makes sense for your business.



# Are You Ready to Grow?

The benefits of a customized, scalable solution include:

- Consistent brand experience
- Fulfillment costs that parallel your revenue stream
- Continuity in service – no need to change providers mid-stream
- Geographic flexibility for expansion
- Shareholder confidence, as they see an operations plan that supports financial projections

To determine if your fulfillment operation can scale, take our

## 10-Question Quiz

at [www.amwarelogistics.com/quiz](http://www.amwarelogistics.com/quiz)

If you answer NO to three or more questions, your fulfillment operation may not give you the kind of operational and economic flexibility your growing business needs.

### ABOUT AMWARE

Amware Fulfillment helps fast-growing companies scale fulfillment operations through every stage of their growth cycle. Amware operates warehouses across the country for 1-3 day delivery to 98% of the U.S.



Download Company Overview



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