E-COMMERCE ORDER FULFILLMENT SERVICES

D|A|T|A
insight

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e-shops reports, attracting cases on Russian and
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Table of content

Introduction

Russian order fulfillment market is still young and not well-formed yet. There are few players that barely compete. Market grows not fast enough. The main reason is the lack of knowledge on the order fulfillment services. Today the number of companies entering e-commerce market is dramatically increasing, but they are not acquainted with the potentials of the fulfillment services.

We conducted a research «E-commerce order fulfillment services» in order to show who is present in the market, what kind of services are accessible, what are the difficulties in this segment development. Besides, our aim was to show the main advantages and disadvantages of cooperation with an order fulfillment company in comparison with the own in-house service. On paper, the prospects of outsourcing are very attractive, but in reality there are pitfalls that should be kept in mind when choosing between an outsourced and in-house service.

We conducted a series of market players and client expert interviews, and found out that partnership between order fulfillment services and e-commerce companies could be profitable to both parties: existence of order fulfillment services is a growth driver for the entire e-commerce market. We would not find many examples of the cooperation of this kind on the market today, but they are becoming more numerous every day.

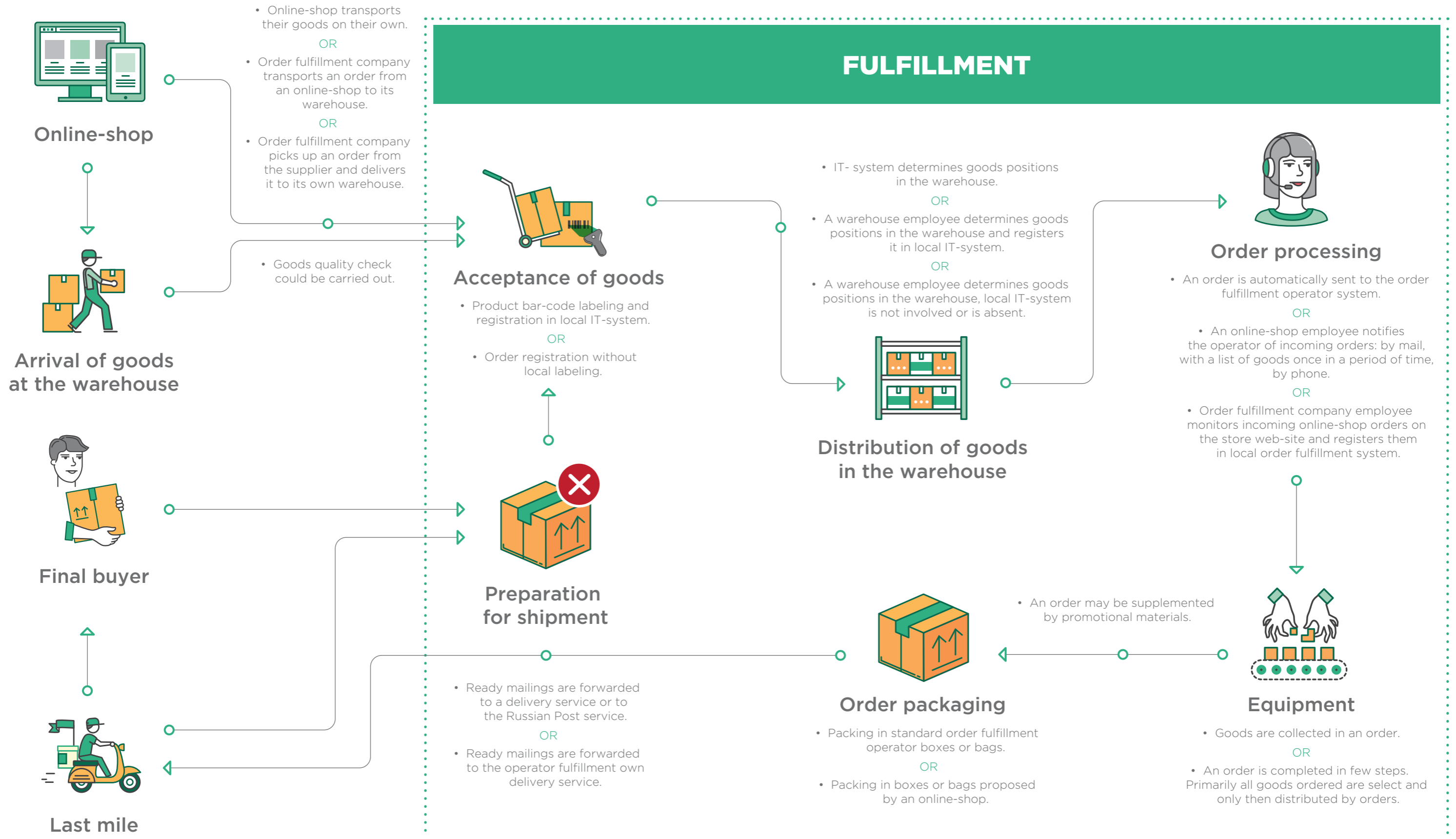We would like to express our special recognition to our partners and the experts who assisted in creation of this study: American Cosmetics, Arvato, Beta PRO, eTraction, Itella, KupiVIP eCommerce Services, Lamoda B2B, Reworker, Selling Distance Services, CDEK, SPSR-Express.

Varvara Nekhina,
Leading Analyst direction «Logistics» in Data Insight

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Leading Analyst direction «Logistics» in Data Insight

HOW IT WORKS

Online-shop

Arrival of goods at the warehouse

Final buyer

Last mile

- Online-shop transports their goods on their own.

OR

- Order fulfillment company transports an order from an online-shop to its warehouse.

OR

- Order fulfillment company picks up an order from the supplier and delivers it to its own warehouse.

- Goods quality check could be carried out.

Acceptance of goods

- Product bar-code labeling and registration in local IT-system.

OR

- Order registration without local labeling.

Preparation for shipment

- Ready mailings are forwarded to a delivery service or to the Russian Post service.

OR

- Ready mailings are forwarded to the operator fulfillment own delivery service.

FULFILLMENT

- IT- system determines goods positions in the warehouse.

OR

- A warehouse employee determines goods positions in the warehouse and registers it in local IT-system.

OR

- A warehouse employee determines goods positions in the warehouse, local IT-system is not involved or is absent.

Distribution of goods in the warehouse

Order processing

- An order is automatically sent to the order fulfillment operator system.

OR

- An online-shop employee notifies the operator of incoming orders: by mail, with a list of goods once in a period of time, by phone.

OR

- Order fulfillment company employee monitors incoming online-shop orders on the store web-site and registers them in local order fulfillment system.

Equipment

- Goods are collected in an order.

OR

- An order is completed in few steps. Primarily all goods ordered are select and only then distributed by orders.

Order packaging

- Packing in standard order fulfillment operator boxes or bags.

OR

- Packing in boxes or bags proposed by an online-shop.

- An order may be supplemented by promotional materials.

COMPONENTS OF ORDER FULFILLMENT

ORDER FULFILLMENT is a set of measures of online-shops order processing, including order registering, storage, processing, equipment and order packaging.

Services

List of services that are included in the concept of order fulfillment.

1. **ACCEPTANCE OF THE GOODS.** The order fulfillment IT-system is supposed to store information about all goods sold in an online-shop. When goods arrive to the warehouse, each item is registered in the local system. After that all remnants in stock are recalculated. All goods registrations are based on the factory bar code. If it contains all the required information, it is not necessary to change labeling. If the factory bar code is not complete, the warehouse employee labels it with a local bar-code.

   Risks:
   • incorrect accounting of the goods (not all goods are registered);
   • delivery of the wrong goods;
   • an item ID is not present in the system and it could not be registered.

   Precautionary measures:
   • permanent accounting of goods in a warehouse;
   • complete goods verification when accepted;
   • automatization of the goods acceptance process to minimize the human factor;
   • full integration of the online-shop and order fulfillment provider is required to avoid errors of product information transferring from one system to another and reduce the procedure of operations processing time.

Automation of processes in the order fulfillment's warehouse decreases the main risks when working with goods.

Advantages of an outsourced order fulfillment service over an in-house service:

A warehouse employee is in charge of goods acceptance for many customers, so the cost of his work is lower for an online-shop than recruitment of in-house staff. If a staff member is supposed to be engaged in various operations (to reduce the cost of a single operation), his quality is not as high as that of a professional who is constantly making a limited number of operations.

2. **STORAGE.** Goods are stored on the shelves, if they do not require any special conditions. They could be placed in cells to simplify searching and storage. Pharmaceutical products and cosmetics, which need special temperature conditions, are stored in specially equipped rooms. On client request clothes could be kept on special hangers (construction of pillars or poles with crossbeams designed for hanging). Some goods could be kept in closed rooms with a limited access.

Goods processing on an order fulfillment warehouse is divided into smaller operations. This simplifies control of the process and provides a high quality at each stage of order processing.

Risks:
• stealing of goods from the cells;
• inefficient use of storage space.

Precautionary measures:
• computerization of all or a part of the processes on the order fulfillment warehouse;
• engaging staff only avoiding outsourcing of personnel;
• a clear system of rewards and penalties for the staff;
• creating and strict following rules of access;
• automation of the process of goods accommodation. If the system is in charge of goods distributing within a warehouse, the use of cells will be optimal.

Advantages of an outsourced order fulfillment service over an in-house service:

An order fulfillment company is more competent in staff managing and concentrated on motivating their employees to work honestly. The head of an online-shop is supposed to create his own motivation and control system to minimize the risk of stealing.

3. **ORDER PROCESSING.** It is registering each incoming order in the system. It could be processed within recep¬tion of buyers calls in a call-center, via shopping carts or a list of orders from the online-shop. A call-center could be a department of the order fulfillment service or a third-party company. In any case interaction of an online-shop and a call-center could be organized in a one-window mode by an order fulfillment partner.

   Risks:
   • mistakes when registering a customer or an order;
   • no opportunity to provide a buyer with additional information on the goods.

   Precautionary measures:
   • clear instructions (scripts) for the call-center employees;
   • trainings and acquaintance of staff with online-shop assortment;
   • assign responsible call center employees to be in charge of one online-shop. A call-center employee will better know and understand the online-shop goods range, if he is constantly working with it;
   • integration of online-shop with order fulfillment and delivery services systems. It will eliminate the possibility of errors when transferring data from one system to another;
   • motivation system of call-center employees.

   Advantages of an outsourced order fulfillment service over an in-house service:
   Focus on the price. The cost of external call-center (usually it is a multi-line phone) corresponds with one employee salary.

4. **ORDER EQUIPMENT.** This is the process of preparation an incoming order. An order may include several goods stored in different locations. An employee is in charge of only one or several orders simultaneously.

Risks:
- ordered item is not in stock;
- the route of the employee when collecting goods in the warehouse is not optimized;
- selection of wrong goods.

Precautionary measures:
- integration of online-shop and order fulfillment operator systems. This will ensure continuous data exchange of the information on the goods in the online-shop cart and their amount in the store, automatic recalculation of the instore remnants;
- automation of the process. The system will itself propose the best route for the goods collecting. It will also examine what goods were taken by an employee and compare to the one that should have been taken, the probability of errors is greatly reduced.

Advantages of an outsourced order fulfillment service over an in-house service:
The cost of developing an in-house IT-systems and processes automation is very high. When it is carried out by an order fulfillment operator, the costs are partially distributed between his clients. This reduces the costs.

5. **PACKAGING.** Equipped orders are placed in boxes or packages for further transportation to the buyer. It also includes creating of transport documents: information about the destination (address, contact information) and the return forms (if required).

It is more profitable to safe non-fragile items in special packages. They are opaque and cannot be quietly open. This will reduce the cost of consumables (tape, box) while the size of the order is corresponding to packaging.

