EBOOK

THE OPAL's Dropship Guide

Smart

No-Touch

Self-Driving

With our Order Processing and Logistics Platform (OPAL), learn how brands, suppliers, distributors, warehouses and manufacturers are growing their Dropship business one order at a time.

opal

Introduction

The rise in demand for drop shipping is predominantly influenced by the growth of the e-commerce industry. With the proliferation of technology, drop shipping has been a quick and fast-moving profit-making business. Drop shipping is the practice of selling products through online stores where the retailers do not keep a stock of goods on hand. The retailer forwards customer orders and shipment information to the brands, who then ships the goods directly to the customer.

This guide is focused to drop shippers brands selling through US retailers where the branding, process and compliance is guided by retailers..

What is Changing?

As a result of sales channels seeking B2C-like experiences, many brands are forced to transform digitally and build dropship capability. Due to brands resisting to create their eCommerce setups, let alone adapt one, only 65% of brands are selling online. These brands have been in business for decades with the same partnerships and sales channels and orders being fulfilled manually utilizing outdated technology. As such, brands are struggling and losing out on the opportunity to grow their business.

What is causing the shift? The answer is simple – the customer base. Nearly 50% of buyers are millennials, who encounter sophisticated B2C online experiences often. The ability to order, self-serve and fully transact online is a non-negotiable for many digitally savvy shoppers and are likely to be frustrated by outdated technology and manual ordering. Their influence means that a seamless eCommerce platform is a basic expectation to even engage with a Brand.

While developing a dropship solution, brands need to prioritize building an uninterrupted eCommerce experience that streamlines the customer journey from the moment of their first interaction with the Brand through purchase and beyond, including an omnichannel and personalizing customer preference data.

Dropship Model

The dropship model is designed to alleviate pain points in logistics and fulfillment. The retailer can offer more products without taking on a financial burden to inventory. In the model shown, the retailer makes the product available on its website.

In this model the retailer would make a product available for sale on it's website. When buyer purchases a product, retailer send the order to drop shipper (manufacturer or wholesaler) - who then in turn ships it directly to the buyer. Packaging typically has the retailer's branding, and the retailer services the buyer. The drop shipper is virtually invisible to the buyer.

Dropship Platform

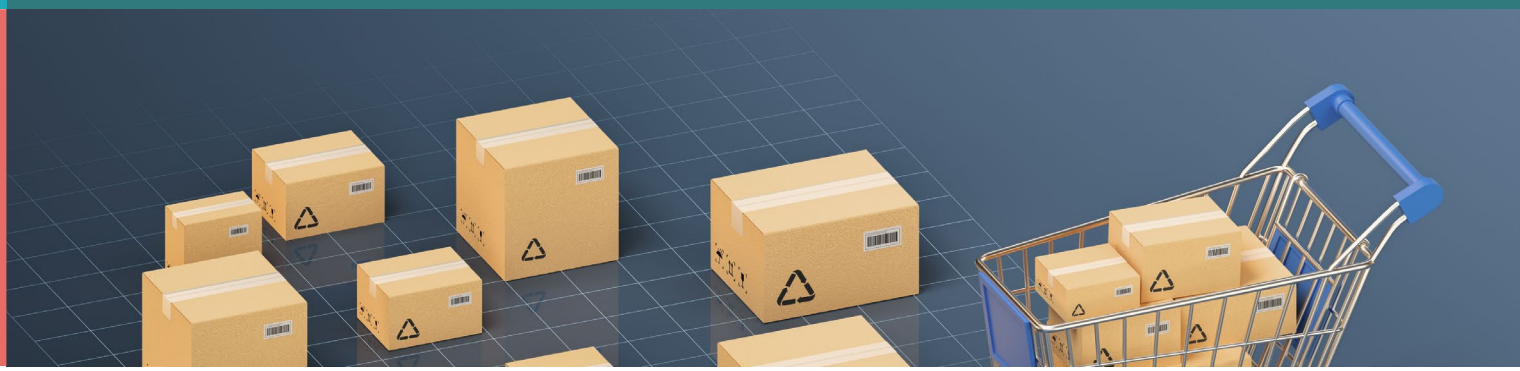
There is no 'one size fits all' solution when it comes to choosing a Dropship platform. Each vendor boasts a unique collection of features, but defining processes, people, and the infrastructure requirements is key to selecting the right platform. The degree of flexibility, automation, and sophistication of dropship enablement technologies can vastly differ across multiple platforms, even when handling a similar task. This guide aims to contextualize these features in a way that allows the reader to navigate the various solutions served in the market, the depth of each feature set, and the level of maturity to which each will allow your business to grow.

