

In Depth:
DEFINING 3PLS

Thinking about switching 3PLs?

Take the holiday season to evaluate your current solution, define what you need, and make an action plan.

Fast forward to January 2024

The holiday crush is in your rearview mirror. You made it.

The dust is still settling and you're more than likely processing a few (or many) returns, but the fact remains... you made it.

Now it's time to retrospect; to look back at how things actually went. It'll be a while before accounting can deliver financial reports. Your retailer relationships appear to be strong. The IT team says the eCommerce experience was bug-free.

But how about your 3PL?

Heading into the holiday season, you and your leadership team kept wondering: Are we with the right partner?

At that time, you also knew that switching to a new 3PL mere months before Black Friday (or even Amazon's Prime Big Deal Days) was a very bad idea.

But still. You couldn't shake it. Whether your current 3PL is the one you've been with since you graduated to actually needing a 3PL or if it's the one that fit your business at a particular moment in time, you've been wondering.

Wondering, however, is often rooted in a gut feeling. And you want facts. Data.

So let's now fast forward back to now. It's the fourth quarter. You downloaded this guide because you want to use the holiday season to make a decision on your 3PL:

Stick with the status quo or make a move?

We hope the perspectives inside provide some clarity.



**If at any time you
have questions,
we're here to help.**

**Email info@capacityllc.com
or give us a call at
732.745.7770
Option 3**

1. Are you getting what you expected?

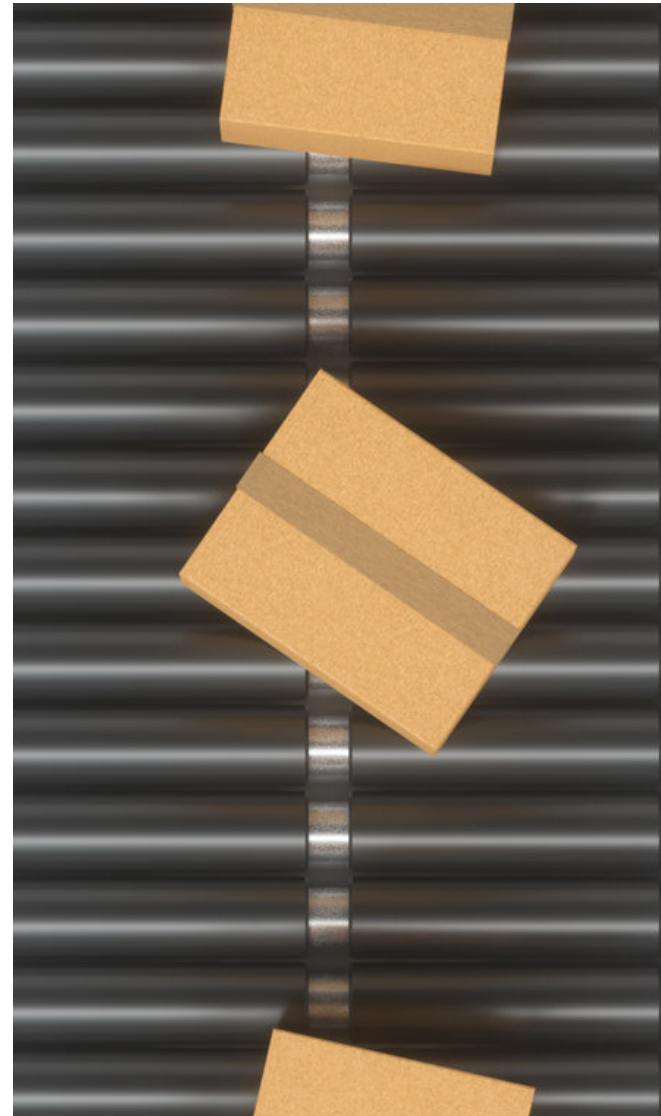
TL;DR: Review your SLA. Is your 3PL making good on it?

At the beginning of your relationship with your 3PL, you likely discussed key expectations that ultimately become the framework for your service level agreement, or SLA. We're talking about things like inbound receipts, order accuracy, daily anticipated orders, peak anticipated orders, standard, weekend and holiday customer order cycle timelines, returns and exchanges terms and inventory management protocols.

