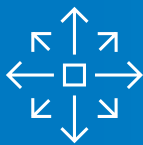
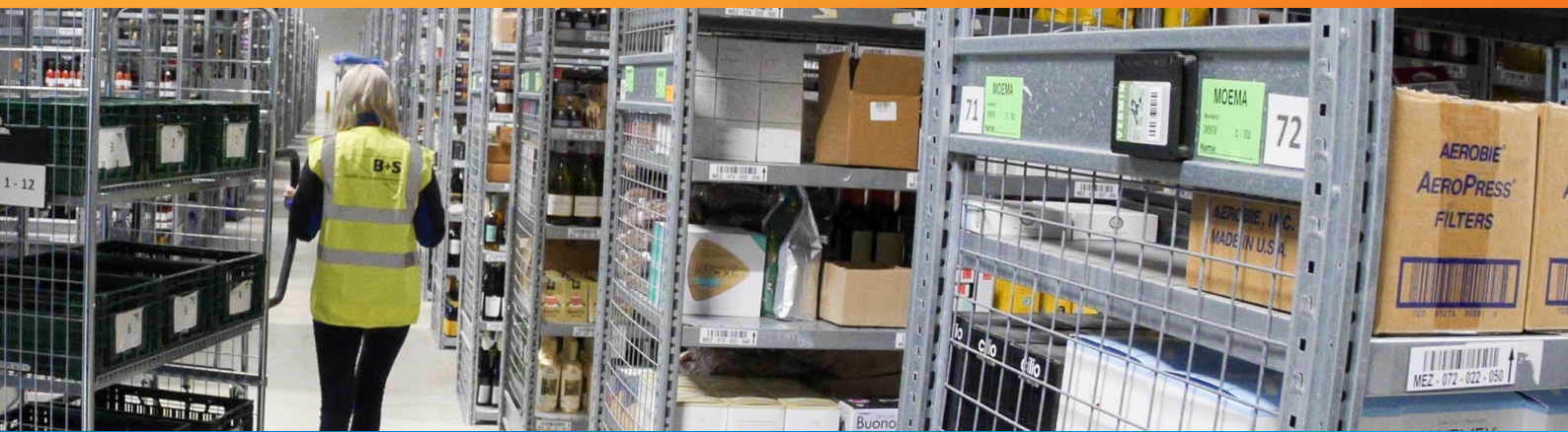


DESCARTES™



BUSINESS WHITE PAPER

# How to enter the B2C e-commerce market as a 3PL/Fulfillment Provider

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Researchers expecting the number of online shoppers to reach 2.5 billion in 2020



Classic B2B fulfillment providers recognise the opportunities in the B2C market

The e-commerce market is booming and it is expected to continue for years. The digital shopping world is growing at a rapid pace and more and more companies are turning to the growing B2C e-commerce business. Even classic B2B fulfillment providers recognise the opportunities offered by smaller shipments and see lucrative business expansion in the B2C market, with researchers expecting the number of online shoppers to reach 2.5 billion in 2020.

But B2C is not the same as B2B - classic fulfillment providers face new challenges to provide future new customers with professional e-commerce fulfillment.

