ShipBob

Inventory Distribution & Placement

How strategically allocating inventory across multiple fulfillment centers can reduce transit times and shipping costs

Introduction

Because of industry giants like Amazon, online shoppers today expect affordable 2-day, next-day, or even same-day shipping on their orders.

The good news? Big box retailers aren't the only ones who can pull off 2-day shipping anymore. Independent brands can now offer customers the same competitive shipping times and costs without managing any warehouses themselves by using a distributed inventory strategy.

By leveraging a fulfillment partner that has a network of strategically placed fulfillment centers, you can place and store inventory in locations that reduce your average shipping costs and transit times.

In this guide, we'll dive into how brands can implement the distributed inventory strategy and how fulfillment partners like ShipBob can even manage this on your behalf.

> **Having the ability to reduce shipping costs through distributed inventory is probably the difference between profitability and unprofitability for most businesses in the DTC space – so the fact that ShipBob's network enables brands to do it so easily is a huge differentiator.**
>
> **Neil Blewitt,**
> **SVP of Operations at**
> **Bloom Nutrition**

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1 Defining Distributed Inventory

Distributed inventory is an order fulfillment strategy where inventory is physically stored in more than one warehouse to place inventory closer to more customers and shorten the distance and time it takes orders to ship.

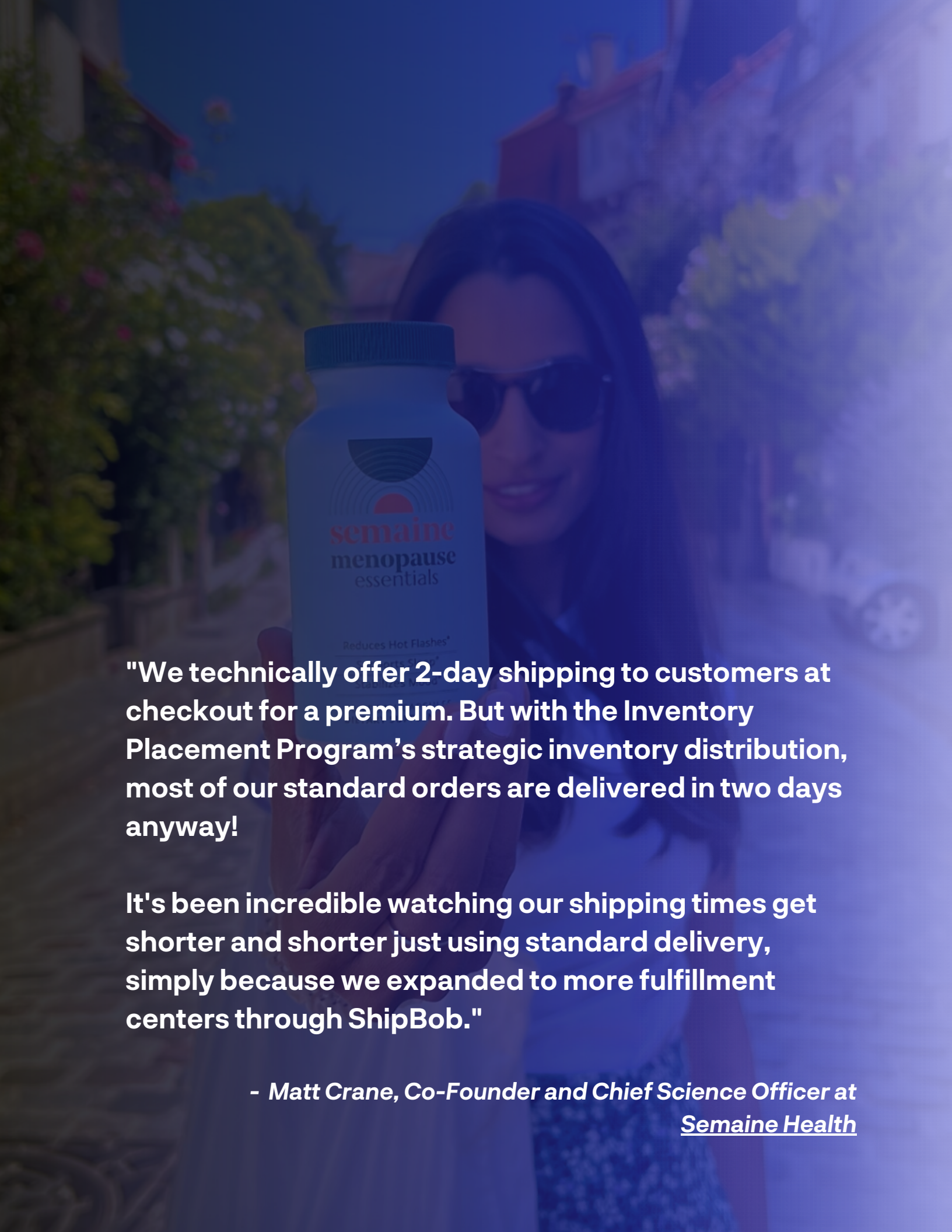
In a distributed inventory model, a business divides its inventory among multiple strategically located warehouses or fulfillment centers (based on where their customers live), storing a portion of their inventory in each one.

This way, when an order comes in, that order can be picked, packed, and shipped from the fulfillment center closest to the order's destination. This reduces the shipping distance, transit time, and shipping cost of that order.

Since it's usually not cost-effective for a single business to manage one or more fulfillment centers, most merchants must partner with a professional fulfillment provider to distribute their inventory.

Outsourcing fulfillment is less time-consuming than self-fulfillment, and prevents you from having to invest in the resources, infrastructure (i.e., leasing a warehouse or buying land), equipment, team, and materials needed to run a fulfillment center.

But while a partner's fulfillment network can make the distributed inventory strategy possible for your business, you will still need to understand the mechanics behind it to determine if it makes sense for your business.



"We technically offer 2-day shipping to customers at checkout for a premium. But with the Inventory Placement Program's strategic inventory distribution, most of our standard orders are delivered in two days anyway!

It's been incredible watching our shipping times get shorter and shorter just using standard delivery, simply because we expanded to more fulfillment centers through ShipBob."

- Matt Crane, Co-Founder and Chief Science Officer at Semaine Health

2 Understanding Shipping Zones

Shipping zones are the geographical areas that carriers ship to, spanning from Zone 1 to Zone 8 for domestic shipments in the contiguous United States, measured in groupings of zip codes.

Shipping zones are important because the zone you are shipping to hugely impacts both the speed of delivery and the cost of shipping.

In order to develop an optimized shipping strategy, you'll first need to understand how to calculate where shipping zones are, as well as how different zones affect delivery speed and cost.

Shipping Zones: The Basics

The location from which an order is shipped is the point of origin, and is always located in Zone 1.

The destination zone number will depend on how far it is from the point of origin, with Zone 8 being the farthest away.



The address an order is shipped to is the destination zone.

Zone 4 Shipment

Zone 8 Shipment

How do I calculate my shipping zones?

Zones are dynamically calculated based on where your package is shipped from. This means that two orders with different points of origin could ship to the same destination address, yet be shipping to completely different zones.

Say, for example in the US, that you ship orders out of Boston, Massachusetts. If you shipped an order from your warehouse in Boston to a customer in San Francisco, California, you would be shipping to Zone 8, because there is a large distance between San Francisco and Boston.

