

Fulfillment: Do it Yourself or Outsource?

FULFILLMENT IS A CRITICAL AND TIME-SENSITIVE FUNCTION WHICH PROVIDES THE LINK BETWEEN YOUR COMPANY AND ITS DISTRIBUTORS, DEALERS AND CUSTOMERS. IF YOUR FULFILLMENT IS SLOW OR INACCURATE, YOUR ORGANIZATION'S REPUTATION – OR EVEN ITS MARKET SHARE – WILL SUFFER.

To illustrate this point, suppose your company hosts a booth at a trade show. This marketing event costs you a considerable amount of money, both directly – for travel, hotel and food expenses, attendance and booth fees, entertainment, freight, etc. – and indirectly, in staff time spent preparing for and attending the tradeshow. You spend that money for one reason – to gather leads. By following up on those leads in a timely, effective manner, you hope to generate sales that not only pay for your trade show costs, but earn a profit, as well.

Ideally, prospects who visit your booth will leave with at least one or two pieces of relevant material in hand. But, in most cases, you'll need to send them additional, personalized materials addressing their specific needs in more detail. If you fail to provide this material within a few days, you may lose potential sales because prospects have lost interest in your product or service – or because a competitor has responded faster and closed the sale.

NAILING THE BASICS

At its most basic, fulfillment simply must be fast, accurate and consistent. To check your company's competence at the "ground floor" level, ask representatives from each of your company's functions, locations and order channels (e.g., web, fax, phone, email) to monitor performance for a month – including at least one period of peak demand, such as a new product launch – and have them report on:

- Ease of ordering
- Percentage of time items ordered are in stock
- Whether collateral consistently arrives on time/as expected
- Whether items received matched what was ordered
- Whether quantities shipped are correct
- Whether items arrive in good condition
- Whether shipments are sent to the correct locations

Remember, your goal is to have every order arrive quickly and in good condition, so that your staff doesn't waste time tracking down or resending lost items, checking on backorders, or replacing outdated versions and materials damaged in transit. If your marketing collateral arrives late, damaged, in the wrong version, or not at all, it won't help you close a sale, introduce a new product, support your branding strategy, or contribute to your bottom line. In today's competitive world, where an alternative to your product or service is literally a click away, you can't afford to deliver less than outstanding service at any point in your relationship with customers or prospects.

WHAT ABOUT ADVANCED CAPABILITIES?

Additionally, you should consider whether it is practical and affordable for your company to create advanced features generally available with fulfillment specialists, such as:

- Comprehensive, on-demand reports with real-time data. If you rely on periodic paper reports, you don't have the most up-to-date information, which can negatively impact your ability to manage your marketing activities and overall department.
- Control over who can access, order and/or modify materials by job, level, function, department, etc. and to set quantity and/or dollar limits and allocate costs accordingly.
- The ability to deliver materials in multiple formats (printed pieces from stock, print-on-demand, or electronic files) – *and to switch seamlessly and automatically among different formats, according to predetermined rules. PDF/print on demand*

Another consideration: as your business and the size and complexity of your marketing needs change over time, fulfillment capabilities – the tools, systems and configurations needed to handle your needs – must grow and change with them. For example, it's one thing to customize a single document. But, if you're sending an entire package, can your fulfillment tools automatically incorporate the changes you make in one document into all of the others in the package? Can your system make suggestions (such as, people who ordered this item also ordered the following items)?

If fulfillment isn't one of your company's core competencies, it's unlikely you'll be able to keep up with new capabilities because they require enormous investments in money and time. In contrast, professional fulfillment vendors are constantly developing new ways to meet emerging customer needs.

DIRECT & INDIRECT COSTS OF IN-HOUSE FULFILLMENT

Your decision to outsource or continue in-house fulfillment should also take into account current and future costs to your company – not just in direct monetary expenditures, but also in time and focus. Some key areas to consider include:

- **Facilities, equipment and maintenance.** How many square feet, and at what cost per square foot, must you dedicate to receiving, storing, and processing your materials? Could you be putting that space to better use? How much must you spend to purchase or lease specialized equipment? For repairs, maintenance or updates? Fulfillment companies are prepared to make significant investments in their facilities and equipment to maintain quality service, because fulfillment is their core business.
- **Information systems.** How much are you spending to build and maintain the comprehensive information systems architecture necessary for real time inventory data, order tracking, materials usage and other valuable information needed to help you manage your marketing activities? Is your company willing and able to make ongoing investments to keep your technology state-of-the-art? Again, fulfillment vendors regularly invest in technology that will improve their capabilities and service delivery, to maintain competitive leadership.
- **Staffing.** In addition to salaries and benefits for individuals involved in fulfillment, what are you spending on hiring and training; managing payroll, taxes and other government regulations; and administering vacation schedules, holidays and sick days? By outsourcing fulfillment, you can eliminate both the expense and burden of managing these activities for personnel who are not directly focused on your core mission.

