



COPPER PEAK
LOGISTICS

THE ULTIMATE GUIDE TO CHOOSING A DTC WINE FULFILLMENT PARTNER

*And Why Outsourcing Beats In-House
Fulfillment Every Time*



Let's face it, the business world is changing quickly, and it's sometimes hard to keep up.

Advances in things like social media and network theory, robotics, solar technology, drones, and AI are creating new fields and new ways of thinking every day. Exciting stuff, for sure—but what does that have to do with the wine industry?

We sometimes think the wine industry marches to the beat of its own drum, and so it is easy to get lulled into a passive approach, simply saying “We’re different, so let’s not worry about what goes on elsewhere.”

But that approach is dangerous. Just look at what our industry futurists have been saying about social media and big data. And who would have thought we needed drones? Think again how valuable all of those are to the wine industry today.

We contend that these advances were because people and businesses were not happy with the status quo, and sought ways to push the envelope and become better and better, creating new industries along the way.

Which brings us to wineries that perform DTC wine shipping in-house. There are many good reasons wineries have chosen to take this approach: Control, cost, special needs, capacity, and so on. But ask yourself: Do these reasons still apply today?

This guide is for wineries ready to challenge the status quo. We want you to take a strategic approach and ask yourself if fulfillment and shipping are really your core operations, or not. If you think they are, we want you to think long and hard, as business is getting more complex and assumptions that were reasonable five years ago are no longer true today.

If you admit that they are not, then you should be prepared to find a fulfillment partner that can truly take you into the future and further secure your DTC sales channel. And while we hope that partner will be us, more than anything we want to give you the tools to find a partner that is a right fit for you.

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EXECUTIVE SUMMARY

Wine DTC fulfillment and shipping are far more complex than winery owners and DTC channel managers first suspect. Challenges can arise internally from fulfillment operations (stock replenishment, labor management, problem-solving, understanding how the carriers work etc.) and from standard business pressure (rising in DTC sales, weather holds, time management issues, etc.) as well as externally from the economy (the current labor shortage, rising wages new regulations, and so on.)

Using an experienced fulfillment partner who understands these complexities and manages them on a daily basis actually increases a winery's visibility, control, and ability to scale while keeping costs down.

However, not all fulfillment partners are created equally. Here we provide a series of questions to ask serious candidates. These can then be used to create a matrix of desirable attributes to aid in the decision process. Special considerations, such as partner size and specialization, are also addressed.

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PART 1:

WINERY DO-IT-YOURSELF FULFILLMENT VS. OUTSOURCING

WASTING TIME? THE ‘TIME SUCKS’ IN WINE FULFILLMENT

When you are not “in” logistics and fulfillment, it’s hard to appreciate how much time they consume.

Here we're not just talking about the time it takes to locate, pick, pack, ship, and deliver an item. (Though that's important too). But actually managing the logistics operation and maintaining control of your own data can be a daunting and time-consuming task. Consider the activities this involves:

- Stock replenishment and transfers
- Order processing
- Picking and packing orders for shipment
- Kitting and assembling specialty orders
- Managing labor costs against service level commitments
- Good old-fashioned problem-solving (putting out those “metaphorical fires”)

Few people realize how time consuming these activities are until they are in the thick of it.

Why do such “time sucks” abound? Typically, it is because businesses are concentrating on their products—as they should. Most of their efforts go into product development and marketing. Fulfillment, if anything, is an afterthought.

But this attitude is precisely what leads to inefficient systems—or lack of any systems whatsoever. Without a good system, fulfillment, customer service, and leadership get tied up just getting the right products to the right customers.

In other words, each and every inefficiency is something getting in the way of more important strategic activities that can actually grow your business. That, in a nutshell, is the argument for taking a long, hard look at fulfillment.

TRACKING WASTED TIME AND OPPORTUNITY

So how can you tell if fulfillment is wasting time and opportunity in your business? Here are a few ways you can begin to get a handle on how much time and effort your fulfillment is taking away from your core activities.

JUST START TRACKING HOW MUCH TIME IS WASTED.

When you measure a problem, you get a true grasp of its extent. Once you start measuring, you will be floored at how much time is wasted on mistakes and old-school practices.

For example, how many shipments are delayed by more than a day because you don't have the labor on board? Or there's a problem with scheduling? How long does it take to stock your storage area? What processes are delayed when you have to pause and solve a problem?