Now let's say you're shipping from Dallas, Texas instead. If you shipped an order to that exact same customer in San Francisco, California, you would now be shipping to Zone 4 or 5, because Dallas is much closer geographically to San Francisco than Boston is.

Want to determine shipping zones for your orders?

USPS Domestic Zone Chart

Navigate to the tab "Get Zone for ZIP Code Pair." Enter the zip code you're mailing from and the zip code you're mailing to, and you will get the zone for your shipment.

UPS Zones and Rates

This tool calculate shipping zones within the 48 contiguous states. Enter your ship date and zip code of origin to view a zone map for your shipment.

How do shipping zones affect cost?

Shipping carriers use zones to calculate rates for certain services.

The carriers break down which services are zoned and which are not. Some services use a flat rate, letting you pay the same price regardless of the destination (as long as it's within the United States).

In most cases, for services that are zoned, the greater the zone number you're shipping to, the greater the shipping cost will be.

In the example below, you can see that shipping a 20 lb. box to a higher zone, like Zone 8, is far more expensive than shipping it to a lower zone, such as Zone 3.

Example pricing for 20 lb. 4 x 9 x 12 in. box	ZONE							
	1	2	3	4	5	6	7	8
Cost	**$16.13**	**$16.51**	**$18.88**	**$22.38**	**$23.71**	**$30.35**	**$32.70**	**$61.69**
Increase from Zone 1	$0	$0.38	$2.75	$6.25	$7.58	$14.22	$16.57	$45.56

*All dollar amounts above are for illustrative purposes only and do not represent the cost that ShipBob charges.

To learn more about how ShipBob uses shipment weight to calculate shipping costs in tandem with zones, click here.

"We've been able to allocate our inventory across 4 of ShipBob's fulfillment centers in the United States, which cut our shipping times by a third – from 5.2 days down to about 3.6 days. Not only has transit time dropped, but at the same time we reduced fulfillment costs by over $2 per order compared with our old 3PL. This combination has been key to profitable growth this year."

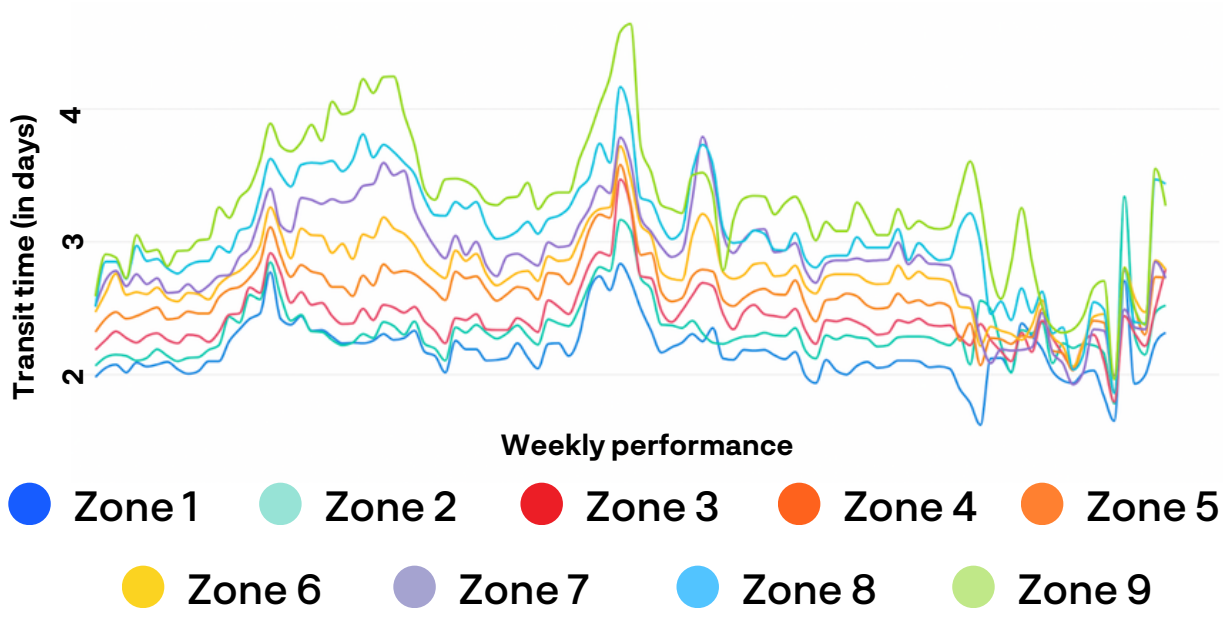
- Matt Crane, Co-Founder and Chief Science Officer at Semaine Health

How do shipping zones affect delivery speed?

If a package is shipped to a smaller-numbered zone, it will almost always arrive more quickly than a package sent to a higher-numbered zone. Higher-zone packages can take a week or more to arrive on a customer's doorstep, without factoring in seasonal delays and supply chain congestion.

For example, the zone data below is based on ShipBob's average weekly standard US ground transit times (across all carriers). It demonstrates timelines from click-to-delivery (i.e., when a customer places an order to when it is delivered to the shipping destination), broken out by shipping zones across the United States.

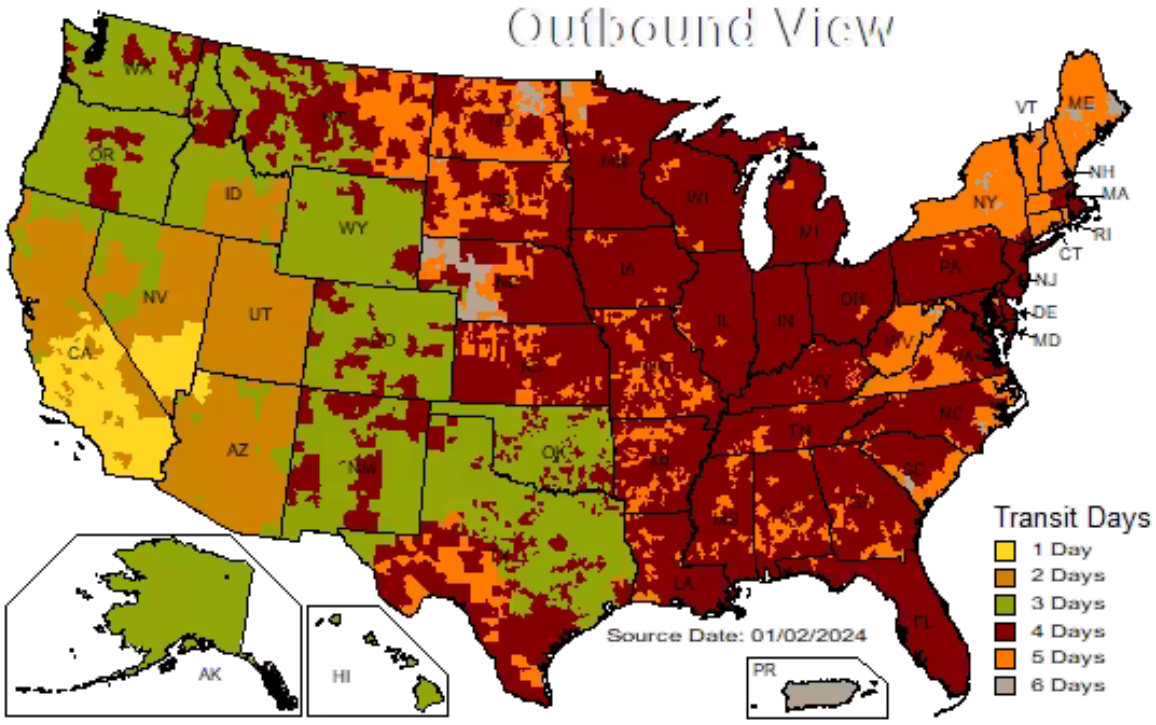
Average shipping zones by speed



The top line (light green) represents the average Zone 8 shipment over time. Unsurprisingly, it is consistently the slowest zone to ship to, ranging from just over 3 days to 7.27 days (which corresponds with a peak season).

