

Embracing Dropship As Your New Strategic Partner

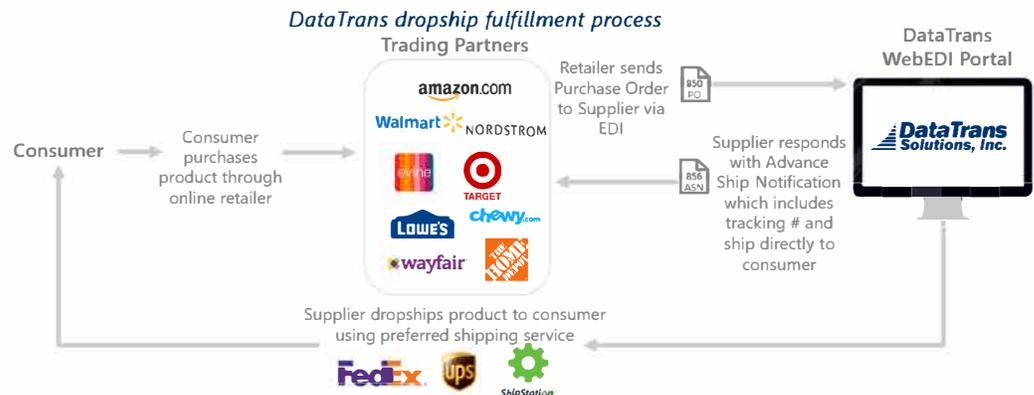
What is dropship?

Have you ever ordered something online from Amazon, Walmart or Home Depot and a few days later received a package on your doorstep from some company you may never have heard of? That is because when you ordered it from one of those retailers, it was “dropshipped” from the actual supplier to you. While that is a simplified example, it does illustrate where eCommerce is headed.

So, how does dropship work?

Dropship occurs when retailers, distributors or buyers leverage a supplier or third-party inventory to fulfill customer orders. The product purchased is directly shipped to the customer without the retailer handling any of the orders. This explains why oftentimes the item you ordered from Amazon, Walmart or Home Depot has the supplier’s company information on the shipping label.

The illustration on the right shows how a simplified dropship process occurs with the consumer, retailer and supplier using DataTrans Solution’s multichannel software to fulfill orders.



Challenges

Dropship vendors are required to be EDI capable to streamline the order processing life cycle. eCommerce has done a great job of driving simplicity for consumers. Within minutes of online browsing, customers purchase items that ship as soon as same-day and land on their doorstep as soon as the next day. Behind scenes, the fulfillment process can get messy for retailers and suppliers with emails, attachments, paper documents, phone calls, follow ups, searching for tracking numbers, packing slips, and labels. EDI is a requirement for suppliers to enhance operational efficiencies with supplier transaction, improve communication and strengthen partner relationships. The biggest challenge for suppliers is finding the right EDI solution.

Another challenge dropship suppliers encounter without EDI is inventory visibility and order status. If retailers are going to host your products on their website, the need for inventory visibility is crucial. Inventory levels are important to prevent a scenario of the consumer purchasing an item online that is no longer in stock. Additionally, both retailers and consumers will need to know the order life cycle in real-time. Order status is the defining factor in the customer experience with that retailer and ultimately, you the supplier.

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Why is EDI so important to the dropship process?

eCommerce is becoming a more common way to shop. There is a shift in retail brick-and-mortar to eCommerce due to consumer preferred shopping methods. "Decisions are being made to shutter less profitable brick-and-mortar locations, while other brands are ditching brick-and-mortar all together. As a result, retailers are doubling-down on their eCommerce efforts at a rapid pace (Popomaronis)."

Retailers have a set of required transaction sets to improve communication with the supplier and the consumer. For example, the supplier will receive a purchase order EDI 850 from the retailer, and will acknowledge the purchase order with an EDI 855, followed by a notification to the retailer that the order is ready to ship and the tracking details with an EDI 856. The EDI 855 purchase order acknowledgement and EDI 856 advance shipment notice response transactions can be processed and sent within seconds via EDI. The 855 and 856 information is also sent to the consumer. For example, when you make a purchase online, you will receive an email confirmation of your order followed by a second email with the tracking details. This is a key element of an effective dropship model as the consumers like to know the status of their purchases in real-time. It will be important to remember:

- Most, if not all, retailers will require EDI capability.
- Electronic data interchange is how a business transacts with other businesses. Receiving a PO from a retailer with the information contained as to whom to ship to automates this process.
- EDI simplifies the fulfillment process for suppliers and ensures EDI compliance with your retailers.
- While there is no single platform, there are professional, preferred, web-based tools that are extremely affordable. Web-based EDI tools are available on the marketplace from highly competent providers like DataTrans Solutions whom specialize in helping suppliers connect to retail channels like Walmart, Amazon, eBay, Target, Wayfair and the list goes on.

