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Finding the Right Fulfillment Partner: 9 Questions to Help You Build a Lasting Relationship

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9 Questions to Help You Build a Lasting Relationship

1 What do we need from a warehouse to grow our business?

Each department should answer this question and develop a complete list of competencies and competitive advantages they are seeking. Your Sales and Customer Service people will have a customer's perspective, while Operations and Accounting will look closer at some of the costs associated with selling books. All of these perspectives and requirements are necessary to fulfill the organization's future growth. The biggest mistake a publisher can make is failing to develop a vision of what it is looking for in a warehousing partner.

Some companies choose only to outsource warehouse functions, while others require "front-end" (call center) services as well. Front-end services would include answering your customers' inquiries, taking/processing orders via phone, fax, EDI, mail and Internet. A full service facility would also offer customer invoicing, credit card approvals, credit and collections, tracking royalty payments, tracking sales commissions and general sales reporting.

Questions to consider:

- Does your vision include a warehouse with advanced technology?
- Is it important to transmit orders electronically and receive electronic confirmation files?
- How important is accuracy?
- Would you exclude a facility that does not use bar code technology?
- Are advance shipping notices (ASN's) required?
- What about email confirmations?
- What measurements should the warehouse look at on a daily basis?
- Would you be willing to deal with a facility that could not view key indicators?

- How much information do you need to see online?
- Would you like to have online access to your inventory, orders received but not shipped and tracking information?
- What about receipt of new product and returns processed?
- What will be the nature of the relationship?
- Are you looking for a strategic partner or just a supplier?
- Do you need bare bones warehouse space or a value added service provider?

If you are going to outsource fulfillment services, you may as well think big and consider all the possibilities. Think about what services will make you become a better publisher. May it's online access to inventory, online order lookup, returns, or reports telling you when to re-order product or when you have too much product.

If you're going to make the move, maximize the partnership by looking at your growth needs strategically and deciding which functions are best served internally and externally. Keep in mind that not all warehousing and fulfillment companies are full service, so make sure you know exactly what you want and where you can get it. Why settle for anything less?

2 How long has the company been in business?

Working with someone who has experience and a solid understanding of the publishing industry is critical. They should be familiar with your particular niche - whether that niche be religious, scholastic, trade, B2B, retail or direct-to-consumer.



3 How large is their facility and will your warehousing partner be able to accommodate your growth?

Look for a flexible warehouse that is able to accommodate expansion and contraction for all of its clients. Every business is dynamic and your warehousing partner should be no exception.

4 How does your account measure up in relation to the warehouse's other customers?

It's important to know whether you be a little fish in a big pond or the other way around. It's purely economics - if you are too small, your business may get lost in a facility servicing very large accounts. Conversely, if your account is too large, it will tax the facility's ability to perform. If one account comprises 75% of the facilities' revenue and you comprise only 1% of the revenue, who do you think they will service first? On the other hand, if you represent 75% of the facility's revenue, who is there to drive innovation.

Outsourcing to a warehouse where you are a medium sized client allows you to be a very important partner and reap the benefits of the experiences the other clients bring to the process. In this scenario, everyone wins!

5 Does the company pick-by-paper?

A lack of technology can make any customer vulnerable. Today, the companies that have invested in modernizing their organization have purchased the software and hardware to pick by radio frequency (RF) guns utilizing a top quality warehouse management system.

This technology brings several major benefits:

1. When picking by RF, the order cannot be misplaced and therefore, orders will be processed in a timely manner.
2. Using an RF warehouse management system adds a

disciplined management approach to the operation, resulting in a much higher level of professional service.

3. RF picking increases accuracy dramatically because it will not allow the individual to pick incorrect product. This can make the inventory accuracy improve to the 99.8% level that Ware-Pak consistently provides to its clients.
4. Computerized picking creates more efficiency for the warehouse facility and makes real time information available for both the warehouse and the client.

6 What information does the warehouse provide online in real time?

Warehousing in the information age is not just picking, packing and shipping. The most important feature of a warehouse is the information it can provide and the timeliness of that information. Ask any prospective warehouse provider if you'll be able to view inventory levels by specific items, or if all items are sorted by ISBN number or title. Ideally, you should be able to search your inventory online by order number, date, date period, customer name and customer PO number.

7 What are the facility's performance levels?

If you find yourself having to explain what this question means or give an example, politely move on to your next warehouse provider. With the right warehouse management system, a warehouse should have the ability to measure key success factors and be willing to share those with you. These factors should include the number of orders shipped the same day as received, the number of orders shipped within 24 hours of receipt and the number of returns processed the same day as received.

8 How does the facility handle discounts from carriers?

Some warehouses pass carrier savings on to the customer while others look at these as a revenue stream, keeping them for themselves. Understanding how this



is handled is very important because these savings may represent as much as a third of your total warehousing cost. Remember, some warehouses will not share any of the discount with clients, others may share part of the discount, but some will give 100% of the discount to the client, just as Ware-Pak does.

9 How do they price their services?

There are two main methods of pricing for fulfillment services:

Percentage of Revenue

The percentage of revenue model sounds attractive on the surface but may not work well after closer examination. Most, if not all, publishers are unique in the list of services they request. When you are paying as a percentage of sales, you are actually paying for services not needed. However, if you need additional services, it is not uncommon for the warehouse to begin charging for these additional services. In these cases, you end up paying a higher percentage fee plus special fees for things like stickering or de-stickering, building point-of-purchase displays and the like. If you are able to improve their efficiencies, the benefits are not passed along to you, and you keep paying the same percentage. At the end of the day you pay for services not needed and you pay the average cost of that facility.

Another concern with percentage pricing is the actual price of your product. If you have higher priced books, you will over-pay for services. But, if you have less expensive books, you will be under-paying, thereby driving up the costs for all publishers in the warehouse.

Activity Pricing

Activity pricing is the most economical method for a publisher. You only pay for the services that are needed and your rates are not affected by the low-cost publishers in the facility. However, there are some pitfalls to be

aware of. For example, some warehouses price everything on a per book basis. On the surface this makes it easy to calculate charges, but upon further investigation, most warehouses charging by the book tend to be expensive. For example, \$0.02 per book for storage sounds inexpensive. But when the average pallet of books is 2,000 units, at \$0.02 per book, that equals \$40 per pallet, per month. This is an exorbitant price for storage.

The publishing industry's average cost for warehousing is 5.5% to 6.5% of sales and another 5.5% to 6.5% of sales for call center work. With the right partner, this percentage can be substantially reduced.

In the final analysis, it does not matter how much you pay for any single item. What does matter is how much you pay in total for the services received. It is the total monthly charge that makes all the difference.

There you have it! Taking the time to ask these questions when choosing a warehousing partner can ensure a more positive and profitable outsourcing experience. Save this list and build onto it so you'll be prepared when the time comes to cross your next fulfillment services bridge.

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