INVESTIGATE WHETHER YOU HAVE 'SYSTEMS' OR 'HEROES.'

In a truly resilient organization, all procedures are documented and tracked. Any qualified person can pick up where someone else left off. In contrast, some operations are led by "heroes" who do everything themselves because they have all the knowledge in their heads. Heroes are great to have...but a problem when they quit, leave, or are otherwise unable to work. It's only then that you realize how much was being done manually.

SEE WHAT YOU CAN OUTSOURCE.

Sometimes, a business will do something in-house simply because no one realized it could be reliably and cost-effectively outsourced. A little research can uncover a more efficient way to do things.

3PLs, for example, have systems in place for fulfillment and logistics. That's what they do. Not only can they bring tons of knowledge and know-how to fulfillment operations, they can guarantee continuity of service and economies of scale.

FURTHER COMPLEXITIES OF WINE FULFILLMENT AND SHIPPING

Outside of the typical, day-to-day operations (and yes, time sucks) that wineries face, there are also several emerging trends that are having a direct effect on wineries that do their DTC wine shipping in-house. Chief among these are as follows.

LABOR SHORTAGE.

We can't stress this enough. There just won't be enough workers to go around during harvest and peak shipping season. Temporary laborers will be in short supply.

RISING WAGES.

When you do find workers, it will cost you more money than before, and that may also mean having to pay your full-time employees more too.

HEAVY REGULATORY ENVIRONMENT.

For example, have you implemented the new Prop 65 warning label, which requires some form of notification on the outside or inside of orders shipping to California addresses? Regulations are changing all the time, and wineries are getting into trouble for not following them.

These trends by themselves create complications when it comes to fulfillment. But there are also a number of seasonal and winery-specific factors that can make things even more difficult, such as:

AN INCREASE IN DTC WINE SALES.

As sales increase, every little inefficiency in your system suddenly becomes a huge, noticeable problem. Imagine: The winemaker did his or her job, marketing did its job, and now the wine club manager is telling you to get ready for a huge holiday shipping season. Do you have the capacity in-house to handle this?

WEATHER HOLDS.

How will you get pent-up demand out the door in addition to clubs and daily orders? You know Murphy's Law will apply and the weather will change. When it does, you winery (and every other winery out there) will have a massive amount of package volume hitting not just internal systems, but carrier networks as well.

FUNCTIONAL REDUNDANCY.

Are you far too dependent upon a few key individuals (the “heroes” mentioned above), and if one of them is sick, it stops your shipping altogether?

TIME MANAGEMENT.

The most precious commodity we all have. What is your personal and professional life going to look like when it is consumed with getting packages out the door on time? Many, many long days.

(For more on these trends, we recommend our eBook “Your Guide to DTC Wine Shipping for 2019 and Beyond.” It goes into these trends in much more detail.)

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AN UNBIASED AND OBJECTIVE APPROACH TO EVALUATING OUTSOURCED VS. IN-HOUSE FULFILLMENT

Wineries that choose not to embrace the services of a 3PL for storage and shipping are typically married to some simple motivations:

“We can do it cheaper ourselves.”

“I don’t want to lose control.”

“I have special needs that can’t be addressed by outside providers.”

These perceptions are certainly common. The question is: Are they relevant? That is, are these good reasons to keep fulfillment in-house? More importantly, are there ways of telling which 3PLs can provide these benefits, so that the question of in-house vs. outsource is no longer an issue?

COMPARING COSTS

Completing a true apples-to-apples benchmark comparison of your internal costs compared to outsourcing is the key starting point. It is important to ensure effective financial analyses using true total costs for warehousing, order fulfillment processing, returns processing, freight, administration, and other functions. These costs should be evaluated on a per-order and per-unit-processed basis.

To arrive at these numbers, we suggest using actual, fully loaded, direct and indirect costs, including labor (recruiting, benefits, payroll taxes, vacation/overtime pay), warehouse space (prorated rent or mortgage expense, utilities, equipment, real estate taxes, insurance), actual freight (including fuel surcharge, trailing accessorial surcharges), software and IT support (including data manipulation, data entry, communications, equipment), and packaging materials. We've found that many wineries, upon doing this kind of analysis, discover that their internal costs are far higher than originally thought.

