The Five "New Rules" of 3PL e-Commerce Fulfillment
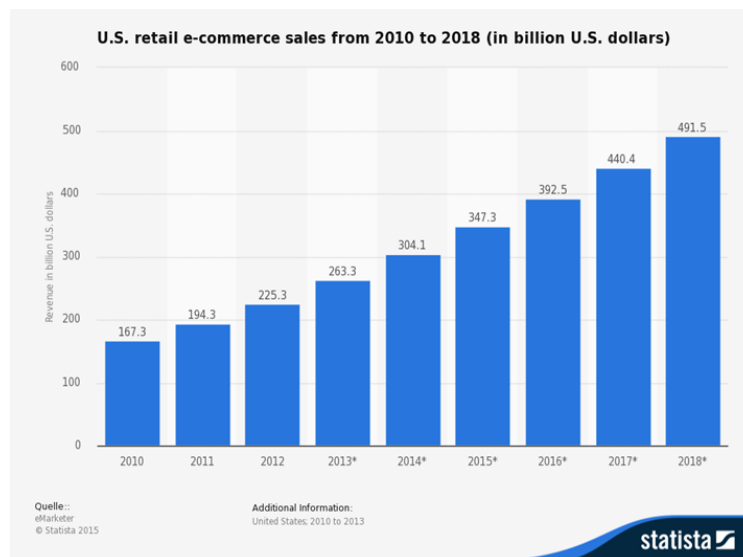
3PL Central

White Paper

The Five 'New Rules" of 3PL e-Commerce Fulfillment

In July 1995, the founder of a little-known start-up called "Amazon.com" shipped their first order out of his suburban garage in Bellevue, Washington. Although he hardly realized it at the time, the act helped mark the dawn of the global industry we now call **"e-Commerce Fulfillment."**

Needless to say, from that moment forward, the growth of both Amazon.com – and e-Commerce fulfillment itself – has skyrocketed beyond anyone's wildest dreams.

Indeed, over the past 15 years, annual U.S. Retail e-Commerce Sales have grown by almost $300 billion. And this pace shows no sign of slowing. According to the U.S. Commerce Department, e-Commerce has grown by nearly 15% in each of the past five years. And it is projected to keep growing by an additional 40% for the next four years beyond that.

U.S. retail e-commerce sales from 2010 to 2018 (in billion U.S. dollars)

Year	Revenue in billion U.S. dollars
2010	167.3
2011	194.3
2012	225.3
2013*	263.3
2014*	304.1
2015*	347.3
2016*	392.5
2017*	440.4
2018*	491.5

Quelle::
eMarketer
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Additional Information:
United States; 2010 to 2013

statista

(Source: www.statistica.com)

As more and more shoppers flock to the web, however, their expectations in terms of service, reliability and delivery have grown exponentially. This factor is already having an enormous impact on you, the 3PL warehouse, and your fulfillment customers, as both of you must now determine how to meet the escalating demands of the online shopping community in an omni-channel environment.

As a third party e-Fulfillment provider you must be perfectly aligned with your customers in terms of both desire - and ability - to meet these increased expectations. The better you can make your customer look to their online clientele - the more your own business will thrive.

According to Forbes Magazine, the latest "Top Ten" of Online Shopper Expectations now includes the following:

Top Ten Online Shopper Expectations

Fast Delivery	Free shipping
Total Accuracy	Omni-channel Integration
Self-Service	Complete Responsiveness
Open 24-7	Authenticity
Money-back Guarantees	Empowerment

(Source: http://www.forbes.com/sites/micahsolomon/2014/08/08/10-trending-changes-in-customers-and-customer-service-expectations/)

In short, today's online shoppers now expect their purchases to arrive faster, cheaper – and more hassle-free – than ever before. And if it takes a drone air force or GPS-enabled same day delivery fleet to get it to them five minutes faster than the competition, then 3PLs (and their customers) looking to stay on top had better hop to it.

The Five New Rules of 3PL e-Commerce Fulfillment

As one might expect, this powerful confluence of surging e-Commerce sales – and surging online shopper expectations – is guaranteed to put your 3PL's fulfillment process under more pressure than ever before.

