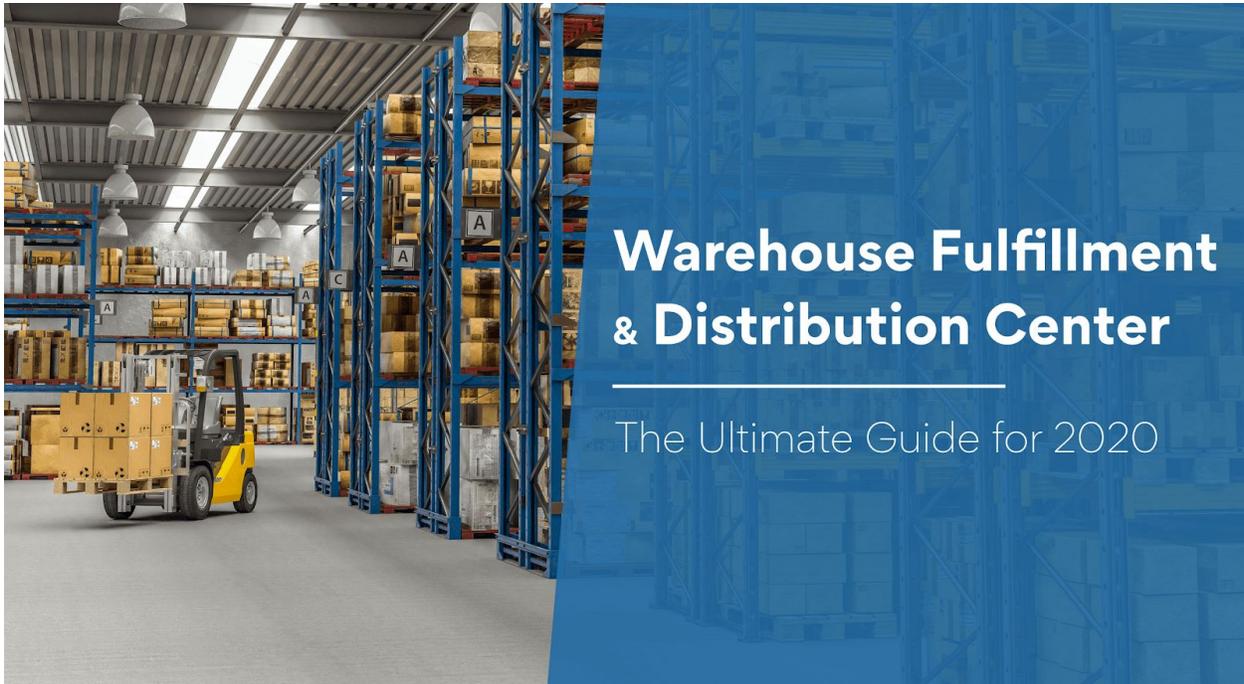


Warehouse Fulfillment and Distribution Center: Learn from the Ultimate Guide of 2020



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Introduction

Learning about a new topic is always engaging, exciting, and full of enthusiasm. It brings up all those questions about the how's and why's and you want to use all your resources to find the answers. Well, that is why this guide is for you.! Oftentimes, it is confusing between warehouses, distribution centers, and warehouse fulfillment centers. People tend to think of distribution centers and warehouse fulfillment centers as an alternative name, a synonym of the warehouse. This is not true at all. In fact, both distribution centers and warehouse fulfillment centers are completely different operating processes than that of warehouses. In this article, we will take a deeper look into these centers, know their pros and cons, and also understand the differences between them and a warehouse.

Textbook Definition and Key Highlights

According to Wikipedia, “**Warehouse Fulfillment centers**” are modern terms for a packing warehouse. The terms were coined in the middle of the 1990s, and "fulfillment center" is usually used about an **in-house packing warehouse**, while "fulfillment house" tends to be used about companies that specialise in **warehousing and packing for others**.

A few large companies that have their warehouse fulfillment centers; such as Amazon.com on the other hand, a few other companies outsource such external fulfillment centers for picking and packing orders.