CONTROL AND VISIBILITY

You don't have to lose control when using a reputable 3PL; in fact, it should be just the opposite. 3PLs are driven to adopt best practices in IT systems, warehouse processing, and customer service. Wineries can take advantage of these investments to provide real-time visibility into on-hand inventory, orders, compliance, reporting, and complete customer detail and history to deliver transparency and peace of mind. If you don't find these services readily available in your review of 3PL capabilities, you need to keep looking.

SPECIAL CIRCUMSTANCES

Good 3PLs are in the business of providing value-added services. Consider them the “we fix it” people whose job it is to find solutions to simple and/or complex problems. Perhaps they can find a way to solve your inventory availability and local transfer problem, or can integrate your club system with the fulfillment and compliance solutions they already support. Put the burden on them to find a solution tailored to your needs.

In other words, the reasons that most wineries outsource fulfillment are not good reasons to reject outsourcing per se, but issues that you should be aware of when evaluating 3PL partners. Some companies will address these issues better than others.

Outside of these issues, here are a few others that will need to be considered and addressed:

SCALABILITY

One of the considerable advantages to using a 3PL for DTC shipping is the ability to scale up when needed, then go away until needed again. The term “scale” of course goes beyond pick and pack order processing capacity. Spikes in order processing can create a trail of associated complexities like returns, redirects, address corrections, and the like...activities that fall under the umbrella of customer service and need to be attended to promptly, thoroughly, and professionally for the benefit of the overall customer experience.

VOLUME AGGREGATORS

One of the financial advantages of using a 3PL for DTC shipping is the ability to take advantage of the provider’s discounts on freight and packaging. As an aggregator of volume, 3PL providers have negotiated aggressive freight rates and packaging costs that create savings that can be passed on to their winery clients. They are typically conducting these negotiations with much greater frequency

than are wineries on their own, and therefore should have the best value proposition.

EXTENDED EXPERTISE

Good 3PLs are experts at what they do, so you should be gaining access to all of their experience and wisdom. They will know the best, most efficient, and cost effective way to store and ship your products. If you have more than just wine to take care of, find a 3PL that can handle products beyond just alcohol.

ADDRESSING THE 'TIME SUCKS'

Outsourcing is, by design, meant to remove headaches and bottlenecks, allowing your internal staff to focus on their core competencies. Your staff is your most valuable asset, so why not have them focused on activities that can move the business forward?

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PART 2:

FINDING THE RIGHT FULFILLMENT PARTNER

EVALUATING DTC WINE SHIPPERS: WHAT TO LOOK FOR IN A STRATEGIC PARTNER

Many wineries have been down the path of exploring fulfillment companies that specialize in DTC wine shipping. There are many of them and they all have their own strengths and weaknesses. With the significant growth and profit opportunity of the DTC wine sales channel, it is important to find a Third-Party Logistics (3PL) company that will give a winery access to best-in-class capabilities.

Most organizations will review their 3PL needs for the following reasons:

- They want to outsource an internal function. It has grown too big, or too hard, and it is not a core competency.
- They currently outsource, but the chosen vendor is not performing up to expectations. This happens quite often, where 3PLs change or have conflicting internal agendas, and performance to their clients suffers.
- There are corporate governance guidelines that require periodic review of vendors over a certain spend threshold. Typically reserved for larger companies and/or publicly traded ones.
- No matter what the reason, it is always helpful to have a list of relevant things to examine when reviewing 3PLs. We like to break these down into considerations of the operational aspects— that is, how the 3PL does business—and the more cultural aspects.

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THINGS TO CONSIDER IN YOUR EVALUATION—THE NUTS AND BOLTS

Let's face it—you outsource DTC shipping to take advantage of a professional 3PL that can do it better than anyone else. At least that is the concept. We have developed this checklist to help you find the very best strategic partnership for your winery, where it may not be one thing, but rather the combination of them, that makes a difference. We strongly recommend creating a matrix of attributes, giving them a priority ranking, and then grading potential candidates.

HOW LONG HAVE THEY BEEN IN BUSINESS?

A very important attribute is longevity. You want and need stability. We have seen many smaller operations come and go due to funding issues, and even some very large organizations needing to rely on continuous rounds of funding to survive. Look for someone that has a solid record of accomplishment over time and is committed to growing the DTC industry. Remember, everyone wants to get into the wine industry today, but very few players really know the ins and outs of DTC shipping.

