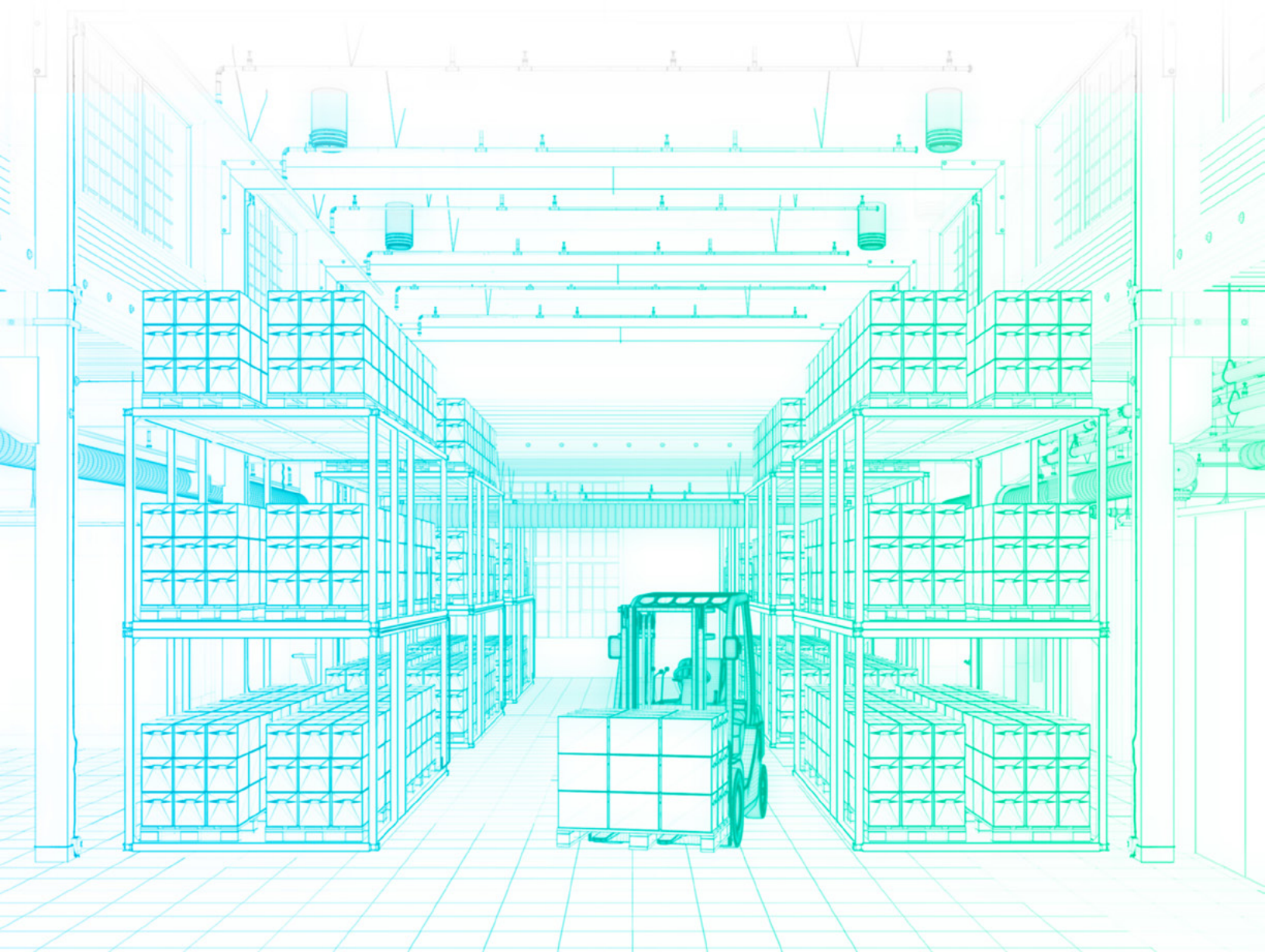
3PL Central

2019 STATE OF THE THIRD-PARTY LOGISTICS INDUSTRY



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The Year of 3PL Warehousing Operations: How To Leverage Technology to Succeed in 2019