Key Highlights of a Warehouse Fulfillment Center:

- Stores goods/inventory for a short time period before they get shipped out
- Their duties are a lot more than a warehouse; a warehouse only stores goods
- Focus on dispatching goods to the customers as soon as the orders are placed
- Serve external customers as well, which generally a warehouse does not perform
- Equipped with highest tech as they deal with multiple orders and inventories
- All-in-all, they perform multiple tasks and are best for the current digital scenario

What Fulfillment Centers do?

Fulfillment centers focus on quickly delivering goods to individual customers and offer services often related to this goal in particular. Unlike warehouse, a warehouse fulfillment center is generally operated by third party logistics(3PL) and provides all kinds of services related to operational functions such as inventory storage, freight transportation, cross docking handling and order fulfillment. All the picking and packing is generally done by the warehouse fulfillment centers along with custom packaging(birthday present wraps, gift wraps, etc.) if the customer orders for it. They may also have a dedicated customer service team that handles customer requests for you so that you can focus on more pressing business processes. Warehouse fulfillment centers can also save you on your shipping charges as they typically serve many clients at the same time.

Roles of a Fulfillment Center

As stated previously, a warehouse fulfillment center performs much more activities than a warehouse. Unlike a warehouse that only stores inventories, a warehouse fulfillment center performs inventory storage, picking, packing, and final touch-down to the customer's doorstep. They assist the e-commerce vendors with their shipping and warehousing activities and ease them from physically storing the goods in a warehouse. Well, in other words, they are a one-stop solution to all your picking, packing, and

shipping requirements. OR. You can also say, it is the epi-center or focal point to your inventory and shipping requirements.

There are a few large warehouse fulfillment centers that have spread across the globe by putting their roots down as multiple warehouse fulfillment centers. They believe that by spreading across the globe, they can reach their customers more efficiently and much quicker. Also, they can effectively accomplish the customer satisfaction and order fulfillment in a much better manner.

Warehouse Fulfillment centers are either third party or self owned (such as Amazon.com). How about we understand the step-by-step process of a fulfillment center.

1. 3PL Fulfillment Center

The 3rd Party Fulfillment Model



Image Courtesy: bigcommerce.com

As you can see, the steps:

1. Receive and Record:

You, as a seller, can either be a manufacturer or purchase your products from elsewhere. Either way, after these products are purchased, you need to ship them to your fulfillment center. This way, all your orders are in one place, evaluated, and recorded. Thus, when an order comes through, your products are ready for shipment.

Points to Remember:

- Ensure the fulfillment center catalogues and records your inventory within a day or two, once they receive. This way, your inventory is recorded and ready for sales.
- 'Inventory Shrinkage' is a thing.! Generally, warehouse fulfillment centers have a clause in their contract mentioning about 2-10% inventory shrinkage. So ask them about their data on inventory shrinkage. Inventory Shrinkage is a fancy word for 'loss', 'theft', or damage'.
- Ask for 'real-time' updates. Most warehouse fulfillment centers have real-time inventory data. This way, you will always have a clear picture of your inventory levels, sales, and returns. Also, you will know when to restock it or which products/sales are slower compared to your other products.

2. Fulfillment Center and Store Integration:

Make sure! Always make sure your store is properly and seamlessly integrated with your 3PL fulfillment center. Once they are integrated, your orders will directly reach the center and they will begin the packing and shipment process.

Point to Remember:

- Make sure all your stores are integrated with your 3PL providers. This way, your orders can smoothly flow to the 3PL fulfillment centers.
- Check the delivery timeline and downtime of a 3PL provider before finalizing them.
- Every tech has a few glitches, make sure the 3PL fulfillment center that you have selected, has a strong IT team behind him.

3. Order Placed and Payment Received:

Once the order has been placed, the work of a warehouse fulfillment center begins from there. They begin to pick and sort the orders and work on quickly achieving order fulfillment.

4. Pick, Pack, and Ship:

After the order has been placed, the fulfillment center workers collect the orders and pack them in neat boxes for the pick-up team. They further load the orders for shipment to the customer's address.

Points to Consider:

- Try to find centrally-located or geographically spread fulfillment centers. This way, the delivery time will be reduced drastically.
- Also, search for fulfillment centers that provide same-day deliveries. This way, customers will appreciate your products and given more preference.
- Before selecting a fulfillment center, ask for the downtime or shipment data. This way, you will have statistical knowledge and figures about the provider and their services.

