

7 signs it's time to fire your 3PL

What to look for when evaluating the performance of your ecommerce fulfillment provider



Wanted: a better ecommerce fulfillment solution

Let's face it: the always-on, always-open shopping experience demands seamless interaction across all shopping channels. As an online retailer, your brand and your third party logistics provider (3PL) need to be responsive and move quickly. This means your direct-to-consumer (D2C) fulfillment has to be impeccable. For the consumer, the expectation for a seamless customer experience translates to self-service capabilities, making order automation a key requirement for online brands and their 3PLs.

For the 3PL, the use of automation is evolving rapidly—from plain old EDI, software and automatic integration to the more disruptive technologies such as robotics, AI, machine learning and advanced analytics. Bottom line: a higher level of order automation and transparency is required today from your logistics partners to keep up with your customer's expectations for a seamless experience, not to mention the efficiency and profitability of your brand.

If you outsource to a 3PL provider for your brand's fulfillment, here are 7 key signs it may be time to fire them:

1. Our 3PL provider falls behind during sales peaks.
2. Cost-effective shipping strategies are hit and miss.
3. We manually upload files to our 3PL.
4. We can't trust our inventory numbers.
5. We have no visibility and control over our operational data.
6. Our brand gets pummeled on social media because of bad fulfillment.
7. Our returns process is a big hassle.



1.

Our 3PL provider falls behind during sales peaks.

Are you losing customers due to missed and late orders? Does your 3PL fall behind during peak sales periods? Is your inventory processed fast enough? These are just a few symptoms of greater fulfillment inefficiencies.

Your 3PL may lag on processing inbound shipments and getting inventory on warehouse shelves. Slow stock replenishment rates can easily erode your bottom line. Returns can stack up and go unprocessed and fail to get timely resale, further bogging down cash cycles. Your critical cash conversion cycle could be suffering, in part, due to inattentive receiving and fulfillment processes which makes for unhappy customers.

Once received, new inventory and quantity counts should be available electronically on a timely basis. A modern 3PL will immediately scan each inbound item to capture appropriate inventory counts from the start and apply accurate weights and dimensions upon receipt. They will also make processing returns a priority. Services such as Returnly, Happy Returns and Loop are raising the bar on consumer expectations for returns, offering instant refund processing, store credit or seamless exchanges. (For more information on returns, see Sign 7 on page (insert # here.)



What to ask your provider:

- What is your promised timeline for processing inbound product?
- What are your procedures for processing inventory?
- Can you provide the full history of each order from creation to shipment, through returns?
- What is your on-time rate for Black Friday sales?
- What are your dock-to-stock times during peak periods?



- * Fulfillment cost per order (CPO) is the sum of all the warehousing expenses, including receiving, putting away and storing the product.
- * Ask your provider to strategize with you regarding holiday and major promotional sales peaks.
- * Leading product categories sold online include clothing and fashion; footwear; consumer electronics; media such as books, CDs and DVDs (excluding downloads); and cosmetics and body care.¹
- * Music merchants and other online sellers of media need sturdy packaging, carrier discounts, and capability to configure routing rules with their 3PL.

TIP: Automated and configurable returns and exchanges functionality as part of an WMS provided by the 3PL are an efficient way for merchants to keep pace with returns and direct workflows.



2.

Cost-effective shipping strategies are hit and miss.

Does your 3PL choose the most cost-effective shipping strategy to meet your customers' demands? Your provider may be using expedited shipping when ground shipping could reach half of your customers in 2 days. Without automated rate shopping services and carrier integration, you are leaving money on the table.

You should be able to use multiple small-parcel carriers to balance cost with delivery expectations. A modern 3PL will offer you flexible carrier rate selection. Many online retailers find they can reach most of their U.S. customer base within 2-day to 3-day delivery timelines at an economical price. Some online brands will also automatically upgrade ground and deferred shipping to express shipping on orders involving social media influencers or high-value shipments.