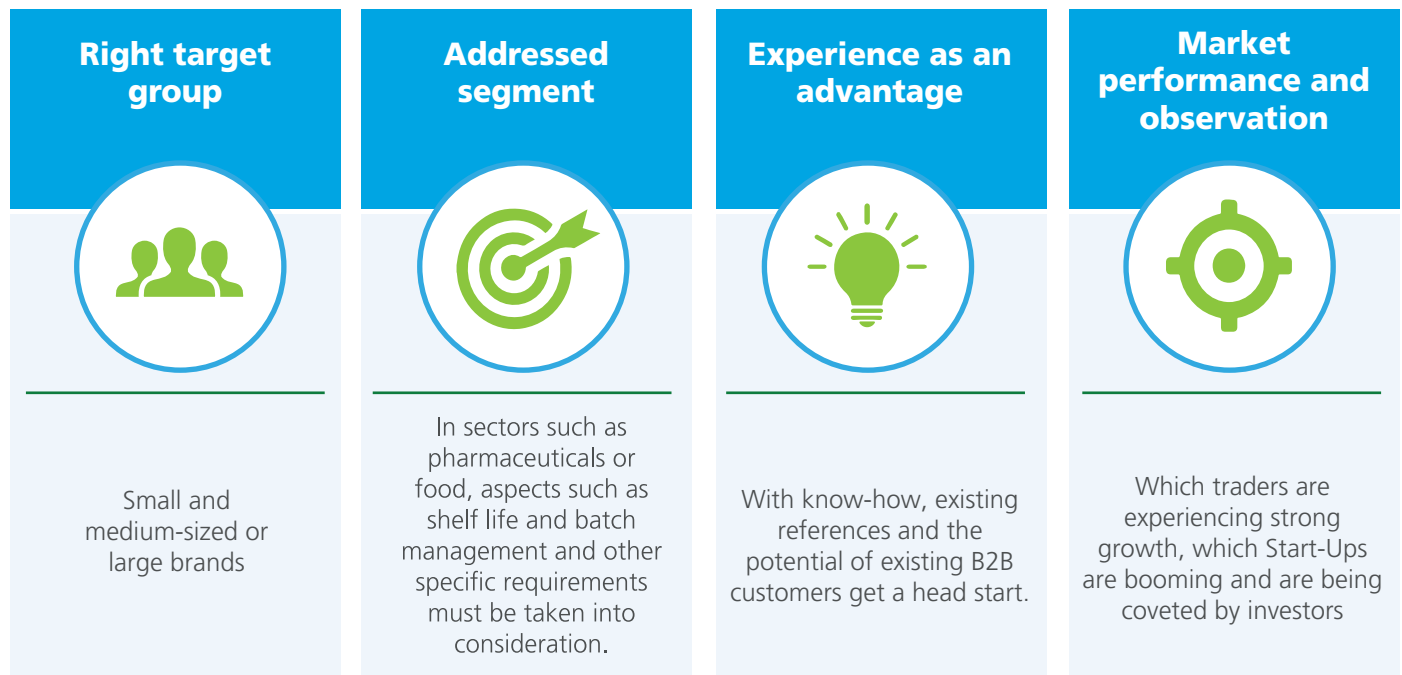
As an e-commerce specialist, Descartes pixi \*, in cooperation with the B2C fulfillment experts Manuel Unkel and Thomas Finke, provide some a guidelines for any looking to develop a B2C e-commerce capability.

## How to enter the B2C e-commerce market as a 3PL/Fulfillment Provider

### Market entry

The B2C market is recognised as an exciting business model, but the question arises of the right market entry strategy. In the first step Fulfillers should be clear about which segment they want to address - small and medium-sized or large brands? The industry is also an important factor. In sectors such as pharmaceuticals or food, aspects such as shelf life and batch management, cooling temperatures and other specific requirements must be taken into consideration. Any fulfiller that has already gained a foothold in B2B should can take advantage of this experience in e-commerce business. With this know-how, existing references and the potential of existing B2B customers ready for e-commerce business, they can get a head start..

Market performance and observation is essential for the market entry choices and the acquisition of new potential customers. Which traders are experiencing strong growth, which start-ups are booming and are being coveted by investors? Fairs and events are a good source of information and key an eye on TV shows like "The Dragons Den" or "The Cave of the Lions".



## How to enter the B2C e-commerce market as a 3PL/Fulfillment Provider

### Classic B2C target groups

Any business that wants to serve the B2C e-commerce market needs to know their target audience and their challenges.

The classic target groups in B2C e-commerce business are:

- **Classic pure players:** e-commerce retailers that are growing steadily and reaching their capacity limits with their logistics operation. These limits can be either spatial, for example, insufficient storage space, or a lack of human resources.
- **B2C start-ups:** eCommerce retailers experiencing strong growth and the logistics improving to be a bottle-neck constraining business growth.
- **B2B Distributors / Producers:** Experts on the floor and new entrants in e-commerce business who want to professionally handle their shipment processing through a Fulfiller.
- **"Changer":** Dealers who are dissatisfied with their current fulfillment provider or whose future requirements are no longer satisfied by their existing offer.



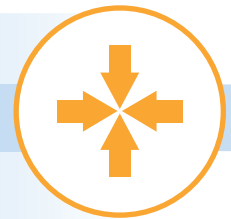
**Classic  
pure players**



**B2C  
start-ups**



**B2B Distributors /  
Producers**



**"Changers"**

### The fulfillment offer

Whatever a fulfillment service provider offers is their decision. However, the following areas are essential for successful order fulfillment in B2C. Services that need to be clearly defined beforehand include offering:

- Inventory management
- Warehousing
- Shipment processing such as order picking, packing, packaging and shipping
- Returns management
- Debtor management and payments
- IT technology and shop operation
- Marketing and photo studios
- Customer service
- Cross-Border Shipping

## How to enter the B2C e-commerce market as a 3PL/Fulfillment Provider

The provision of customer service and cross-border fulfillment should be considered well in advance. A good customer experience will motivate repeat purchases from online buyers. The appropriate language and customer service during regular business hours are essential. If customer service can not be consolidated for multiple customers, it should remain the responsibility of service expertise centres or an external call center.