2. Amazon Fulfillment Center

Well, this was for a 3PL Fulfillment Center. How about we see how Amazon fulfillment center (Amazon FBA) works.



Image Courtesy: Amazon.com

The Amazon FBA process is highly simple and easy to understand.

1. Set up your Amazon FBA account
2. Add products and create your own product listings
3. Send your products to Amazon and they will store them for you
4. Once an order is placed; Amazon will pick, pack, and ship them for you

The roles of a fulfillment center are never-ending, they just keep altering, improving, or revamping according to the latest requirements.

Importance of a Fulfillment Center

Now that we have understood the roles and responsibilities of a fulfillment center, let us also dig in the importance of a fulfillment center. You never know, we may learn a few interesting things along the way.!

1. Focus on Growth

If you are too occupied with the order fulfillment process and customer satisfaction, and are not paying attention to your growth or office operations, a fulfillment center is the best option for you. You can handover the order fulfillment to them and look after your growth. As a business owner, you need to devote time towards sales, marketing, expansion, product development, and other important aspects. This way, you know you will be sustainable and durable for a long period of time.

2. Lack of Space

At times, when you as a new business owner come in the picture, you want to start by less investment. Yes, you have to invest in products, and fulfillment center fees, but, you don't have to deal with transit expenses, picking, packing, or boxes expenses. Everything is taken care of by the fulfillment centers. This way, you know you can operate from a one-room office or you can even start by working at home.

3. Geographically Absent

When we talk about geographical location, there can be two situations that we can relate to:

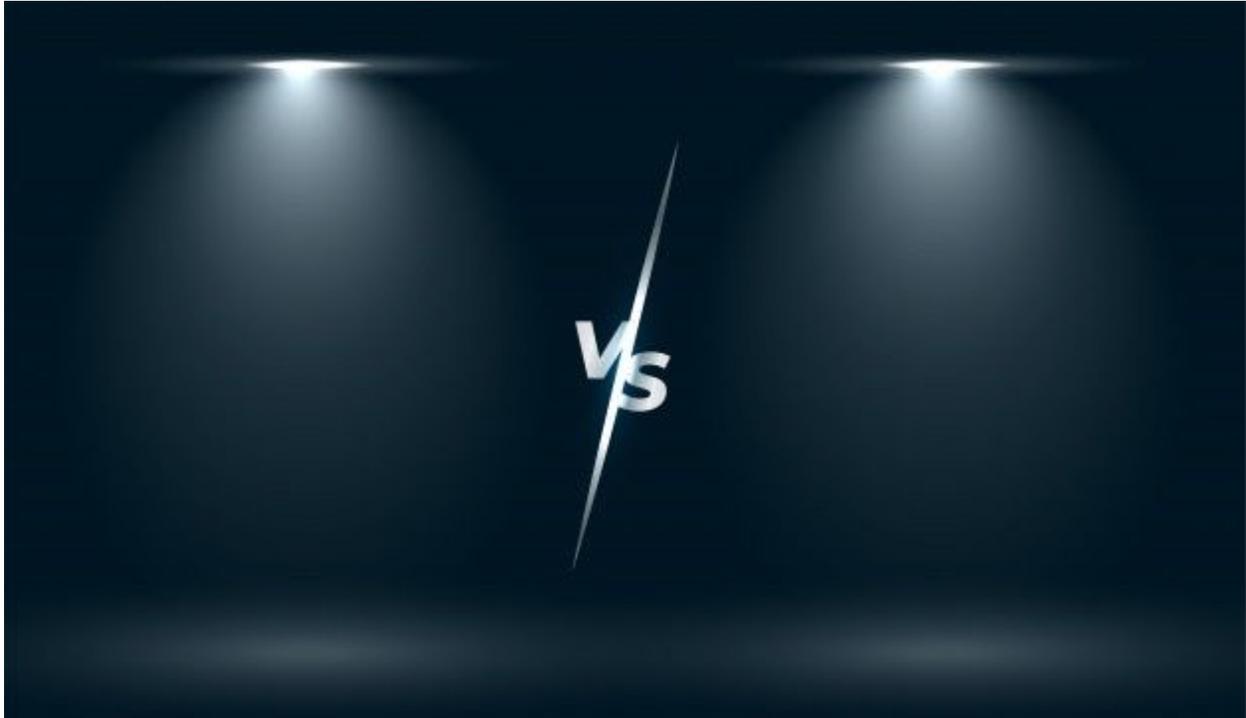
- a. When you reside in a remote location where transportation availability is scarce or next to nil. If this is the situation, the delivery process will be severely affected and delay it. At such times, contracting with a fulfillment center is your best choice. Because, let's face it, customers are not fond of late deliveries.!
- b. When you want to expand and want to cater to almost all cities. In this situation, it is best to hire a centrally-located fulfillment center or a fulfillment center that has multiple outlets spread across the nation. This way, you can reach everyone without hampering your delivery services.