WHERE IS THE 3PL LOCATED?

This might seem obvious, but where are the 3PL's facilities located? Are they convenient for your staff to drop by for meetings and/or to pick up orders or returns? Is your bulk storage located in a bond facility close to the pick/pack operation? Do they have multiple locations across the country to reduce time in transit and help manage freight costs? Finding someone with the right geographic coverage makes sense for a number of reasons.

WHAT IS THE SIZE OF THE OPERATION?

A good fit is extremely important when looking for a DTC shipper. This is very helpful to have both the winery and 3PL aligned with common goals and interests. Some 3PLs are looking to simply grow as fast as they can, and others that are small may not be well suited to handle a wide variety of services and solutions. (For more on this, see the chapter below “Special Considerations: The Size of Your DTC Wine Shipper.”)

WHAT INSURANCE WILL YOU NEED?

This one is rather simple. All DTC wine shippers should require their clients to self-ensure their products. The only time that becomes tricky is when reviewing the physical location. Some insurance carriers may frown upon a facility that has not been

kept up to date, such as having inadequate fire suppression systems, or an operation that is located in a building shared by other companies that may have hazmat or combustible materials stored on site. Know what you are getting into first.

WHAT SHIPPING CARRIERS DO THEY WORK WITH?

Does the DTC wine shipper have an agreement with only one carrier, forcing you into using that one? If it is different than the one currently being used, you may need to change your front-end eCommerce site and alter the delivery experience tools used by your customers. These are hidden costs and potentially unwanted changes forced upon your customers.

DO THEY SHIP LEGALLY?

Let's face facts. There are DTC shippers that break the rules and ship to states they shouldn't. The notion of wine shipping being legal for an individual is not in keeping with what the Wine Institute advises and/or the small parcel carriers deem compliant. Only a licensed entity can ship wine legally. With far greater regulation in play today, make sure you are choosing a reputable 3PL that will not get shut down for illegally shipping wine.

DO THEY OFFER CUSTOMIZATION?

Does the 3PL have the capabilities to do custom kitting, gifting, and packaging of unique items for inclusion with a wine club shipment? Ask to see samples. These tactics are becoming mainstream for wine club managers as they strive to create differentiation in building their brands. Even if you don't do this today, it is always nice to know there are these capabilities when you need them. (That said, beware vendors who offer too much outside their core capabilities.)

WHAT TYPE OF CONTRACT DO THEY REQUIRE?

A comprehensive services agreement is good for both parties. Ask for a copy to review the terms. It should cover business and legal

conditions, level of services to be provided, and what is required from you as the client. Be wary of any agreement that does not have a short and simple termination clause with or without cause. That is a red flag, even if there are cure provisions designed to handle a dispute.

WHAT TYPE OF PRICING MODEL DO THEY USE?

The wine industry uses rate cards featuring bottle and zone pricing, along with standard services charges for things like receiving, storage, returns, etc. Sometimes a 3PL will give away the standard services charges and eCommerce technology as free. This constitutes a bundled pricing model. While this may be appealing up front, it is not free. The cost of these services is undoubtedly included in the rate card. An unbundled model will charge for the services on an “a la carte” basis, as they are used. A winery can actually manage their cost better using this approach. Remember this—bundled pricing favors the seller, while unbundled pricing favors the buyer.

WHAT ARE THE BILLING TERMS?

Do they bill you every week, bi-weekly, or in arrears at the end of the month? This has a big effect on cash flow for a winery. Do you have online access to billing backup details? A good 3PL should be able to provide you with immediate access to detailed reports at the order level.

DO THEY HAVE A DOCUMENTED IMPLEMENTATION PROGRAM?

A good 3PL will be able to walk you through a written implementation program. This should be readily available for you to see, and should be very detailed regarding the step-by-step processes. This way, nothing is forgotten or overlooked, and the winery can know up front what their responsibilities will be.

CAN YOU GET A DEMO OF THEIR TECHNOLOGY?

Technology can literally tilt the table. Get a demo of the 3PL's client portal to see how easy it is to use and the level of functionality. This will be your primary window into the activities being performed on your behalf. At a minimum, you should expect to see single order entry, inventory updates and queries, low stock notifications, compliance management tools, customer contact information and shipping profiles, returns management, and standard/ad hoc reporting capabilities.

