

Understanding New Trends in E-commerce Order Fulfillment

Your e-commerce store has some popular products that are hard to keep in stock as people flaunt the items they get from your store, share good reviews, and even spread the word among friends and families. You see more new orders every day. So, everything seems to be going well with your online business, like sailing smoothly on a cruise to a dream destination, right? But wait! What about the order fulfillment? Order fulfillment is the propeller of the cruise you are sailing and if it works well, you arrive at your destination smoothly and on time.

Ok. Enough of the stories. Let's get straight to the point in a few simple words. Apart from all the other activities and processes that are crucial to your online business, e-commerce order fulfillment is also a key aspect that drives your e-commerce success. Between receiving an order and delivering it to a customer is order fulfillment. This includes:

- Warehouse organization
- Inventory management
- Order management
- Packaging
- Shipping
- Delivery
- Customer communication

For small businesses, managing their inventory, packing, and shipping is less of a hassle. However, for medium-sized or businesses scaling-up their operations, additional support in the form of order fulfillment services is needed for rapidly growing e-commerce businesses. To facilitate order fulfillment, the three most popular and trending strategies used are –

1. **Drop-shipping**
2. **Third-party e-commerce fulfillment**
3. **Self-fulfillment**

The crux here is to understand what each fulfillment technique is, when to use it, how it works, and how to get started. So, let us take a look at each separately.

Drop Shipping

In dropshipping, the seller does not own the inventory before their sale. It is like a middleman who never sees or possesses the products physically but is responsible for marketing, promotion, and selling to the customers. In a typical online sale, the seller will ship the item directly to the customer from a dedicated dropshipper or the manufacturer.

Dropshipping is not just useful for startups. Bigger e-commerce companies use dropshipping often through their suppliers as they know there is a risk of buying too much product that just may not sell. It also helps the seller understand the market demands before buying in bulk to add to their inventory.

For example –

On your online store, as well as in a physical showroom, you sell custom-printed tees. With the dropshipping model, whenever a customer makes a purchase, you would then place an order to your vendor to print those tees and ship it directly to the customer. In this process, you will make a profit from the difference between your retail price and the price you pay your source for each order. In simple words, your profit will be calculated as $\text{Profit} = \text{Retail Price} - \text{Price Per Product Bought from Dropshipper}$.

Third-Party Fulfillment

Here, the seller owns the item before the sale is made. In this form of fulfillment, the product is purchased or

manufactured by the seller, and then added to the inventory of a third-party company, before marketing and selling it. Once the order is placed, the third-party company will process, pack and ship the order to the customer.

For example –

Let's continue with the same example of custom-printed tees. With third-party e-commerce fulfillment, you may still have an online portal and a showroom for marketing, but when a customer places an order, the third-party with the inventory is contacted to pack and ship the order to the customer. In this process, you will make a profit from the remaining difference between the retail price, the price you pay per product, and the fees you pay your third-party provider. In simple words, your profit will be calculated as $\text{Profit} = \text{Retail Price} - \text{Price Per Product} - \text{3rd Party Fees}$.

Self-Fulfillment & Shipping

Self-fulfillment was the most widely used option until dropshipping, and third-party fulfillment came in to play. In this model, as a seller, you own the inventory, process the order, and pack and ship the order to your customers. Generally, sellers utilize a large space, such as a warehouse, that acts as the distribution center, or "hub" for order fulfillment.

For example –

Continuing with the same example, in self-fulfillment you utilize warehouse for storing inventory and handle fulfilling the orders in-house. The profit you will make in this process will be the difference between your retail price and the costs associated with buying inventory, storing it, and fulfilling orders. In simple words, your profit will be calculated as $\text{Profit} = \text{Retail Price} - \text{Inventory Buying} - \text{Inventory Storing} - \text{Fulfillment costs}$.

Thus, the most appropriate solution for you will depend on the type of product or services you are selling and the rate at which your business is growing. Order fulfillment is an integrated part of your supply chain in which all other business aspects depend on, so choose wisely!

If you need help in setting up order fulfillment and in managing it when the dynamics of your online business changes, get in touch with our [Magento eCommerce development experts](#).