The world of 3PL warehousing is quickly evolving. What was required for your 3PL customers last year may not be what they need this year. How does the supply chain and logistics industry meet these new complex challenges head-on while keeping up with customer needs, maintaining efficient operations, and staying competitive? It may seem simple but many 3PL warehouses may not know where to start - The answer is leveraging the right technology.

Implementing new warehouse technologies isn't something for the "big guys" anymore. It is a necessity for all 3PL warehouses looking to grow their businesses and offer meaningful ways to better serve their customers. Whether it may be through providing more visibility into their inventory, offering more value-added services for them to succeed, or keeping up with wherever the market is going.

In our 2019 State of the Industry Report, we will be focusing on the year of 3PL Warehouse Operations and how leveraging technology will play a crucial role in overcoming five challenges across the warehouse.

Challenge 01

Warehouse Expansion and The Labor Shortage

> **"People are the best asset for every warehouse looking to expand in 2019, with an expected rise in headcount of 33% this year. What is your 3PL doing to attract, develop, and retain your workforce?"[1]**

The Challenge:

With enormous growth opportunities for the 3PL industry, the ability for warehouses to attract new talent will remain extremely competitive throughout the year.

This is especially true with the rise of ecommerce and omnichannel fulfillment which can be labor intensive for smaller to mid-sized 3PLs, pressuring them to hire more workers. The market will also continue to see larger warehouses or Amazon fulfillment centers investing in staff and offering more hourly pay than smaller 3PLs, compelling warehouse staff to switch, and warehouses to raise wages.

Hiring isn't the only issue. Warehouses also need to have a plan for how to retain qualified workers - especially after they have trained team members on the ins-and-outs of **warehouse operations** and technologies.

How do 3PL warehouses not let the shortage of qualified workers be a burden to their businesses?

The Impact to 3PL Operations:

3PL Operations Managers must find ways to increase speed, accuracy and productivity without hiring new workers. Additionally, they need to find ways to improve the learning curve for existing employees and new hires without impacting the bottom line. This scenario is all too real for many 3PLs looking to expand their value-added services to increase customer satisfaction without dipping into warehouse profits.

The Solution:

With the labor shortage continuing into 2019, keeping workers is imperative for warehouses to remain successful. Once staff are fully trained and operating at full speed, a warehouse needs to continue to develop talents and retain their employees. Offering clear paths for career growth is an easy way to ensure that employees not only understand the value on continuous improvement but the value warehouse management places on them as well.

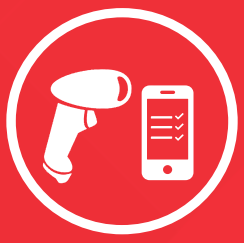
Intuitive **warehouse management software** is also a must for warehouses looking to grow their earnings - especially if new headcount may be hard to find. 3PLs need technology options that are easy to use to manage inventory, automate routine tasks, and deliver complete visibility across the warehouse. 3PLs have solved this by investing in a comprehensive WMS that provides technology best practices, offers a wide range of new services to customers, and enables 3PL Operations teams to automate workflows - from picking, packing, shipping and beyond. As an added benefit, implementing a comprehensive WMS provides better ROI and offers better scalability in the long run.

Development Opportunities:
Do you have opportunities for employees to receive the latest industry publications, access to blogs, learning collateral, attend conferences or workshops?

Learning Culture:
Are experienced warehouse staff taking the time to share their knowledge with new hires or seasonal workers?

Paid Internships:
Have you considered paid internships for college students or those looking to change their career path?

Training Programs:
Are you taking the time to train employees on existing warehouse technologies to enhance productivity?