DO THEY HAVE A DATA SECURITY PROGRAM?

Customer lists are closely guarded secrets and considered confidential information. Does the 3PL have a documented data security program? If not, how comfortable are you that they can protect your customers' personal confidential information (PCI).

ARE THEY FDA REGISTERED?

This is no trivial matter for 3PLs. The Food Safety Modernization Act, along with the FDA, is imposing registration of a facility if it handles food-related products. Wine is certainly a food-related product, as are food items that may be paired with a wine club shipment. Make sure your DTC wine shipper is licensed for both.

TWO MORE IMPORTANT CONSIDERATIONS...

At the end of the day, there are two more criteria important to your evaluation. These tend to hit close to home for the wine industry, because we are not just an agriculture business or a beverage business—we are truly a people business.

WHAT TYPE OF COMPANY CULTURE DO THEY HAVE?

Company culture is important to employees because workers are more likely to enjoy their time in the workplace when they fit in with the company culture. Ask the 3PL to define their company's culture. Can they succinctly communicate it? Does it fit well with your organization? A true partnership begins with having a com-

mon ground and speaking a common language. This will manifest itself in a winning customer experience.

WHO DO THEY CURRENTLY SERVE?

The most obvious credential for a 3PL is their current client list. Are their clients similar in size and stature to your winery? Can the 3PL clearly tell you what makes them unique and equally important? Can they tell you what type of client is a good fit? Finding a 3PL that is a good fit and can provide you with exceptional client service and flawless operational success is not hard—just ask for references.

ARE THERE OTHER CONSIDERATIONS?

Ask these questions, and you will be well on your way toward evaluating a DTC wine shipping and fulfillment partner. However, there are some considerations worth going into in more detail. As the market has changed over the years, we have found that some wineries will dismiss a whole range of solutions based on a single factor, or might not even be aware of those solutions to begin with. It's worthwhile, then, to look at the three biggest factors: Size, specialization, and facilities.

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SPECIAL CONSIDERATIONS: THE SIZE OF YOUR DTC WINE SHIPPER

Just like wineries themselves, DTC fulfillment providers are quite different when you take a hard look at them. More times than not, size of the organization plays a big role in determining how they operate and the solutions they can offer their clients.

Here's an analogy: You need to buy a ladder so you can do some work on your house. Do you go to a smaller mom-and-pop hardware store, or one of the big national chains? On the other hand, are you better off with something in between? The answer depends, of course, on what you are trying to accomplish and what your needs are.

The same can be said of DTC shippers in the wine industry. Some are large “big box” operations, some are closer to the mom-and-pop style of business, and some, like Copper Peak, fill the in-between “bespoke” category. Each size has its own strengths and weaknesses.

So size does matter...because fit matters. If you try to use a vendor that is too large or too small, you may find that they just aren't quite the right partner for a variety of reasons.

Let's see how this plays out when it comes to DTC shippers in the wine space.

WARNING SIGNS THAT YOUR DTC WINE SHIPPER IS TOO SMALL

Let's look, first, at organizations that are smaller in size.

Smaller DTC shippers often advertise that they can provide a level of service and customization that you won't be able to find with a larger organization. This is often true. But it also means that they probably work from a single location—most small DTC shippers simply don't have a second or third location for forward staging. They are also less likely to have the resources to invest in the latest technologies for supply chain management, fulfillment, compliance, and so on.

All of the above means that smaller DTC shippers are really better suited to handling small volumes that are less time sensitive. This could be a good choice, then, for smaller wineries just testing the waters when it comes to selling wine DTC, or startups needing a

good first home.

Some signs that a 3PL is too small for you, or that you have grown beyond your current DTC shipper's capabilities, include:

- Limited client services resources that don't have clearly established back-up plans (everyone takes vacations and is out sick, right?)
- Limited technology offerings that may not have real-time reporting, inventory visibility, or exception and compliance management tools
- No data security policies and procedures
- Single warehouse location that prohibits offering forward staging to reduce time in transit
- Capacity issues during peak season
- Lack of true kitting and customization services
- Service agreements that are ill conceived or omit important safeguards

PROBLEMS WITH A DTC SHIPPER THAT IS TOO BIG

A handful of large DTC shippers work exclusively in the wine space and they may not have these same limitations or issues. These companies are impressive, typically serving the medium to large wineries. They have flashy facilities, lots of employees, operations that use certain forms of automation with strict procedures, and in some cases try to be all things to all wineries (Comprehensive Provider).

