

A Special Report

EVERYTHING YOU NEED TO KNOW ABOUT 3PL ORDER FULFILMENT

Introduction

This guide will tell you everything you need to know about the valuable business service known as third party logistics order fulfilment (3PL).

It explains what is involved, answers the questions you may have, and explores the considerable benefits of using 3PL to help you run your business.

What is 3PL?

Third party logistics order fulfilment means the use of a third party (another company) to deal with the warehousing and delivery of your products. That company will receive the goods from your supplier, keep records of your stock, store your products and despatch them in response to customer orders.

3PL can also be referred to as 'outsource fulfilment' - in other words, you are outsourcing the order fulfilment and delivery aspects of your business to a trusted company that you appoint. By arranging for this to be managed out-of-house, you can save yourself time, money, stress, and (often most crucially) space.



What sort of businesses use 3PL?

3PL is relevant to any and all businesses supplying physical products that can be ordered remotely (online). It is applicable to online stores and e-commerce businesses of all kinds, from small and medium enterprises (SMEs) to larger organisations. In other words, 3PL is relevant to almost any retail or wholesale business with a website.

Businesses that are likely to find 3PL particularly useful are recent and growing start-ups and small and medium sized businesses with smaller premises, limited storage space and an emerging (and often still simplistic) infrastructure. Such businesses may have fantastic marketing strategies in place, leading to growth in sales, but may lack the infrastructure, space and expertise to manage order fulfilment efficiently, just at a point when the business's reputation is growing (and still vulnerable). When sales expand so quickly that a company's existing infrastructure struggles to fulfil them, the expertise of a 3PL provider will be especially valuable and can help this company continue to succeed and grow.

Many businesses lack the infrastructure, space and expertise to manage order fulfilment efficiently.



Who provides 3PL?

There are many specialist 3PL organisations to choose from. These will be companies with proven experience in warehousing, logistics and order fulfilment. They will, ideally, be well located to receive your products and get them out to your customers quickly and at minimal cost, and they will have effective, tried-and-tested and smoothly running systems for warehousing, despatch and transportation.

Just as importantly, they will be friendly and approachable. The ideal 3PL partner will be willing to learn what your business is about and what makes it unique. They will be able to provide support and advice about the logistics you need. Crucially, they will have the right staff and resources in place to help you deliver. This will be a company with which you feel confident to enter into a relationship of trust. They will work with you seamlessly, communicating effectively with you and your clients, and they will be totally reliable as an agent for you within your overall business strategy.

A great 3PL provider will be agile and switched on to your needs, so that as your business scales, they are there for you with the right logistics solutions. As well as providing a fast and friendly service, they will offer you cost-effective rates so that convenience is matched by sound business sense when you look at costs of sale.



So how does it work?

In simple terms, your 3PL provider will take delivery of your products and record them on its systems. They will warehouse your products and carry out stock control. When orders come in, they will pick, pack and despatch your customer orders.

As a result of well integrated warehousing operations and transportation services, and economies of scale, they can most probably do all this more cost-effectively and efficiently than you could do yourself. Importantly, they will also handle returns for you, conduct quality checks on returned items, and take the correct next steps to return or dispose of the product.



What are the main advantages of 3PL?

There are numerous reasons why 3PL could benefit your business. Primarily, as discussed, the practical handling of your goods is undertaken, from start to finish, by experienced professionals in a dedicated warehouse, within an infrastructure set up for efficient despatch and delivery. This avoids significant costs in terms of additional staffing, warehousing, transportation, risk management and general logistics management. As mentioned above, it also offers economies of scale, because a dedicated logistics firm, handling larger volumes of goods from different client accounts, can perform these functions more cost-effectively than you would be able to do with limited staff and storage space.

Linked to these advantages is the benefit of high security for your products, being stored in a dedicated warehouse rather than in a smaller and potentially less secure space at your own premises. If you are a small business currently coping well with warehousing and distribution but looking to scale up, using a 3PL provider will ensure that you can adapt to increased volumes of sales, and continue to meet customers' expectations regarding presentation and speed of delivery. Ensuring excellent despatch times will encourage repeat business, and affordable shipping rates will lessen the likelihood of 'cart abandonment' where a customer does not complete an online purchase.

Most obviously, outsourcing your logistics to those with expertise in this field will free you up to spend more time on what you do best – developing and designing your products.