The offer of cross-border order processing should also be well considered in advance. The need to offer excellent customer service can encourage fulfillment providers to provide it without the necessary expertise. B2C Fulfillment expert Manuel Unkel advises a step-by-step strategy. "Without a sophisticated cross-border strategy and strong partners at the side, international shipping can quickly become a bottleneck for fulfillment providers," explains Unkel.



## How to enter the B2C e-commerce market as a 3PL/Fulfillment Provider

### Cost structure

B2B pricing is usually based on the customer's targets and is calculated per pallet or order. In B2C this is not typical due to the strong fluctuation of the customers' business.

For a first calculation, fulfillment providers in the B2C e-commerce business should orient themselves between 17% and 28% of the net value of the average basket of goods less the return.

The following aspects should be given special consideration in pricing:

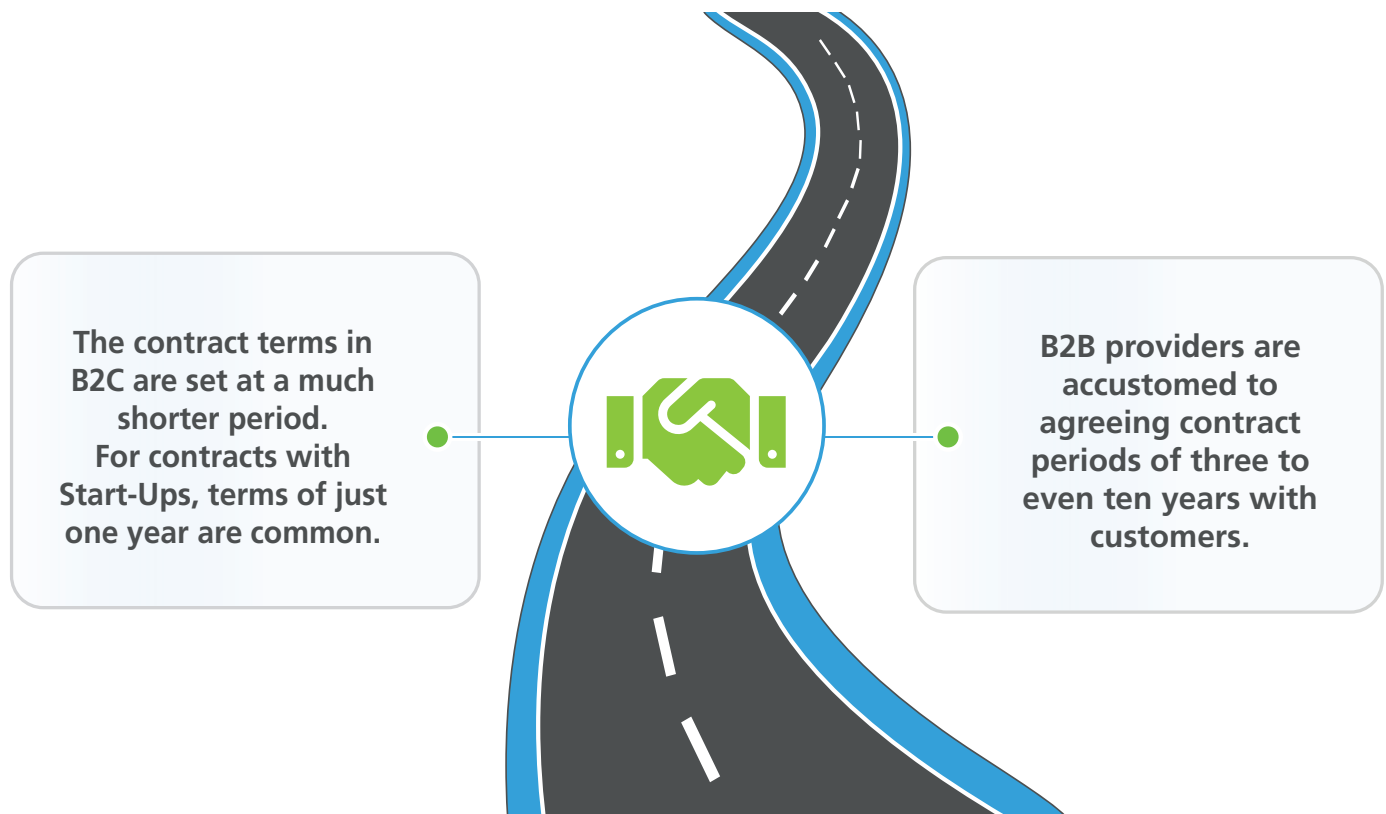
- **Value of the average shopping basket:** This can vary greatly per customer. Take as an example brands such as Hugo Boss. At Hugo Boss the average value of the basket with 3 items could be 800 euros, with other customers it can be less than 50 euros.
- **Number of orders:** This can change significantly over time, but it provides a first, essential clue about the acceptance and prominence of the business in the marketplace. The classic online retailer ships up to 500 packages a day, start-ups may send 100 packages, and large retailers ship up to 15,000 packages a day.
- **Risk of business failure:** The e-commerce market is agile and flexible. However, not every e-commerce story ends in success. The calculation of the default risk by insolvency or business task should be taken into account.
- **Existence on the market:** This indicator does not provide planning certainty, but does give information about the customer's business model and its existence on the market.
- **Investor security:** Everyone knows that e-commerce is often used as a venue for exciting investment transactions. The existence of one or more investors creates security and should influence pricing.



