fluentcommerce
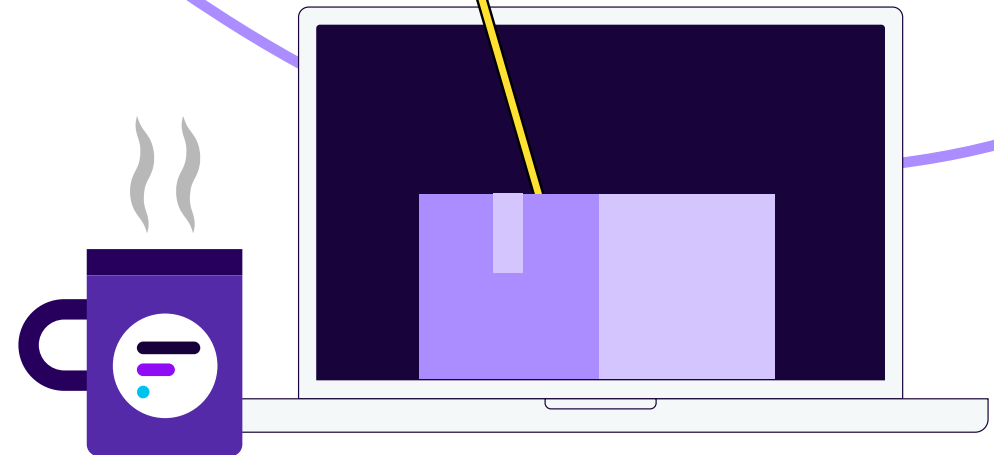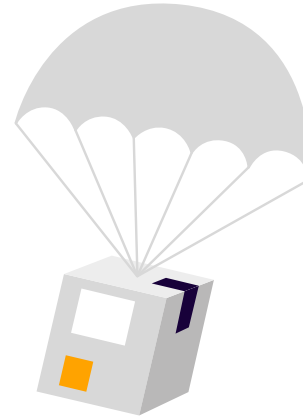order management. accelerated.

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Top 6 Challenges of Drop Ship Vendor Management

As your network grows, so does the complexity of managing multiple drop ship vendors

Drop ship vendors (DSVs) are more popular than ever.

DSVs allow retailers and brands to expand their current product range and test new products to an increasingly discerning, trend-focused customer base.