That said, they also typically have outside investors that have a set ROI requiring minimum levels of throughput and efficiency, which means minimizing things like customization. They can get certain economies of scale but only by forcing wineries into a "one size fits

all” model. Service can sometimes suffer, too.

Again, this might not matter for wineries or organizations where pumping packages out the door is the main focus. Regardless of the size of a winery, the signals that your DTC shipper is too big include the following:

- Client services resources that don’t have the authority or information for quick response times
- Internal department communication that is lacking, creating a “not my problem” effect
- A company culture that is hard to understand or not consistent with your winery
- Capacity issues during peak season; regardless of automation, one glitch can create an avalanche that is hard to recover from
- Lack of true kitting and customization services
- Service agreements that bundle pricing and/or don’t have cancellation provisions, so if things go wrong, there is no recourse for the winery
- You feel lost in the shuffle or not appreciated

HOW TO FIND A GOOD ‘FIT’

Finding the right DTC shipper can be synonymous with the “Goldilocks Theory,” where trying to find the perfect match is important. This means that size alone is not the only consideration, whether we’re talking about the size of the winery or the size of the DTC shipper. The correct fit is what matters. From experience, we can say that the vast majority of wineries can benefit from a DTC shipper that avoids both extremes: Not too big, and not too small.

SPECIAL CONSIDERATIONS: SPECIALISTS, OR COMPREHENSIVE PROVIDERS?

There is a lot of blurring of traditional lines of business these days.

Web designers are advertising content, SEO, and more; tech companies are selling themselves as eCommerce experts; marketing companies are claiming to be tech companies. In this environment, it is natural to ask: Does one look for vendors who offer a comprehensive set of services? Or do you assemble a team of specialists who are best-in-class in their respective niches?

This very issue came up while meeting with a winery prospect not too long ago. They were looking for new ways to grow their business to ensure they were keeping pace with industry growth, and considering the merits of a “one-stop-shop” solution that included not only 3PL services but eCommerce support as well (including web design, server maintenance, marketing—the whole nine yards).

So let’s tackle the question: If you are growing a business, should you turn to a logistics specialist for logistics, an eCommerce specialist for eCommerce, and so on? Or do you go with a firm that provides a comprehensive set of solutions all under one roof? Let’s look at the pros and cons of the “comprehensive” approach versus the “team-of-specialists” approach.

THE COMPREHENSIVE APPROACH

There are a number of services that might seem like a natural “fit” with logistics and fulfillment services: eCommerce, channel management, website design, marketing, and so on. Some companies are catching on and offering the whole suite of services as a way to differentiate themselves.

Pros:

- Researching and contacting the vendor takes less time (the process need be done only once)
- Integration might be less of an issue
- Only have to deal with one company

Cons:

- No one is an expert in everything; additional services may be subcontracted or outsourced from time to time
- Although the company might be best-in-class for one service, it might not be so for others
- Siloed departments could still face communication and integration problems
- Less freedom to shop around if one portion of the solution doesn't work

THE TEAM-OF-SPECIALISTS APPROACH

Vendors who specialize in a narrow set of services within their core competency are much more likely to be best-in-class providers. Service tends to be better, prices more competitive, and technology used in ways that streamline processes. But given the narrow approach of these specialized vendors, several of them will need to be brought on board. Integration can also be a challenge.

Pros:

- Freedom: You are free to choose the solution that fits your organization for each need
- Able to choose best-in-class solutions for each need (fulfillment, marketing, eCommerce, etc.)
- No subcontractors and no “middle man” means less markup, more savings
- Because each vendor specializes, it is easier for them to grow a book of business and achieve economies of scale

Cons:

- Shopping around the various vendors can take time and effort
- Management will have to ensure that vendors can work together
- If data need to be passed from vendor to vendor, the relevant IT systems will have to be successfully integrated

HOW TO TELL A VENDOR IS ‘OFFERING YOU THE MOON’

At the end of the day, most companies are not worried about vendors using one approach or another. They want to find the simplest, easiest way to get their business done.