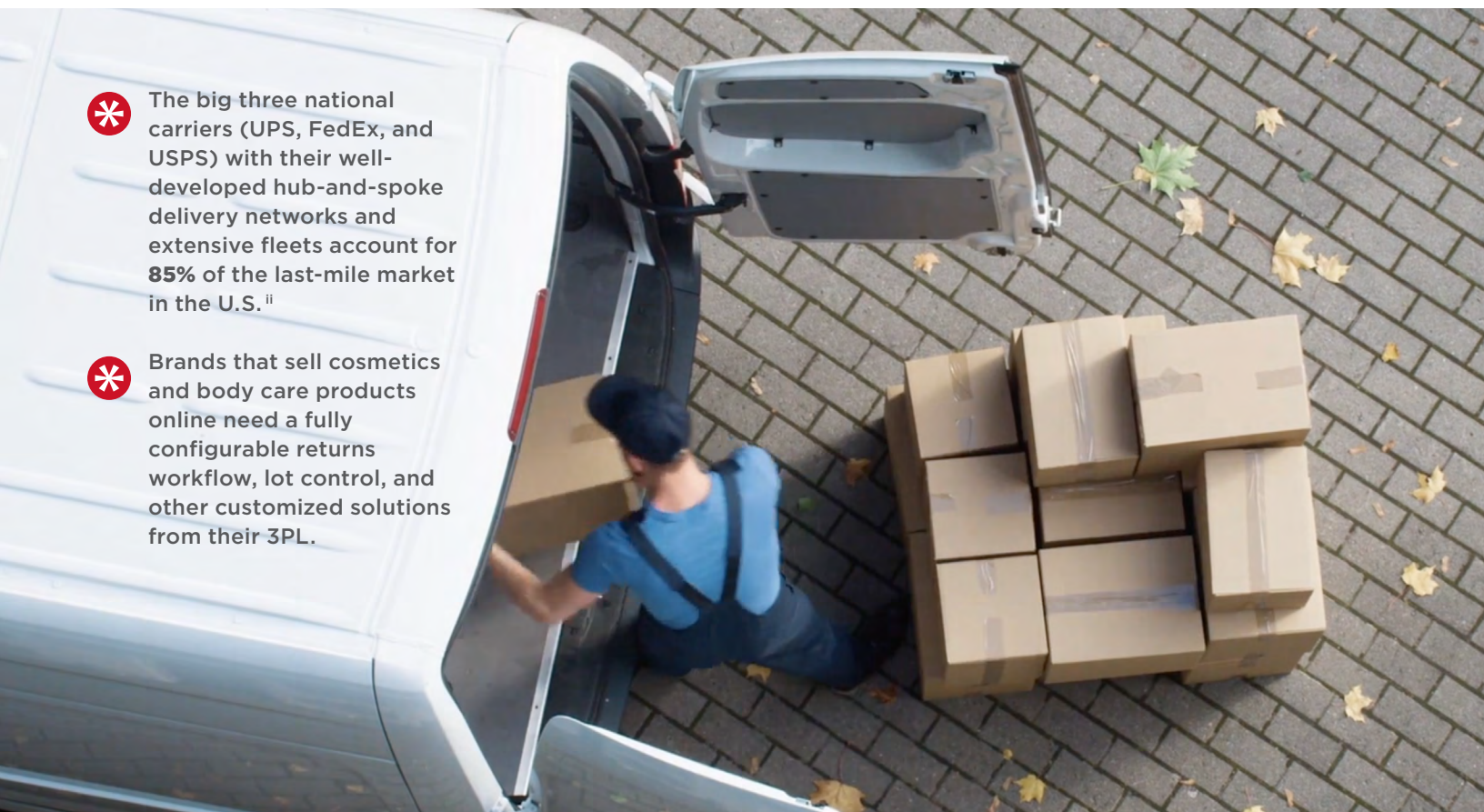
What to ask your provider:

- Do you offer carrier rate shopping?
- Do you analyze order history to optimize for shipping cost?
- Do you position inventory to reflect population spreads?
- For international shipping, do you offer clean customs documents?