You may have one—or many—drop ship vendors that you are working with, which is great news for your customers but may be cumbersome to manage for your business. And with multiple vendors to manage comes certain challenges to be aware of.
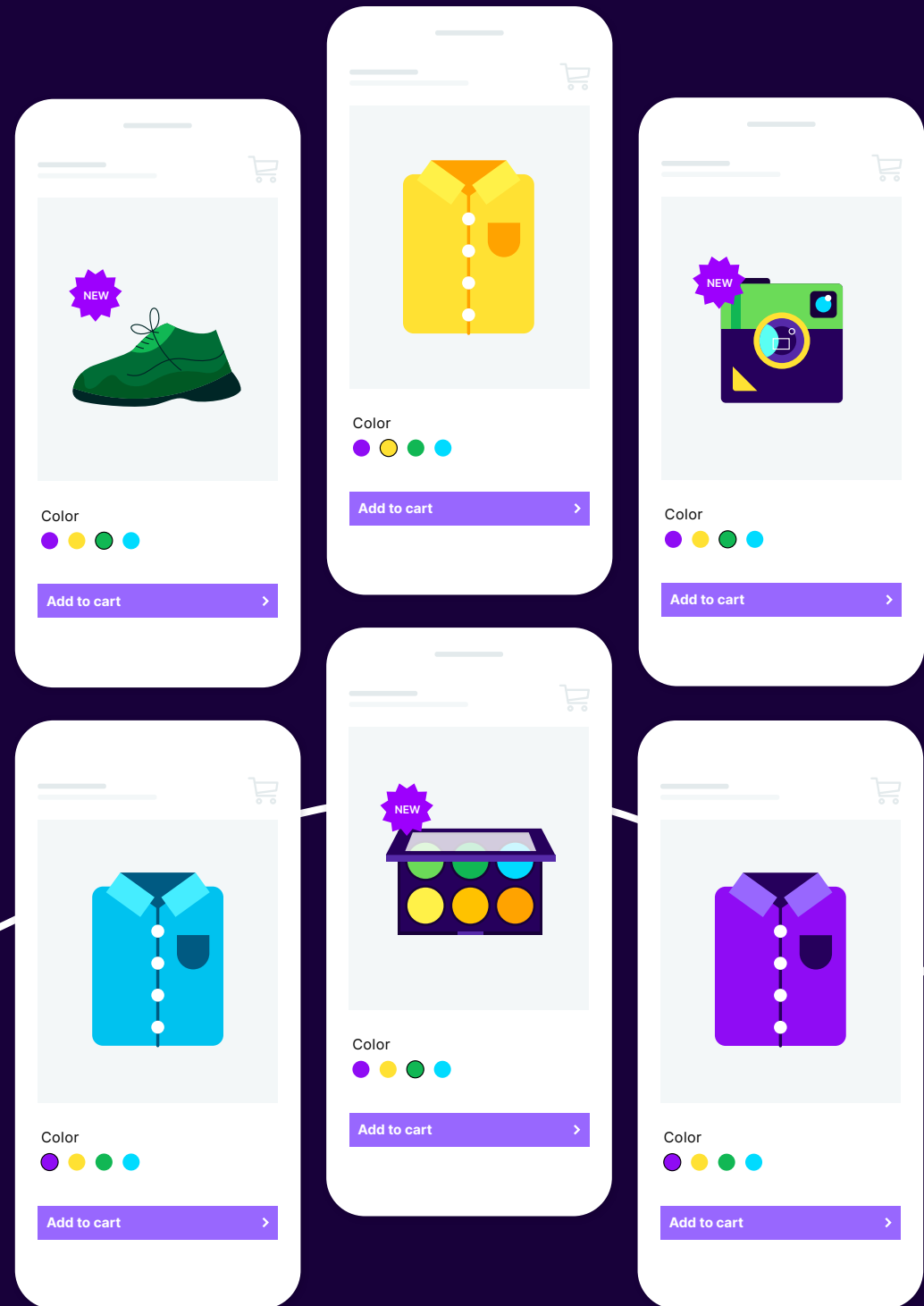
01.

Establishing Comprehensive Service Level Agreements (SLAs) and Managing Vendor Compliance

Your customers have come to expect a certain level of service from your brand. How do you ensure that the level of service is consistent when you begin working with drop ship vendors? This is where a comprehensive Service Level Agreement (SLA) comes in. Having a well-defined SLA that includes any and all necessary details—such as how quickly orders are processed, order fees and minimums, delivery speeds and options, what happens if an item is out of stock or cancelled—will help keep headaches at bay in the future. In addition, be sure to include what consequences will take place if the vendor violates the SLA.

Keep in mind that your customers will hold you responsible for issues, not your drop ship vendor. By outlining compliance challenges that may arise, you will be better set up for a successful vendor relationship and happier customers.

02.

Determining the Best Financial Models

Your drop ship vendors (DSVs) will all need to be paid—that is a given. But how they are paid—and when—are important details that will need to be determined. Will the DSV want to receive payment on a per-order basis? Or instead be paid weekly or monthly? Who will pay for shipping costs—you or your customer?