4. Exposure towards Technology

Most of the fulfillment centers are equipped with the latest technology and believe in automation. They provide real-time updates about your inventory and order status. This way, even without the physical presence of the seller, through technology, you will automatically be able to view real-time changes in your inventory. They integrate your marketplace with themselves and also automate their process for a better experience and performance.

It is suffice to say that from a new business owner to experienced or established businesses, everyone can be benefited from the services of the fulfillment centers.

Difference Between Fulfillment Center and Warehouse



The most significant difference between fulfillment centers and warehouses is the extent of their operations and the type of customers they serve. Many readers still get confused between the terms 'Fulfillment Center' and 'Warehouse'. Both almost function in the same manner, thus, the confusion is understandable. But, let us try to simplify it a little bit. Let's hope the differences make it clear that warehouse and fulfillment centers are different.

	Fulfillment Centers	Warehouses
Customers	Fulfillment centers are designed to serve customers directly. Better known to work with e-commerce business and B2C	Warehouse operations generally serve B2B customers

Operations	Fulfillment centers intend to store inventory for a minimal amount of time or till the time they can ship orders directly to the customers.	Warehouse is the storage house of giant stocks of items. Thus, the majority of logistics operations that take place at warehouse concern a freight carrier or an intermodal provider
Goals	<p>The goal of fulfillment centers is to keep a minimal amount of in hand inventory, processing ecommerce orders, and try to get rid of it as soon as possible.</p> <p>Fulfillment centers are not designed for prolonged storage of inventory.</p>	The goal of the warehouse is a safe long time storage solution of your inventory, typically several months to a year.

From the differences spotted above, it is evident that every warehouse fulfillment center can be called a warehouse, but a warehouse can never be called a fulfillment center. This is simply because warehouses don't handle order processing while, on the other hand, a warehouse fulfillment center, even though they can store inventory for a short period of time, handles order processing and customer service at the same time.

Pros of Fulfillment Centers



Focus on core business processes

The responsibility of a fulfillment center is to deliver goods to your customers. By outsourcing this mundane work, your company will likely have more time on hand to focus on core business processes. Not only this, fulfillment centers “fulfills” a lot of obligations that otherwise your business needed to address.

Free up your Inventory Space

If not for a long time, fulfillment centers still offer a pretty decent short time inventory storage option for your main warehouse. This is especially helpful in those sales seasons where you need to meet up with the customer’s expectations, and usually, suppliers are

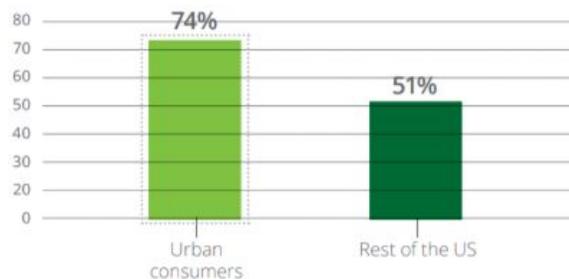
all packed. So, instead of relying on the scheduled arrival of your reordered demanding product, you can have some extra free up shelves to store your most demanding products.

Located Nearby Customers for Short Shipping Times

Staying on top of the business food chain is not an easy task. Especially when your consumers nowadays are starting to believe that same day delivery is important. Same day!!! Yes, you heard me right.

Urban consumers are increasingly using their phones...