The bottom line (dark blue) represents the average Zone 1 shipment over time, which is more 'local' with a delivery range of 1.86 days to 3.66 days.

The problem is that ecommerce shoppers now expect 2-day shipping for their online orders. If all of your inventory is fulfilled from one location (for example, out of Moreno Valley, California, as seen in the map below), it can take 5 days to deliver an order to a customer in New York — much longer than customers want to wait.



Source: UPS

To better meet customers' expectations around speedy and affordable deliveries, ecommerce businesses need to adjust their fulfillment strategy based on the shipping zone map for their business.

At the very least, store inventory in the fulfillment center location that is optimal for the majority of your customers, before splitting inventory across additional fulfillment centers. This helps you improve efficiency by reducing distance and time in transit for more of your shipments.



"We're fulfilling orders from 4 ShipBob fulfillment centers on the West Coast, Southwest, Midwest, and Northeast.

By storing inventory and fulfilling orders from 4 different regions, we've been able to engineer it so that most of our shipments are within Zones 1 and 2.

Eliminating high shipping zone ranges by distributing inventory is a no-brainer, and really helps us minimize our shipping costs, especially on high-velocity items."

- Neil Blewitt, SVP of Operations at Bloom Nutrition

3 Distributing Inventory to Multiple Fulfillment Centers

Shipping your items from a single fulfillment center greatly benefits the customers who live near it.

But if your customers don't all reside in a single geographic region, using one fulfillment center can make it nearly impossible to efficiently reach the majority of people who buy from you.

To secure faster shipping and cut shipping costs, the distance between customer and product needs to be shortened.

Since your customers aren't moving any closer to you, ecommerce businesses must bring their product closer to more of their customers.

Distributing inventory makes sense if your...

- ☑ Order volume is high
- ☑ Products are large or heavy
- ☑ AOV is high
- ☑ Margins are large

If the money you'll save offsets the extra transportation and storage costs, you're good to go!

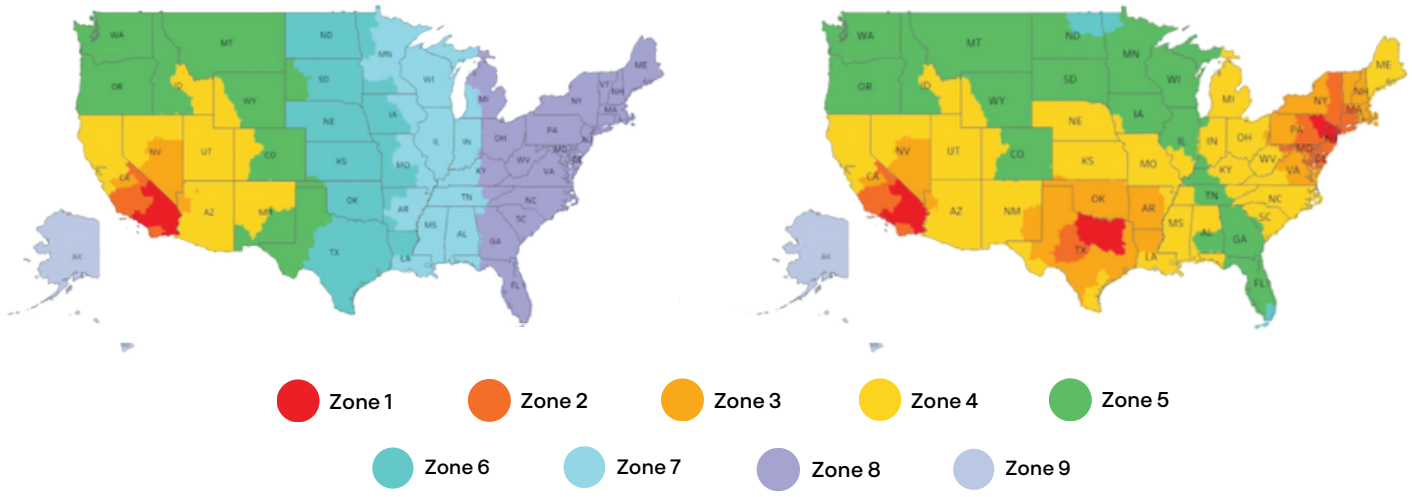
Depending on where your customers are, businesses can utilize fulfillment centers in different regions of the country, and distribute their inventory among those warehouses. With multiple fulfillment centers stocked with your inventory across the U.S., each order can be picked, packed, and shipped from the warehouse closest to its destination.

To demonstrate how distributing inventory between multiple warehouses shortens shipping times and saves money, consider the maps below comparing the use of one fulfillment center in the continental United States with three fulfillment centers.

Map of shipping zone coverage by fulfillment center location

1 fulfillment center

3 fulfillment centers



The legend shows the color of each shipping zone, with dark red representing the closest and cheapest zone to ship to.

As the zone numbers increase, the colors shift to orange and yellow, and onto cooler colors, with each color representing a sequentially higher shipping zone. The black dots represent fulfillment center locations.

As the zone numbers increase, the colors shift to orange and yellow, and onto cooler colors, with each color representing a sequentially higher shipping zone. The black dots represent fulfillment center locations.

When using one fulfillment center (e.g., in Moreno Valley, California, as seen on the map on the left), we see that just one tiny region of the country is red and orange, yet far more is blue and purple. If you're shipping to any of the purple regions, the shipping time and rates will be higher, since it will go to Zone 8.

When using three fulfillment centers (in Moreno Valley, California; Dallas, Texas; and Bethlehem, Pennsylvania, as seen on the map to the right), there are many more warm-colored areas, meaning that you will be able to ship more quickly and cheaply to a greater portion of the country.

We've also practically eliminated Zones 7 and 8, and left only a few areas in Zone 6. This means that as long as all three fulfillment centers are running, you will cut multiple days from your shipping time for many areas, and almost never have to pay the highest-zone shipping rates.

"ShipBob's Inventory Placement Program takes the burden off of our team and it's based on real-time calculations, giving us the right distribution by SKU at each fulfillment center.

It's comforting to know that we have a good balance between fulfillment centers on a day-to-day, week-to-week, and month-to-month basis, so our customers receive packages via the lowest shipping zone possible among the 4 US ShipBob fulfillment centers we're in.

That ultimately helps us get products to our customers faster, giving them a great ZBiotics experience from start to finish."

- Michael Mullaney, VP of Supply Chain at ZBiotics

In the scenario with three fulfillment centers, a business owner would see shipping cost savings immediately.