It is also important to decide what financial model will be used for each vendor. There are a few popular models that many drop ship vendors offer:

- **Pre-Purchased:**
  This is owned, dedicated inventory that is housed at the drop ship vendor's

SERVICE LEVEL AGREEMENT (SLA)
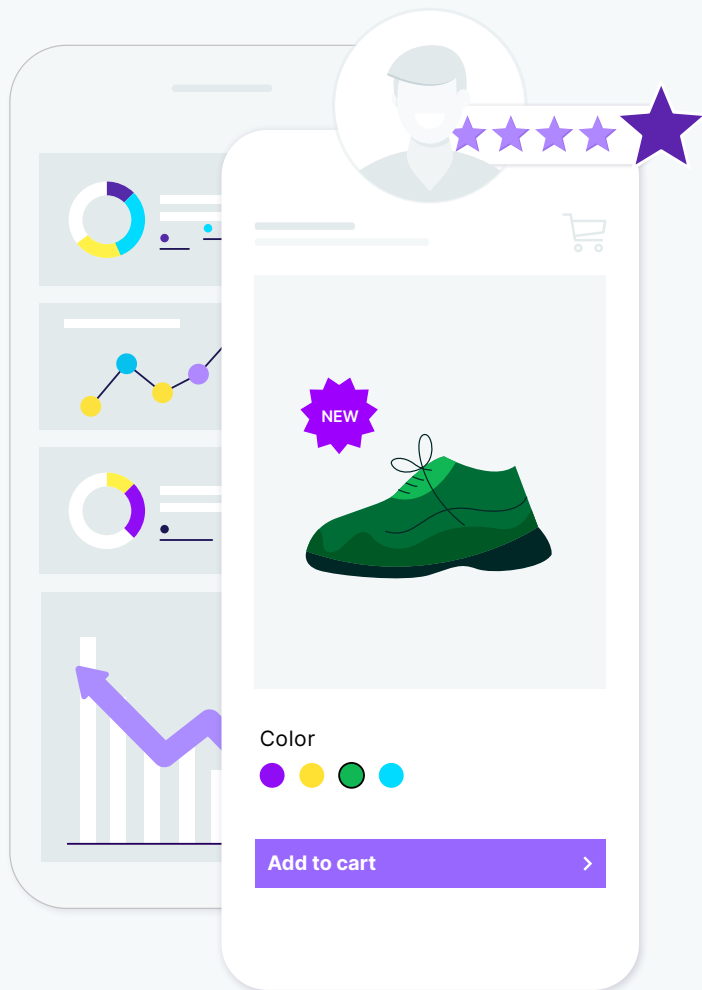
warehouse, but you pay for the products up-front.

- **Purchase on Demand:**
  You pay for the item only when a customer orders it. You do not own any inventory.

- **Purchase to Finance:**
  This is popular for many consumers who pre-fer to buy a product they can finance instead of paying in full. But this means that you have to pay the drop shipper for the inventory in full first, before the order can ship to your customer.

As you continue to work with DSVs, make sure you reevaluate on an on-going basis to ensure you are always getting the most competitive prices.

O3.
Data Management

When you work with a drop ship vendor—or multiple vendors—the need to have proper systems and processes in place to manage all of the data becomes paramount to success. Product data, inventory data and order data all need to be aligned and flow properly to allow for a positive customer experience.

How is your PIM solution working with your DSVs? Are you displaying accurate product information to entice the customer to hit the buy button? Is your inventory data correct? Some vendors do a better job at updating inventory than others and you will want to avoid items showing as out of stock—or worse—cancelled after they order. And then how do you orchestrate fulfillment?

As a retailer or brand, you need to understand what your drop ship vendors' systems are capable of and be ready with the right systems and solutions in place.

O4.
Managing Customer Expectations

Are you known for your excellent customer service? Quick delivery times? Consistent order status updates? When using a drop ship vendor, some of these elements are out of your control, so it is important to be transparent and set accurate expectations with your customers. How will customer support be handled? Will you be able to share order status updates? What if the

Color
Add to cart
NEW

DSV only provides some updates, but not all?

And then there is the question of exclusivity. There is a high level of competition, and everyone is looking for the next trendy product. You may be carrying the same, or very similar, product as other retailers or brands. Are you priced competitively? If your product is exclusive, is that clear to the customer?

O5.
Navigating the Customer Returns Experience

Returns become more convoluted when working with drop ship vendors. Customers are going to come to you if they want to return an item. Make sure you work out the details with your drop ship vendor—policies, processing time, customer service—so you are ready with answers.