Vendors are trying to get the most business they can, naturally. There is nothing wrong with that, in principle. But sometimes, in a rush to get new business, a vendor will dabble in services well outside their areas of expertise. You know what happens next: They over-promise, under-deliver.

So what are some red flags that should warn you that a vendor is offering too much?

There’s no discovery process. A good vendor asks questions and tries to get a feel for your business. That lets the vendor figure out what, exactly, they can do for you. If a vendor just offers a price or a package before getting clear on the details, they are selling a service, not a solution.

They can’t say, succinctly, what their specialty is. Let’s face it, when you say “My company specializes in...” it also means there are things it doesn’t do. And that scares some people because they think it means lost business. But the opposite is true: If they can’t say what their specialty is, they either don’t have one, or they are trying to subcontract out a lot of what they do.

They can't say who a good "fit" is. Same principle as above. Not every market is a good fit for a vendor. If they say "We serve everyone..." that's a bad sign.

There's no plan for visibility. Will your vendor let you see your data? How often do they report to you? Are processes mostly transparent? If the answers are "No, not very often, and no," you are headed for problems later on. Having distinct processes in place to provide visibility, on the other hand, is a good sign.

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SPECIAL CONSIDERATIONS: SINGLE OR MULTIPLE SHIPPING FACILITIES?

Not all strategies wineries can adopt when it comes to wine storage, logistics, and DTC shipping are created equal. A good example of this is the question of whether it makes sense to use multiple facilities for shipping.

This might sound like a minor issue. One warehouse or two? Who cares? It sounds like the kind of issue that a shipper or 3PL might worry about, not a winery. But when wineries are the consumer of shipping services, choosing certain services becomes an important business decision. Using facilities in multiple locations makes sense when certain goals are part of your sales and marketing strategy—like increasing customer satisfaction with an improved speed to market, and the potential to save dollars on shipping cost.

MULTIPLE LOCATIONS CAN INCREASE CUSTOMER SATISFACTION

Ecommerce has been around long enough that customers expect certain things. They have grown up in a world where Amazon offers 2-day shipping on just about anything, and “on demand” means, literally, on demand. Amazon has raised the bar even further, moving to next day shipping starting in 2020. But if you have a vineyard in California, there’s no way to ground ship to the East Coast in that time.

Enter forward staging. With forward staging, some proportion of your inventory is sent to a second location that is more centrally located in the middle of the country for storage. When orders are processed, they are packaged and shipped from the location that is closest to the end destination, thus achieving a faster delivery to market. This multiple location strategy allows you to greatly reduce the time in transit for packages (typically reducing East Coast orders from 5 days down to 2 days), and thereby increasing customer satisfaction. This solution also minimizes some of the risk to your product due to weather issues and handling by the carriers.

MULTIPLE LOCATIONS CAN HELP CONTAIN COSTS

True, the above advantages can be had by using air freight, but at a significantly higher cost. Using ground shipping with forward staging can be up to 35% less expensive compared to 2nd Day Air shipping. That’s a significant savings and major impact to your bot-

tom line. (Additional savings can be had as this does not account for fuel surcharges, which are historically charged at higher fees for air service versus ground service.)

So, if you really are focusing on the customer delivery experience as part of your business model, it would be better to use forward staging with ground shipping everywhere in the country. We've had clients tell us this enables them to offer multiple promotions to increase brand loyalty (for example: Shipping included, Add another bottle for only X dollars, etc.), thus encouraging more reorders and helping to retain wine club members.

All that said...

Using multiple shipping locations is not a one-size-fits-all, cookie-cutter solution for every winery. For example, it does require some additional analytical work and planning ahead to make sure enough product is located in each location to prevent out-of-stocks. It is a tool that some wineries effectively use to their full advantage when it comes to managing the customer experience and standing out in the crowd.

THINGS TO CONSIDER WHEN CONTEMPLATING MULTIPLE SHIPPING LOCATIONS

- The greater the number of skus you have, the more complicated it can become. Be careful not to bite off more than you can chew
- Decide if you want to handle club shipments as well as daily orders out of a forward staged location. Focusing only on club shipments can simplify things greatly
- Analyze your previous shipments by ZIP code to determine how many customers will see an improvement in their delivery experience, and which ones can be switched to ground shipping if they have been previously shipped using air

- Remember to add the time it takes to have product moved in bulk to the second location
- Keep it simple—test the waters. Nothing says you can't take a small sample size and see how it works out—either from a customer or financial point of view

...