Risks:
- choosing a package of wrong size.

Precautionary measures:
- employee trainings;
- full or partial automation of the process. Machine independently packs or proposes a package of correct size.

Advantages of an outsourced order fulfillment service over an in-house service:

Packing speed of order fulfillment staff is very high, as they pack hundreds of orders a day. They have strict rules on the amount of packed orders.

6. **PROCESSING NON-DELIVERED ORDERS AND RETURNS.** Non-delivered order (NDO) is returned by the delivery service and did not reach the customer (refused in advance). Returned order (RO) is receivedfrom the end buyer after he or she had opened or tried it on (clothing and footwear). If the packaging has not been broken, each item passes again the registering procedure. If the packaging has been broken, items pass thorough a quality test.

When choosing an order fulfillment external service, e-shop are released from interacting with courier companies.

Risks:
• the buyer did not cancel the order, but the order was returned by the delivery service.
• returned goods cannot be sold again.

Precautionary measures:
• cooperation only with reliable delivery services;
• improvement of recovery and recycling processes. These could be processed by the online-shop independently or be proposed by the order fulfillment company, which recycles products.

Advantages of an outsourced order fulfillment service over an in-house service:

An online-shop does not interact with any courier services which deliver its orders. Order fulfillment operator independently solves all the problems associated with delivery to the buyer.

Additional services

OPERATIONS WITH THE GOODS:

• **Checking the quality of goods.** It is additional inspection of the received goods on the subject of defects, spots, malfunctions. It prevents possible refunds for not-quality goods. Items are registered in store only passing through a quality control test.

- **Photoproduction**. It is professional photography of goods for the online-shop cart.

- **Adding promotional materials.** Before packing order is supplemented by advertising materials / compliments / samplers.

OPERATIONS FOR END-CUSTOMERS:

- **Informing customers by phone or e-mail.** Customers are informed of the stages of order processing (the order is accepted, the order is processed, the order is canceled and so on) as well as of delivery process (when and where the courier arrives, where the order can be picked up and etc.).

- **Call-center.** There are multichannel phone, order process-ing staff (may be assigned to one store or not) in call-center and all this is for the price corresponding with the salary of one full-time employee. Call-center workers have scripts which they follow to communicate with customers.

OPERATIONS FOR ORDER FULFILLMENT SERVICES CLIENTS:

- **Tracking.** Order fulfillment operator provides information on the status and location of the orders with the help of tracking services. It allows an online-shop to track their goods, and the buyer — status of his order.

- **Factoring.** In cooperation with a creditor bank order ful-fillment operator provides his client (an online store) with the funds for an order before receiving payment from a buyer. This reduces the time of waiting a payment to be made. An online-shop will receive the payment with a deduction of the deliverer commission.

- **IT-services.** They include creating a website or revision of the existing one, integration with order fulfillment systems, accompanying the online-shop, its promotion, taking care of the integrity and relevance of the product database.

- **Online-shop analytics.** Different analytical reports are avail-able online or sent on a constant basis. Possibility to pro-vide additional information that is not provided in the ordi-nary analytical reports at client's request.

How switching to a fulfilment operator increased sales

PROJECT BENCH-MARK DATA

Client — RALF RINGER
Online-shop Ralf.ru was launched on August 22, 2014, and was served by the company's own resources.
CMS — Bitrix.
The total number of **SKU** on sale in the online-shop is 7,000 SKU Spring-Summer, Autumn-Winter (Men's, Women's). *SKU is an item of one given article in a given size and colour. A change to the colour and/or size and/or article creates a new SKU.*
The total number of models in storage is 1,200 items.
The average order in rubles (including VAT) is 3,224
The average number of items purchased per order is 1.3.
Delivery is by TopDelivery.
Systems — TradeX / Technoclass
Average **percentage of returns** is 22% of the total number of orders.

PROBLEM

Launching the online-shop in test mode, we expected that problems would arise in the process of number of orders increasing. The most important question was   what number of orders would become critical?
A local courier was chosen for deliveries, with a good regional network and delivery in Moscow through a partner.
Goods were dispatched from our wholesale warehouse.
First problem area. The process of getting an order, its processing by an operator, and sending it for collection must be as automated as possible and avoid multi-step manual operations.

www.ralf.ru

RALF RINGER is the largest manufacturer and retailer of shoes in Russia. Since the company was founded in 1996 its production has expanded by a factor of 45 — from 30,000 pairs per season in 1996 up to 1,450,000 pairs in 2014. The distribution network includes more than 1,500 retail sales points, including more than 130 dedicated shops.

RALF RINGER produces men's and women's shoes at its three factories (in Moscow, Vladimir, and Zaraisk). The production facilities are equipped with the most modern technologies. They use the best materials, parts, and equipment.

A confirmed order of the online-shop must be sent straight to the warehouse for selection. Unfortunately, at that time the operator had to perform 20 manual operations before the order was send for selection the following day.

Second problem area. The warehouse must "know" how to work with piece goods. This is a key function for an online-shop.

The speed of online-shop's turnaround depends on how quickly a warehouse can collect orders, package them, print basic documents, and dispatch the orders to a courier.

Another pinch point is receiving partial returns from the courier. If the warehouse does not have barcode systems, you cannot quickly and properly identify the item which has been returned. Mistakes will be made Manual operations will cause errors, which with increasing numbers of orders can lead to serious re-assorting.

Results of work with our own resources between October 2014 and March 2015:

- total number of orders — 2,229;

- cancelled — 35%;

- sent — 64%;

- returned — 22%;

- delivered — 50%;

- share of expenses on delivery to the Turnover — 39%;

- average order in pairs — RUB 2,573.

We were able to deliver only 50% of orders, and we had a very high percentage of cancellations.

Based on the year's results it was clear that many processes needed optimising and serious investment, a service provider who would take on all the online-shop processes was required.

SOLUTION

In January 2015 an agreement was reached on cooperation between **eTraction** (a member of the Otto Group) and **RALF RINGER**, and integration work began.

Yuriy Fomin, head of the RALF RINGER online-shop

From April 2015, eTraction has been providing RALF RINGER with services on warehouse management, processing, storing and sorting goods, packaging and shipping orders, full cycle of returns work, integrating services of the contact centre and delivery companies.

For RALF RINGER, eTraction uses the production capacity of its parent company, Otto Group Russia, which occupies a leading position on Russia's distance selling market in the fashion sector. The group's logistics systems process more than 17 million orders per year.

With support from eTraction, deliveries for the RALF RINGER online-shop http://ralf.ru are carried out by courier companies DHL and DPD, Russian Post, and also by Pick Point postal points.

Since August 2015, eTraction has been providing RALF RINGER with services in online marketing, including placing contextual advertising, referral marketing, and working with abandoned baskets.
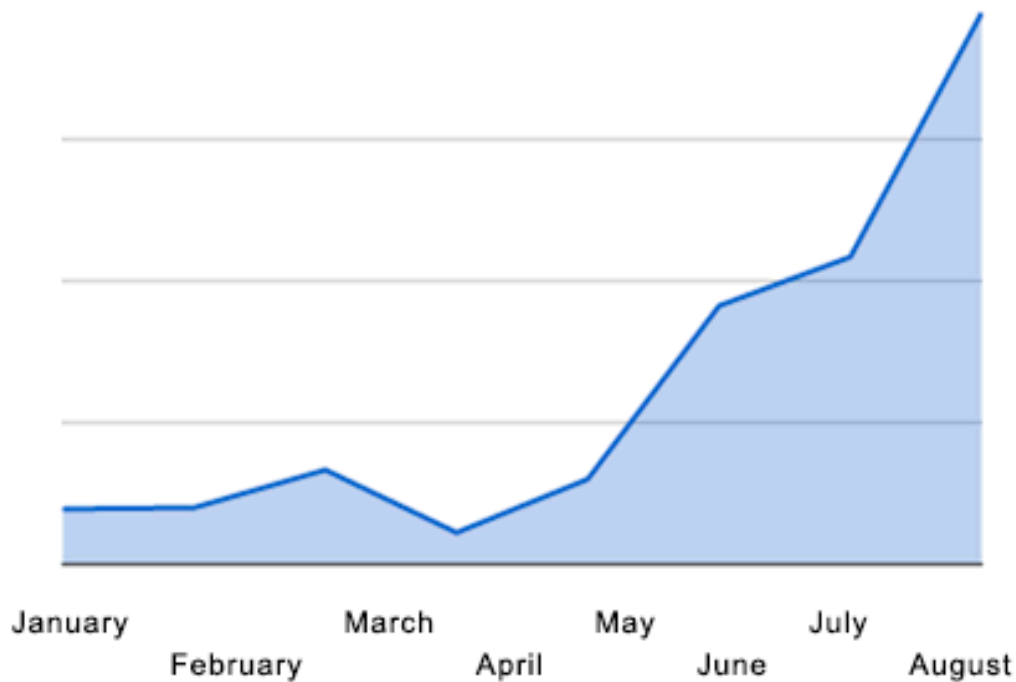
Evgeniy Schepelin,
CEO
eSolutions/eTraction

RESULTS

	For 7 months Own resources	For 4 months eTraction	Change
Total orders	2,229	2,000	-10.27%
canceled	35.22%	10.65%	-72.87%
sent	64.78%	89.35%	23.75%
returned	22%	15%	-32%
delivered	50.53%	75.95%	34.86%

- Goods turnover increased 65%.
- The average order was RUB 3,020.
- Expenses on fulfilment in Turnover — 45.8% (+15%).

Turnover dynamics:

> Our main aim in founding the RALF RINGER online-shop was to offer
> our customers the broadest possible choice from a wide range of shoes
> (for all seasons), since in most of our partner network and several of our
> own retail outlets we are not able to offer this full service. By joining forces
> with eTraction, we were able to expand the areas we cover, and to offer
> the opportunity to purchase our shoes in all corners of Russia.''

Yuriy Fomin, head of the RALF RINGER online-shop

> Retail doesn't always see the additional opportunities for developing
> ecommerce business with strong partners. It seems clear that a fulfilment
> operator can only lower expenses on logistics, but we can hardly forecast
> the potential growth, as well as see the reasons for this growth.
> The influence of higher quality processes on customer satisfaction,
> the number of repeat orders, expanded sales area, special offers and
> discounts, and opportunities to open dialogue with supplies to a completely
> different level.
> We are glad that Ralf Ringer has opened its details to the market and
> is showing that growth is possible not just by optimising expenses. If you
> look at the growth dynamics of our clients, we see a doubling of good
> turnover. Based on the year's results we have sent the millionth parcel
> for our monobrand projects. And we continue to show two-fold growth.

Evgeniy Schepelin, CEO eSolutions/eTraction

Outsourced order fulfillment service vs in-house fulfillment service

Benefits of a third-party order fulfillment

1. **Order fulfillment easily scales the client's business** and withstands seasonal sales jumps. It is able to pass through itself a peak load of an online-shop not losing service quality.

> *A high-quality order fulfillment company has a professional approach to managing seasonal jumps. Seasonal peaks, sales periods can simultaneously increase the daily volume 5-10 times. When processing large volumes, it is important to have reliable tools for a quick buildup of capacities. At the moment, we are ready for peak loads up to 100,000 orders per day. And this is not a potential capacity but an actual result, that we used to operate before.''*
>
> **Evgeniy Schepelin, CEO eSolutions/eTraction**

2. **Sales growth.** This is a result of an easy scalability, business extensibility. Order fulfillment operator deals with logistics, works under his client's loyalty. The online-shop is engaged in advertising and promotion, without being distracted by background processes. As a result, there is a growth of the company by increasing the volume of shipments.