Review the returns experience from your customer's perspective. Can they initiate a return online or by phone? How about a shipping label,

can they print one themselves? Can you initiate a return on behalf of a customer instead? How will return statuses be communicated?

Don't forget about return shipping costs either. Who pays for these costs? You? Your customer? Offering free returns may attract more customers but remember that these costs need to be paid in the end by someone.

O6.
Going Out of Business

It is common for drop ship vendors (DSVs) to go out of business. This is not only disruptive to you and your customers, but then you must source a new DSV to replace the one that you have lost. By keeping this in mind, as well as having comprehensive Service Level Agreements in place, you can lessen the disruption to your business operations, and ultimately, to your customers.

Returns?
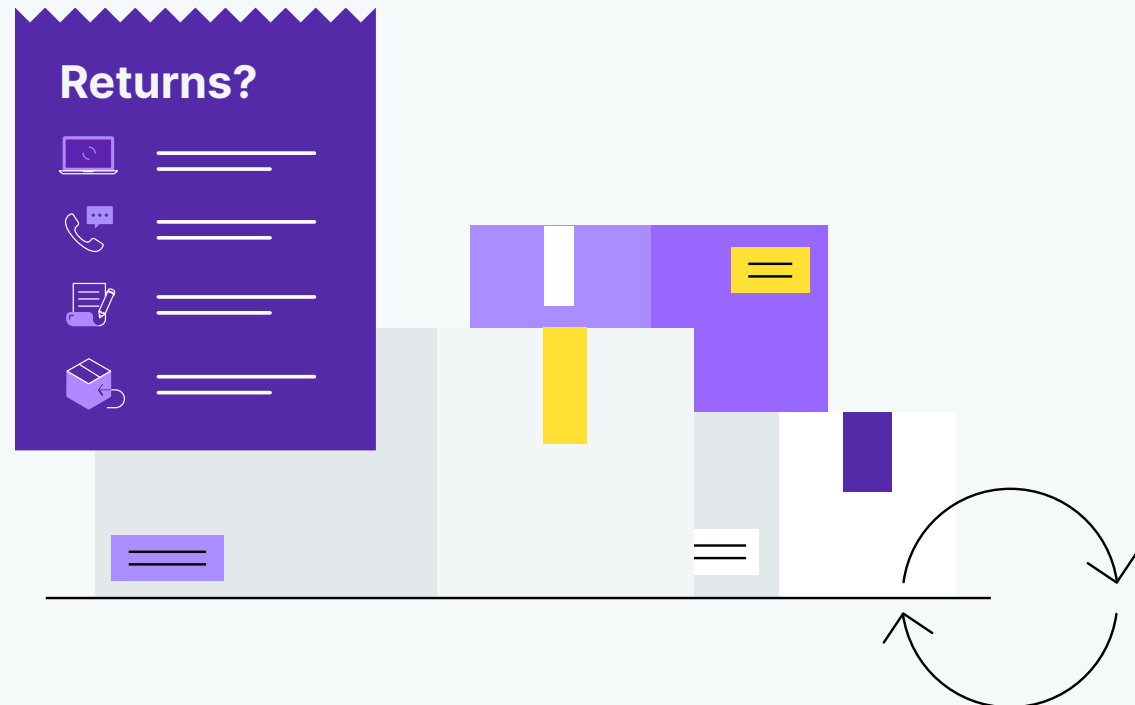
Summary

Expanding your product offerings with drop ship vendors (DSVs) is a great way to attract new customers and keep your current customer base engaged. While there are challenges in working with DSVs, they are easy to overcome when you know what to look for and have the right partners and solutions in place.

A distributed Order Management System ties together data from all of your DSVs. This means you can easily sync inventory data in near-real time, provide order status updates, optimize fulfillment practices, easily handle returns and more—which makes these challenges not so challenging after all.