Today's online shopper doesn't care if you are packing boxes in a 100,000 square foot fulfillment center – or in the back of your own garage.   As far as they are concerned, you and your e-Commerce customers are competing with Amazon and its 100+ fulfillment facilities on every delivery. That may sound harsh. But it is simply the new reality of competing in the modern e-Commerce world.

It should come as no surprise that along with this new reality, there are a whole new set of rules for successfully running a 3PL e-Commerce operation. And, this is why we named this white paper **"The Five New Rules of 3PL e-Commerce Fulfillment."** These five "must-do" calls-to-action are a requirement for any 3PL that wants to compete in today's landscape.

The good news is that those 3PL operators that follow these rules will put themselves in a great position to capitalize on the still-growing – and still quite profitable - e-Commerce industry. The purpose of this white paper is to spell out these rules and explain how they will benefit your 3PL warehouse. It also provides the guidance you need to help your 3PL e-Commerce fulfillment business prepare for future growth.

Today's online shopper expects a fantastic experience every time they place an order. We hope this white paper provides you with the insight you need to exceed their expectations every time.

Rule #1 – 3PLs Must Build Seamless Connections with Their Customers

From the online shopper expecting perfection from the moment they make their first click - to your own customer expecting 100% accuracy in fulfilling their order - there is no room for disconnections, inaccurate reporting or simple inefficiencies. Any misstep along the fulfillment chain could mean a loss of the online shopper and or even worse – the loss of YOUR e-Commerce customer.

With this in mind, Rule #1 is a must. Build seamless connections with your customers' Enterprise Resource Planning (ERP), shopping cart, order management and EDI systems. In the 3PL environment, there are a myriad of options for moving orders, inventory balances, and other critical shipment information seamlessly and quickly between you and your customers. The 3PLs that can accomplish this successfully will have a clear advantage in the e-Fulfillment world.

Such seamless connections begin at the front end of the fulfillment chain facilitating the movement of orders. These could be through EDI providers, shopping carts, order management systems, all of the above - or through a combination of any of these. Such connections are in addition to such "old school" communication methods as inbound telephone calls or manual import and export of data.

In short, a 3PL must have a technology solution that not only provides for the traditional warehouse management system ("WMS") of inventory tracking, but also provides for a full suite of integration capabilities with a broad range of partners.

In addition to having the ability to work with a variety of connections, the 3PL must also support the many ways these connections might work together. At 3PL Central, we have worked with hundreds of 3PL customers handling e-Commerce communications and have seen first-hand the process flows, partners and vendors that work most effectively. There is no one right answer - and some connections and integrations are more effective than others – but in our experience, the most successful 3PLs are those who are prepared to accommodate a wide range of scenarios.

For example, in some instances, a 3PL's customer may have only one shopping cart. In this case, the orders may flow from the online shopper to the shopping cart to the customer – and then finally to the 3PL, where the order is fulfilled and shipped out.

For larger 3PLs (or smaller 3PLs with only one large customer), the 3PL may be required to interface with a range of back-end legacy or ERP systems – as well as with their customers' order management systems and e-Commerce shopping carts. In addition, not all orders and information may pass through the customer before arriving at the 3PL. In fact, many orders flow directly into the 3PL for final fulfillment. In these cases, the information about the order is then sent to the Customer after the fact. So, as you can see, the path of order information may take many routes.

This omni-channel environment has also spurred the use of Retail Drop Shipments, a very hot opportunity for those 3PLs who are ready to capitalize. By supporting Retail Drop Shipping, a 3PL fulfillment center allows their customers to expand their business from the same inventory stock that supports their e-Commerce and Retail Distribution sales channels.

To support orders from multiple retailers/etailers, a 3PL must have a Warehouse Management technology that is able to:

✓ Capture order feeds from multiple retailers and marketplaces (both EDI and API integrations)
✓ Provide real-time inventory updates to these sites, so they always know what product is in - or out - of stock
✓ Print branded materials such as labels, packaging slips and bills of lading
✓ Seamlessly ship on third party carrier and trucking accounts (depending on the order source)
✓ "Push" the final tracking information and/or Advanced Shipment Notices (ASN) back to your customer or the end retailer – or both

For Rule #1, 3PL e-Commerce fulfillment centers should be asking themselves the following questions:

• Are you using the latest – and best - technologies available to connect with your customers? If you can't get the order, nothing else matters!