For example, if we look at the cost chart below (all numbers are purely for illustrative purposes and are not representative of what ShipBob charges), eliminating the highest shipping zones by adding a fulfillment center on the East Coast instantly reduces the cost of shipping a 20 lb. package to North Carolina from $61.69 to $22.38 — about $40 in savings on that shipment alone.

Example pricing for 20 lb. 4 x 9 x 12 in. box	ZONE							
	1	2	3	4	5	6	7	8
Cost	**$16.13**	**$16.51**	**$18.88**	**$22.38**	**$23.71**	**$30.35**	**$32.70**	**$61.69**
Increase from Zone 1	$0	$0.38	$2.75	$6.25	$7.58	$14.22	$16.57	$45.56

*All dollar amounts above are for illustrative purposes only and do not represent the cost that ShipBob charges.

These savings only exponentiate as your annual shipments increase: if, for example, you ship 1,000 of these 20 lb. shipments per year and 50 of them go to North Carolina, that amounts to $1,965.50 in savings a year.

Using multiple fulfillment centers can help you offer 2-day shipping via ground in more regions, instead of relying on expensive air shipping, and dramatically decrease the average shipping cost per order with the addition of each fulfillment center.

How do I find the best fulfillment center locations for my business?

If you fulfill orders yourself, you can usually export data on customer locations, shipping zones, and order history from your ecommerce platform to help you determine which fulfillment center locations are most strategic.

A good fulfillment provider with an expansive network should also be able to help you determine your optimal location(s) among their fulfillment centers. Ask your fulfillment partner (or potential partner, if you are evaluating them) if they can run a report for you.

ShipBob, for example, can run a TNT (time in transit) analysis based on weights, dims, and zip codes contained in order history. Once you're a ShipBob customer, you get access to analytics tools that will show you the ideal distribution of your inventory (which changes over time and as you grow) across our dozens of fulfillment centers.

The ideal fulfillment center location is...

Beneficial for many customers

Make sure you have plenty of customers in a region before setting up a fulfillment center there – otherwise, you might not realize enough ROI or cost-savings to cover the extra storage and transfer expenses.

In or near urban hubs

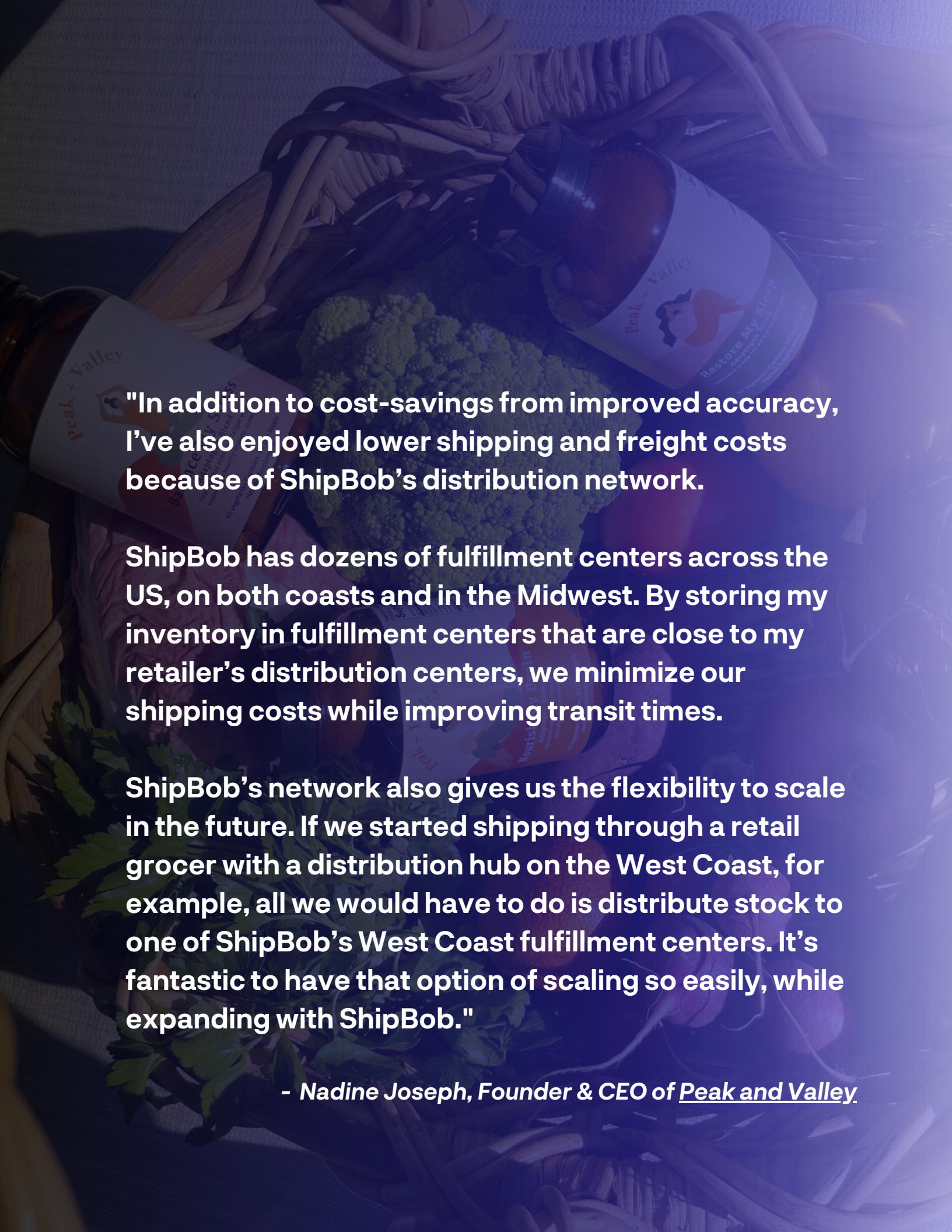
Fulfilling orders from an easily accessible urban location (rather than a remote or sparsely populated one) makes shipping faster and cheaper for a far greater proportion of customers.

Based on data

Always refer to your data on customer locations and order history to verify whether you need better coverage in a certain region.

Part of a network

A good fulfillment partner will offer a network of strategically placed warehouses across various regions, which you can leverage as you grow.



"In addition to cost-savings from improved accuracy, I've also enjoyed lower shipping and freight costs because of ShipBob's distribution network.

ShipBob has dozens of fulfillment centers across the US, on both coasts and in the Midwest. By storing my inventory in fulfillment centers that are close to my retailer's distribution centers, we minimize our shipping costs while improving transit times.

ShipBob's network also gives us the flexibility to scale in the future. If we started shipping through a retail grocer with a distribution hub on the West Coast, for example, all we would have to do is distribute stock to one of ShipBob's West Coast fulfillment centers. It's fantastic to have that option of scaling so easily, while expanding with ShipBob."

- Nadine Joseph, Founder & CEO of Peak and Valley

Weighing the Pros and Cons of Distributed Inventory

Distributing inventory won't be cost-effective for everyone from the start. While a distributed inventory model has many benefits, it is not right for every business.

When weighing your options, the most important factor to consider is whether or not the costs of transporting finished goods to another location and storing them there is offset by the cost-savings from eliminating the higher shipping zones.