And these are just table stakes. Most SLAs include individualized standards, as requested or required by the customer.

The holiday season is an ideal time for leadership teams to review their 3PL SLA against year-to-date performance. Is your 3PL hitting the agreed upon order accuracy rate? Are they updating inventory numbers at the agreed upon pace?

The holiday blitz will either validate what you've learned or show that the gap between performance and expectations is getting smaller – or bigger.



If your 3PL is not setting, meeting and even beating your expectations, you need to ask yourself - and your 3PL - a simple question: **WHY?**

2. How's the level of communication?

TL;DR: When things go sideways, can you get your 3PL on the phone?

Lack of consistent, prompt communication is one of the top reasons brands switch 3PLs. Yes, we all want more efficiency and more automation and more integration, but we also want a call back within a reasonable amount of time. We want that email to escalate even if our rep is out of the office.

Talk to your employees that manage your brand's 3PL relationship. When they experience issues or need support, are they getting what they need or are they getting the runaround? If communication standards have been lacking, the lead up to the holiday season is an ideal time to have a conversation with your 3PL and reestablish communication protocols. Confirm how they handle inquiries and escalations. Do they do it manually? Do they use software? What strategies and safeguards are they implementing for the holiday rush? Establish reasonable communications metrics for between now and the end of the year.

Bottom line, use the holiday season to gauge whether or not your 3PL's communication practices are getting the job done.

It sounds simple, but responsiveness goes a long way in building a strong relationship.



3. What about performance reporting?

TL;DR: 3PL performance data needs to fuel decision making.

Reporting standards and processes vary across the 3PL landscape. On the low end, in which the 3PL is providing your brand with basic storage and transportation, you might get order and inventory reports on a monthly basis, especially if products are slow moving or less time sensitive.

But growing brands require more.

Sophisticated 3PLs offer a variety of data analysis tools including embedded analytics, data warehouses and enterprise business intelligence tools that help you explore and share insights in real time, make better operational decisions and, ultimately, scale customer satisfaction.

You need to be able to track orders and volume by the hour, the day, the week, the month and the year. You need to do it by individual warehouse and department to track performance and make data-informed decisions. And you want a 3PL partner that can help you interpret all of that data.

Before the holiday season goes into full swing, review what data your 3PL provides. Is it insightful? Is it static or real-time? What does your team do with it? Is there data you're not getting that could impact your holiday season?

3PL performance data isn't just about how you did yesterday. It's also about what you can do tomorrow.

4. Are there clues in other data?

TL;DR: Your other systems have a 3PL performance story to tell.

Your 3PL isn't the only source for how well it's performing. There are other data sources (many that you own!) that can shed some light. Take your customer relationship manager, or CRM. It can capture customer satisfaction. If that number is down, investigate. You might talk to customers and learn that the shipment tracking experience isn't up to par. Or maybe that ornate kitting and customized packouts you have your 3PL doing isn't getting the attention it needs.

As you look at all of your data sources, ask yourself: What can this tell me about my 3PL?

Do this now, ahead of the peak holiday season, and have a conversation with your 3PL to ensure that they're stewarding your brand effectively.

You can learn a lot about your 3PL's performance by looking at your other data sources.



5. Take a look in the mirror.

TL;DR: Are you still right for your 3PL?

If you've been experiencing frustrations with your 3PL, it might not be entirely their fault. It might be you. Perhaps you've branched out into different markets that your 3PL hasn't served before. Or maybe customer demand has created a level of volume that they just can't handle. (The opposite could be true too. Perhaps your volume has dwindled and it has become tougher for your 3PL to adequately serve you.)

Ahead of – not during – the holiday season, have an honest conversation with your 3PL. Ask them if you're being the best partner you can be. Ask them if they'd pursue today's version of your company as a client. If you both recognize that your business no longer aligns with what they do really well, exploring other options will benefit both parties in the long run.