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By providing an efficient, cost-effective logistics service, your 3PL provider will prepare you to compete effectively with other players in your field, both nationally and, as you scale up the business, internationally. If you are an SME, with efficient logistics in place you may subsequently be able to enter the arena to compete successfully with known national and international brands.

Is it just a picking, packing and despatch service?

In many cases it is much more than that. Your 3PL supplier should be able to apply their considerable experience in logistics to help you develop more effective processes and strategies. In handling and warehousing your goods, they will be in a position to manage inventory and stock control for you, which in turn helps you adjust your manufacturing schedule. You may arrange for your 3PL provider to conduct quality control checks when goods arrive from your supplier.

Most 3PL providers will run software systems that interface with your own systems, ensuring you remain in control and helping you to monitor the sales rates of different products. In the warehouse, products can be tracked and processed through barcodes applied to their cartons, which increases efficiency and makes errors less likely. Your 3PL service may also conduct stock checks via cycle counting schedules (planned schedules of spot checks in different warehouse zones to enable overall stock estimates to be made).



If you produce fragile or specialist products, rather than having to recruit or train staff with the specific skills required, you can appoint a logistics provider that is experienced in the careful handling of such products. Furthermore, they may be able to assemble composite products such as subscription boxes or specific offers or combinations, through contract packing, also known as kitting. A specialist picking and packing process is developed which ensures your specified set of products is grouped, packed together and despatched as required.

Some companies, such as Speedpac, can also apply your company branding to the product packaging and/or delivery notes, to improve brand awareness and ensure that the customer perception is of a seamless end-to-end process.

Another additional of the best 3PL services is flexibility. Speedpac, again as an example, will process orders for a wide range of item types and sizes, ranging from small envelopes to international shipping containers and mass-market sales campaigns.

Are there particular technologies that help?

Yes. Your 3PL supplier will use a warehouse management system (WMS) that not only enables them to track your products while in their care, but can also interface with your own management software, enabling you to check on real time progress of current orders and data such as stock levels and returns.

A good 3PL supplier such as Speedpac may use electronic data interchange (EDI) software, a technology that employs standardised electronic formats to facilitate communication and data transfer. This can enable two parties to exchange business documents easily – for example, key information about suppliers, warehousing, stock control, tracking and despatch, as well as documents such as bills of materials (BOMs), customs information, invoices and receipts for payment. The EDI will automatically generate and download necessary documents into the third-party company's system, obviating the need to rely on a human administrator and eliminating the likelihood of omission or error. You will need to establish any EDI requirements early on in your relationship with a third-party provider and record these in your agreement or contract.

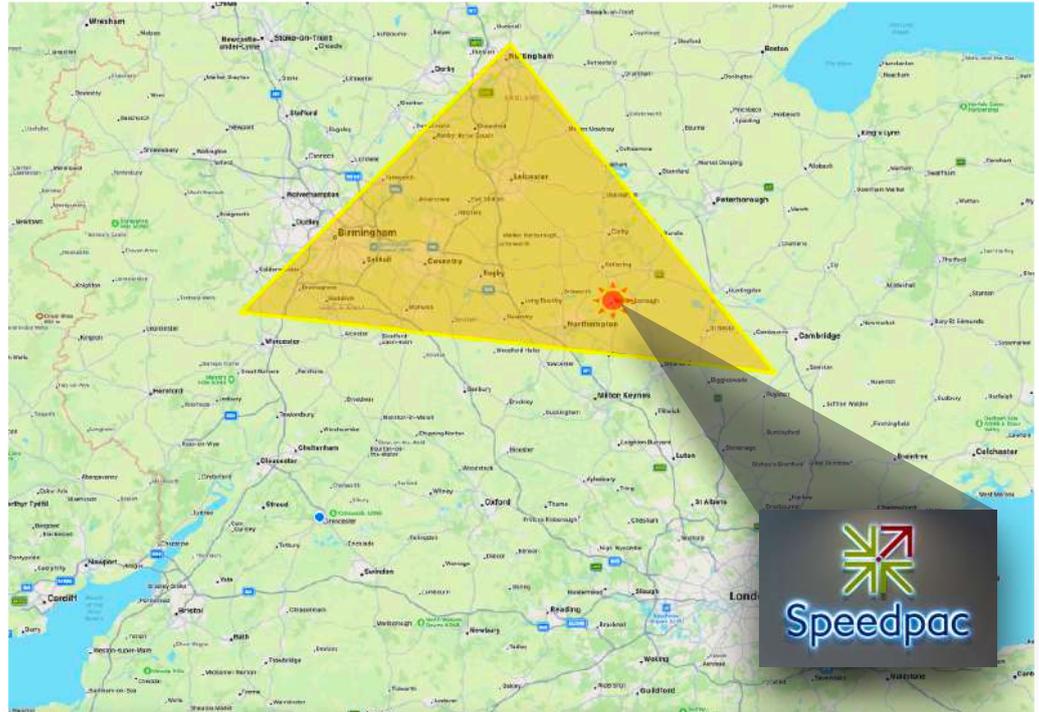
Another technology that your 3PL provider may use to improve their own – and hence your – efficiency is VNA (very narrow aisle) warehousing. This maximises efficient use of space by (as the name suggests) stacking pallets in closely packed units which are accessed mechanically by specially adapted forklift trucks.