> *Interests of an online-shop and an order fulfillment company lie in the same plane and are focused on increasing the number of orders. Therefore, each one in this situation carries out a set of actions, which as a result should lead to a high quality and in-time delivery to the end-buyer.''*
>
> **Sergei Volchkov, Director of Sales, Service Express Courier**

> *Once decided to work with a serious order fulfillment partner, an online-shop can from the beginning use processes developed by the best international practices, offering high-quality customer experience, economies of scale of an experienced player and not to waste time and money to run its own operations.''*
>
> **Zhiltsova Alexandra, Director, Lamoda B2B**

3. **Lower delivery cost.** Order fulfillment is not engaged in delivery processes by definition, although, on the market there are more and more examples when handling and shipping are concentrated in one company. If analyzing these processes separately, an online-shop will now have two cost items: fee for order processing and order delivery. As fulfillment companies send to the delivery services a great volume of items and receive a partner discount, they could spread the discount within their customers, not earning on shipping services.

Order fulfillment operators deliver to courier services large volumes of items and get partnership discounts that they can pass on to their customers, not earning on shipping.

" *This is true. Our company has a production capacity that allows us attract a large number of services of our clients. As a result, passing «big volumes» of orders to external delivery services we can expect significant discounts. Undoubtedly, we are sharing them with customers, and it's not the only advantage of our mutually beneficial cooperation.''*

Konstantin Kalinin, Chief Commercial Officer,
order fulfillment operator «Beta PRO»

4. **Higher quality of service at the start.** The area of order processing and logistics is very significant for ecommerce business, but e-shops are not supposed to be experts in it. Forming their own processes takes time, knowledge and experience in various aspects of logistics — warehousing, routing of cargo and people, processing of orders, the last mile, software, logistics processes, legislation in the field of logistics, etc. Small companies cannot afford themselves to open a logistics department, and one or even more people are not able to be responsible for all parts of the logistics chain with the same quality. For large companies their own logistics department means great expenses especially on the start. Outsourcing logistics processes to experts in this area, a company gets higher quality service while saving expenses (operating costs of a fulfillment operator to process one order are lower because of already adjusted business-processes), and not less important, focuses on their own expertise — business development.

> *No doubt there are some successful examples of the companies developing own fulfillment and logistics. But, as a rule, developing these spheres in such company leads to a problem of cost compensation of these expensive functions. Actually, that's how certain business lines appeared: Otto — "E-Traction", "Studio Modern" — "Route", OZON — "O-courier". It was necessary to compensate great expenses. It is too soon to evaluate success of these projects, or too late if we speak about O-courier, meaning profit equals success. Although even if they are profitable, they are rather the exceptions proving the rule — do only what you can do the best. And for online stores it is definitely not logistics and fulfillment. It is no use to sacrifice development to the expanding operations!''*

> **Sergey Egorov, Chief Commercial Officer, CDEK**

> *In my opinion, the focus for online retailers should be on developing their relationship with their customers. Managing the complete supply chain can limit their capacity to grow and divert their limited resources to non-core activities. This is why outsourcing order fulfillment is so popular abroad. In Russia, this understanding is just appearing and will continue to grow as companies develop.''*

> **Maria Zaitseva, Development director of the B2C services in Russia, SPSR-Express**

5. **Automatic calculating of shipping costs.** For online-shops, especially for small ones, it is hard to specify the cost delivery to the end customer. To calculate the cost correctly you have to know physical and /or volume weight of the packed order and the rate to calculate final delivery price. Order fulfillment companies have technical maintenance for automation of this process. This allows to count instantly and show results on the web-site.

Not every order fulfillment company can boast the presence of the normal package of delivery calculating scripts to be integrated into client's shipping cart. Best-case scenario for online-shop is to implement its own delivery cost calculation system into a fulfillment operator's API for tariff calculation. In the worst case, an online-shop is askedto solve this problem by itself. The problem is that this is not a technical, but an IT problem, and these are programmers who are supposed to solve it. Because calculating the delivery cost starts before an order fulfillment gets the order. Yes, you can later size and weigh the order, but the end-customer already has the price stated, and you have to deliver within the price already announced.
Nevertheless, we have ready-made scripts and API for integration of delivery tariffs into our customer e-cart. It is a source of constant headache for us. As the necessity for such IT-solutions is huge, we will continually develop and improve it.''

Dmitry Novikov, CEO, Reworker

6. **Order fulfillment — is a growth point for the regional online-shops.** A regional online-shop faces a number of difficulties when It plans to enter a Moscow market. The rent price, search of a delivery company, transporting goods from providers — and all this should be managed remotely. A good decision is to organize an «one-window» service with an order fulfillment company who will take care of all necessary processes.

In the last 1.5 years we note the significant increase of interested entrepreneurs from regions and CIS countries. They have been successful in the region and are ready to expand their business to the whole country. They have all experience; the only question left is logistics.''

Alexander Alimov, head of the project, Call-IM

7. **Order fulfillment operator can provide his clients analytics on the orders.** Processing huge amounts of information daily, he can store, systematize and analyze it. In addition to analytics, order fulfillment operator provides his clients a variety of IT-systems. Integration with the existing system is much easier than development or purchase of your own.

> *Data analysis really allow us improve the service, but one more crucial thing – feedback from partners. Versatile experience, business specifics, diversified target audience — give us the opportunity to learn, and we have a distinct competitive advantage.''*

> **Evgeniy Schepelin, CEO, eSolutions/eTraction**

8. **Order fulfillment partner centrally collects the goods.** If an online-shop works directly with several delivery companies, each courier arrives for their orders and everyone has to be paid. An order fulfillment company picks up all the online-shop orders and distributes them between couriers independently, saving time and facilities of his clients.

> *This scheme works well when it comes to online stores that outsource delivery of ready-packed orders and distribute volumes between several partners: by geography, to be delivered to the door, to parsel shops, postamates or the Russian Post service. All the online-shop is required to do is to pass all the collected orders to a driver-courier. But there is a process to be realized BEFORE and AFTER that point. From passing parcels to the packaging team and up to delivery to different courier services — all the processes including IT and technological ones should be properly organized: it is necessary to set up a pick-up point to redistribute packages, which are brought by driver-couriers. And it should be a well-functioning process not to violate delivery terms. It is much more efficient to organize it at our site, since we work 24/24 and have high-volume production capacities. For example, the logistics team collects all the orders in the afternoon. They are processed and distributed during the evening and night, and are transferred to the delivery service by a schedule and agreement with the courier service: at a certain appointed time to the regions, to Moscow and Moscow Region at another appointed time, and at a certain time to parcel shops and postamates. And at each stage the online-shop should be able to track the order.''*

> **Oksana Smirnova, director of the Commercial Department,**
> **ZAO «Distance Selling Service» (Distance Selling Service, JSC)**

CASE

Experience of a small online store in choosing an order fulfillment partner

Start of the project

The first six months of my online store I was in charge of everything myself: receiving calls, coordinating orders, packing them, passing them to the courier delivery and even sending them by the post service.

As the number of orders started growing and achieved the number of 5 per day, I realized that I would not cope by myself. After browsing the internet and counting all the options, I came to a conclusion that the order fulfillment is right for me — it was ideal in terms of price-quality ratio.

Search of an order fulfillment partner

As I started studying the order fulfillment market (it was about 2 years ago) I decided to cooperate with a small Moscow order fulfillment operator. Unlike the giants, this company didn't have negative user reviews, and at the start I was interested in the cheapest rates for small volumes. The decisive factor for me was the price.

The call center made mistakes at every turn: pre-paid orders were shipped as cash-on-delivery, there were constant mistakes in order equipment by managers (when transferring them from the admin area in their file) and warehouse employees were confusing nomenclature. If customers had questions that the call center could not answer, I received e-mails. We can only guess how long did it take a buyer to get answers to their questions. Reports on the work done I received in a MS Word format. After a month of cooperation, I cancelled the contract with them, but the idea of order fulfillment would not let me.

I switched to another order fulfillment company that was a little larger than the previous one. I found a few reviews on them, practically without negative ones. The decisive

Victoria Karetnikova, CEO

www.american-cosmetics.ru

factor was again the tariff at the lowest price. I liked a lot in their work: close interaction with the call center — every manager wrote or phoned in Skype if he had questions, warehouse employees also called if they had doubts about the order equipment. Another partner change occurred 9 months later after a number of call-center errors: they made mistakes when copying orders from online-shop admin panel to their Excel-file, very often they said they could not get through to the customer, as a result the orders where not confirmed by the buyers. And the most important reason was that the reports on the work done were practically absent. The Excel-file, containing my orders, was not always relevant, and the cash received at a pickup point did not have any reference to the amount and type of goods sold.

The result

During the last year I work with Fresh Logic. I'm fully satisfied with the work of their warehouse as they have all processes fully automated, goods are registered and shipped by bar codes, they have a storage system that allows me to see online status of my orders, thus mistakes in the order equipment occurred just few times. I am not fully satisfied with the work of Call-center: managers still do mistakes transferring orders from admin panel to their warehouse program. They also could not distinguish orders for Moscow region from those for Moscow and charged delivery equally, as a result, we suffered losses. Today we are working on a new contract with CallTraffic, who is also a partner of Fresh Logic, I'm looking forward to a long cooperation with them, because replacing a call-center is always felt badly by my clients and me as a manager. Logistics is distributed between 3 partners — courier service for the delivery of Moscow orders, delivery services aggregator (Ddelivery) for all Russia delivery (express delivery, pick orders' points, Russian Post service) and a partner sending mail orders all over the world. All this is included in one contract with the order fulfillment agency, all orders are also documented in the same program. Fresh Logic sends its couriers to pick my orders and to tranfer them to the delivery services. It is absolutely free of charge for me.

RE
FRESH LOGIC

Pros and cons of working with a small order fulfillment agency:

Pros:

1. Order fulfillment is much more convenient and cheaper than renting your own warehouse + paying your staff.

2. Call center is much cheaper. For the same money you can hire just one person, or pay a partner with a call center staffed by many operators and a multi-line phone available 7 days a week.

3. If they have a CRM system, the call center can provide you analytics on each customer (buyer's data, the number of times ordered, how many returns, etc.).

4. 2 working schemes with the call center — a fixed price for the number of orders not exceeding the set one, or charge for each order. The second option is more preferable, as it motivates employees to increase the number of orders.

5. An order fulfillment agency or a call center are interchangeable. Change an order fulfillment agency is much easier than firing and hiring your employees.

Cons:

1. A hired call center is not as high professional in consulting buyers in specific segments, such as cosmetics, but consultations are not always necessary. Customers calling in an online-shop, usually already know that they are going to order.

2. Control of work results is not the same as you would do on your own capacities.

3. An online-shop needs constant analytics, for example, the turnover of the warehouse, information about the quantity of each unit. Not all agencies, especially the small ones, can provide it.

4. An order fulfillment agency does not have packing boxes, suitable for small-sized products. That is why these orders are packed in boxes of inappropriate sizes, they are much bigger that their content. Of course, you can use your packaging.

5. Small order fulfillment agencies may be not effective in orders dispatching, it may take them about 2 days to equip and send an order to the post office/delivery service.

During this time, I made the following conclusion — order fulfillment service should be present in my business model in future, it allows me to grow rapidly at the beginning of the business and to develop further.

Cons of outsourced order fulfillment

1. **Loss of flexibility.** Often an online-shop feels necessary to modify for their own needs the ERP system which is the core system for the order processing. However, there is no guarantees that an order fulfillment agency will cope fast or will agree to do it. It is unprofitable for them if other customers do not require these changes. Moreover,if there is a controversial situation, the store find it out from the order fulfillment operator, rather than directly from the customer or a courier service. In this case, an online-shop reacts slower on urgent situations, where its interaction is necessary.