**A strained relationship
with your 3PL might
be on you. And it might
be time for an honest
conversation.**

6. Can your 3PL meet your plans to scale?

TL;DR: You've got the capabilities. Does your 3PL have the capacity?

You've got big plans for 2024. New products. New markets. New channels. Now is absolutely the time to talk to your 3PL to understand whether or not they can scale with you.

You need to know how they'll handle more inventory, more SKUs and more orders. Do they have international capabilities? Can their material handling equipment get the job done when volume picks up? Do they have the warehouse automation, pick/pack automation and even robotics that can help you get to the next level? Do they have the right technology, support and integration capabilities that can scale with you? Have they done it for brands in your category?

How your 3PL performs during the peak holiday season can be a good indicator of how it will either support or stifle your scale plans.

A lot of your scale plans depend on your 3PL's capabilities. Is yours up for the challenge?



7. Can your 3PL support your B2B aspirations too?

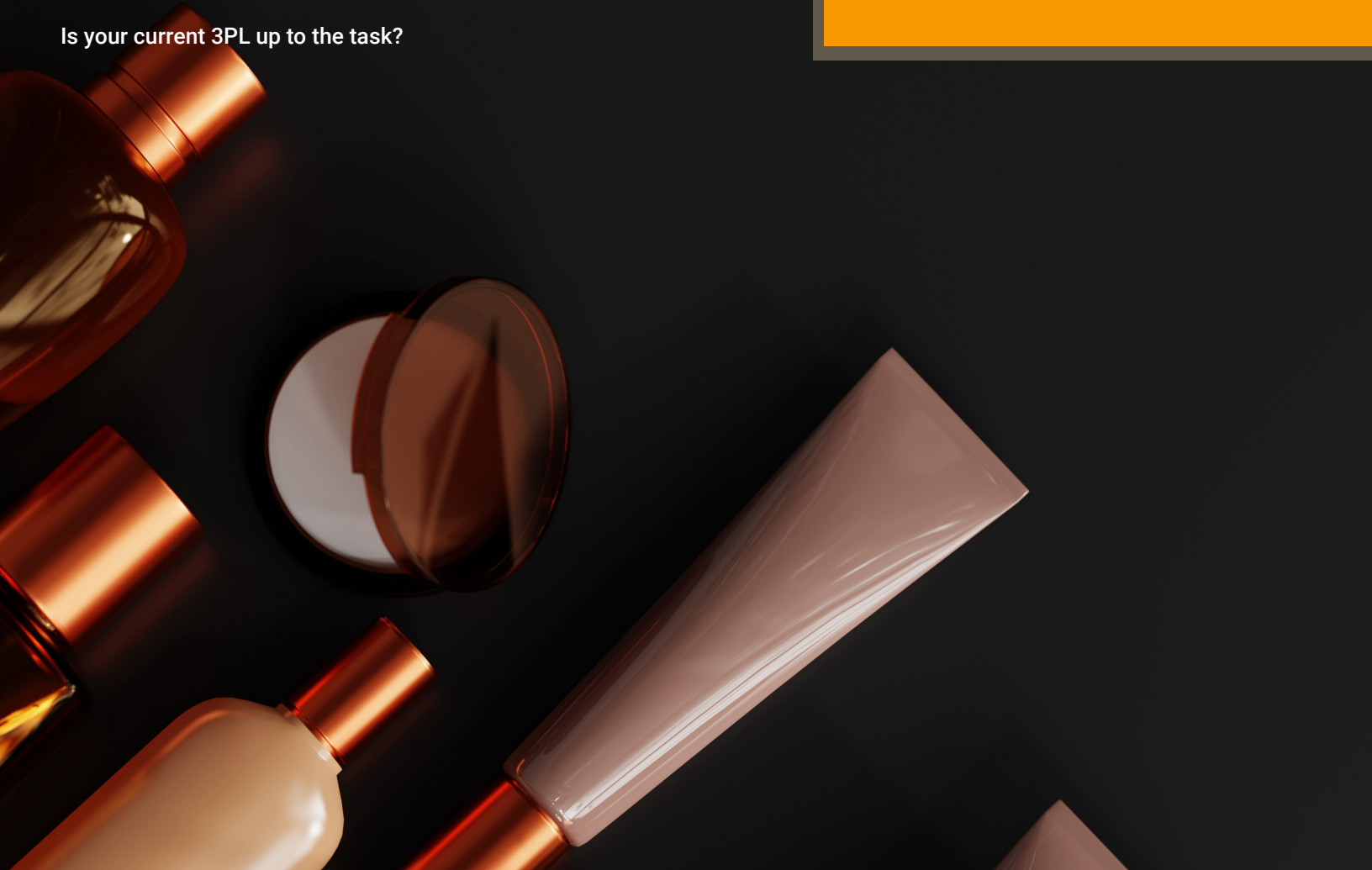
TL;DR: Wholesale fulfillment is a totally different animal