• Do you have – or can you hire – the IT expertise required to ensure you can connect seamlessly from day one? Stated another way, do you have the technical chops to ensure that all of your customers' inventory, product and order information gets to your 3PL facility as fast and error-free as possible?

• Do you have the capability to offer everything your customers might demand, such as Retail Drop Shipments?

• Is your warehouse management system capable or flexible enough to connect with the wide range of partners and suppliers demanded in the omni-channel environment?

It is critically important that these connections are established properly from the start. Today's "New Rules" demand a frictionless flow of information over the length of your fulfillment chain, and it starts at the point of order. Achieving this standard is a bare minimum requirement for today's e-Commerce fulfillment marketplace.

Rule #2 – 3PLs Must Help Customers Select the Right e-Commerce Engine

All e-Commerce shopping carts are not created equal. And worse still, there are literally dozens of different choices, offering different pricing plans, customer features, volume capacity and administrative capabilities. These include such well-known hosted e-Commerce shopping carts like Shopify, Big Commerce, and Volusion, as well as self-hosted options like Magento.

Even though you do not get to choose your customer's e-Commerce engine, it is critical that 3PLs help their customers get this selection right. As a 3PL, your role is to have enough experience to ensure you can either work with their choice – or counsel them regarding which shopping carts or order management systems work best and why.

Remember, an e-Commerce customer may have only worked with one shopping cart in the past, making that their only frame of reference. As their 3PL, they will expect you to offer a level of domain expertise that far exceeds their own. The last thing they need is an e-Commerce engine that is difficult to work with, provides poor customer service or no help support at all, struggles with high volume transactions (if that's what your customer is anticipating) - or is overly expensive. And the last thing a 3PL needs is an unhappy e-Commerce customer.

Some important questions include:

- Is the e-Commerce engine easy to set up and integrate with?

- How much control will you have over the e-Commerce software? Can it be customized to your customers' unique needs – or is it "one-size-fits-all?"

Those 3PLs experienced with the nuances of shopping cart integrations know that the more control and assistance they can exert over the front end set-up, the more seamless the experience their customer will have in the long run.

- Will your customer have to hire a developer to complete the set-up?

- Is your WMS capable of integrating with the wide range of shopping carts? And can your WMS provider offer any expertise regarding reporting, order management issues, or anything else your 3PL needs to maintain connectivity?

Given the complexity of the issue – and impact it could have on your customers' business, you may wish to consult with your WMS provider. Your 3PL serves as your customers' advocate, partner and real-world link to their online shoppers. The higher your level of e-Commerce shopping cart knowledge – the more likely it is that everyone will succeed.

Rule #3 – 3PLs Must Care for Their Customers' Products as if They Were Their Own

In the world of e-Commerce, many online businesses (Shippers) and etailers never have face-to-face contact with their customers (e.g., Amazon.com). As such, interaction with the web site, speed of delivery and package presentation are the primary factors in satisfying the expectations of the online shopper.

In most cases, a 3PL's customers will handle the web site and their carrier/partners (e.g., UPS or FedEx) will handle the final package delivery. The 3PL fulfillment warehouse, however is directly responsible for satisfying the detailed requirements of the package presentation. This includes everything from the box the item is packed in – to the labeling, the package contents, the neatness of the packing and so on. In the area of package presentation, it is all about the details.

Successful 3PLs must understand and adhere to the highest standards of quality throughout their fulfillment process. E-Commerce businesses live in fear of losing control of their brand presentation process. In fact - it is one of the biggest reasons why some avoid working with a 3PL altogether.

As a 3PL, you must demonstrate to an e-Commerce prospect that you will treat their products as though they were your own. The more you can prove this to your customers and prospects, the greater the chance that they will overcome their concerns and outsource their business to you.