With an external order fulfillment service an e-shop will respond slower to emergency situations where its participation is required.

> *Of course, it is not profitable for an order fulfillment to be adjusted to each client, modify his ERP-system etc. This is time- and money-consuming. This is why the majority of the order fulfillment companies offer universal solutions with a minimal "revision" for each system. However, when an important e-commerce player is looking for a partner, an order fulfillment agency will be ready to be adjusted according to the client's needs. Concerning the response time, it's simple — it depends not from the company, but from the personality of the manager.''*

> *Elena Ivanova, Project Manager e-Commerce, Fresh Logic*

2. **The loss of individuality.** The outsourced staff is not involved in store development; they do not have all necessary knowledge or incentives. A courier of a third-party delivery company will not transport goods in a branded car, will not recount the buyer interesting details during a purchase, a call-center employee will not be able to advise on the characteristics of complex or unusual goods.

The main task of the order fulfillment agency, as well as of any other online-shop, is to process, to equip and to deliver the order to the customer. Individuality is something to think over when all the other processes are debugged and working without problems, which is a rare thing to find. It is enough counting down the number of mistakes made in high season. I think, online-shops have to take care of that on the first place. It is also worth noting that a warehouse has clear objectives and clear conditions, creativity is the work of other departments' staff, and a warehouse or an order fulfillment agency may just help to implement their ideas and visions. Without the "knowledge on the subject" and "incentives", but clearly and without mistakes! ''

Dmitry Novikov, CEO, Reworker

3. **Limited delivery choice.** When you work in a «single window» mode, your buyer can choose between couriers who cooperate with the order fulfillment company. Order fulfillment combines a small number of delivery services or transport orders themselves. It is not comfortable as customers do not want to limit the end-buyer (who is rather demanding today) in his choice.

In most cases, it is justified measure, since control over delivery and timeliness of the order is a very important criterion to the customer. In case an order fulfillment company has its own delivery network, it provides a clientwith a significant advantage during the fight for customers.''

Sergey Volchkov, Sales Director, Courier Service Express

One more possibility for clients is to deal with courier/delivery services under their own separate contract; in this case, they are not limited in their choice.''

Kirill Vorobyev, Chief Marketing Officer, arvato

Interview with Sergey Egorov, CDEK commercial director

Who are key clients in the fulfillment market? How do they benefit from using fulfillment? How have the fulfillment clients changed in the past couple of years (are there any changes at all)? Why do your clients come to you? What problems do they solve?

There are several players at the Russian fulfillment market who specialize in this field. At CDEK fulfillment is only additional service. Let's say, it is an element of the ecosystem that we create for our clients. We specialize in express delivery of documents and goods worldwide. Fulfillment was introduced in order to help our clients. We decided to use somehow different approach: our clients are small online stores with limited assortment. Big fulfillment operators are not interested in small and medium online retailers, so we have sensed this demand. We have a complex approach which is very convenient — we collect, we store, we package and deliver. Recently we have added an option of delivery to our partners' pickpoints (postomats) to the existing courier delivery and delivery to our own parcel shops. Next year we are going to start pre-shipping preparation and set up the call-center specially for our fulfillment clients. Now we have around 6 000 sq.m for fulfillment services. We are going to grow in the future.

CDEK have two types of clients: the first — Internet-shops who need high-quality service and fast delivery of their goods to the recipient. The second — the organizations who need single mass shipments to their clients. It might be gifts for their partners or advertizing materials. Why do they come to CDEK? Because they need to send small lots of products and standard delivery is unprofitable for various reasons. They value fast delivery, but without any warehouse expenses, which is, of course, beneficial. We, in turn, offer it to the market. So the client doesn't spend a cent on a warehouse rent, extra personnel salary, or developing IT solutions, integrating with delivery services.

What global changes have happened lately? More and more big and small clients outsource their operational functional. It is not only convenient, but also, I will repeat myself, profitable. However, just 5 years ago everybody tried to develop own

Sergey Egorov, commercial director

www.cdek.ru

CDEK
logistic
solutions

infrastructure. No doubt there are some successful examples of the companies developing own fulfillment and logistics. But, as a rule, developing these spheres in such company leads to a problem of cost compensation of these expensive functions. Actually, that's how certain business lines appeared: Otto — "E-Traction", "Studio Modern" — "Route", OZON — "O-courier". Although even if they are profitable, they are rather the exceptions proving the rule — do only what you can do the best. And for online stores it is definitely not logistics and fulfillment.

Now, when professional players who provide high-quality services have come to the market, the tendency has changed. Demand for services of the fulfillment-centers grows day by day. One of the reasons of their popularity is, as mentioned above, the fact that delivery and completing the orders are not key functions of online stores.

The companies of online trade address us to deliver their goods to the client. It is convenient to them, that we pick up the goods from the supplier in short terms and without any mediators. It is also convenient both to the clients, and to us to be able to implement "one-stop shop" principle, obtaining profit due to complex approach.

Are there any restrictions or limits of FF (depending on regions, trade models, categories of goods and so forth)? Who doesn't need fulfillment today (but might need it tomorrow)?

There are some limits, of course. They are caused by the goods which are being sold in Internet shops. We try not to work with dimensional goods, and specialize in such universal assortment positions as clothes, spare parts and accessories for computers and phones, toys, electronic equipment, cosmetics, etc.

Concerning our opportunities in regions, I can say, that IT solutions are crucial here. However, we have overcome this problem and we can provide fulfillment services in every region of the country. We have learned and are technically capable to control the commodity balance in any geographical location. Although it is quite difficult, considering the fact that all the major warehouses are located in Moscow. We have developed such IT-software which gives the opportunity to predict the approaching deficiency of this or that commodity in any warehouse around the country. It is always necessary to remember that it is easy to provide initial filling of warehouses with iden-

tical assortment, but it is difficult to keep this starting balance later. Units from different warehouses are going to be included in the orders which might affect a date of performance.

Now CDEK has fulfillment warehouses in Moscow and Novosibirsk. It gives us an advantage of working both for the European and Asian parts of Russia. Considering different time zones, it is extremely important for our clients. We are going to open fulfillment centers in several more cities soon. Of course, we plan to cover the whole country. When we manage it, we will get powerful advantage because there aren't enough geo-graphically developed players. And mass presence around the country is important for some types of clients, for example, those delivering mobile phones and smartphones spare parts. They do not have own warehouses, but actively look for part-ners in regions. Are there many fulfillment operators who not only specialize in small and medium-sized companies of dis-tance trade, but also are geographically developed?

Packaging is also very important. Often their critical vol-ume comes unexpectedly. As a rule, it does not happen linearly. When it happens businessmen start to estimate the volume of the required investments to expand, they understand that it is expensive, and start looking for partners for outsourcing.

Shortly some large retailers, who switch from offline trade to Internet space are going to need fulfillment services. Every-body feels that clients are redistributing gradually, sticking to different sales channels. In order for the retailers not to lose clients, it is necessary to be present at all these channels: retail, online retail, mobile sales, contact centers, etc.

Fulfilment for medium and small businesses? How is that possible? What pitfalls are there? In general who works with the small and medium?

For small clients fulfillment is the only appropriate option they have. After estimating the investments it becomes clear that each point of storage requires expenses, great ones.

How much does fulfillment cost? How are these expenses formed? What are the forms of collaboration with fulfillment operators? What resources are required from the client in or-der to work with fulfillment?

Cost differs. It depends on warehouse rent, staff salary expenses, purchase of the specialized equipment, developing necessary IT solutions for ensuring operational processes.

There could be several possible forms of collaboration with operators. For example, cost could be calculated based on the steps included in the package, or complex approach could be used. Step by step calculation is possible thanks to a competent system of billing.

If we speak about mass development of the service, about selling it to small and medium Internet shops, it is necessary to understand that not all of them have opportunity or desire to understand step by step pricing for the fulfillment order. It is necessary to aspire to a simple price formation for the "turnkey" order.

What are your company plans for 2016? What are the most interesting and important things you are going to do? What spheres are you going to develop?

CDEK is going to continue replication of fulfillment-services to the Russian million-plus cities. For this purpose we plan to carry out large-scale works with our partners — to expand geography and ways of delivery. We plan to organize the call-center specially for fulfillment clients. Call-center operators will deal with orders reception, replacement and exchange, conduct additional sales, consult on assortment, and also on delivery and packaging of the goods.

We also plan to reduce investments by organizing mini-fulfillment centers.

What is the most difficult thing in your work today? What problems require most attention?

There are a lot of problems, but we are solving them together with the clients. For example, now express delivery and fulfillment services have separate personal accounts. It is bad. We are working hard on uniting them. Also we are working on forming the model of "one-stop shop". It is when the client solves all their issues at one place, communicating with single expert.

CDEK *fulfillment*

Inventory accounting

Goods acceptance and marking
Safe custody
Security

Order processing

System data exchange
Pick & Pack approval
Client's consultancy

Pick & Pack

Pick & pack automation
Control system
Packaging
Document flow preparation

IT-solutions

Personal account
API integration
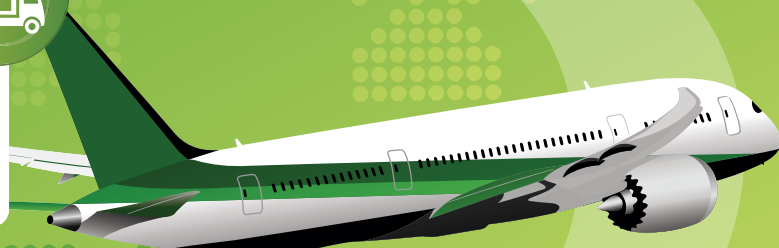On-line tracing
SMS and e-mail notification

Call center

Web shop manager
Call recording
Reporting

Order delivery

Full range of service
Network line hauls
Developed branch network
Over 400 points of collections

Payment services

Order payment receiving
Finance document providing
Money transferring
Payments report

Returns management

Return reason checking
Goods conditions evaluation
Goods return preparation
Sending to web shop

Aviamotornaya st, 67/ 8 build. 10, Moscow 111024, Russia
ph.: +7 (495) 797-81-08, add. 4427
www.cdek-express.com

Order fulfillment customers — who they are and what they want

The two main reasons for cooperation with an order fulfillment company are **reducing logistics costs and high service quality for end customers**. This can be explained by general trends on the market — outsourcing is cheaper than the own in-house service, a narrow-specialized company does the job better, than an in-house department staff. Everyone who is try¬ing to enter the e-commerce market is faced with the need to work with piece-goods.It is necessary not only to store boxes and pallets, but remove the contents, calculate and place each piece. This requires specific business processes. An order fulfillment company is able to keep a record, to store and to complete individual items. Therefore, it provides an easy start, business scalability, access to new markets with the same quality for both beginners and the companies with large turnovers.

All who are preparing to enter the market of electronic commerce are faced with the need to work with the piece goods. It requires specific business processes.

Potential customers of order fulfillment services

There are three key groups of order fulfillment services customers. First of all, these are online-shops. This is the most numerous group today. The second group which is growing fast combines suppliers and retail sellers without online-shops because these companies impose similar requirements for order fulfillment services. The third group is the foreign companies without a local office in Russia. The growth of the last group has slowed down because of the crisis and the unstable situation in Russia. Despite this fact, many foreign companies are planning to enter the Russian market in the next 5 years.

At the start an online-shop has no well aligned processes. It needs a partner who will provide all possible services for a minimal cost. Foreign companies, which also do not have Russia-specific experience, pay more attention to the price and the quality of services. It must comply with the policy of promoting the company in Russia. Retail and suppliers already have their own warehouses, logistics, IT-systems. Basically, they need a range of services associated with the storage and equipment of piece-orders.