## How to enter the B2C e-commerce market as a 3PL/Fulfillment Provider

### Contract periods

The e-commerce market is growing rapidly, but in its nature varies widely. A classic forecast on future developments of the customer is hardly possible. Therefore, the classic contract terms in B2B and B2C fulfillment differ significantly. If B2B providers are accustomed to agreeing contract periods of three to even ten years with their customers, the contract terms in the B2C are set at a much shorter term with a maximum of three years. For contracts with Start-Ups, terms of just one year are common.



### Warehouse technology

A look into the classic warehouse of a B2B Fulfillers shows pallet racks and technology with plenty of space for bulky goods. For the B2C business, however, this storage technology is inappropriate. The B2C Business requires individual shelves and space for order picking for selecting individual items. Therefore, providers who dare to take the leap into the B2C business should deal with the appropriate storage technology and include this investment in their business model. Manuel Unkel recommends using only a small part of the current warehouse for B2C orders and to consider possible expansion of the warehouse due to an increasing demand in advance. "The e-commerce market is very lively, customers can make an immense leap in orders in just a few days. These requirements must be met by the fulfillment provider," explains Unkel.

### Goods delivery

The delivery of the goods spread over the day differs in the B2C. Fulfillment providers must expect multiple, small-scale deliveries throughout the day. Resources must be calculated in advance and made available.

### Software

The basis of a 1A fulfillment offer is a professional order processing. For this purpose, the use of an e-commerce specialised Warehouse Management Solution (WMS), or warehouse management software, is indispensable. A suitable WMS automates all shipping, payment and logistics processes and links them with the communication processes. With the help of intelligent, patented MDE and tablet picking processes, the system helps to optimise turnaround times in the warehouse, reduce storage quantities and optimises warehouse capacity.



Fulfillers should pay particular attention to the following aspects when choosing the appropriate WMS solution:

1. **Scalability, growth, security and fast connectivity of new customers.** WMS software must cope with significant growth in the business and accommodate the needs and those of customers without any problems. A scalable WMS solution provides security for the expansion of the business.

2. **Stay Flexible and Provide Transparency to the Customer:** With mature WMS solutions, customers can intervene in the order processing process themselves. Areas such as customer service, reporting or purchasing can be controlled easily by the customer. The entire shipping process remains in the Fulfillers own house and can still be viewed and influenced by customers. These aspects create security on the customer side and offer the Fulfiller a strong competitive advantage.
3. **Open system architecture and interfaces:** The e-commerce business is growing rapidly. The integration of new third-party vendors desired by the customer must be compatible with the WMS to take advantage of new payment providers, marketplaces or shop systems.
4. **Introduction, Implementation, and Training:** If there is no dedicated IT department in the enterprise, care should be taken in system implementation. Training of the employees and the connected customers (if desired) in the handling of the software should be offered by the vendor to guarantee stable system usage and a quick implementation process can be carried out.
5. **Experience of the WMS provider and references:** How long has the company been operating in the e-commerce market and what references can the company have? These questions provide security in choosing a sound and secure solution.

## Conclusion

1. The B2C e-commerce market is an exciting business. The choice of the appropriate target group and the market entry strategy is indispensable.
2. A clearly defined range of services creates security to the provider and customer. To this end, the needs of the target group should be determined in advance and a suitable offer should be made after examining their own possibilities.
3. It is essential to use a warehouse management solution (WMS) or warehouse management software specialised in e-commerce - an error-free shipping and returns process is an established standard in the e-commerce market.
4. The right storage technology must be produced. Pallet racks and technology are a thing of the past in the B2C. The B2C Business requires individual shelves and space for order picking. This investment must be calculated in advance.

### More information at:

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