To calculate this, you'll want to use the following equation:

Total Cost = (Orders x Average Ship Cost) + Distribution Cost + Holding Cost

First, run this equation once under the assumption that you will use only one fulfillment center. Using the data from the example to the right, the equation would look like this:

Variables	1 FC	2 FC
Orders	1,000	1,000
Avg. Shipping Cost per Order	$9.00	$8.48
Distribution Cost	$400	$800
Holding Cost	$120	$240

*All dollar amounts above are for illustrative purposes only and do not represent the cost that ShipBob charges.

Total Cost = (1,000 x $9.00) + $400 + $120

Total Cost = $9,000 + $400 + $120

Total Cost = $9,520

Next, run the equation a second time, factoring in any additional fulfillment centers and making sure to adjust your average shipping cost to reflect the minimization or elimination of higher zones.

Using the data for 2 fulfillment centers from the same example, the second equation would be:

Total Cost = (1,000 x $8.48) + $800 + $240

Note that while the Distribution Cost and Holding Cost have doubled after adding a second fulfillment center, the average shipping cost has decreased because the second fulfillment center shortens shipping distances.

If we run the second equation, we find that the total cost is also $9,520:

Total Cost = (1,000 x $8.48) + $800 + $240

Total Cost = $8,480 + $800 + $240

Total Cost = $9,520

When you run the calculations for your business, if the total cost for multiple fulfillment centers is less than that of one fulfillment center, then distributing inventory is probably a good idea.

If total costs for both scenarios are equal, as in the example above, you should still seriously consider distributing inventory. Even with consistent costs, your customers will receive quicker shipping at less cost to them.

With the exception of subscription orders, this can increase customer satisfaction, lower cart abandonment rate, and foster brand loyalty through a positive experience.

That being said, it is absolutely crucial to keep enough stock on hand at each fulfillment center to be able to meet customer demand in that area. If you do not, you will be forced to ship from a different, more geographically distant fulfillment center that does have the SKU(s) in stock, which will spike your shipping costs once again and eat into your ROI.

If you're still on the fence, here are other signs that a distributed inventory approach is best for your business:

1. Dispersed customers and high order volume

If order volume is high but your customers are in one region near your fulfillment center, you can probably already ship to them cost-effectively without adding another fulfillment center to your network.

Inversely, if your customers are all over the country but order volume is low, your marginal profit on orders will probably be too small to offset the cost of expanding.

But if your business has a high volume of shipments per month, and you are shipping to customers all over the country, splitting your inventory across multiple fulfillment centers speeds up shipping without breaking your bottom line (especially if you use a fulfillment solution and avoid paying transportation, warehouse rent, labor, and insurance costs yourself).

High AOV also bolsters profit margins and helps make distributed inventory plausible.

If you're shipping $10 orders, and shipping costs $10, your margins are going to make it hard to remain profitable. But by bundling products together or establishing free shipping spend thresholds over the AOV, you can offset the cost of shipping and build in an extra bit of margin.

2. Heavier or larger products

The heavier your products, the more cost-savings you will see in shipping by using the distributed inventory approach. The dimensional weight** of your shipments naturally affects shipping costs, but increasing the zone number only increases the price even further — much more so than small or lightweight orders.

In the following example, one can see how both dimensional weight and destination zone impact shipping cost. With the exception of orders under 1 lb. (which can typically ship for a flat price across the entire country regardless of the zone they are shipped to), the higher the zone number you're shipping to, the higher the shipping cost will be.

But because the 3 lb. package is heavier than the 1 lb. package, those shipments cost even more — and the higher the zone, the greater the increase.

Zones and Rates Example

*USPS Priority Retail Rates

Pounds	Shipping Zones 1 & 2	3	4	5	6	7	8	9
1	$6.70	$7.15	$7.30	$7.45	$7.60	$7.85	$8.45	$10.60
2	$7.25	$7.70	$8.75	$9.85	$10.65	$11.80	$12.90	$16.85
3	$7.90	$8.85	$10.15	$11.75	$13.35	$14.65	$17.30	$22.55

*All dollar amounts above are for illustrative purposes only and do not represent the cost that ShipBob charges.

If your shipments have high dimensional weight, you will have greater marginal cost-savings from eliminating high shipping zones than merchants with lighter shipments would, so distributing inventory would be beneficial.

**Shipping carriers use this pricing technique to estimate weight calculated from the length, width, and height of a package, using the longest point on each side. The shipping cost will be based on whichever number is greater: the actual weight of the package, or its calculated dimensional weight.

3. Your products are essential and need backups

Splitting inventory across warehouses can help you be prepared in the event that your orders can't leave a particular fulfillment center (such as in the case of extreme weather events, seasonal blockages, or a building closure).

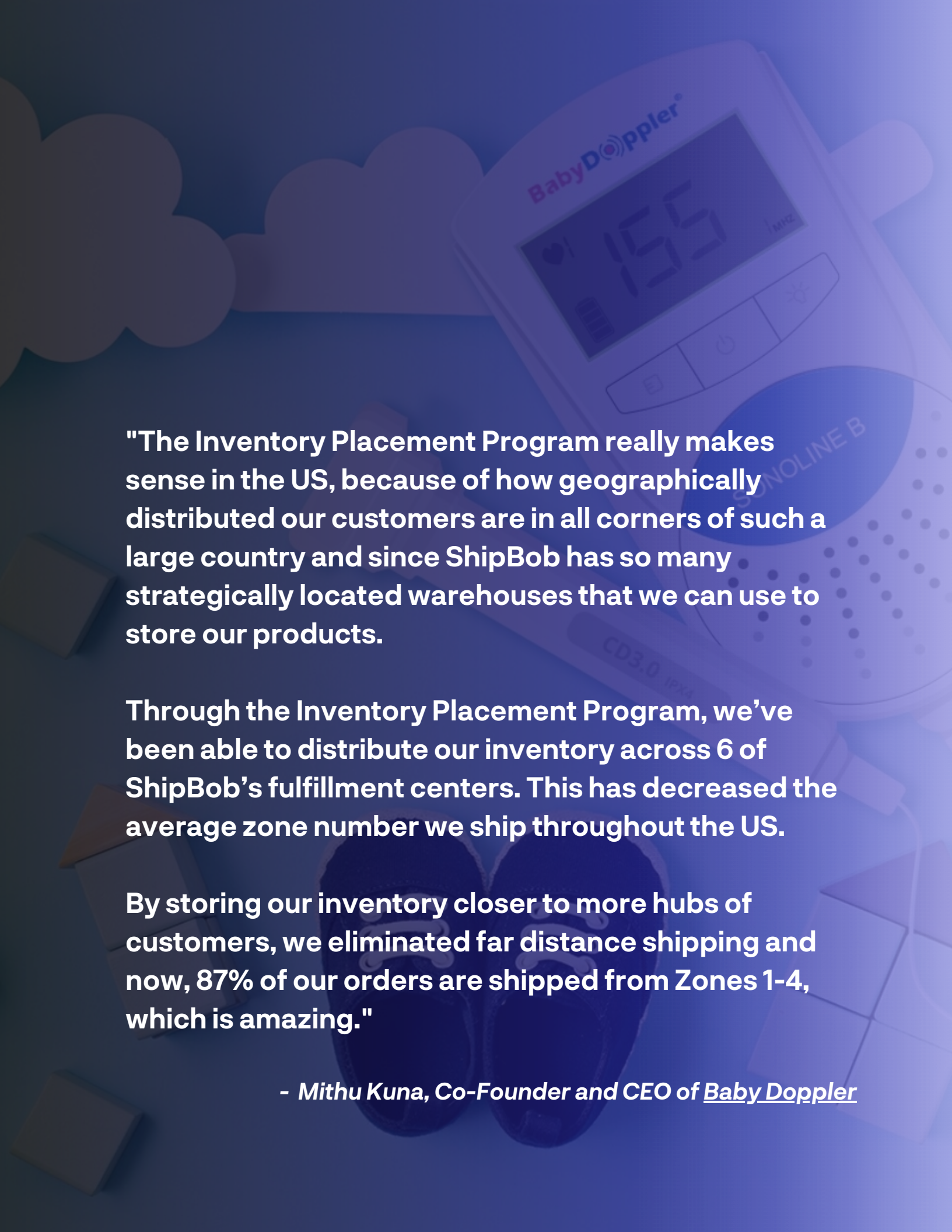
If your products are essential or life-saving, relying on only one fulfillment center could potentially be detrimental to the customer — whereas distributing inventory means that you will always have a source of backup stock for the customers who need it most.