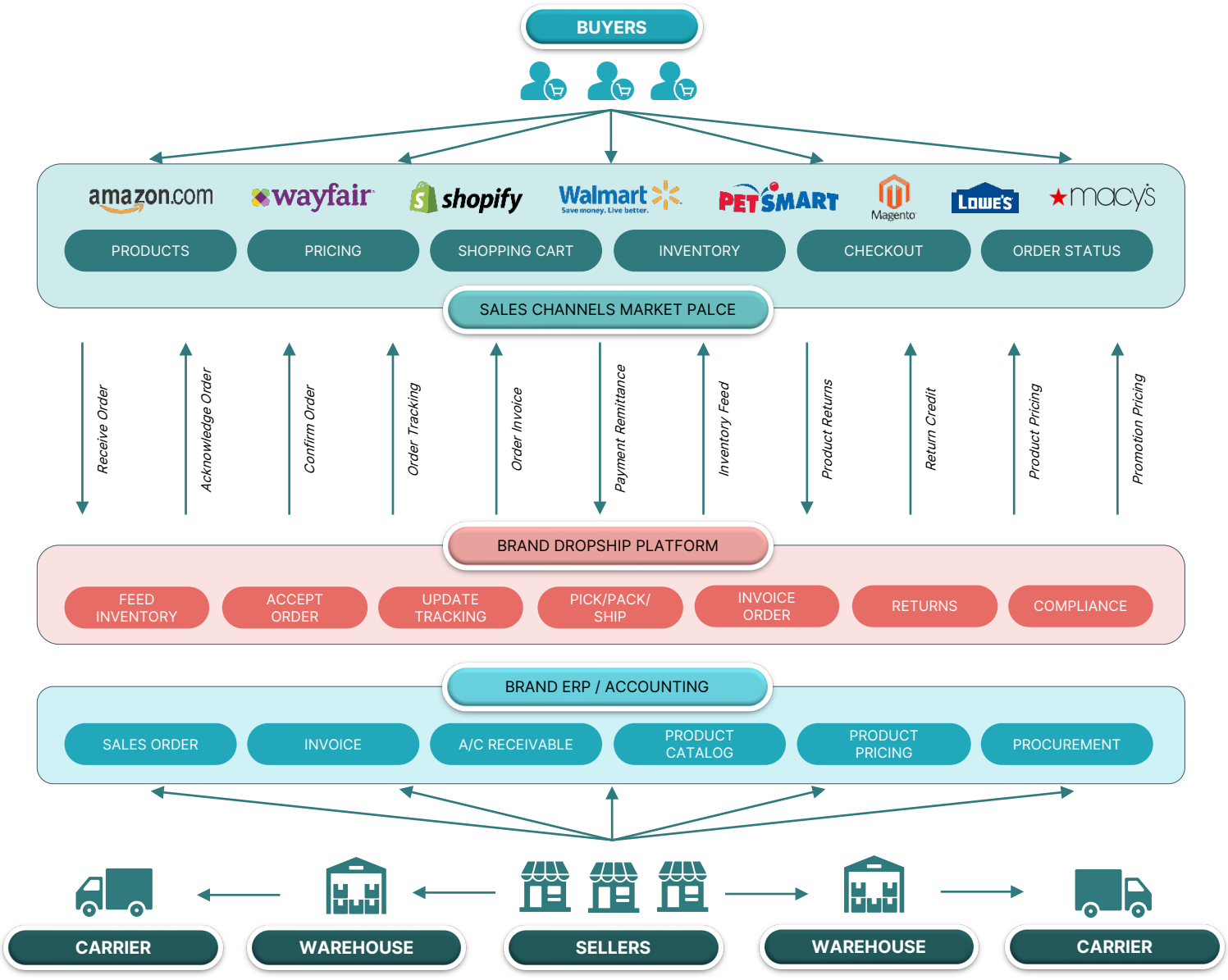
In 2014, we launched OPAL, the dropship solution designed to help customers build a fully functional eCommerce platform with various sales channels in mind, such as Amazon, Wayfair, Overstock, eBay (i.e., e-tailers), Walmart, Home Depot, Macy's, Kohl's, and Costco etc. (i.e., traditional retailers).

Dropship Architecture Component

The dropship model involves three platforms:

- The Sales Channel marketplace. The marketplace manages the product listing and payments from sales.
- The Brand Dropship platform. The platform manages the order processing and fulfillment.
- The Brand ERP / Accounting system. The system manages the invoicing and receivables.





Building Dropship Capability

The reality is that building dropship capability isn't as straightforward as: "build it, and they shall come." There are so many moving pieces that needs to be connected in real time and run the dropship operation as one well oiled machine. Most of the Brands are fully capable managing bulk orders. When it comes to drop ship the game is very different. Typical order volume in dropship model is in 100s and 1000s of small orders a day. To process and fulfill an order, # of steps are same no matter it is a bulk order or a drop ship order. Here are five key components when building dropship capability

1. **Sales Channels (Retailers / Marketplaces / Carts)**
2. **EDI / API Connectivity (Retailers, Warehouses, Shipping Carriers)**
3. **Order Management (Receiving, Confirming, Tracking)**
4. **Warehouse Management (Pick, Pack, Ship, Inventory)**
5. **Shipping Management (Small Parcel, LTL Shipping documents)**
6. **Accounting (Pricing, Invoicing, Receiving Payments)**

There are two ways to build to build dropship capability. Deploy multiple systems (ERP / Accounting system, Order Management System, Warehouse System, Shipping System, EDI / API), Customize these systems and Integrate them. It sounds like reinventing wheel and very expensive and time consuming approach. These is where OPAL Platform bring all dropship functionality into one platform and fully integrated with your ERP and Sales Channels.