Challenge 02

Ecommerce and Omnichannel Customer Experience

"What is Omnichannel Commerce?"

> **"Omnichannel Commerce is a multichannel approach to sales that seeks to provide customers with a seamless shopping experience, whether online from a desktop or mobile device, via telephone, or shopping in a brick-and-mortar store. It is expected to grow from $2.99 Billion in 2017 to $11.01 Billion by 2023."[2]**

The Challenge:

Ecommerce and omnichannel sales in the United States continue to surge. In 2018 alone, these channels grew by nearly 14% to $506 billion[3].

For 3PL warehouses looking to expand into these marketplaces, there is ample opportunity for growth. However, it can present some operational challenges if your warehouse is not set-up to accommodate ecommerce specific workflows.

In many cases, 3PLs find themselves entering into this elusive marketplace not as a growth strategy but due to customer demands. It will require investments in technology and equipment but it can also lead to extreme growth opportunities.

Whether your warehouse needs to evolve to ecommerce or omnichannel services due to "luck" or through strategic insight, how do you maintain operational efficiency in this new paperless world of online buying?

The Impact to 3PL Operations:

Fulfilling ecommerce and omnichannel orders requires a 3PL warehouse to flawlessly automate labor-intensive tasks while offering data accuracy for high volume orders. These include:

- Automating order entry 24/7 with direct integrations to ecommerce shopping carts, and inventory sync to avoid out-of-stocks
- Utilizing mobile scanning technology to offer 100% real-time data accuracy across all warehouse functions
- Ensuring that thousands of "individual piece or pallet" orders are picked, packed, and shipped quickly and accurately
- Automation of small parcel packing and label printing for orders that offer hands-free options without leaving the WMS

The Solution:

For warehouses looking to take full advantage of the rise of ecommerce and omnichannel fulfillment, they must be willing to transform their facilities to include paperless workflows. Eliminating manual processes will not only boost efficiency but it will also reduce manual errors and ensure that warehouses better serve their customers.

The best way to ensure accurate picking, packing, and shipping with every order is to use an **intuitive WMS that offers paperless features** and hands-free services, such as mobile barcode scanning, for daily warehouse tasks and routines.

Whether a warehouse is looking to use consumer-grade devices or rugged scanners to withstand the conditions of the warehouse, they'll need a WMS technology backbone that streamlines hands-free receiving, putaway, and inventory management. With the expected increase of order volume, a truly automated WMS should also help with paperless picking, packing, and shipping labels and offer step-by-step instructions for even the newest of employees to follow all from the scanner device. Complete hands-free workflows will increase speed, efficiency, and eliminate manual order entry.

Learn the Five Must-Have Integrations Your 3PL Needs to Profit From Ecommerce Fulfillment

Gen Z has arrived! Over 3 billion strong[4] with $100 billion+ in purchasing power – and they will change how your customers do business forever.[5] To learn the five must-have integrations your 3PL needs for ecommerce fulfillment, **check out our blog**.

> **"Moving forward, 3PLs must continue to adapt to the change presented by the growing ecommerce market. Capitalizing on innovative ways to address the notable transformations and challenges that ecommerce presents will continue to ensure a successful and relevant logistics management company. By embracing the various modifications in supply chain management that ecommerce brings about, 3PLs can continue to serve retailers in these modern times."[6]**

Challenge 03

The Rising Pressure to Increase 3PL Profitability

> **"The economy is still growing, but experts see uncertainty ahead for shippers and 3PLs, caused by tightening transportation capacity, the electronic logging device (ELD) mandate, and the service demands of the Amazon era. You used to ship high volumes of goods on a low frequency, and ecommerce has flipped that to low volumes on a high frequency."[7]**

The Challenge:

3PL warehouses have always been at the mercy of issues over which they have no control. Fuel prices, labor costs, facility rental rates, weather events, and increased competition. In some cases, it can also be a customer who is demanding more for less.