Your current 3PL is killing your B2C channel. But you're spinning up relationships with trading partners to fuel growth. Can your 3PL handle B2B fulfillment and the different complexities that go with it?

By introducing B2B, you and your 3PL now have to consider bulk shipping and related costs, electronic data interchange (EDI), additional retailer requirements, integrations, chargebacks, retailer score cards and more. Said differently, you're not just shipping products to companies instead of consumers.

Is your current 3PL up to the task?

The right 3PL can make all the difference when it comes to building strong, lasting relationships with trading partners.



8. When should you start having conversations with prospective partners?

TL;DR: Now.

All kidding aside, if you've committed to exploring new 3PL partnerships, the holiday season is a good time to start having those conversations. The process isn't instantaneous, so initiating it now can position you nicely for the beginning of 2024 and beyond.

You need to understand your prospective 3PL's onboarding and transition processes, tech stack and in-house IT resources. Can it manage the complexity of your brand and your distribution strategy? What does it outsource? What about its integration capabilities? Can it connect to your ERP or your EDI provider?

All of this criteria building and fact finding takes time. It's best to start the exploration process sooner than later.



Switching 3PL providers doesn't happen overnight. Start the process before the need becomes urgent.

9. What's going to make a successful switch?

TL;DR: Planning, communication, execution.

Defined requirements. Aligned expectations. Clear communication. Systematic onboarding. Disciplined testing.

These are just a few criteria that will make for a successful 3PL switch.

As you transition from sales to onboarding with your new 3PL, you should be assigned a dedicated project management team or point person who will oversee the entire process. Within the onboarding phase, expect discovery sessions, customer management assignments, product assessments and warehouse location and layout optimizations.

And then it's time to get technical. You and your new 3PL will tackle all of the major integrations: your ecommerce platform, your ERP, your EDI, your shipping methods, your carriers. You'll then test each integration. End to end. Multiple times.

As you head into the holiday season, talk to potential 3PL partners to get a sense for how they help their clients make the move.

You want a 3PL partner that's going to make that go-live moment bulletproof.

10. Does your 3PL care?

TL;DR: For growing brands with big goals, they better.

Accuracy matters. Speed matters. Costs and margins matter.

But so does passion. So does experience. So do values.

You want a 3PL partner that you align with – in every way. But beyond taking their word for it, how do you determine all that?

Visit their warehouses. Are they well maintained? How do they treat their people? Where do they eat their lunch? What are the bathrooms like? How's the air quality? The lighting?

Can you do this during the peak holiday season? Probably not. But as you explore new 3PL partnerships, make a point to get to know your potential providers on a personal level.



Work with a 3PL that
is as committed to its
business – and its people
– as you are yours.

Switching 3PLs isn't easy

But with the right information, planning and partnership, it can play a pivotal role in your brand's trajectory.

At Capacity, we get that. That's why we view our client relationships as partnerships. We blend technical expertise, business acumen, decades of fulfillment experience and creative problem solving to propel your brand to the next level. We work with our clients to deliver solutions that go beyond what's expected. And we truly love doing it.

If you're interested in learning more about switching 3PLs or have questions, we're here to help.

Shoot us a note at info@capacityllc.com
or give us a call at 732.745.7770, Option 3 for Sales

Thanks for reading,
The Capacity Team

capacityllc.com
info@capacityllc.com
732.745.7700
Option 3