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Retailers / Market places

Every sales channel has unique requirements for onboarding, platform integration and testing, order management, delivery speed and accuracy, inventory management, and compliance. Prior to signing up with a retailer, ensure that your technology, processes, order management clerks, warehouse pickers / packers can handle those unique requirements in a given time frame.

2 EDI / API Connectivity

Companies require connectivity to retailers to participate in dropship programs. There are many EDI companies who can provide this connectivity to your internal systems, however, the time and money investment for integration and testing can pose an challenge for many companies. This process can typically take four to twelve weeks and thousands of dollars, and since each retailer has unique EDI / APO requirements, customizing your system for each one is imperative.

Another challenge companies face is cost. EDI companies charge based on a per EDI transaction or a per order for API connectivity. High volume and low order value can cause this model to dimmish your profit for dropship orders.

Speed is of the essence in drop shipping. Most EDI companies run on antiquated technology, leading to high latency rates. It can take hours before you even see customer orders, but in a day and age where retailers are offering same-day delivery, companies require a platform that can keep up with a fast-paced ordering and fulfillment environment.

3 Order Management

The definition of order management has changed with the development of the Dropship models. Not only does processing hundreds of orders manually diminish profit, but it is also highly error prone and slows down fulfillment speeds. Drop shippers typically work with 30+ sales channels, including retailers and shopping carts. Every order may have a different workflow to process and fulfill and takes significant time to train staff.

While many ERPs boast bulk order processing capabilities, they are not designed to handle the complexity of dropship order processing. The eCommerce industry is rapidly changing, and companies require innovative processes to stay ahead.

OPAL is different. Companies do not require trained clerks to manage dropship orders. Rather, OPAL utilizes smart and self-driving technology to process orders without a manual touch. By the time your warehouse employees arrive for their morning shift, all orders are ready to pick, pack, and ship.

4 Warehouse Management

Dropship ordering is synonymous with delivery speeds. With increased expectations of same-day or next-day delivery, if systems are not connected in real-time, it may take hours before the order reaches the warehouse for fulfillment.

While many warehouses and their systems are designed to manage bulk orders with a longer turnaround time, when it comes to dropship order shipping, their processes and systems are unable to handle thousands of small package shipments. The pick and pack process differs by requiring branded packing slips, and at times, custom inserts. That's where OPAL can fill the gap - with a warehouse management capability designed for dropship fulfillment as per the Sales Channel requirement.

5 Shipping Management

Due to the high volume of small packages, shipping efficiency is key. Different channels have different requirements; however, many shipments require return labels to be included. Most shipping software is data-driven but in order to dropship, shipping software needs to be agile to handle shipping label requirements, including providing tracking numbers as soon as possible to retailers.

6 Accounting

Handling hundreds and thousands of small orders can cause an accounting nightmare. Retailers have different requirements on generating and sending invoices. In addition, invoices need to be adjusted for any ongoing promotions. Not only is marking each invoice as paid time consuming, performing a three-way match can be a challenge for many companies.

Building Dropship Solution

The reality is that capturing the rapid growth of the US online dropship industry isn't straightforward. OPAL set out to build a solution to allow brands to create a multichannel dropship solution that can capture that growth potential. There are three key aspects to drop shipping – speed to market, onboarding, and operations.

Speed to market

Speed in imperative in drop shipping. OPAL offers a four-in-one platform that is ready to operate all aspects of your dropship business, including connectivity to all major Sales channels, order management, warehouse management, shipping management, and ensures business readiness. No learning curve is required as OPAL brings the knowledge of how each sales channel order and fulfilment process operates.

Onboarding

Onboarding a new drop ship program can be lengthy, as it requires EDI integration, data mapping, ERP integration, warehouse management integration, shipping system integration, and testing. Wit OPAL, brands can be onboarded in a week or two utilizing a streamlined onboarding system and does not require modifying internal systems.

Operations

With OPAL, brands can expect the platform to take over the day-to-day operations without any manual intervention. With OPAL's smart and self-driving technology, the platform can retrieve orders, allocate inventory, confirm orders, batch orders for the warehouse, update tracking, manage the inventory feed, generate shipping documents, invoice Sales Channels and your ERP. As all electronic transactions are fully managed and process through OPAL, all a brand needs to do is pick, pack, and ship.