To ensure a 3PL's profitability doesn't dip during non-peak seasons, they need to have billing procedures and workflows not only in tiptop shape but also automated. Without automation, billing can be laborious when managing multiple customers and, in many cases, 3PLs are already under billing for services they are providing for their customers.

That said, what can warehouses do to increase profits with automated billing practices and ensure growth in 2019?

The Impact to 3PL Operations:

A Warehouse Operations Manager's number one priority is to run an efficient business that is also highly profitable. They must be able to accurately track daily tasks and value-added services being provided – and bill them properly per customer. This can be extremely difficult in a paper or Excel-based environment which don't offer automation for different customer workflows or billing schedules. Manually updating billing can take weeks. Growing warehouses need to easily bill customers and receive payments quickly.

The Solution:

Every 3PL needs the ability to easily track hidden operations costs and charge their customers appropriately. Having a **3PL-centric solution for billing** is a must for any warehouse working with multiple customers who needs to maintain separate billing schedules. It is also important that this solution be proprietary or through a seamless integration from the accounting system to the WMS.

In today's world of the "customer is always right", 3PLs need to have warehouse technology that helps them track all charges so they can easily share invoices with their customers on a moment's notice. From freight and storage charges by customer, handling fees, assessorial charges, or even value-added services for custom labels, packaging, or kitting, warehouses need to be able to quickly identify recurring charges. But most importantly, integrated billing with a WMS will reduce billing time to hours, not weeks, and generate invoices in minutes that can be sent electronically or through direct integrations with your accounting software.

Challenge 04

Increased Competition & “The Amazon Effect”

> **"Amazon's ecommerce sales in the U.S. reached a staggering $258.2 billion in 2018. That means the company is expected to capture nearly half of the U.S. ecommerce market."[8]**

The Challenge:

The lucrative fulfillment industry has attracted a host of new entrants, from lean startups to pop-up fulfillment services to hungry new 3PLs. But the obvious risk for today's warehouses is Amazon.com.

Their relentless innovation and aggressive cost-cutting will continue to force retailers, shippers, and 3PLs alike to dramatically increase their efficiency to remain competitive.

"The Amazon Effect", which is the ongoing evolution and disruption of the retail marketplace for both online and physical outlets[9], continues to impact the logistics industry as consumers now expect a frictionless and immediate buyer's journey - all for less money. While this can pose a threat to some warehouses, it can also be a driving force for warehouses looking to expand their ecommerce services. In order to take advantage of these growth opportunities, warehouses need to be prepared for the **digital transformation and integrations of systems to help make customers happy**.

How do today's 3PL warehouses, looking to partner or compete with Amazon.com, build a collaborative technology backbone to help better serve their customers?

The Impact to Warehouse Operations:

Warehouse Operations Managers must be able to help customers compete, or in some cases work together, with Amazon – without raising warehouse prices. 3PLs need to be able to adapt without the risk of losing customers to a lower-priced competitor. Therefore, it is imperative that 3PLs serve their customers wherever, and however, they sell – online stores, marketplaces, retailers, etc. - and connect to those systems for order, inventory, and shipping management.

The Solution:

3PL warehouses who offer Seller Fulfilled Prime[10] services or have an alternative to Fulfillment By Amazon (FBA) to reduce customer costs, need to have a fully integrated WMS solution to help customers regardless of where and how they sell.

Serving as the backbone of a 3PL's entire infrastructure, a comprehensive WMS will achieve increased efficiencies for Direct-to-Consumer (DTC) fulfillment by automating orders, creating hands-free picking and packing, shopping for the best shipping rates directly from the WMS, and printing small parcel labels - all in one seamless workflow, no guesswork involved. This eliminates manual input, and opens the 3PL to offer and charge for more value-added services in the warehouse. And this means satisfied customers. Happy customers mean return and referral business and ultimately the opportunity to successfully grow a warehouse's profitability.