* The big three national carriers (UPS, FedEx, and USPS) with their well-developed hub-and-spoke delivery networks and extensive fleets account for **85%** of the last-mile market in the U.S. ⁱⁱ

* Brands that sell cosmetics and body care products online need a fully configurable returns workflow, lot control, and other customized solutions from their 3PL.



3.

We manually upload files to our 3PL.

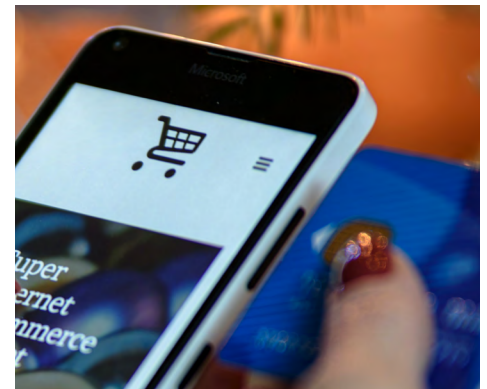
Is the lack of data automation at your 3PL causing you death by a thousand little things? Your provider's lack of automation becomes your problem if your only options are to manually upload a .csv file or access an FTP interface. The ability to sync data in real-time between your systems and your provider's systems is an essential element of modern ecommerce fulfillment—not rocket science.

The automatic syncing of data in real-time should also give you visibility into orders and inventory. The ability to connect your online storefront with third-party ecommerce platform providers such as Shopify, Magento, Stitchlabs or other systems should be a given with your fulfillment provider. A modern fulfillment provider will also offer seamless integrations to your core systems, such as inventory systems, order management systems (OMS) and returns management platforms.



What to ask your provider:

- Do you offer automatic shopping cart integration with third-party providers?
- Do you offer automatic order integration?
- Do you have online order integration?



It's a no brainer: manual processes waste time and money. Manual syncing and slow syncing of files translate to incorrect shipping and inaccurate inventory data.



What's in your data? If you can't easily access your orders and other operational data with your 3PL, you are missing out on business insights.

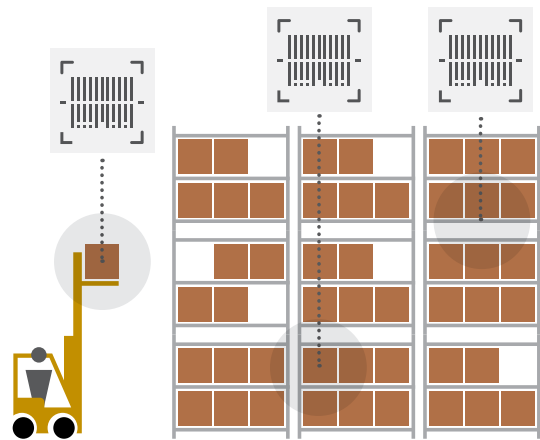


4.

We can't trust our inventory numbers.

Does it take you 60 to 90 days to solve an inventory issue or find missing inventory? The accuracy and integrity of your inventory can make or break your brand's reputation and your bottom line. But without adequate software automation, meeting order fill rates and order accuracy targets are where many 3PLs fall down fast. The real cost of poor inventory management is spread over inventory carrying costs, lost customers and lost productivity. Doing inventory counts is time consuming and costly.

Inventory management takes constant care with real-time numbers at your fingertips to avoid stock outs and stay ahead of trends. Real-time, 24/7 visibility into your inventory is the hallmark of a modern fulfillment provider. The ability to view, query and export data with full reporting capabilities is invaluable to a growing online brand. You have the opportunity to get powerful business insights when you can review and parse inventory and other operational data from your entire account database.



What to ask your provider:

- What are your systems and processes for tracking inventory?
- Do you offer real-time visibility into on-hand inventory?
- Do you offer real-time inventory updates?
- Are item histories transparent?
- Do you offer transparent order status reporting?