NOW IS THE TIME TO CAREFULLY CHOOSE YOUR FULFILLMENT OPTION

*As we all know, competition in the wine industry is fierce.
And it continues to accelerate.*

Sure, it's great to have a craft brand experience that wine enthusiasts can enjoy—but when there are literally hundreds of those to choose from, you can't rest on your history, personality, and craft alone to stay memorable and profitable.

This is why we want to help wineries create the best customer experience possible when they sell and ship wine DTC. If the customer receives their shipment in a way that is correct, timely, convenient, and memorable, it will help make for a loyal customer that is happy buying from you again—and referring friends and family.

So, as you start to think about reaching out and evaluating fulfillment partners, we hope you'll come talk to us first. Yes, we can come up with a plan to pick, pack, and ship your wine and other products. But for us, there's more to a successful shipment than simply picking a bottle or a case, packing it, and shipping it. Many options have to be thought through, and many details attended to, just to get the right experience for the end customer.

We take pride in the fact that these activities are coordinated with precision and completed using multiple quality controls, just to ensure the accuracy and timeliness of every shipment.

And we are happy to have our wine industry veterans help you analyze your current business strategy to discover what will work best to achieve your goals. (For example, you can see some of their handiwork in our other eBook, [*Where is Wine Shipping and Fulfillment Going? The Trends You Need to Catch to Grow Your DTC Wine Sales Channel.*](#))

READY TO GET STARTED?

We look forward to hearing from you.

PHONE

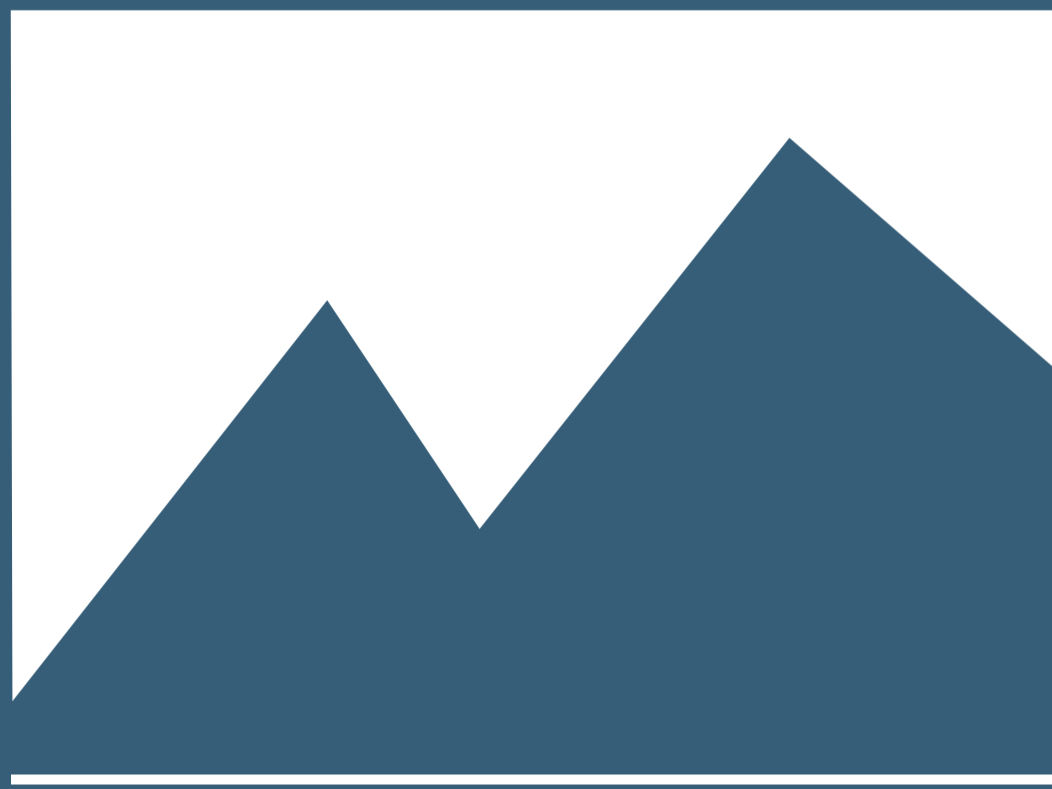
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