This is the second part of a multi-part series exploring how to work with Drop Ship Vendors.

Read part one.
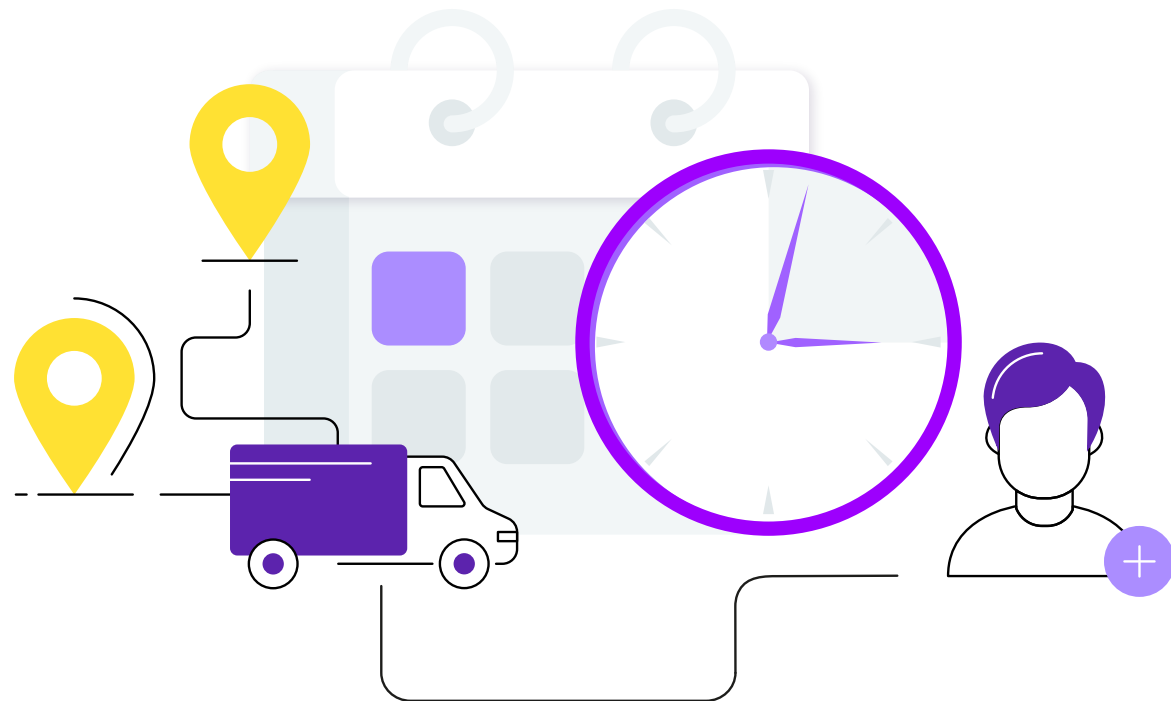
Create a seamless experience, expand your product range and easily manage all your Drop Ship Vendors

About Fluent Commerce

Fluent Commerce is the leading provider of fully customizable cloud order management to merchants and brands who want to provide a premium omnichannel fulfillment experience, profitably. We enable retailers and brands to roll out quickly and scale as needed, anywhere around the globe.

Learn more: **fluentcommerce.com**

About Perficient

Perficient is a global digital consultancy focused on transforming how the world's leading enterprises and biggest brands connect with customers and grow their business. Our Commerce practice approach focuses on people, process, and technology. Our practice includes award-winning commerce experts, with over 30 awards for excellence from IBM and several for Magento, and we are recognized by Gartner and Forrester for commerce excellence. Our experts cover a wide range of solutions, from product information management (PIM) systems, order management (OMS) systems, managed services, and more.

Learn more: **perficient.com**

Contributors

Nicola Kinsella

Fluent Commerce
VP Global Marketing
nicola.kinsella@fluentcommerce.com

fluentcommerce
order management. accelerated.

Devanshu Sood

Perficient
Director of Commerce and
Order Management
devanshu.sood@perficient.com

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