* Inventory rebalancing will be a large focus in 2023, according to the 2023 Annual 3PL study. The study found that a majority of shippers (80%) are planning to take action to balance their inventory levels, while 71% have already begun the process.ⁱⁱⁱ

* Cosmetics and other health and beauty products are examples of categories where lot control support—First Expired First Out (FEFO) or First In First Out (FIFO)—and visibility of your inventory is paramount. Ask your 3PL about how they track lot numbers and expiration dates.

* One of the leading causes of inventory inaccuracy and excess inventory is the continued use of manual processes to capture inventory data. Other culprits include failure to record inventory at the point of entry into your facilities and data latency.



5.

We have no visibility and control over our operational data.

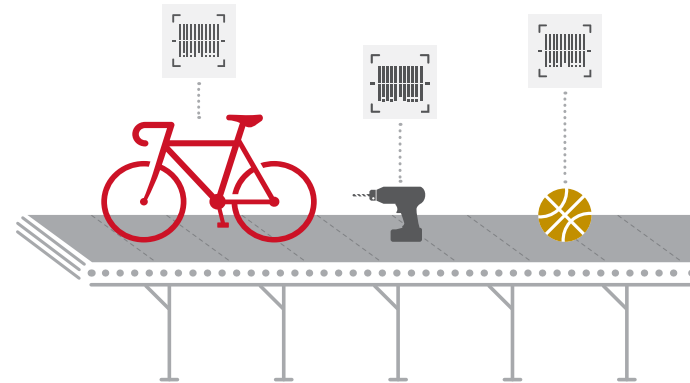
Data trapped in silos is a sure-fire way to slow down your fulfillment and cause problems. Do you have to send an email to change an order? You've sent an email to your provider with an address change. Hours later, they write back telling you the order has already shipped. If your 3PL has to go into their order system to make changes to an order, you and your customers are losing out.

Your 3PL should be providing transparent, real-time access to your operational data. You should be able to query the system to check current and historical order status and other metrics, 24/7. Open APIs enable seamless end-to-end management of complex digital services. For omnichannel, this means real-time order management and communication between the 3PL's WMS and your core systems such as an online store and order management system (OMS).

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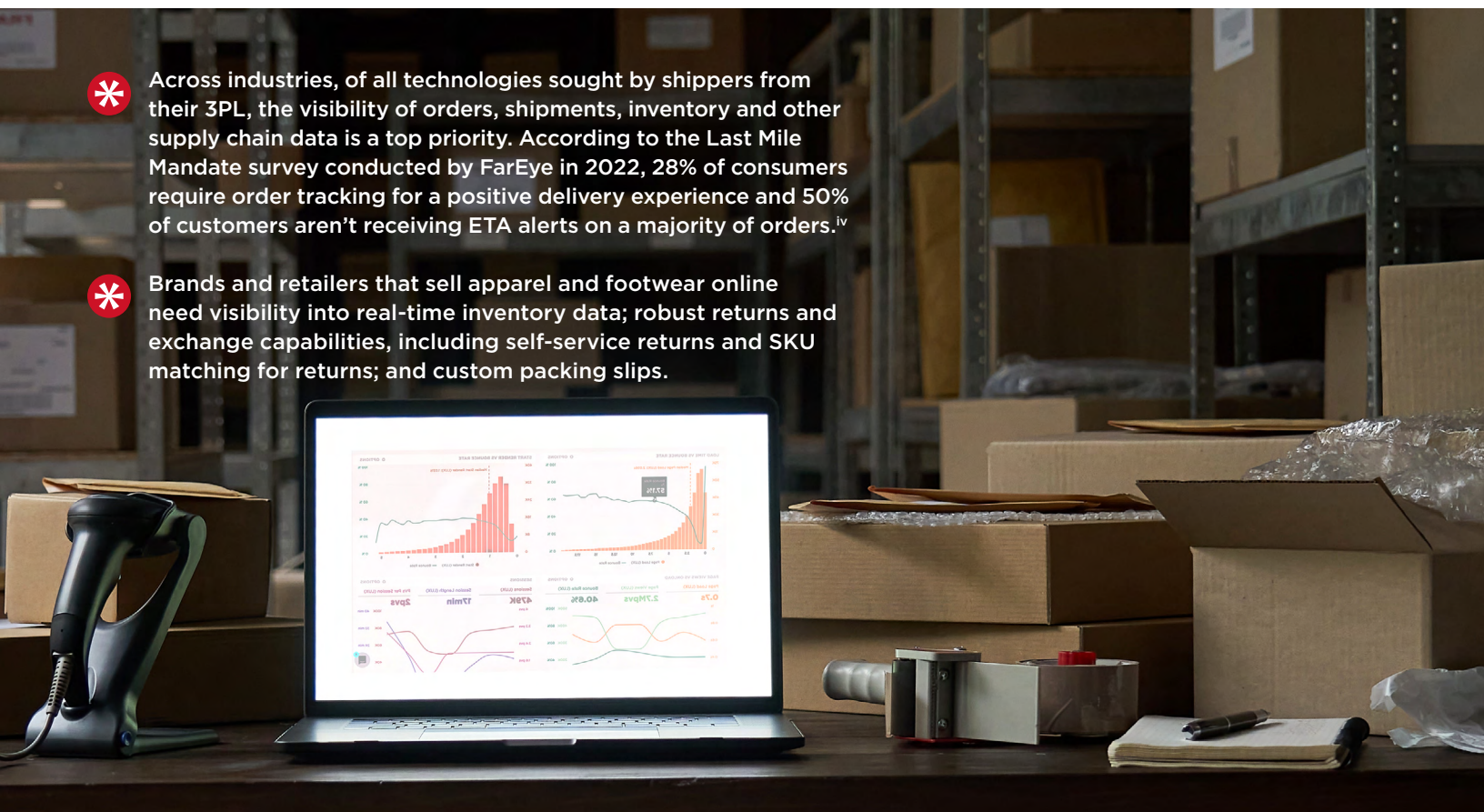
What to ask your provider:

- How can we do analytics on our operations?
- Do you have an API?
- How can I access my data?



* Across industries, of all technologies sought by shippers from their 3PL, the visibility of orders, shipments, inventory and other supply chain data is a top priority. According to the Last Mile Mandate survey conducted by FarEye in 2022, 28% of consumers require order tracking for a positive delivery experience and 50% of customers aren't receiving ETA alerts on a majority of orders.^{iv}

* Brands and retailers that sell apparel and footwear online need visibility into real-time inventory data; robust returns and exchange capabilities, including self-service returns and SKU matching for returns; and custom packing slips.



6. Our brand gets pummeled on social media because of bad fulfillment.

Customer expectations for a satisfying post-click experience are ratcheting up every year as brand interactions become more digital and include numerous touchpoints. You can't leave the critical order delivery experience to chance.

Missed or late deliveries, the wrong product, or lack of customer communications about delivery timing or back-orders are all fodder for consumer complaints on social media. If your 3PL or the parcel carrier is off their game, you may be one of the last to know it until it's too late. You may have already lost a customer who is eager to tell everyone about it by word of mouth and social media.

A good fulfillment provider will provide you with transparent, proactive exception management tools. You should expect your 3PL to make it easy for you to solve your end customer's issues. System automation is important to stay timely and proactive in customer service. This means systems are in place to automatically inform you of missed or late customer deliveries, inaccurate orders, or other customer service issues, and what the 3PL is doing about it when there is an order problem or shipping issue.



What to ask your provider:

- Are you proactive in reporting problems?
- What are the methods you use to report issues with an order?
- How do you help us manage customer service issues?



* A study by PWC which surveyed 15,000 consumers worldwide found that 73% of consumers deem the customer experience as a driver of purchasing decisions. Among U.S. customers, a whopping 65% stated positive customer experience to be more influential than advertising.^v

* Today's consumers expect to receive customer service across multiple channels and on any device. No longer just an important option for millennials, social channels are fast becoming a standard for all demographics.^{vi}

* Blaming the messenger: a bad delivery experience can kill brand loyalty. FarEye's annual survey conducted in June 2022 found:

- **85%** of consumers site a poor delivery experience as reason to not shop with a retailer again.
- **88%** of consumers are abandoning their online shopping carts due to poor delivery options.^{vii}



98%

of shoppers say that delivery impacts their brand loyalty.