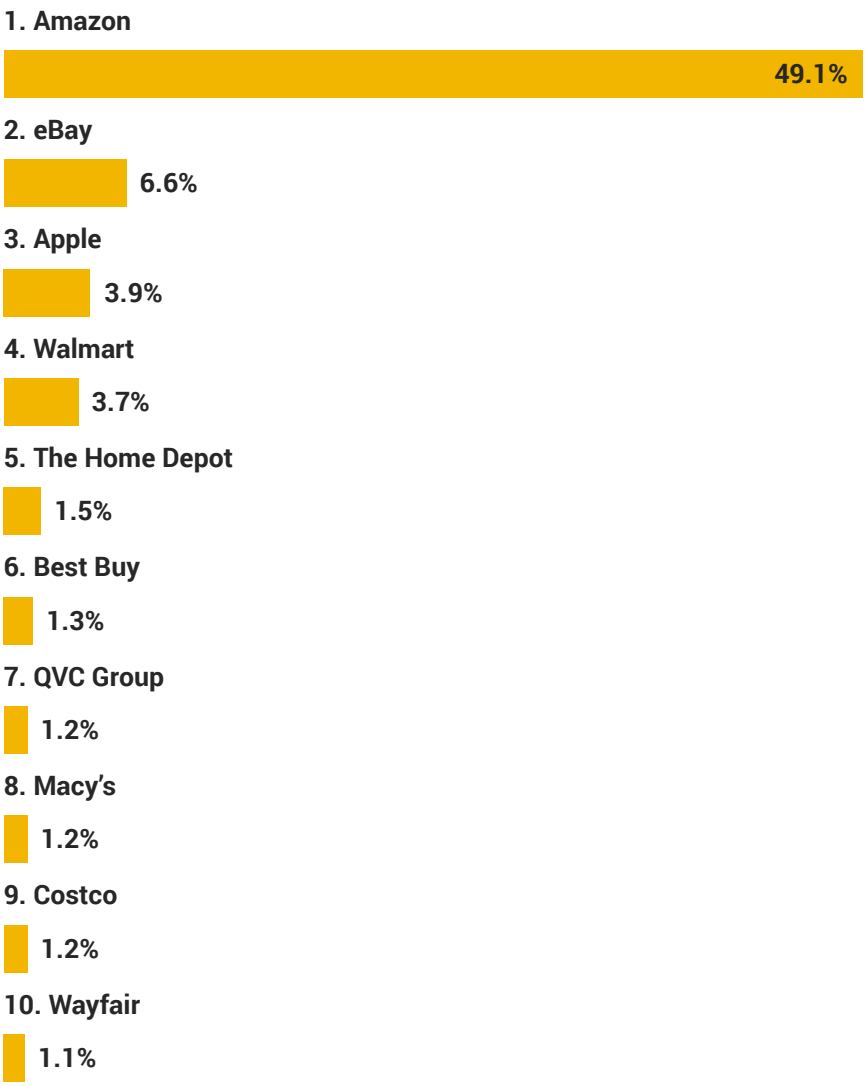
In order to be a 3PL warehouse customers love, warehouses need to partner with technology providers who can focus on implementing comprehensive and intuitive solutions. Having a collaborative platform to manage integrations with shopping carts, EDI, OMS, and anything and everything in between allows warehouse staff to focus on better serving customers.

More importantly, warehouses need to work with technology partners who offer best practices and can help streamline operations. With "The Amazon Effect" in full swing, 3PLs are going to need to automate as many workflows as possible. While warehouses have traditionally done "whatever their customer wants", those looking to grow are going to need to scale warehouse operations with their technology partners so they can pass best practices along to their customers - saving both time and money for the 3PL.