Where should my 3PL fulfilment centre be located?

You will want to consider the best location for your third-party fulfilment centre. If you are based in the UK, you are likely to want to consider a company that is accessibly located, ideally in what is known as the logistics Golden Triangle. This is a triangular area of the east Midlands around, and to the east of,

Birmingham. This zone is bounded at its vertices by Kidderminster, Nottingham and Bedford and provides quick access to 90% of the UK population within 3 hours, via the M1, M5, M6 and M40 motorways, the A1 (towards the north and northeast), and the A14 (into East Anglia). These routes also provide ready access to Stansted, Luton, Birmingham and East Midlands airports. Speedpac, based in Wellingborough, enjoys a location near to all these fast routes within the Golden Triangle.



What about out-of-hours orders?

3PL integration with the customers system, (Shopify / Magento etc), means your customer orders can be placed 24/7, as they automatically load onto the 3PL system once they place their order, they are then ready for the pick staff to process as soon as they begin work.



What other benefits might I expect?

Clearly, outsourcing logistics to a trusted partner organisation leaves business owners more time and resources on their hands for developing and marketing their actual products. Some of the obvious benefits of 3PL are outsourcing of costs (for example staff, warehouse rental, equipment, software, packaging, and maintaining delivery fleets). There are also potential savings on certifications, risk assessments, and other overheads.

Quick despatch is one further benefit of using 3PL, with the holy grail of logistics being the 2-day turnaround. When reliably fulfilled, this can reduce 'cart abandonment', increase order value and encourage return customers.

Another potential benefit of 3PL is exemplified by Wellingborough-based Speedpac with its returns management. This includes testing, inspection and sorting of returned goods; reworking/refurbishing where this is feasible (so that they can be returned to stock); and disposal of unsalvageable products.

A particularly useful additional service unique to Speedpac is the benefit of free office space with phones, wifi and a meeting room, enabling clients to use the Speedpac facility as an occasional work hub.

Using 3PL will enable you to check on real time progress of current orders and data such as stock levels and returns.

What about ethical and sustainability targets?

With more pressure than ever on the environment, all good businesses are trying to take steps to reduce environmental impact. One important step is implementing efficiencies and economies of scale, both of which can be facilitated by 3PL. For example, consolidated freight produces lower CO2 emissions than sending smaller consignments in a greater number of delivery journeys.

The best 3PL firms will provide correct and effective recycling of all waste materials. In terms of safety and ethics, they will be covered by certifications such as the British Retail Consortium Global Standards (BRCGS) Certification on food safety and the Sedex Certification in relation to working conditions in supply chains – two further services provided by Speedpac.



What about pricing?

As discussed, outsourcing logistics is likely to present considerable cost savings in relation to volume of goods despatched. The costs are likely to be structured as three separate fees: a handling fee for receipt of products; a levy based on the length of time warehousing the products; and a dispatch fee.

To find out more, contact your prospective 3PL provider or Speedpac on **01933 468180** to discuss our business needs and obtain a quotation.



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Summary

If you run a retail or wholesale business where you sell physical products online, and have limited warehousing space and budget for expansion, then you would do well to consider a 3PL provider.

As experts in the world of logistics, they can take away many of the headaches that can be associated with order fulfilment, leaving you to do what you do best – developing and marketing your products.

**Call Speedpac for a quote on:
01933 468180**

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