There are three key groups of order fulfillment services consumers: online retailers, suppliers and off-line retailers, foreign companies without a Russian office.

ONLINE-SHOPS

This is the largest group today. It is represented by already running online-shops and those who just plan to enter the e-commerce market.

Primary needs

A warehouse and work in the "one window" mode are necessary. A personal warehouse for an online-shop is expensive and inconvenient. Order fulfillment partner provides all the logistic processes: shipping and order processing, including safekeeping of goods.

**The requirements of an online-shop
for its order fulfillment partner**

Online-shops impose fundamentally different requirements, depending on their size. Large shops want their order fulfillment partner to be reliable, to have good reputation and high-quality service, small ones — that he would take a minimum price and provide all the logistics processes in "turnkey" mode. Medium-sized shops can have the same requirements as those of the small or large size depending on their structure and specificity.

Key requirements of the big online-shops

Major brands are very selective in the choice of the model of work: use their own or partner capacities. All potential partners pass through a strict selection. Below there are conditions that may be interesting to a company.

1. **An order fulfillment partner is not an investment project.** This means that the project should be operationally profitable and exists by his own funds.

2. **Work with all the logistics is in the "one window" mode.** This condition complies overall trends of logistics outsourcing. One partner is responsible for all: order-fulfillment, last mile, additional services. It simplifies business process control and lowers costs on interaction with services providers.

Large online retailers want their order fulfillment partner to be reliable, have a good reputation and high quality service, small retailers prefer those that take a minimum price and provide turnkey logistics processes.

3. **Reliable IT systems.** IT system should support all processes, necessary to service company's real and planned volumes and be sufficiently flexible for future revisions.

4. **Clear and transparent billing.** There are two popular methods of charging order fulfillment services: paying each operation processed or offer a percentage depending on order volumes. In the first case, each purchased service is calculated and summed up (processing an order, packing it and etc.). In the second, the customer pays a fixed percentage of his turnover during a period. The higher turnover is the less is the percentage.

5. **Already operating business.** Large company is looking for experts in order fulfillment service, so they prefer to cooperate with those, who already have well-organized processes and experience in processing piece-orders.

6. **Reliability.** Big companies are looking for a partner for medium- or long-term cooperation. Trusting him a significant part of his business, they expect to be confident in the fact that the order fulfillment company is firmly standing on its legs and will not leave the market at slightest changes of the economic situation.

Key requirements for small online-shops

1. **Billing is the set of fixed tariffs or by order payment.** Another option is to provide fixed cost, which already includes certain number of orders plus by-order tariffs if the fixed amount was surpassed. It is very important for a small business to keep in mind a concrete amount of money they need to spend on processing and logistics of their orders.

2. **Absence of clear risks.** When starting a new online-shop it is very important for an entrepreneur not to feel risks with the order fulfillment services. Therefore, the latter must provide maximum comfortable conditions and a transparent system of work.

3. **A clear system of orders and returns accounting.** Proper and timely information processing is the basic competence of an order fulfillment partner. If a client does not understand how it works, he will find another partner or build his own service independently.

4. **Easy start.** All customer's intention is to change internal processes for the outsourced capacities as fast as possible and with less pain for their business. Since the start of the cooperation an online-shop must not be demanded any additional, not obvious monetary investments.

SUPPLIERS AND RETAIL STORES WITHOUT AN ONLINE-SHOP

The second group by the number of customers, but potentially the biggest one in the future, is represented by retail and suppliers who want to enter the ecommerce market. Today there are a lot of companies that already have a warehouse and goods and plan to start online sales as well. For online sales they need to keep a record of each unit in the consignments. Therefore, they highly demand the competences of an order fulfillment company.

Cooperation with an order fulfillment company allows online-shops to enter a new market easily.

Primary needs
Processing piece-orders. These companies have their own experience in managing a warehouse and maintaining the logistics processes. A serious barrier for them is that they do not know how to work with the piece goods. Development of new processes, taking into account the fact that online sales take up a small share of their current turnover, is not always effective. Cooperation with an order fulfillment company can help them enter a new market easily. Suppliers and retail stores just need to ship the goods to the order fulfillment warehouse as they do with the offline sales point.

FOREIGN COMPANIES WITHOUT ONLINE AND OFFLINE

Foreign companies that have in their plans entering the Russian market have two possibilities. Either they come to Russia and build a local business themselves. Or come to a Russian order fulfillment company with already well-established processes and good experience with the Russian buyers.

Primary needs

High quality service straight away. Foreign companies are searching for a worthy "European" quality. Now the choice that is not so big is between several order fulfillment companies with a respectable reputation, good reviews, well established processes and not less reliable service partners.

Expertise in the Russian market. From the very beginning foreign companies need to understand the peculiarities of the Russian market and correspond to relative customer requirements.

Customer's order fulfillment market dynamics

1. **Number of customer searching for order fulfillment services is increasing rapidly.** There are three reasons for this fact: fast growing demand on outsourced services, distribution of the information on the order fulfillment services, improved quality of the proposed service. More and more successful projects outsourcing order fulfillment are appearing. It proves this new model efficiency.

A worthy and decent «European» quality — that is what foreign companies are looking for.

" *Order fulfillment develops along with the customer needs, which in recent years learns virtual space technologiesrapidly. Usually, evaluating his online-shop potentials, the owner understands clearly that he has no power to control all the stages of development. Logistics operations are a huge share of the entire development chain, which today more and more businessmen outsource to professionals.''*

Elena Ivanova, Project Manager e-Commerce, Fresh Logic

2. Large retail networks without online sales apply to order fulfillment services in order **to create and optimize all logistics processes.** At the initial stage of outsourcing it is more preferable, as it does not require huge investment for a warehouse, machinery and equipment, staff hiring and training. Later, when the online-shop starts working with the partner on the basics of established processes, natural

development of business involves a step-by-step transition to his own facilities. If we look even further, when gaining enough expertise in order processing by their own, an online-shop can offer order fulfillment services as an independent expert.

After a period of time, an order fulfillment service customer could become a competitor to his past partner. In terms of the market it will mean the following:

- Growing successful experience in order fulfillment outsourcing will popularize this service;

- Growth of the e-commerce market and the markets supporting it (logistics, order fulfillment, payment systems, etc.);

- Improving end-customer service;

- Cost savings due to economies of scale online stores.

Initially, outsourcing gives more benefits because it does not require huge investments in storage, machinery and equipment, hiring and training of personnel. Later, when the shop is already working with a partner on a reliable scheme, natural development of the business requires a gradual transition to its own facilities.

"
Development of the order fulfillment market follows the rapid growth of the fashion retail and e-commerce in general. This will lead to a certain boost of the order fulfillment market: giant brands would prefer to pass management of all the process to professionals, that are well-experienced in this field, than build massive infrastructure of departments or reinvent the processes from the ground. The winner prize will go definitely to those order fulfillment players that would provide full service outsource — not partial services in logistics, call-center, delivery — taking care not only about the quality, but also about the growth of the e-commerce business of their partner, sharing knowledge and findings, constantly offering optimization.''

Dmitry Kholomtsev, Managing Director, KupiVip E-Commerce Services

3. **Cooperation with a big online-shop partner is ambiguous for an order fulfillment company.** On one side, a logistics partner strengthens its reputation, gains prominence in the market and receives a large amount of orders. On the other, a big online-shop is usually more demanding — it is searching for a special individual approach: special conditions, discounts, IT-system adjustments and etc.

> *We have about 50 online-shops with the number of orders more than 1000 a day. The business of an outsourced company implies a skillful infrastructure management and correct balance of its workload. Of course, the more the flow is dispersed, the more possibilities of control it provides. However, it's a big mistake to think that a small customer gives bigger margins. Of course, he will not ask for volume discounts, as any big client will, but his maintaining costs are slightly cheaper than those of a large client. So if we account order fulfillment company profit for one executed order, it may happen that a small customer brings less money than a big one with a good discount. Therefore, as any outsourcing company, the fulfillment operator needs to have a balanced customer's portfolio.''*

Alexey Zhukov, expert

Order fulfillment market dynamics

Factors stimulating market growth

1. **The growth of e-commerce market.** The growth of the Russian e-commerce turnover is followed by an increasing demand for order fulfillment services due to the growing number of processed volumes, the appearance of new customers.

2. **Growing concurrence on the order fulfillment services market.** There are more than 40 000 online-shop companies in Runet and only 30 companies on the order fulfillment market. The number is small, they are segmented by size and product categories. Today they are not stimulated to improve the quality of their service, the market is developing not quickly enough, but new projects that appear influence positive on market on the whole.

3. **Outsourcing secondary business processes.** As the culture of outsourcing business grows, it creates a favorable environment for development of order fulfillment companies.

The RuNet comprises more than 40,000 e-shops, while there are only 30 order fulfillment companies on the market.

Market growth constraints

1. **Online-shops do not have confidence in the order fulfillment companies.** They do not understand that an order fulfillment company is really interested in helping a shop to develop and improve its processes, because in that case the order fulfillment company will evaluate as well. The formula is very simple: the growth of an order fulfillment company follows the growth of the online-shop it serves. Russian market is slowly moving towards partner relationships, this kind of relations is the driver of growth of e-commerce and related markets.

"

There is no confidence because the market is not well-formed yet, and, to my point of view, is neither civilized nor highly competitive. If we compare the order fulfillment market with the rest logistics market, we can see that the overwhelming majority of online retailers have absolutely no clear requirements neither to the quality of operations, nor to the conditions of storage. There do not exist strict view on the efficiency of the warehouse key operations performance, or even to the presence of insurance guarantees of a warehouse towards his customer. Moreover, there does not exist the culture of service procurement on a competitive basis. Most of the order fulfillment companies coming from the retailers themselves are not used to disclose the cost of their services or show the so-called «open book». Individual order fulfillment services can afford themselves dumping the prices at the start, trying to increase tariffs later and revise the commercial terms. The reason of this kind of behavior is the fact that the market is still very young.
Here in Itella we vote for rising up civilized and transparent approach in our relationships between an order fulfillment company and online-shops, and, as a consequence, for the development of the entire e-commerce market.''

Dmitry Lobanov, Head of E-commerce, Itella Russia, Posti Group

2. **There is no understanding on the market that order fulfillment services could be outsourced.** Many online-shops have never heard about the order fulfillment services. They do not know what they have to look for, where it could be found, whom they should ask. In particular, this is relevant for small and starting online-shops. Russian order fulfillment service is gaining popularity and becoming accessible for a growing number of clients. The price of services, which used to be unreasonably high, is going down. With the growth of competition, the price for services will continue to decrease while quality will be increasing.

"

There is a big enough choice of order fulfillment companies on the market and customers can easily find all the information they need. Another thing is that they do not know what are they looking for, and often confuse courier and order fulfillment services. An online-shop should first decide on their requirements: find a delivery partner or a partner who will be in charge of warehouse management with further delivery services, then Internet will provide you with all the necessary information.''

Yaroshevskiy Pavel, CEO, Yambox

"

We provide a full cycle order fulfillment services since 1997. I would not say it is a young service. Another thing is that the need for outsourcing was evident to large catalogue retailing companies, and all the services were focused on them. About three years ago the efficiency of order fulfillment outsourcing became evident to medium and small businesses and thus the demand for such services has appeared. This led to the adaptation of the processes for small companies' requirements. It is too early to talk about growing competition, as the number of companies providing order fulfillment services is too small, and it is very expensive to organize such a business from scratch.''