> **"A lot of what's going on in the 3PL business is because of the Amazon effect, because customers are so reluctant to pay for shipping and expect two-day service for free."[11]**

Top 10 US Companies*, Ranked by Retail Ecommerce Sales Shares, 2018

% of US retail ecommerce sales



Note: total US retail ecommerce sales=$252.69 billion in 2018, top 10 companies' sales share=70.1% of total retail ecommerce in 2018; includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets; *excludes privately held companies

Source: eMarketer, July 2018

Challenge 05

The Demand to Improve Warehouse Customer Service

> **"Supply chain used to be a function. Now it is a value-add, and it is fundamental to your customer's experience. It has gone from a box hitting a location to delivering an outcome."[12]**

The Challenge:

Enabled by mobile shopping, lower costs, and infinite options, today's consumers are king. Meaning every retailer has to do whatever they can to keep them happy – or risk losing valuable customers.

The ability to offer full transparency and open communication starts with the **flow of data available to warehouse customers**. Today's Operations Managers not only need to pay attention to operational data and tasks happening on the floor but also what data is being delivered to customers from office staff.

With 3PLs quickly moving away from paper-based and often error-prone reporting, the need to develop and implement a plan to share data with customers isn't simply creating a solution for today but a long-term plan that requires insight and warehouse technology collaboration.

How are 3PL warehouses building their digital strategies with full visibility in mind for their customers?

The Impact to Warehouse Operations:

Today's 3PLs must ensure their warehouses deliver a higher level of visibility to customers. This entails data reporting and analysis, automatic notifications of key events, and a permission-based web portal. Warehouse operations need to commit to delivering complete visibility to their customers and, in some cases, the consumer to offer peace of mind when tracking every order, item, transaction, or notification. Offering real-time information to customers, available to them 24/7, will set a 3PL apart from the competition and help attract and retain customers. Unlocking the data already available in a 3PL's WMS and other systems will become a requirement to offer customer satisfaction, more efficient operations, and the ability to grow faster.

The Solution:

Warehouses must not only solve for current customer pain points but also have the vision to focus on the future needs of their customers. This starts with determining a 3PL's "system of truth." This platform is usually a warehouse's WMS where all systems can connect into one central location whether that be through data imports or automation via EDI and API integrations.

Next, Warehouse Operations Managers should analyze reporting, notifications, data, and workflows currently being shared or used with customers. In most cases, 3PLs will find commonality in the information provided and potentially find what data offering or processes are setting a warehouse apart from competitors.

Once the data and workflow evaluation is completed, 3PLs should work with their technology partners to build out best practices for core offerings, reporting, and communications. Standardizing information and offering fewer customizations will allow warehouse staff to be more efficient, reducing risk for mistakes, and providing better support.

Given the enormous number of tasks, customers and external partners, today's Warehouse Operations Managers must use a fully integrated technology backbone like a cloud-based WMS if they are to deliver complete visibility into their warehouse operations.

> **"Just having satisfied customers isn't good enough anymore. If you really want a booming business, you have to create raving fans."[13]**

Conclusion

Success in 2019 is imminent for 3PLs when leveraging **a technology backbone for warehouse operations**. Letting customers manage and market their business, 3PLs to focus on fulfillment, and WMS partners to manage technology creates a scalable solution for success. Today's warehouses need to quickly transform paper-based, error-prone businesses into service leaders who can focus on customer satisfaction, operate more efficiently, and grow faster. Using a **cloud-based WMS** that helps warehouse operations teams automate core workflows and integrate with other systems, and those of warehouse customers, will set a warehouse apart and drive growth opportunities not only in the near future but for long-term success.

Today's **3PLs need to be able to leverage technology to drive five major benefits**:

- Efficient Operations
- 3PL-Centric Billing
- Paperless Warehouse
- Complete Visibility
- Serving Customers

Interested in learning how 3PL Central can help your warehouse implement a comprehensive WMS platform and share our expertise in building best practices across the warehouse?

REQUEST A DEMO

1. https://www.supplychain247.com/article/2018_warehouse_distribution_center_survey_labor_crunch_driving_automation/trends
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