Additionally, there are some limitations to shipping HAZMAT products or dangerous goods (spanning from nail polish and hand sanitizer to batteries and perfume), making ground shipping the only option. When you can't ship via air, your shipping speeds can suffer. Distributing inventory is a way to get products to customers faster.

"We sell flammable goods that need to be shipped via ground, so ShipBob has been a great ally as they have fulfillment centers all over the US, facilitating a 2-3 day delivery time for any customer in the US.

This is helpful especially when weather challenges happen; being able to have different locations to ship from allows for a more seamless supply chain."

- Andrea Lisbona, Founder & CEO of Touchland



"The Inventory Placement Program really makes sense in the US, because of how geographically distributed our customers are in all corners of such a large country and since ShipBob has so many strategically located warehouses that we can use to store our products.

Through the Inventory Placement Program, we've been able to distribute our inventory across 6 of ShipBob's fulfillment centers. This has decreased the average zone number we ship throughout the US.

By storing our inventory closer to more hubs of customers, we eliminated far distance shipping and now, 87% of our orders are shipped from Zones 1-4, which is amazing."

- Mithu Kuna, Co-Founder and CEO of Baby Doppler

5 Automating Inventory Placement & Distribution

Leveraging multiple fulfillment centers can do wonders for your shipping times and costs – but the actual mechanics of it can be tiresome.

Figuring out how much inventory to send where is a constant task, and requires a merchant to continuously rebalance inventory as demand shifts.

Then you must arrange – and pay – to physically ship inventory to each individual fulfillment center. This not only eats up valuable time, but can be costly as well.

To streamline distribution, consider leveraging a fulfillment partner that can automate some (or even all!) of the process.

With the right combination of technology and operational best practices, a partner like ShipBob offers the benefits of distributed inventory without the hassle of executing it yourself.

> **All we have to do is send a truckload of product to one location, and ShipBob does the rest. They push the product out with the right SKU mix by fulfillment center based on calculations for which fulfillment centers need what. It was a no-brainer to start using ShipBob's Inventory Placement Program.**
>
> **Michael Mullaney, VP of Supply Chain at ZBiotics**

Optimal inventory allocation

When you distribute your inventory, it's important to store enough stock at each location to meet that region's demand. That way, you avoid accidentally overstocking (which raises your storage costs) and stockouts (which can cause backorders and damage customer loyalty).

With money and customer satisfaction on the line, using trial-and-error to find the right inventory split is too risky. But manually calculating how to split your inventory is as exhausting as it is time-consuming.

You could spend hours pulling information on each region's demand, spend even longer combing through it, and eventually find a decent balance – only for demand to shift and force you to start all over.

Automating inventory allocation takes much of this burden off your shoulders, and helps you find the optimal distribution every time.

Such solutions automatically track and record data on orders, SKU velocity, and sales trends to help forecast demand, using historical and real-time data on inventory levels at each location.

The software then leverages this data to calculate the ideal division of inventory for you. This not only saves you time and effort, but also ensures a strategic split based on accurate data.

Fulfillment partners like ShipBob have tracking at every stage of the supply chain to capture this data, as well as algorithms to calculate your optimal split.

Through ShipBob's Inventory Placement Program, merchants can access a dashboard that displays up-to-date distribution metrics, as well as recommendations for optimized inventory distribution.

"One of the best parts of the Inventory Placement Program is how easy it makes inventory allocation. ShipBob manages inventory distribution for us, meaning, they choose the best locations for us, cross-dock our inventory, and see that it arrives at the ideal locations.

All we have to do is send inventory to one ShipBob location through a WRO (or warehouse receiving order, which lets ShipBob track our inbound inventory, mark it as arrived, and stow it away), and they do the rest!

The program even recommends our ideal inventory split across fulfillment centers over time as our customer base shifts, based on our order data and inventory levels.

It's made things really simple and streamlined, because we can make sure that the right products and quantities are shipped without having to do the calculations ourselves. It also reduces a lot of man hours on our side, which allows us to focus on other strategic priorities."

- Mithu Kuna, Co-Founder and CEO of Baby Doppler

Faster and cheaper distribution

Even if you know how much inventory each fulfillment center needs, getting it there can be a challenge.

By leveraging a fulfillment partner that can automate physical distribution for you, you'll bypass the tedious process of shipping inventory yourself – and save time and money while you're at it.

ShipBob's Inventory Placement Program leverages a hub-and-spoke model, so merchants only have to send their inventory to one hub location.

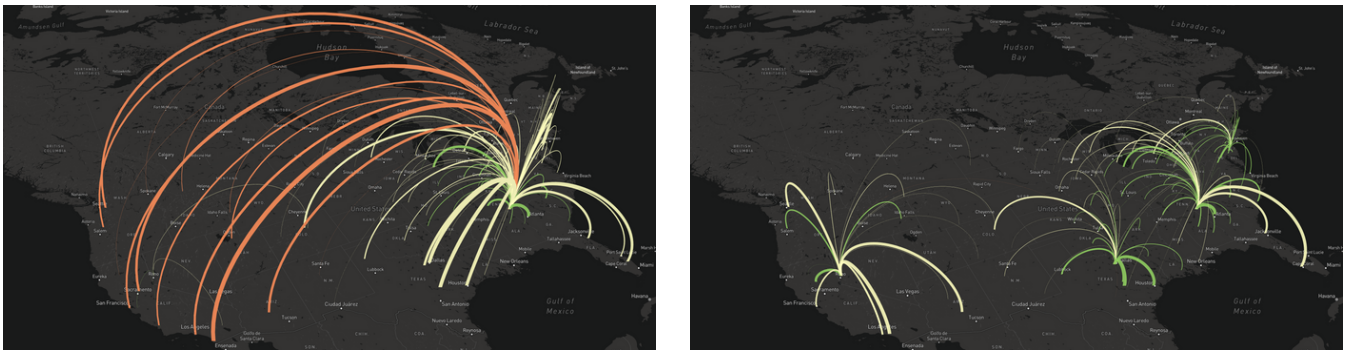
From there, ShipBob handles the rest, breaking each shipment down and physically distributing portions of your inventory to each regional fulfillment center for you.