To ensure they are upholding the highest standards, a 3PL needs to ask the following:

- Are you adhering to the levels of your customers' own published guidelines? Are you even aware of these published guidelines – and are they feasible under your current customer agreement?

- Have you established a set of internal processes to ensure all orders are picked, packed and shipped as efficiently, effectively and correctly as possible?

  This is a critically important point. A 3PL has complete control over the physical process of fulfilling an e-Commerce order. How well a 3PL packs its products will definitely effect how well that product is received once it has been opened.

  This means that the entire process - from ensuring that the item is packed neatly to using the correct packing slips, providing the proper return information, making sure instructional manuals are in the box – and using the appropriate branding materials – must be executed to the highest of standards. e-Commerce retailers are fully aware of this – and 3PLs who wants to be successful should be, too.

- Do you offer the possibility of special storage conditions for specific products? Some of your customers' products may require climate-controlled or dust-free environments. Your ability to provide these will help keep you in the running for their business.

- Do you have the policies and processes in place to properly handle huge or unforeseen spikes in demand?

  By its very nature, e-Commerce can experience tremendous volatility in sales. While these spikes are often seasonal or predictable – there's no guarantee that they will be. A single mention on an influential blog could cause one of your customer's sales to skyrocket – without any notification whatsoever.

  It is therefore important that 3PLs already have the procedures in place to process and fulfill such surges before they occur. Such events could be the one time an online shopper buys a product from your customer. Make sure it is fulfilled right.

- Do you have product audit procedures to guard against scams or outright theft?

  Once a package leaves your facility, you lose sight of it. Without a proper audit trail, your 3PL will have no defense if a customer claims a product arrived damaged, incomplete – or not at all.

Like many of the items outlined above, such audit trails not only protect 3PLs – but their e-Commerce customers as well. In many ways, the business of e-Commerce is based on trust. 3PLs should be highly aware of the level of trust they are asking an e-Commerce customer to place in them. Which is why you should strive to over-prove yourself in every way you can. Again, caring for your customers' products as though they were your own is the key.

Rule #4 – 3PLs Must Have Strong Relationships with Their Delivery Partners

Regardless of whether the last-mile delivery is provided by you - or a partner like FedEx, UPS, DHL or even USPS - in the online shopper's mind, the ultimate responsibility lies with one entity – and one entity alone.

Your customer.

Just like an e-Commerce engine, delivery partners are your customer's face with the online shopper. Those shoppers expect every delivery company to fulfill your customers' brand promise right up to their doorstep. And so should you.

As your customers' partner, expert and advocate, it is incumbent upon a 3PL to build iron-clad connections and partnerships with all of your customers' delivery providers. They are a crucial part of your fulfillment chain – even though they are beyond your direct control. Showing your customers how they can track their products all the way to an online shopper's door will definitely increase their comfort level when it comes to outsourcing their fulfillment to you.

To help ensure they are square with the delivery providers, 3PL e-Commerce fulfillment warehouses operators should ask themselves the following:

- Are your systems fully integrated with every one of your delivery partners?

This is important, as the 3PL is the one constant entity along every step of the

fulfillment chain. By integrating with all parties along the chain, the 3PL (through their warehouse management system) – can serve as a back-up in the event a shipment cannot be located.

- How is tracking information being passed between you, the carrier, your customer and ultimately the online shopper?

- Do you have strong relationships with your carriers and local terminal personnel? Are your relationships such that you can request and get an occasional late pick-up or special need fulfilled?

- Do you know which carriers provide the levels of service that best fit your customers' needs? For example, how many provide 2-day shipping to a majority of the population?

- Do you know your responsibility for a wayward shipment, and do you have procedures in place so that you can help track down a wayward shipment for your customer?

  In almost all cases, online shoppers will begin by tracking their via the delivery company's web site. However, if a shipment cannot be found via the delivery provider, the online shopper will contact your customer - the original e-Commerce vendor – who will then turn around and contact you. In such cases, the 3PL must have the ability to retrieve the necessary information and quickly facilitate a resolution.