Matvey Kozlovsky, CEO, B2CPL

3. **A few players provide a transparent pricing scheme.** As an order fulfillment company proposes a huge quantity of services, it has a lot of price lists with a variety of sub-conditions. It scares and discourages a potential customer, who is afraid, that he will be deceived or shortchanged. Creating a simple, clear, comprehensible services billing — is the key growth point of the order fulfillment market.

Appearance of a simple, clear, understandable services billing system is an order fulfillment market growth point.

"

If we speak about mass development of the service, about selling it to small and medium Internet shops, it is necessary to understand that not all of them have opportunity or desire to understand step by step pricing for the fulfillment order. It is necessary to aspire to a simple price formation for the "turnkey" order.''

Sergey Egorov, Chief Commercial Officer, CDEK

4. Even if a client understands price formation, he still does not know how much he will have to pay at the end of the month. Pricing depends on the amount of orders and services required for their processing. Online-shops do not want to rely a substantial part of their business to another company on condition that they would not know in advance the cost of services purchased. **Concrete figures is a landmark for entrepreneurs or management, while an approximate cost is a significant barrier to cooperation.**

> *As a rule, clients usually pay attention to two main parameters about warehouse services - the cost of storage and the cost of packaging of the order. If these two parameters seem appealing, please, specify, how much reception and marking of goods, dealing with returned orders, inventory and balance tracking would cost. Having put everything together, added the approximate volume of storage and multiplied by number of orders a month, you will be able to understand total cost of warehouse services.''*

Sergey Egorov, Chief Commercial Officer, CDEK

5. It seems to be an easy question « to outsource or not». It should be solved by simple calculation options. In practice online-shops face two problems. **They do not know how to calculate their operating costs per one order**. You must take into account the impute of several employees, petrol spent for delivery, packaging materials, etc. **Or they calculate all this but incorrectly.** Companies handling order fulfillment operations can help with this part. They often provide consulting services and can help with correct calculations.

> *There are a lot of expenses, which people do not take into account, but they can result in big spending. In this case an ordinary calculator and your experience and knowledge of these small expenses can help you make correct calculations. An order fulfillment manager can tell his client which costs should be taken into account and, which is not less important, in which sequence. In addition, there are many issues that influence the order processing net costs as well as online-shop's quality. For example, number of errors during orders equipment (items of different size, not totally equipped order, etc.), number of errors when sending orders (mixed labels, address mistakes, etc.), cost of packaging and consumables (paper, ink cartridges, etc.), cost of order intake by delivery services, problems and errors due to the incorrect remnants estimation. These and many other direct and indirect costs affect seriously the cost of a single order processing, but not all of them are taken into account to reach the net costs.''*

Dmitry Novikov, CEO, Reworker

6. **Few order fulfillment companies automate warehouse processes.** Now the volume of the automated warehouse processes is not high. It exists, but people still play the significant role in the majority of warehouses. Large order

fulfillment operators try to minimize human errors by automatizing all the processes, but these investments are not reasonable. When Russia has an unlimited access to cheap labor, it is more effective hiring workers (people who will be in charge of manufacturing operations and those who will evaluate their quality) than to replace them with specialized equipment.

> *If we face an inability of the automation process that means, as a rule, insufficient number of operations performed in a particular production area to make this automation efficient.''*

> **Kirill Vorobyev, Chief Marketing Officer, arvato**

7. **Order fulfillment niche of oversized orders is empty.** There are no available infrastructure and technology that will allow to service oversized orders. There are no order fulfillment companies that would be specialized in this sector. We can find some new projects on the market, but they are relatively recently launched to estimate their success. There are just some courier services that deal with the last mile of the oversized goods, and even less of those who can do it on a high level. Russia lacks infrastructure for a reliable transportation of oversized goods. It also requires a specialized loading and unloading equipment. Order fulfillment companies and courier services count oversized orders as not profitable. This is a low-margin and a tech-nically difficult segment.

Order fulfillment companies and courier services prefer not to work with oversized orders because it is a low-margin and technically difficult segment.

The future belongs to the online-shops that deal with oversized goods. They would not find solutions for their problems on the market, and they are the only ones who are interested to make these decisions appear. Therefore, they would have to build their own processes and to become a growth driver in the oversized segment.

> *Outsourcing services appear on the mass market in the segments where there are many players, a lot of operations, and therefore it is possible to use the economies of scale. If you look at the structure of distance selling, the segment of oversized goods is not the biggest both by the number of transactions and the number of players. But it requires another infra-structure, other processes that are difficult to adapt to other «standard» product categories. Balancing capabilities of an order fulfillment company who has decided to start working with this segment, are reducing. Therefore, the competence of working specifically with oversized goods is a very rare phenomenon on the young market of outsourcing order fulfillment services. Basically, order fulfillment companies agree to start working with the oversized goods when it is a small part of their big client assortment and this client will not cooperate if he will be refused to process orders of this type.''*

Alexey Zhukov expert

8. **Absence of standard IT solutions in Russia.** The majority of order fulfillment companies work on a self-developed IT infrastructure. If a client is proposed a standard package, it is usually a delusion, that is not a customer-oriented approach, that is why it is not good.

> *Even a standard IT-solution is a serious investment. The software we find in an order fulfillment company is usually an in-house development, or a software acquired for a particular project. In both cases, the client often gets the processes that someone has already determined for him and they are not supposed to be changed or revised. In other words, the customer receives the fulfillment procedures with a local software without any pos-sibility to modify them, at least during the period of the contract. Profes-sional order fulfillment companies such as Itella, can afford using extremely expensive industrial solutions (with a license cost of tens of thousands of euros) that allow you adapt the processes for each customer without making changes to the basic logic of the software, but with the help of numerous settings. Effective use of such highly flexible systems is ensured by the fact that professional operators provide services to a large number of customers, and in terms of a single operation software costs took only a small part.''*

Dmitry Lobanov, Head of E-commerce, Itella Russia, Posti Group

Trends

1. **Order fulfillment company is an aggregator of the last mile.** Experts confirm a great demand of expansion of delivery services included in the fulfillment package and order fulfillment companies start integrating new delivery options. Today the choice is limited: a few federal courier services, parcel shops, postamates, Russian Post. Online-shops do not want to limit their buyers in choice and are waiting for integration of a bigger amount of delivery services, postamates and parcel shops.

Our clients are interested in the choice of the optimal time and delivery cost depending on the region, as well as the ability to quickly switch the delivery of orders from one courier service to another. A client wants to manage the delivery effectively. As a fulfilment partner, we can propose him that opportunity aggregating a set of courier companies.''

Yaroshevskiy Pavel, CEO, Yambox

2. The market is moving to one single contract with a reliable outsource partner for all background processes, including order processing and delivery, instead of a number of contracts with a group of actors.

For the first time we noticed this tendency on the market about a year ago. We complemented our core service of express delivery with fulfillment and call-center services. But the degree of market confidence in fulfillment is different — while everyone is already accustomed to the fact that the delivery should be outsourced (with a wide range of services, high competition, clear and transparent price conditions), the fulfillment rests a complicated proposal and we can expect a high demand on these services in two or three years. Warehouse management and transport logistics are quite different businesses, and I do not expect in the nearest future, appearance of a large number of companies that will provide such services in a single complex.''

Matvey Kozlovsky, CEO, B2CPL

3. **Sale of goods by the Russian online-shops abroad, primarily in the Eurasian Customs Union (EACU) and the Commonwealth of Independent States (CIS).** The government softened the laws that should be the starting point for growth not only for e-commerce, but for the order fulfillment market.

"

Indeed, the government has met Russian e-commerce demands and softened export legislation for a post-delivery channel. This measure will push a little development of e-commerce export direction. But we realize that e-commerce is just a distribution network. It has nothing to do with producing consumer goods. Growth of production of Russian competitive goods could become a real motivation for this direction development. Nevertheless, we are ready to offer our customers options of sending goods through the Russian Post worldwide even now.''

Oksana Smirnova, director of the Commercial Department, ZAO «Distance Selling Service» (Distance Selling Service, JSC)

Market players

Overview

The order fulfillment market has not been formed yet. There are about 30 order fulfillment companies on the market, and only about 10 of them play a noteworthy role. Such a small number of players represents an extremely immature state of the market. Many companies focus on certain product categories; some niche segments are empty. We divided all players into groups by size and type of main activity.

1. **BY SIZE:**

a. **Big order fulfillment companies** (from 20,000 sent parcels per month).
   - *Resources:* high potential growth because of the automation of processes, managing big warehouse spaces, knowledge of the market.
   - *Core-features:* searching for long-term cooperation, focus on quality of the service.
   - *Capacities:* high, not loaded.
   - *Clients:* not many, have a brand.
   - *Competition:* weak.

b. **Average order fulfillment companies** (from 5,000 to 20 ,000 sent parcels per month).
   - *Resources:* partially automated processes.
   - *Core features:* middle-sized clients (not more than 5,000 orders per month).
   - *Capacities:* average.
   - *Clients:* a lot.
   - *Competition:* average.

c. **Small order fulfillment companies** (up to 5,000 sent parcels per month).

- • *Do not have:* automation, integration of large warehouses systems.
- • *Core features:* attract as can many clients as possible by all means, an easy start for a client.
- • *Capacities:* low.
- • *Clients:* a lot.
- • *Competition:* strong.

Characteristics	Small	Average	Big
The size of the warehouse, m^2	**Up to 1,000**	**1,000–20,000**	**20,000**
Number of clients	**different**	**a lot**	**small (up to 50)**
Integration	**no**	**partially**	**yes**
Automation	**no**	**partially**	**yes**
Easy start	**yes**	**medium**	**no**
Focus on long-term cooperation	**no**	**Rather yes**	**yes**
One window	**no**	**yes**	**yes**

2. BY TYPE OF MAIN ACTIVITY:

a. **Order fulfillment companies.** The basis of the market is created by the companies that are specialized in providing order fulfillment services. Development of e-commerce will be followed by a growing demand of quality services.

b. **Courier companies.** Many courier companies, following the customer demands, open their order fulfillment departments. This is a "reduce risks" strategy to strengthen their position on the logistics market. The main difference is that they deliver parcels through their own courier company, not through third parties. Courier companies with an order fulfillment department is the fastest growing group today.

c. **Third-party logistics (3PL) providers.** 3PL have an experience in storage services, but the e-commerce market is still new and unfamiliar for them. They do not have well-fixed processes on the start and lack piece goods storage experience.

d. **Online-shops.** Online-shops that have constructed their own logistics processes to optimize warehouse costs offer their storage capacities as a platform for processing orders of other stores.

What happens to the players?

1. **An increasing number of players in the market.** The increase in the number of players is mainly due to 3PL providers and courier companies. The 3PL companies have warehouses capacities and a customer base. This is an important basis, but processing piece goods and wholesale orders differ a lot. Courier companies are entering a new market, following demands of their existing customers. Recently, a new type of players appeared — online-shops providing order fulfillment services. Entering the order fulfillment market is an extra income and savings on the volumes. And his customers receive well-running processes and a high level of service.

Number of players increases due to 3PL providers, courier services and e-shops.

> *Lamoda developed its own infrastructure to be able to offer their customers a level of service that cannot provided by third-party order fulfillment companies. Today, the level of Lamoda service is unique and of a high demand on the e-commerce market, so we decided to develop the B2B channel. We offer our partners to use our expertise and capacities, to provide our company as well as our partners, economies of scale. This type of cooperation also helps to strengthen partnership with existing and potentially new Lamoda suppliers.''*
>
> **Zhiltsova Alexandra, Director, Lamoda B2B**

2. The two opposite but equally popular trends are traced. During the crisis period,some of the order fulfillment operators preferred narrow goods segmentation, while others, on the contrary, searched for cooperation with customers in different segments. Some segments are easier to work with, since all the processes based on the characteristics of goods are running well (storage of goods of the same type in the cells, transportation, quality inspection). However, there are certain risks. Order fulfillment company depends on the demand for the goods of its segments. If consumer demand for goods is fallingduring the market turbulence, then the sales volumes will decrease and operating costs per an order will go up. Knowing this, fulfillment companies prefer to have in their portfolio customers of the same seg-

ments but with a different positioning, so that the demand for these products will change in different ways depending on seasons, type and cost of the goods.