As noted by the CEO of DataTrans Solutions, Mike Franks, "Dropshipping is an essential business element. This is where the future of retail is moving. Amazon has proven that it works and now everyone is moving to catch up, and it doesn't look like it's going to change anytime soon."

Benefits of EDI and drop shipping

While there are some challenges with dropship, they can be easily overcome with an EDI solution that simplifies processing and integrates with your daily operations.

Dropship and EDI is not just for big companies

Small to medium-sized companies experience exponential business growth with dropship. Leveraging eCommerce can expand your business through other channels.

Increases sales

Dropship suppliers are attractive to retailers, warehouses, distributors and buyers. Retailers can offer more products at little expense without the need to warehouse it and eliminates the cost of inventory. Your products increase retailer inventory while creating more shopping options for consumers.

Accelerates the order process

With EDI eliminate manual data entry and error-prone data. Fulfill a purchase order within minutes of receiving and dropship directly to the customer with tools created to streamline the entire transaction process such as generating shipping labels and tracking numbers.

Enhances visibility

Gain visibility into your EDI transactions and order processing with real-time data.

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Improves order cycle times

Instead of your product waiting to be sent to a distribution center or warehouse, the product ships from the supplier directly to the end customer. Resulting in quicker payment to the supplier as opposed to waiting for stock levels to deplete, reorder levels met, monthly payment terms, etc. This ordering process has a shorter life cycle.

Scalability

Dropship allows for a greater online presence and provides greater visibility to consumers. Grow your business faster with less investment in brick-and-mortar and invest in greater eCommerce visibility through retailers.

Leveraging your EDI for faster supplier qualification

If already dropship capable with one retailer, you have an advantage to expand with other dropship retailers. Reach out to other retailers and buyers, with the advantage that you are EDI compliant and have dropship experience. Leverage your tools to get more products into additional channels.

As consumers are turning to eCommerce, suppliers need to adapt. Welcome to the future of retail. "Current retail trends show that 51% of Americans prefer online shopping, with eCommerce growing 23% year-over-year" (Popomaronis). This trend will continue to increase.

Multichannel retailers and distributors are already leveraging this strategy in their business. You can too. The benefits are enormous and will allow for business growth.

We are all consumers and we like simplicity when shopping online. Retailers partner with suppliers who make their job easy which is achieved with EDI. EDI simplifies and automates order fulfillment, is a low cost, low risk, strategic investment that not only improves the process with your retailers but also within your own company. It is important to incorporate dropshipping as part of your service portfolio. Remember, as a supplier, if you have not thought about dropshipping, you may be behind the competition already, but you can easily make the change in your business model.

Work with EDI experts

Contact an EDI provider that offers dropship and already has connections with eCommerce retailers. Research options and ask questions. Are they able to scale with your company growth and support all your EDI needs? Do they include the required documents for the retailers you will be transacting with? Verify overall costs, setup fees and ongoing fees. Ask for a quote and work with your partners on your ROI analysis.

About DataTrans Solutions

DataTrans Solutions is an all-in-one scalable EDI & eCommerce solution that allow suppliers to easily connect with retailers and trading partners. With our web-based solution maintain EDI compliance, gain access a network of thousands of trading partners and easily connect through WebEDI. DataTrans multichannel software simplifies your workflow process and streamlines fulfillment by integrating with your daily operations. Let us help you. If you would like to chat more about your dropship strategy and how to improve your workflow process, contact us today.

Works Cited:

Popomaronis, Tom. "E-Commerce In 2018: Here's What The Experts Are Predicting." Forbes, Forbes Magazine, 15 Dec. 2017. www.forbes.com/sites/tompopomaronis/2017/12/15/e-commerce-in-2018-heres-what-the-experts-are-predicting/#a0a504c6debb.