No matter how well you have architected your back-end systems, problems will arise. These problems are much more difficult to resolve when they occur outside your system. But make no mistake, under the new rules of e-Commerce, today's online shoppers fully expect your customer (and by extension, you) to be able to do so.

Ultimately, of course, when it comes down to providing the answers your customers need, a 3PL must have access to all of their inventory, sales and customer history data in real-time.   A fact that leads to our final "New Rule" of this white paper.

New Rule #5 – 3PLs Must Provide 24-7 Visibility into Inventory and Order Shipment Status Worldwide

As we have seen, today's new breed of ultra-demanding online shoppers now hold every e-Commerce Shipper – be it bricks and mortar or online-only etailers, to an unprecedented standard of service. And everyone needs to be aware they are competing with the e-Commerce industry leader – i.e., Amazon - with every shipment.

If your 3PL wants to compete in the e-Commerce fulfillment business, then you must realize that you are competing with Amazon, as well. If you want to win an e-Commerce Shipper's business, then your 3PL must have the ability to help your customers meet – and even exceed – the standards of every one of their competitors.

This ability revolves largely around the power and flexibility of your warehouse's command center: it's Warehouse Management System. The ideal WMS gives a warehouse the ability to access all of the data flowing through their fulfillment chain quickly, painlessly and accurately. That is because the best WMS programs are already integrated or can be easily integrated with every node along that chain.

Using such a WMS is essential to success in today's e-Commerce marketplace. To ensure their WMS is up to the challenge, a 3PL warehouse should ask the following:

- Is your WMS capable of seamlessly connecting with your entire fulfillment chain?

- Can your WMS provide you with accurate inventory and customer order data in real time? And can this data be accessed 24-7 from anywhere in the world?

- Can your WMS integrate easily with the essential tools, software, platforms and partners of the e-Commerce trade?

- Can your WMS provider offer the level of technical expertise you need to ensure your system is designed, set up and maintained properly?

In short, your choice of WMS will likely determine your ultimate success with e-Commerce. If your WMS was not designed to handle the multitude of challenges involved in e-Commerce sales, then you will be fighting an uphill battle until you decide to find a more suitable program.

Conversely, a well-designed WMS could be the key to winning under the new rules of e-Commerce. Enabling you to tap into the still-enormous potential the industry has to offer. Resulting in better service, happier customers – and higher profits in the long run.

Summary

As we have seen, the New Rules of e-Commerce Fulfillment are a must in the new omni-channel world. And, it is abundantly clear, that for the prepared 3PL, e-Commerce holds enormous potential for those set up to master the process.

The key to this mastery is a powerful, flexible – and instantly scalable - Warehouse Management System. It is the single element that can help 3PLs successfully connect their fulfillment chains, access the information they need – and satisfy your customers' online shoppers.

And today's 3PLs can help their customers get there by following the rules:

The Five New Rules of 3PL e-Commerce Fulfillment

New Rule #1 – 3PLs Must Build Seamless Connections with Their Customers

New Rule #2 – 3PLs Must Help Customers Select the Right e-Commerce Engine

New Rule #3 – 3PLs Must Care for Their Customers' Products as if They Were Their Own

New Rule #4 – 3PLs Must Have Strong Relationships with Their Delivery Partners

New Rule #5 – 3PLs Must Provide 24-7 Inventory and Order Shipment Visibility Worldwide

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3PL Central provides world-class WMS Software for every kind of warehouse. Our products are the most powerful – and the most affordable – Cloud-based WMS solutions on the market. They help our users run more efficiently, satisfy their suppliers, customers and partners and stay ahead of the competition – all for a price starting at less than $500 per month.

Our offerings include both our feature-rich 3PL Warehouse Manager WMS - the first Cloud-based WMS ever developed for the needs of 3PL providers - and our Red Rock Warehouse Manager WMS, the perfect solution for Retailers, etailers and Manufacturers worldwide.

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- *http://www.forbes.com/sites/micahsolomon/2014/08/08/10-trending-changes-in-customers-and-customer-service-expectations/*

www.statistica.com
- *U.S. Retail e-Commerce Sales From 2010 to 2018 (in billion U.S. dollars)*