Indeed, there are two clear trends in the market place today, and both have a right to exist. There are less narrowly focused companies than ones with an extensive profile. The latter will have a greater expertise in the market. They understand the specifics of different customers and can develop the most effective solutions.''

Maria Zaitseva, Head of development services B2C in Russia, SPSR-Express

3. Among the key players represented on the market, the vast majority came to order fulfillment from neighboring niches. These are warehouse operators, courier companies, online-shops.

This is often dictated by the needs of existing and new customers, or rather a common desire to expand services and upgrade their quality.''

Sergey Volchkov, Sales Director, Courier Service Express

Main players

Arvato

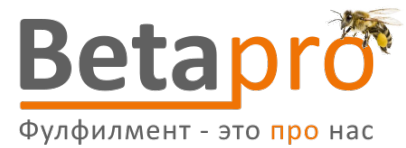| Parameter	Value
Company name	arvato
Web-site	arvato.ru
Management / contacts	Michael Pechke, *CEO;* Kirill Vorobyev, *Chief Marketing Officer* *kirill.vorobyov@bertelsmann.ru*
Year of foundation	1997
Number of orders per month	800,000 (including orders by catalogue)
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Cross-docking. • Returns processing. • Last-mile via courier and transport companies. • Order tracking services. • Goods quality check. • Services in the field of foreign trade. • Communication with buyers (telephone, SMS, e-mail). • Factoring.
Delivery service	SPSR-Express, DHL, DPD, CDEK, B2CPL, PickPoint, InPost, MaxiPost, BoxBerry, Pony Express
Warehouse size, m^2	75,000

B2CPL (B2C payments and logistics)

Parameter	Value
Company name	B2CPL (B2C payments and logistics)
Web-site	b2cpl.ru
Management / contacts	MatveyKozlovsky, *CEO* *info@b2cpl.ru*
Year of foundation	Holding — 1997 Order fulfillment direction — 2008
Number of orders per month	100,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Order tracking services. • Goods quality check.
Delivery service	Russian Post, own delivery service — courier in more than 70 regions of Russia, the parcel shops network in more than 70 regions
Warehouse size, m²	10,000

Beta PRO

Parameter	Value
Company name	Beta PRO
Web-site	betapro.ru
Management / contacts	AlexanderAntonov, *CEO* *sales@betapro.ru*
Year of foundation	2005
Number of orders per month	500,000 (with orders by catalogues)
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Last mile via courier and transport companies. • Cross-docking. • Returns processing. • Order tracking services. • Goods quality check. • Communication with buyers (telephone, SMS, e-mail). • Factoring.
Delivery service	Russian Post, Post Beta, DPD, SPSR-Express, CDEK, MaxiPost, Boxberry, PickPoint
Warehouse size, m²	25,000

Call-IM

Parameter	Value
Company name	Call-IM
Web-site	call-im.ru
Management / contacts	AlexanderAlimov, *Projects Manager* *hello@call-im.ru*
Year of foundation	2013
Number of orders per month	60,000 (taking into account the orders and call-center)
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Communication with buyers (telephone, SMS, e-mail). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Goods quality check. • Web-site production and support. • Factoring.
Delivery service	Grastin, Ddelivery
Warehouse size, m^2	No data

Distance Selling Service (DSS)

Parameter	Value
Company name	Distance Selling Service (DSS)
Web-site	dsserv.ru
Management / contacts	Oksana Smirnova, *director of the commercial department* *o.smirnova@dsserv.ru*
Year of foundation	2000 year the bases of the Civil Accord-post, which includes SDT
Number of orders per month	500,000 (a directory)
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Goods quality check. • Communication with buyers (telephone, SMS, e-mail). • Services in the field of foreign trade. • Factoring.
Delivery service	Russian Post, Services integrated into APIShip
Warehouse size, m^2	25,000

eTraction

Parameter	Value
Company name	LLC eSolutions, brand — eTraction
Web-site	etraction.ru
Management / contacts	Schepelin Evgeniy, *CEO* Kisina Alina, *Head of Business Development* alina.kisina@ottoruss.ru
Year of foundation	2012
Number of orders per month	100,000 orders (excluding items Otto Group)
Services	• Call-center services. • Internet Marketing. • Storage, pick &pack. • Returns processing. • Last mile delivery management: courier delivery, pick up points, postamats. • Payment processing: online payment, credit card, COD. • Order tracking services. • Web-site production and support.
Delivery service	DHL eCommerce, DPD, SPSR-Express, Hermes, PickPoint, Russian Post (enclosed department)
Warehouse size, m^2	60,000 — 2 complex (4 buildings)

Express RMS

Parameter	Value
Company name	Express RMS
Web-site	expressrms.ru
Management / contacts	Konstantin Yakunin, *CEO,* *info@expressrms.ru,* *8 (495) 240-81-14, 8 (495) 240-81-44*
Year of foundation	2013
Number of orders per month	No data
Services	• IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile via courier and transport companies. • Order tracking services. • Goods quality check. • Factoring. • Thermoregulated storage. • Oversized goods processing.
Delivery service	Own delivery service in Moscow and St. Petersburg, Boxberry, DPD, PickPoint, Russian Post (including EMS), CDEK, Vestovoy, Axiomus
Warehouse size, m²	1,500

EXPRESSRMS

Fastery

Parameter	Value
Company name	Fastery
Web-site	fastery.ru
Management / contacts	hello@fastery.ru
Year of foundation	2015
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Pick-up goods from suppliers. • Last mile via courier and transport companies. • Returns processing. • Order tracking services. • Communication with buyers (telephone, SMS, e-mail). • Goods quality check.
Delivery service	CheckOut (aggregator), Bringo
Warehouse size, m²	No data

Fresh Logic

Parameter	Value
Company name	Fresh Logic
Web-site	fresh-logic.ru
Management / contacts	Elena Ivanova, *Project Manager e-Commerce* ivanova@fresh-logic.ru
Year of foundation	2009
Number of orders per month	9,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Communication with buyers (telephone, SMS, e-mail). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Goods quality check. • Web-site production and support. • Services in the field of foreign trade. • Oversized goods processing.
Delivery service	Grastin, CDEK, PEC, Ddelivery, EMS Russian Post, Lite Call
Warehouse size, m²	20,000

RE
FRESH LOGIC

Fulfillment.Moscow

Parameter	Value
Company name	Fulfillment.Moscow
Web-site	fulfillment.moscow
Management / contacts	info@fulfillment.moscow
Year of foundation	2015
Number of orders per month	No data
Services	• IT-integration for online-shops. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Order tracking services.
Delivery service	Russian Post, transport and courier companies
Warehouse size, m²	No data

IdeaLogic

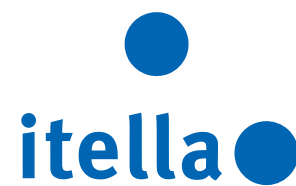| Parameter	Value
Company name	IdeaLogic
Web-site	idea-logic.ru
Management / contacts	info@idea-logic.ru
Year of foundation	2009 (in the past called «Megapolis»)
Number of orders per month	No data
Services	• Call-center. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Order tracking services.
Delivery service	MaxiPost, private courier service, Russian Post, parcel shops
Warehouse size, m²	No data

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ЛОДЖИК

IML

Parameter	Value
Company name	IML
Web-site	iml.ru
Management / contacts	OlegFedorov, *Head of «Order fulfillment»* *ff@iml.ru*
Year of foundation	2015 — direction of order-fulfillment opened
Number of orders per month	20,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Provide tracking parcels. • Goods quality check.
Delivery service	Own courier service,delivery to pick-up points, Post of Russia
Warehouse size, m²	4,500

Itella

Parameter	Value
Company name	Itella
Web-site	itella.ru
Management / contacts	Dmitry Lobanov, *Head of E-Commerce* dmitry.lobanov@itella.com
Year of foundation	In Russia since 1996
Number of orders per month	100,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Internet Marketing. • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Goods quality check. • Web-site production and support. • FEA Services. • Thermo-regulated storage.
Delivery service	PickPoint, DPD, Maxipost, Boxberry, Shop- Logistics, Russian Post
Warehouse size, m^2	535,000 m^2 (430,000 m^2 — terminals in the Moscow area; 105,000 m^2 — in the regions of Russia)

KupiVip eCommerce Services

Parameter	Value
Company name	KupiVip eCommerce Services
Web-site	b2b.kupivip.ru
Management / contacts	Vladimir Holyazkinov, *General Director of LLC «Privat Trade»;* Dmitry Kholomtsev, *Managing Director, KupiVip E-Commerce Services* *+7 (495) 781-63-63*
Year of foundation	Order fulfillment direction since 2010
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Returns processing. • Cross-docking. • Last mile courier and transport companies. • Provide tracking parcels. • Goods quality check. • Web-site production. • Communication with buyers (telephone, SMS, e-mail). • Services in the field of foreign trade. • Factoring. • Photoproduction. • Thermos-regulated storage (cooling zone).
Delivery service	Own delivery service
Warehouse size, m²	20,000

Lamoda B2B

Parameter	Value
Company name	Lamoda B2B
Web-site	b2b.lamoda.ru
Management / contacts	Zhiltsova Alexandra, *director* *az@lamoda.ru*
Year of foundation	Order fulfillment since 2015
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile via courier and transport companies. • Order tracking services. • Goods quality check. • Photoproduction.
Delivery service	Russian Post, own delivery service, private stores, third-party courier companies
Warehouse size, m²	80,000

*la***moda**

Lenod

Parameter	Value
Company name	Lenod
Web-site	lenod.ru
Management / contacts	*Phone in St. Petersburg:* *+7 (812) 748-29-18* *InMoscow:* *+7 (495) 374-62-44*
Year of foundation	No data
Number of orders per month	No data
Services	• IT-integration. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Order tracking services. • Goods quality check.
Delivery service	Own delivery service, Russian Post, EMS, QiwiPOST
Warehouse size, m²	No data

LENOD

NextSolutions

Parameter	Value
Company name	NextSolutions
Web-site	next-sol.ru
Management / contacts	+7 (499) 685-19-91
Year of foundation	No data
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Communication with buyers (telephone, SMS, e-mail). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Provide tracking parcels. • Goods quality check. • Web-site production and support. • Photoproduction.
Delivery service	No data
Warehouse size, m²	No data

Prostore

Parameter	Value
Company name	Prostore
Web-site	prostore.pro
Management / contacts	info@prostore.pro
Year of foundation	No data
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Order tracking services.
Delivery service	Own service, DPD, Ddelivery, Boxberry, Axiomus, Maxima-Express, Russian Post, PickPoint
Warehouse size, m²	No data

ФУЛФИЛМЕНТ,
АУТСОРСИНГ УСЛУГ
ДЛЯ ИНТЕРНЕТ-МАГАЗИНОВ

Reworker

Parameter	Value
Company name	Reworker
Web-site	reworker.ru
Management / contacts	Dmitry Novikov, *CEO* info@reworker.ru
Year of foundation	2013
Number of orders per month	20,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile via courier and transport companies. • Order tracking services. • Goods quality check. • Factoring.
Delivery service	Russian Post, express delivery and parcel shops in Russia
Warehouse size, m²	No data