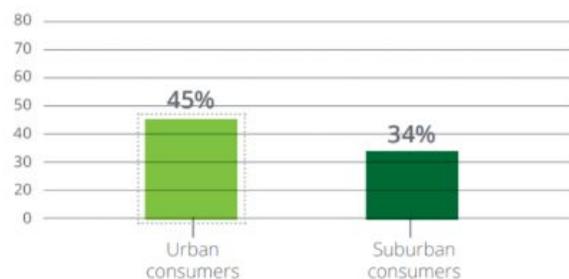
Percentage of consumers who have used their phones to make a purchase



Sources: UPS Pulse of the Online Shopper, Executive Summary, 2017.
Andrew Perrin, "10 facts about smartphones as the iPhone turns 10," Pew Research, June 28, 2017, <http://www.pewresearch.org/fact-tank/2017/06/28/10-facts-about-smartphones/>.

...and expect same-day delivery

Percentage of consumers who believe same-day delivery is important



Source: Andrew Perrin, "10 facts about smartphones as the iPhone turns 10," Pew Research, June 28, 2017, <http://www.pewresearch.org/fact-tank/2017/06/28/10-facts-about-smartphones/>.

Warehouses are located on the outskirts of the city. As such, whenever you receive an order and wish to fulfill it, the transit time, of course, is going to take a long time. Fulfillment centers are located close to the cities and usually have multiple stores operating at the same time. This is a more fast, efficient and effective way for order processing.

May offer a Customer Service Division

Retail business is not only all about sales. But marketing your brand and focussing on customer relationships also. The famous principles of inbound marketing (attract – engage – delight) works like a charm in this industry.

But oftentimes, we need to focus on the business processes so much that we forget about these things. Many warehouse fulfillment centers can serve as your customer service center on the frontlines to ease this burden from your shoulders.

Lower your Shipping Costs

Outsourcing delivery of goods to your customers not only gives you peace of mind and frees up your human resources but also lowers your shipping costs. This is because fulfillment centers don't serve only one client at a time but rather a bunch of clients. Therefore, the shipping cost is lowered.

Hassle-free Picking and Packing

Fulfillment centers not only help in delivering your product to your customers but also take care of all your shipping problems. That includes picking up the inventory from your warehouse and packing it before delivering to your customers.

Shipping Labels and Custom Packaging

When picking and packing are done, shipping labels come into play. For those of you who don't know, shipping labels consist of all the crucial key details regarding the package i.e., receiver's name and address, email, tracking number, package weight, etc.

Now you might wonder, do you need to take care of shipping labels? Absolutely not!

Fulfillment centers are the one stop solution for all your shipping needs. They address your shipping labels duty too. Also, sometimes a customer might request for custom packaging for special occasions. Such requests are also entertained for delightful customer experience.

Will Deal with Reverse Logistics

Retail sales are not always as easy as it seems. Sometimes retailers have to deal with product returns due to transit damage, faulty product, delivery of the wrong item, or simply because the order failed to deliver on time. Consumers nowadays are growing impatient and returns in the retail industry are becoming a bigger issue to address.

One of the advantages of having a fulfillment center for your retail business is that it addresses and deals with reverse logistics. This means, all those mundane tasks of putting the returned products through QC check and refurbishing/discarding them based on the quality check is now done by fulfillment centers.

Lower your Overhead Costs

Handling your order fulfillment by yourself will cost you with fixed overhead costs. Warehouse rent, equipment, indirect labour, etc are the names of the few. As your order volume increases, the cost per order might also go up along with these fixed costs. Outsourcing your order fulfillment to the fulfillment center is a way to escape from those overhead costs.

Cons of Fulfillment Centers



What has its perks has its own cons too. If you are willing to trade off certain cons, a fulfillment center is the right choice for you. Below are the few cons of using a fulfillment center to cater to your order fulfillment needs.

Loss of Control

If you have started your business from ground zero, it may be difficult for you to digest the fact that an entire branch of your business will now be handled by a third party

logistics company. Some ecommerce business owners find it difficult to give control of their fulfillment operations. Ultimately, it requires that you trust your fulfillment partner, that you've done your due diligence to ensure it's a reputable, financially-stable company, and knowing that all of your demands may not be met.