"I ran the numbers to see what it would cost to ship pallets directly to different fulfillment centers, and it's so much more expensive than sending it to one hub and letting ShipBob distribute it for us.

The Inventory Placement Program's model is much cheaper, and we don't have to think about distribution. It's saved us so many headaches, and now we just arrange one pickup from a manufacturer and one delivery. It's so cheap, and so easy."

- Matt Crane, Co-Founder and Chief Science Officer at Semaine Health

This approach makes distribution simpler for ecommerce brands, but also more cost-effective. For example, merchants like Semaine Health can distribute inventory across four of ShipBob's US fulfillment centers to lower their average shipping zone without having to pay to ship stock in bulk to each individual location.



The before and after images show how Semaine Health's shipping zones changed after they shifted from using 1 fulfillment center to using 4 fulfillment centers.

Zones 1-3 Zones 4-6 Zones 7-8

Visibility into inventory movement

Because you can't be everywhere at once, it can be hard to know exactly what's going on with your distributed inventory.

You may struggle to get a holistic, accurate understanding of how inventory is moving, whether it's been received, or if it's encountered any issues.

Automating distribution through a fulfillment partner gives you the visibility you need across your entire fulfillment network.

ShipBob, for example, provides merchants with a dashboard of distribution data so that they can see exactly what inventory has been shipping and received at what location, as well as expected arrival dates, inventory levels, SKU performance, and more.

"ShipBob's Inventory Placement Program provides visibility into inventory movement that's absolutely key for anyone running a business.

The data is easily accessible, and it shows exactly how inventory is being split across ShipBob's network of warehouses. It's also really great for our product reconciliation, because you can see what's received at the hub locations and individual fulfillment centers. There's a lot more clarity, and it's so much simpler to check that our shipped inventory was received.

I don't want to have to ask multiple people for information or wait for reports on stock levels at various locations – and with the Inventory Placement Program, I don't have to.

Now, I can literally go into my ShipBob dashboard and see exactly what I want to see with a few clicks. I love that it's a quick snapshot of everything that's going on. I can literally not look at the ShipBob platform for 3 weeks, and then log in and within 10 minutes of analyzing the data, I know exactly where we stand in the business."

- Mithu Kuna, Co-Founder and CEO of Baby Doppler

6 Scaling Globally

The elevated version of domestic distributed inventory is expanding into new countries. However, every country handles shipping zones differently, and expanding into any country will bring unique challenges.

Australia, for example, is very large geographically, but 70% of the population is on the East Coast — so merchants might have to establish a second fulfillment center for the West Coast as well. The UK has far less geographical surface area than Australia or the US, so one fulfillment center might do the trick.

For any expansion, there will be new information requirements that you must meet (such as EORI registration numbers in the EU), which can make the transition complicated.

"As we grow our business, we know we have the support from ShipBob to grow beyond the UK. Since Brexit, like many small UK businesses, we've struggled with the challenges to maintain our international sales.

With new time back to focus on growth and ShipBob's international footprint, we look forward to doubling down our international efforts."

- Sara Moradi & Amir Nizancevic, Co-Founders of iVYVERDURE

Regardless of which countries you target, one mistake more mature brands end up regretting is using separate fulfillment partners in each country they scale into, and having different logins to different systems, support teams, SLAs, processes, and other inconsistencies when managing separate partners. This only renders the expansion process more complicated, and leads to headaches later on.

Depending on your growth plans, you might want to choose a fulfillment partner that not only ships internationally but also offers fulfillment locations in different countries.

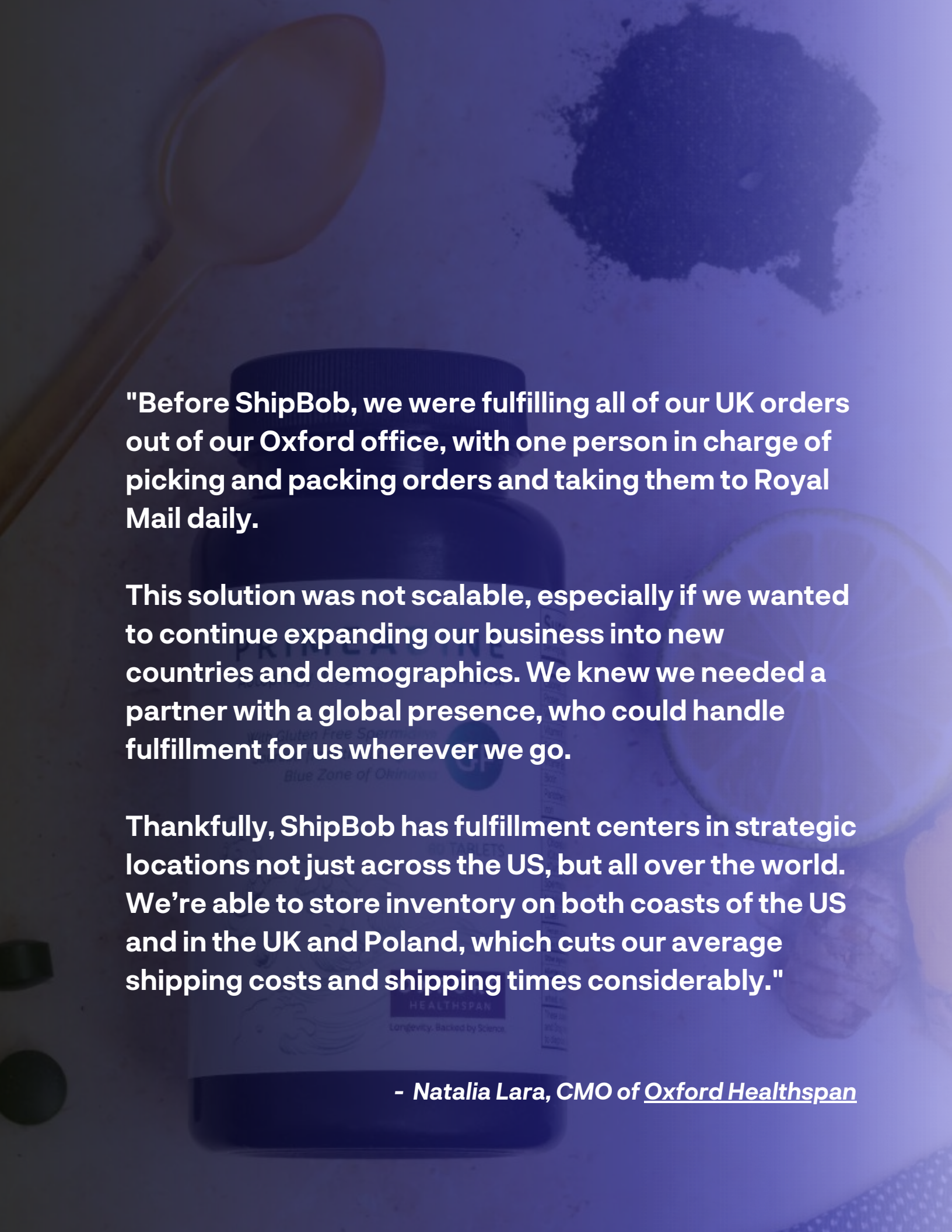
Shipping internationally can be expensive and transit times are significantly slower — not to mention that dealing with taxes and import duties every time you ship a single order to an end customer can be a headache.