Ritm-Z

Parameter	Value
Company name	Ritm-Z
Web-site	www.ritm-z.ru
Management / contacts	info@ritmz.com
Year of foundation	2009
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Tab promotional materials. • Pick-up goods from suppliers. • Internet Marketing. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Provide tracking parcels. • Goods quality check.
Delivery service	Russian Post, express delivery and parcel shops in Russia
Warehouse size, m²	No data

TRDE

Parameter	Value
Company name	TRDE
Web-site	trde.ru
Management / contacts	Info@trde.ru
Year of foundation	Under the brand TRDE. Current service since 2013
Number of orders per month	No data
Services	• Call-center. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Order tracking services. • Goods quality check.
Delivery service	Own courier service
Warehouse size, m²	No data

Hello?Run

Parameter	Value
Company name	Hello?Run
Web-site	allobegy.ru
Management / contacts	info@allobegy.ru
Year of foundation	No data
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Order tracking services.
Delivery service	No data
Warehouse size, m^2	No data

IPS «M-City»

Parameter	Value
Company name	IPS «M-City»
Web-site	m-city.ru/logist/ff.php
Management / contacts	Michael Kapatsinskiy, *CEO* *+7 (495) 956 90 25*
Year of foundation	Company was founded in 1996. Order fulfillment started in 2008.
Number of orders per month	No data
Services	• IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Goods quality check.
Delivery service	Russian Post, EMS Russian Post, MaxiPost
Warehouse size, m²	No data

Courier Service Express

Parameter	Value
Company name	Courier Service Express
Web-site	cse.ru
Management / contacts	Sergei Sotnik, *chief operating officer;* Vladislav Ivoylov, *commercial director;* Sergei Volchkov, *Director of Sales* *Sergey.Volchkov@cse.ru*
Year of foundation	Company founded in 1997. Order fulfillmentstarted in 2012
Number of orders per month	30,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Thermoregulated storage.
Delivery service	Own delivery service
Warehouse size, m^2	10,000

Logoskor

Parameter	Value
Company name	Logoskor
Web-site	logoskor.ru
Management / contacts	+7(495)544-16-75 +7(495)544-16-78
Year of foundation	In 1999. Order fulfillmentstarted later
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Informing customers (phone or email). • Returns processing. • Order tracking services. • Goods quality check.
Delivery service	Russian Post
Warehouse size, m²	No data

Marshroute

Parameter	Value
Company name	Marshroute
Web-site	marschroute.ru
Management / contacts	info@marschroute.ru
Year of foundation	2014
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Ordertrackingservices. • Goods quality check. • Communication with buyers (telephone, SMS, e-mail). • Factoring. • Photoproduction.
Delivery service	Russian Post, DPD, CDEK, IML, boxberry, Hermes
Warehouse size, m²	15,000

Molcom

Parameter	Value
Company name	Molcom
Web-site	www.molcom.ru
Management / contacts	info@molcom.ru
Year of foundation	1990
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Internet Marketing. • Informing customers (phone or email). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Order tracking services. • Goods quality check. • Web-site production and support. • Services in the field of foreign trade. • Factoring.
Delivery service	Russian Post, transport and courier companies
Warehouse size, m²	150,000

Posylych

Parameter	Value
Company name	Posylych
Web-site	posylych.ru
Management / contacts	*info@posylych.ru*
Year of foundation	2010
Number of orders per month	No data
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Informing customers (phone or email). • Returns processing. • Last mile via courier and transport companies.
Delivery service	Russian Post, transport and courier companies
Warehouse size, m²	No data

RusPost

Parameter	Value
Company name	RusPost
Web-site	r-post.ru
Management / contacts	info@r-post.ru
Year of foundation	Company was founded in 1998
Number of orders per month	No data
Services	• Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Provide tracking parcels.
Delivery service	Russian Post, transport and courier companies, postamates
Warehouse size, m²	No data

CDEK

Parameter	Value
Company name	CDEK
Web-site	www.cdek.ru
Management / contacts	Leonid Goldort, *CEO,* Sergey Egorov, *Commercial Director* *sale-msk@cdek.ru.*
Year of foundation	Company was founded in 2000. Order fulfillment started in 2014
Number of orders per month	8,000
Services	• Call-center. • Promotional materials supplement. • IT-integration for online-shops. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Order tracking services. • Goods quality check. • Services in the field of foreign trade. • Factoring.
Delivery service	Private courier delivery service, postamates, Russian Post
Warehouse size, m²	More than 10,000

SPSR-Express

Parameter	Value
Company name	SPSR-Express
Web-site	www.spsr.ru
Management / contacts	Maria Zaitseva, *Head of development services B2C in Russia,* *zajceva_mn@spsr.ru*
Year of foundation	Order fulfillment is started in 2012
Number of orders per month	60,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Communication with buyers (telephone, SMS, e-mail). • Returns processing. • Last mile courier and transport companies. • Provide tracking parcels. • Goods quality check. • Web-site production and support. • Services in the field of foreign trade.
Delivery service	Private courier service
Warehouse size, m²	More than 10,000

YamBox

Parameter	Value
Company name	YamBox
Web-site	yambox.net
Management / contacts	*Muravyeva Maria,* *Sales Manager* maria.muravyeva@inbs.ru
Year of foundation	Started in 2003 under the INBS brand. Rebranded in 2015 into YamBox
Number of orders per month	40,000
Services	• Call-center. • IT-integration for online-shops. • Promotional materials supplement. • Pick-up goods from suppliers. • Informing customers (SMS). • Cross-docking. • Returns processing. • Last mile courier and transport companies. • Provide tracking parcels. • Goods quality check. • Services in the field of foreign trade. • Factoring.
Delivery service	Boxberry, DPD, Grastin, Delovielinii, ZhelDorEkspeditsiya, MaxiPost, Podorojnik, Russian Post CDEK, SPSR Express, Strij
Warehouse size, m²	6,000

Ям Бокс

ЛОГИСТИКА Е-КОММЕРС

RESEARCH PARTNERS

eTraction (a member of the Otto Group) launched on the ecommerce market in November 2012. eTraction offers a range of services on creating, managing, and developing online-shops for fashion, shoes, and accessories in Russia for owners of trademarks, manufacturers, and distributors. Relying on the immense experience and infrastructure of Otto Group Russia, leader on the Russian market of electronic goods, eTraction provides a peerless service on warehousing, processing, storage and sorting goods, packaging and dispatching orders, full cycle of returns processing, integrating supplier services (call centres, payment systems, and delivery systems) as well as online marketing for clients.

eTraction clients include famous Russian and international brands, as well as young domestic designers.

The goods turnover of eTraction clients in 2015 reached 5 billion rubles. More than 1 million orders were dispatched.

Company **CDEK** founded in 2000 is one of the most active and attractive express delivery participants on the Russian market. It provides a full range of services corresponding to modern international standards of logistics, storage, packaging and delivery of documents and parcels in Russia and worldwide. CDEK network covers more than 350 units and offices in Russia, China, Kazakhstan, Belarus, Kyrgyzstan and Armenia. In-house call-center, unique services, such as interactive voice menu, non-voice call center, online assistant, user-friendly and functional personal account office and others — all of this gives a possibility to control all stages of mailings and cargo in real time. Unique scheme of main routes helps to reduce costs and delivery time significantly and choose the most reliable and proven routes to improve logistics solutions over long distances. Special terms and proposals for distance selling companies, simple integration process that quickly and efficiently connects any online retailer to monitor the system enable CDEK to occupy a leading position on the e-commerce market.

Data Insight
Logistics Research

We started our series of the e-commerce logistics products research in 2015.

The database of logistics companies

It is an information portal on the web-sitewhich contains the list of logistics companies. Each company has a private card with the key information about it: the type of a company; specialization; types of goods, what it transports; territory coverage; types of transport used; the list of services, contact information, customer reviews. There is a possibility to search upon a concrete criteria. This makes the database not only an information resource, but also a handy tool for an online-shop, useful for searching for a most suitable logistics company, based on the shop-specific characteristics. Logistics companies that were included into the database, will get a new potential customersrequests flow. The base will be constantly updated and supplemented.

Publication: April 2016, since then — continuous update.

Format: web-site, with public access.

The format of participation: logistics companies advertising banners on the pages devoted to the registry.

Online-shops opinion and expectations towards logistics companies

This research is based on a series of interviews. We interviewed online retailers about their expectations of logistics companies and whether they plan to outsource logistic processessor not. Another series of interviews were held with logistics companies to understand their opinion on the online-shops expectations. On the one hand, The result of this research will allow logistics companies to review products and services that could interest their customers. On the other, this will allow online-shops to get familiar with the existing logistics services offers on the market, on the advantages and disadvantages of outsourcing.

Publication: April-May.

Format: pdf + print version.

Free of charge.

The format of participation: partnership (logistics companies only).

First published in April 2015.

Market Size

This research summarizes the results of the logistics market during the previous year. It includes main trends and figures on the market: volume, share of the distribution of key industry players and other figures. We collected the necessary data from the market players and online-shops. This gives us a possibility to check the validity of the data provided and evaluate the volume of the market. For those players who could not provide us data, we used our internal calculations to find out their input in the market. The second year research will include analysis of market dynamics, and company's comparison.

Publication: June-July.

Format: pdf + print version.

Paid survey.

The format of participation: partnership (logistics companies only).

Logistics services for online-shopping. Main report

A key survey on the logistics market for online-shopping: main market trends, key players, market ecosystem and analysis of this ecosystem. The survey includes all components of the logistic services for online stores from last mile operators to order fulfillment. We implemented this survey by market analysis, expert interviews, and analysis of the trends that determine today market development. Thus, the «main report» — is a «weathercock» for the logistics market.

The short format of this survey gives complete information that defines the strategy for all market players.

Publication: September.

Format: pdf + print version.

Free of charge.

The format of participation: partnership (logistics companies only).

Order fulfillment for e-commerce

The research devoted to order fulfillment services on the market for e-commerce in Russia.Its main purpose is to acquaint potential customers of these services (online-shops, regular stores, suppliers of goods that do not have their retail) with the possibilities available on the Russian market. The survey contains a list of possible services, market players, case studies, key trends and features of order fulfillment services on the Russian market, the expectations of customers, barriers and risks to potential customers. Starting from the second year of the study, the survey will be complemented with the Russian order fulfillment market assessment, comparison of market players and so on.

Publication: December-January.

Format: pdf + print version.

Free of charge.

The format of participation: partnership (logistics companies and companies providing order fulfillment services only).

Data Insight. Research & consultancy agency

DATA insight

+7 (495) 540-59-06
a@datainsight.ru
www.datainsight.ru

Established in 2010. Focused on Internet & e-commerce re-searches.

Our core competence: analysis of non-complete and heterogeneous information, search for non-standard data sources, data comparison and data combination. Any estimates and results we publish are cross-checked by multiple methods to get consistent outcomes.

Key areas of our research and consultancy activity – what we study:

E-commerce, including online retail of material goods, e-travel, online services, m-commerce, consumer behavior

Ecosystem of b2b **services for e-commerce**: logistics, payments, marketing solutions

Ecosystem of **startups and investments**

Ecosystem of **digital advertisement**: services, technologies, measurements

AMONG OUR CLIENTS:

- PayPal
- PayU / Naspers
- Svyaznoy
- Banki.ru
- Fastlane Ventures
- Prostor Capital

- SoftKey
- Media3
- Dentsu Aegis
- CityAds
- IAB Russia

OUR SERVICES:

5 News monitoring

4 Consultancy for online projects

The list of available reports

1 Ad-hoc researches

We conduct deep researches on individual requests from online companies and investors. Ask us for examples or come to us with the specific task – we will think about specific solution

Internet researches in Russia and CIS

www.datainsight.ru

a@datainsight.ru

+7 (495) 540-59-06