7.

Our returns process is a big hassle.

Do your customers have a hassle-free returns experience? The consumer is demanding an easy returns process and shouldn't have to make a phone call to figure out a return.

Amid high return rates for online purchases, you need to keep your return-related costs down and preserve as much of the original revenue of the returned product that you can. If you have to email your 3PL to tell them about a return, you may want to rethink your returns provider.

A good 3PL will process returns in a timely fashion to get the product back into inventory so it can be resold. A number of elements go into hassle-free returns for your end customers, including return forms and ideally the automatic generation of exchange labels with every order. Merchants should be able to easily configure returns workflow with their 3PL on behalf of their customers, including creating exchange shipments and directing processes such as returning the item to inventory or setting aside, following inspection. Additional capabilities include the ability to check the status of your customer's returns in real time or send your 3PL an alert to expect a return tied to an order.



What to ask your provider:

- Do you have systems that allow us to access returns and exchanges, and guide returns workflow?
- What tools you can provide us to generate RMAs (return merchandise authorization) for our customers?
- What tools can you provide us to distribute to customers for more information on how to do a return or exchange?
- Can you supply return labels to the customer?
- Do you have reconditioning services?

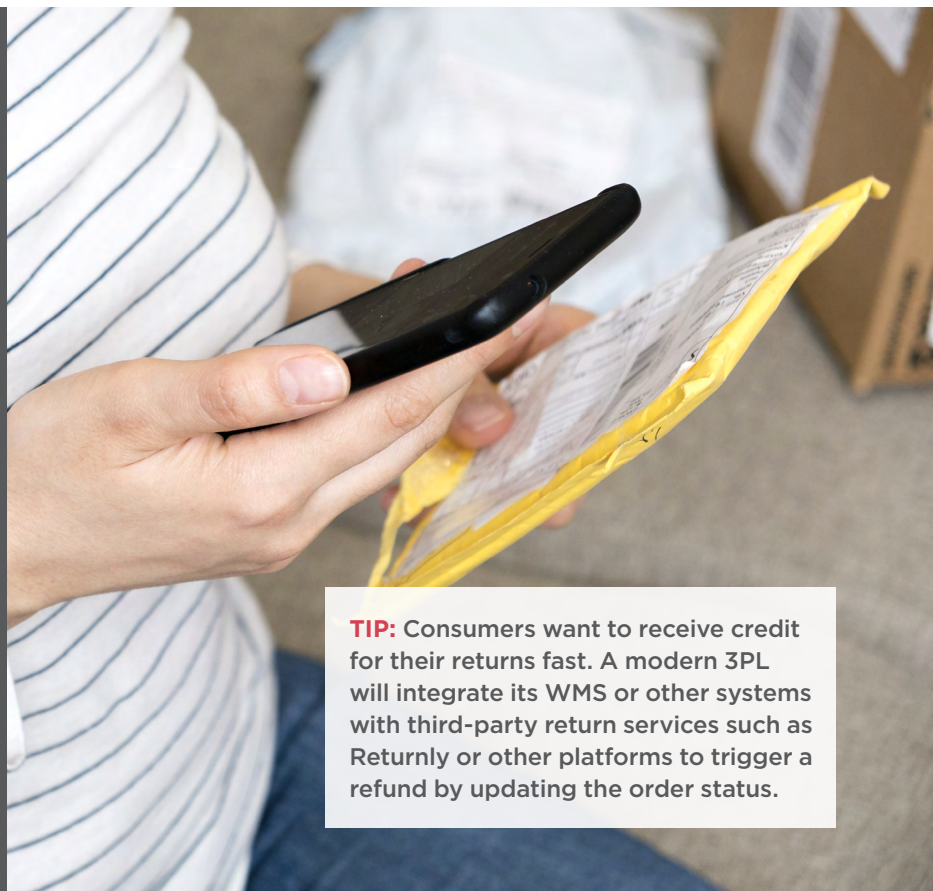


Returns are key to creating returning customers, and expectations around the returns experience are changing. A 2022 survey of over 2k consumers conducted by Narvar found:

- **77%** of shoppers said they would shop with a brand again as long as they had a positive return experience.
- Interest in alternative return options like home pickup or curbside drop-off are picking up steam. Compared to only 13% in 2019, 50% of shoppers in 2023 said they'd be interested in using an alternative return method if it's available.^{viii}



Estimates for the average rate of ecommerce returns are about 15% generally with apparel returns closer to 30%.^x Return rates for apparel and accessories, electronics, and footwear purchased online are estimated to have higher return rates than other goods sold online.^x



TIP: Consumers want to receive credit for their returns fast. A modern 3PL will integrate its WMS or other systems with third-party return services such as Returnly or other platforms to trigger a refund by updating the order status.

CONCLUSION:

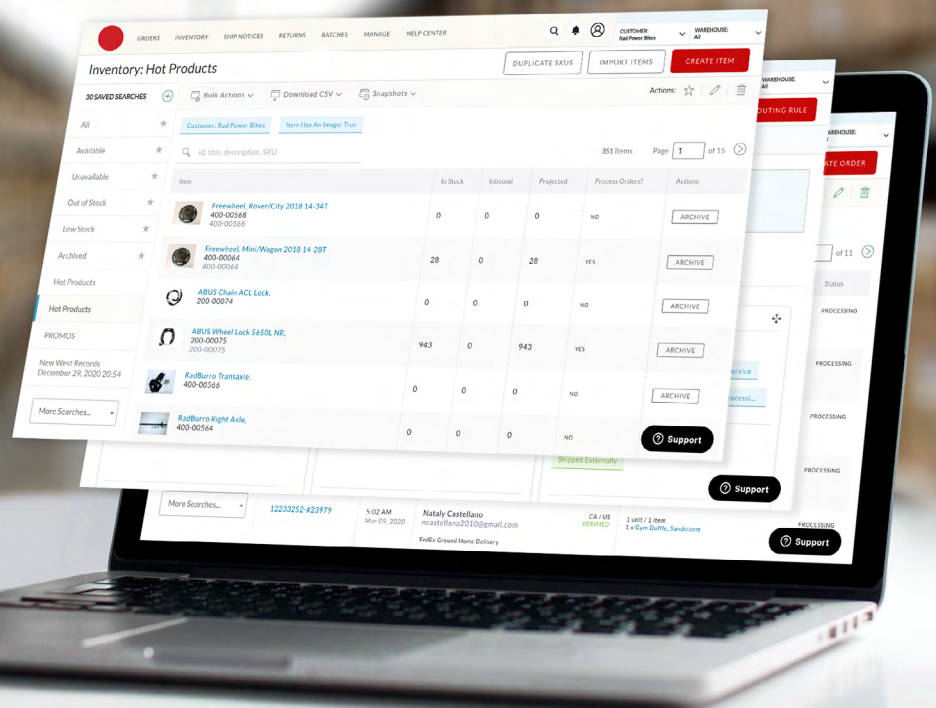
Seeking better ecommerce fulfillment

As an online merchant, you need to keep up with your end customer's fluid expectations for a seamless customer experience. Your 3PL can't leave your brand in the dust. Brand reputation, loss of customers and lost opportunity—not to mention revenues—are all at stake if your ecommerce fulfillment processes are less than perfect.

Transparency, visibility and smart use of automation technologies are the baseline requirements of modern fulfillment. If your fulfillment provider has lackluster results, you may need to seek out a provider that specializes in D2C fulfillment and can handle today's expanding expectations for a seamless customer experience.

Ready to make a move?

If you are ready to explore your options for improved fulfillment with a modern 3PL who gets ecommerce fulfillment, please call us at 877.901.6472, email us at fulfillment@ryder.com. We make transferring from your existing warehouse easy.



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