Partnering with an expert provider that offers both domestic and international fulfillment capabilities can solve many of the common challenges of international shipping.

Instead of shipping every order across borders, you can bulk ship inventory to an international location so orders can be shipped within the country (or, for example, within the EU, where 27 member countries can reap the benefits of open borders for trade). This process makes it much easier to expand globally while reducing the international shipping risks and costs.

Best of all, you can manage inventory and orders that are being fulfilled across the globe from the same dashboard as your domestic shipments, working with the same support team, and having a simplified, consistent experience.

ShipBob even offers support articles containing checklists to help walk our customers through expanding fulfillment internationally through ShipBob's network in the US, Canada, EU, UK, and Australia.



"Before ShipBob, we were fulfilling all of our UK orders out of our Oxford office, with one person in charge of picking and packing orders and taking them to Royal Mail daily.

This solution was not scalable, especially if we wanted to continue expanding our business into new countries and demographics. We knew we needed a partner with a global presence, who could handle fulfillment for us wherever we go.

Thankfully, ShipBob has fulfillment centers in strategic locations not just across the US, but all over the world. We're able to store inventory on both coasts of the US and in the UK and Poland, which cuts our average shipping costs and shipping times considerably."

- Natalia Lara, CMO of Oxford Healthspan

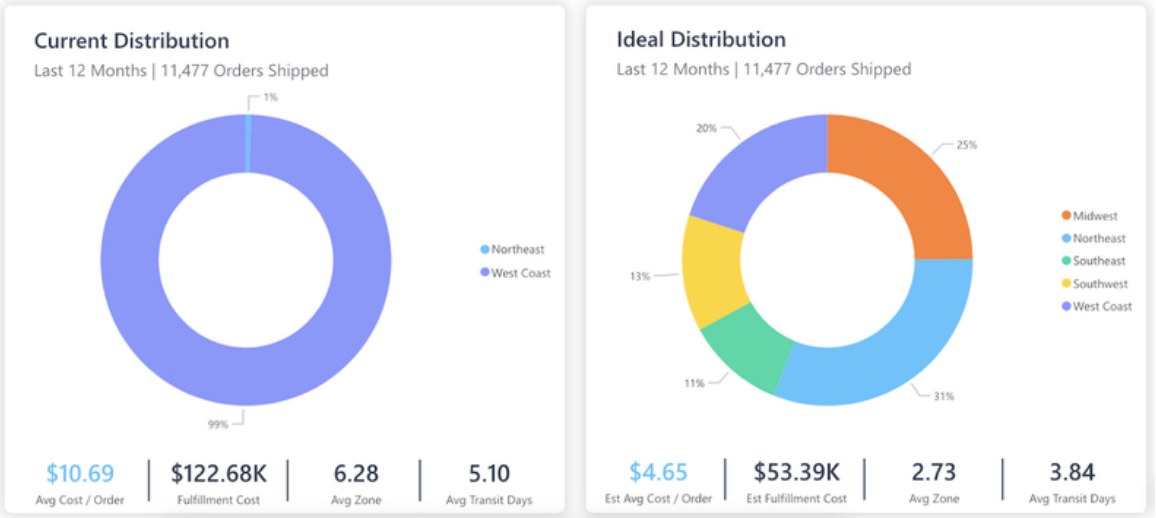
7 Following the Data Over Time

Historical sales data is the secret sauce that makes the distributed inventory model optimized and more profitable.

By tracking which products sell where and when over time, you will be able to make informed decisions about where to place your fulfillment centers, as well as how much inventory to store in each location in order to meet customer demand without over- or under-stocking.

To use this data to your advantage, you'll need a fulfillment partner that has the foresight and tech stack to follow your critical data over time.

For example, ShipBob's analytics software automatically tracks and records your historical order data as well as your shipping speeds and costs. You can then leverage that data within ShipBob's Ideal Inventory Distribution tool to compare your current shipping times and costs to what they would be if you used different fulfillment centers in ShipBob's network.



In the snapshot of our analytics dashboard above, a merchant is currently storing inventory and shipping orders exclusively out of our West Coast fulfillment center. This location is great for local customers, but the average shipping zone is on the high side at 6.28 (as seen on the chart to the left).

According to the dashboard's current vs. ideal distribution analysis, if the merchant instead stored inventory in additional locations across several regions in the US, the average shipping zone would be reduced to 2.73 (as seen on the chart to the right).

Instead of 100% of orders being fulfilled out of the West Coast location, only 20% would be. The remaining 80% of orders would be fulfilled from the other locations that are closer to the end customer.

Additionally, the average fulfillment or shipping cost would go from $10.69 per order to $4.65 per order. That's $6.04 saved per order — and for a merchant with an average order volume of 5,000 orders per month, that is an extra $30,200 they are saving monthly or $362,400 annually. And if they continue to grow, that number will only go up.

With this tool, you can visualize your ideal inventory distribution and toggle between different locations to see which makes the most sense for your business. Fulfillment partners like ShipBob are also constantly adding new fulfillment centers in new locations, so you can continue to optimize your inventory split for efficiency.

"ShipBob's software helped us better understand where we should grow next. In the beginning, it was difficult to easily calculate how much we were selling in each region. ShipBob's ideal distribution algorithm enabled us to see not only where our customers were based, but where we should allocate inventory to best meet demand."

- Natalia Lara, CMO of Oxford Healthspan

Conclusion

Distributed inventory is a strategic investment for ecommerce businesses, with both immediate and long-term benefits — but doing it right almost always requires a truly phenomenal fulfillment partner.

Utilizing an expert provider's fulfillment centers in different regions of the country, ecommerce merchants can immediately begin fulfilling and shipping orders from multiple strategic locations. This enables your brand to reduce distance, time in transit, and shipping costs, which helps you meet customer expectations around quick and affordable deliveries.

A great fulfillment partner will also make it easy to continuously optimize your distributed inventory strategy as you grow, providing you with the real-time data to drive smart allocation and automating the costly and time-consuming parts of distribution.

In this way, with a distributed inventory model and the right fulfillment partner, ecommerce brands of any size can cut costs, increase customer retention, and begin their journey to scaling operations nationally, internationally, and globally.

"The network and team that ShipBob has are incredible. We're able to leverage a vast network of domestic fulfillment centers. The ability to touch base with the team and use a data-driven approach for identifying areas of improvement and where we might benefit from expanding our use of the ShipBob fulfillment center locations has saved us time and allowed us to provide better experiences for our customers."

- Stephanie Lee, COO at PetLab Co.

About ShipBob

ShipBob is a leading global fulfillment and supply chain platform designed for SMB and Mid-Market ecommerce brands.

ShipBob provides brands a single view of their business and customers across sales channels to manage products, inventory, orders, and shipments, leveraging real-time analytics and reporting, dedicated support, and access to hundreds of technology and retail partners.

ShipBob enables brands to improve the operations in their own facilities with ShipBob WMS (ShipBob's proprietary warehouse management system), and/or outsource fulfillment to have their orders picked, packed, and shipped from any of ShipBob's 50+ fulfillment centers across the United States, Canada, Europe, and Australia.

Visit ShipBob.com to learn more or to request a pricing quote.