Lack of Customization

It is not uncommon for business owners to want to add some time of customization into their fulfillment process. Say, for example using branded boxes, adding a personalized letter or using custom packing materials. However, when you outsource the fulfillment process to your logistics partner, you have to sacrifice some of the customization.

What Distribution Centers do?

A distribution center combines some of the capabilities of traditional warehouses with few of fulfillment center capabilities. Often located near major markets to make shipping easier, distribution centers are used to store large quantities of your inventory for a short period of time. They have the ability to ship items in bulk to other locations, especially other retailers who may sell your products to end consumers.

Unlike fulfillment centers, distribution centers mainly serve B2B customers. This means that you have a limited ability of shipping directly to your customers. If your primary concern is serving b2b customers and moving your inventory closer to the shipping points, the distribution center is the best fit for you.

Difference between Distribution Center and Warehouse

	Distribution Centers	Warehouses
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<p>Customers</p>	<p>Distribution centers generally serve B2B customers</p>	<p>Warehouse operations although serve B2B customers, but can handle few B2C customers as well</p>
<p>Operations</p>	<p>The flow through a distribution center is much greater than a flow velocity through the warehouse. The operations at a distribution center are much more complex than that at a warehouse. As a result, the distribution centers are equipped with the latest technology for order processing, warehouse management, transportation management etc.</p>	<p>Warehouse is the storage house of giant stocks of items. Thus, the majority of logistics operations that take place at warehouse concern a freight carrier or an intermodal provider</p>
<p>Business Role</p>	<p>A distribution center is a bridge between a supplier and its customers. The role of the distribution center is to meet customer requirements</p>	<p>The role of a warehouse is to store products efficiently.</p>

Pros of Distribution Centers

Deliver Bulks Quantities of Goods from Business to Business

If your business is primarily focused on dealing with b2b customers, you are here for a treat. One of the advantages of having a distribution center is being able to deliver bulk quantities of goods to your customers.

Position your Inventory close to Target Markets

The whole flow of the product is like this. The item from your warehouse goes to your distribution center and from your distribution center goes to different fulfillment centers.

If your business primarily deals with supplying goods in bulk quantities to other retailers who deal with end customers, you should get yourself a distribution center. It's probably going to be close to your target markets i.e. other fulfillment centers.

Ideal for Goods that do not require Finishing and Individual Packaging

Dealing with picking and packing is not so fun to deal with for many retailers. If you are one of them, then a distribution center is a good option for you. Distribution centers don't deal with individual packaging of products, but the products are sent in palettes to the fulfillment centers.

Cons of distribution centers

Less Frequency of Shipping Times

This is more of both an advantage as well as a con. Distribution centers allow you to distribute large quantities of products at one time, but you can't do it more often. The shipping frequency is far less than those of fulfillment centers. That means you need to be prepared in advance on what to ship and what not to ship till the next shipping cycle.

If your business is well structured, normally, this won't be an issue. However, if you feel that you are dealing with unpredictable environments, using a distribution center could be a con.

Little Ability to Interfere Directly with your End Customers

Distribution centers restrict your involvement into the fulfillment process. You can't tweak the customer experience or work with customized packaging, as we discussed earlier in the case of fulfillment centers.

Conclusion

Often confused to be the same, warehouse, distribution center, and fulfillment center are all different based on the scope of operations that they execute. Based on your business requirements, you can choose appropriately. With this, I am summing up the article. Hope I helped you in clearly defining why these terms are different from each other.

Relevant Links:

- [Know more about Amazon FBA](#)
- <https://supplychainminded.com/warehouse-distribution-center-whats-difference/>
- <https://www.fulfilltopia.com/fulfillment-center-vs-distribution-center/>

- <https://www.shipmyorders.com/difference-between-a-distribution-center-vs-fulfillment-center/>
- <https://www.flow.space/blog/fulfillment-center-vs-warehouse/>
- <https://www.efulfillmentservice.com/2017/06/fulfillment-center-defined-pros-vs-cons/>
- <https://www.shipmyorders.com/difference-between-a-distribution-center-vs-fulfillment-center/>
- <https://www.sdexec.com/warehousing/article/21086888/the-difference-between-a-fulfillment-center-and-a-distribution-center>