- **Inventory management.** How well does your internal fulfillment staff manage inventory to prevent backorders, overruns, rush shipments, and out-of-stock materials? Rush printing and shipping can double normal costs; overruns can result in obsolescence; and out-of-stock materials can cost you sales. A quality fulfillment company will not only monitor arrival, use, shipments and disposition of inventory, but also forecast demand and set reasonable reorder points. Coupled with technologies such as print-on-demand and electronic delivery, these measures can eliminate costly rush charges, overruns and backorders.
- **Freight.** What do you pay for freight? Are you using the best carriers for each type of shipment in terms of efficiency, reliability and cost? Is your staff using expedited shipping appropriately? Fulfillment companies can generally save you money on shipping through economies of scale (multiple customer purchasing power and shipment consolidation opportunities).
- **Insurance and risk management.** How much is it costing you to insure your inventory, storage facilities and equipment? How much are your liability insurance and workers' compensation costs for your fulfillment function? Do you have backup systems and contingency plans in the event of a disaster? Better fulfillment companies have tight security protocols and redundant systems to protect your data and operations. They're also fully informed of any government or industry regulations affecting your business, to help keep your company in compliance and out of trouble.

ADVANTAGES OF OUTSOURCING

Some companies think it's better to keep fulfillment in-house because they want direct control over all interactions with their customers. That's understandable; but unless you can perform this critical function to world-class standards – and do so without jeopardizing your core focus or profitability – it makes better sense to outsource fulfillment to a specialist with a proven track record.

By outsourcing fulfillment you gain immediate access to:

- **Expertise and quality service.** Many of the better known, national fulfillment companies have been in business for decades. They have the equipment and procedures in place to deliver high quality service and have developed expertise by working with a broad range of clients facing similar challenges. All of those benefits are available to you immediately, with no false starts or undue learning curves.
- **Flexibility.** Most companies' fulfillment requirements vary seasonally or by product cycle. Fulfillment companies are set up to easily accommodate changing volumes and requirements. As is the case with many other outsourcing solutions, the use of a fulfillment house adds considerable capacity, even on short notice, while avoiding additional overhead costs. In contrast, you will likely have to staff an in-house fulfillment department for peak volume, even during slow periods, so your personnel and facility costs will remain fixed at a higher rate.
- **Innovation.** Using a fulfillment specialist also adds value through the creative potential unleashed in the interactions between the two organizations. Innovations in the fulfillment function often result in efficiencies, such as reducing delivery and response time, which are passed along as cost savings to the client.

IN CONCLUSION

Fulfillment may seem simple at first glance; and you may think that neither in-house nor outsourced fulfillment is inherently better. But it can actually be quite complicated and costly to obtain and coordinate the needed space, personnel, technology, equipment and related capabilities. Additionally, the complexity and cost only grow as your business grows and/or marketing creativity and needs expand.

From a bottom-line perspective, outsourcing fulfillment to a world-class provider allows your business to keep its focus on what it does best, while achieving the highest quality service at the lowest possible cost, with greater flexibility and continual innovation. If your company's fulfillment function isn't actively contributing to your competitive advantage and revenue stream, you're better off outsourcing fulfillment to a vendor whose core mission is fulfillment.

ABOUT IRON MOUNTAIN FULFILLMENT SERVICES, INC.

Iron Mountain Fulfillment Services, Inc. is a leader in the fulfillment industry, with nearly 40 years of experience. We partner with clients to increase their response rates, expand their market opportunities and reduce their costs through the most advanced combination of fulfillment and digital print solutions for targeted and personalized communications. To learn more about Iron Mountain Fulfillment Services please visit <http://www.ironmountain.com/fulfillment>.



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