



3PL Central

An Extensiv Company

2022 PEAK SEASON PLAYBOOK

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INTRODUCTION

If the first half of this year has proven anything—with overseas conflict, supply chain disruptions, new COVID lockdowns internationally, a continuous labor shortage, skyrocketing inflation, and consumer demands—it is that logistics professionals need to be prepared for anything at any time. Any month could be a new peak season.

The past year has presented numerous challenges for both the global supply chain and the economy at large. Ongoing supply chain disruptions heightened by the wave of lockdowns in China continue to drive interest in [localizing supply chains](#) to mitigate the risks of faltering globalization. And the quarantines in China seem never-ending. [CNBC](#) reports that in early June, mass quarantine procedures implemented in Shanghai included highway closures, significantly hampering the transportation of goods headed for the city's ports for export.

This stricter phase of lockdown in Shanghai builds upon quarantine protocols the city has undergone for months, which have significantly affected both production at factories as well as the movement of goods at the world's largest port.

Consequently, the supply chain disruptions have contributed to the high [inflation](#) in the United States—the worst since the eighties. According to the [Bureau of Labor Statistics](#), in April, the Producer Price Index (PPI) for goods, which measures business input costs for production of items, rose 16.3 percent compared to April 2021. PPI is a key indicator of inflation, and this extremely high year-over-year increase signals that the current inflation will remain for the near future.

In response, the US Federal Reserve raised interest rates by three-quarters of a point in mid-June, the highest increase in 30 years, and may raise rates again if inflation continues at its current pace. Meanwhile, inflation also creates its own supply chain problems like increased transportation costs, and the effects of inflation on the supply chain create a cascading effect on the price of consumer goods.

Economists fear that there may be a ['cost of living' crisis](#) in the United States if prices for goods and necessities, particularly food and gas, continue to rise so rapidly. The conflict in the Ukraine has also contributed to higher fuel prices, which have reached record-breaking highs in many states across the country.

At the same time, consumers are still buying. According to [Digital Commerce 360](#), for the first quarter of 2022, total retail sales grew 7.9% compared to 2021 from \$1,019.97 billion to \$1,100.65 billion, and ecommerce sales grew 6.7% from \$216.74 billion to \$231.35 billion.

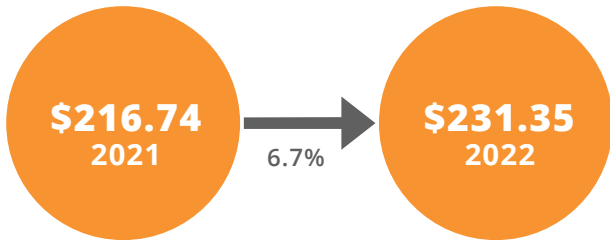
Although this ecommerce growth is a deceleration from the impressive 9-10% quarterly growth seen at the end of 2021, ecommerce is *still growing* and continues to be a major force in the logistics industry.



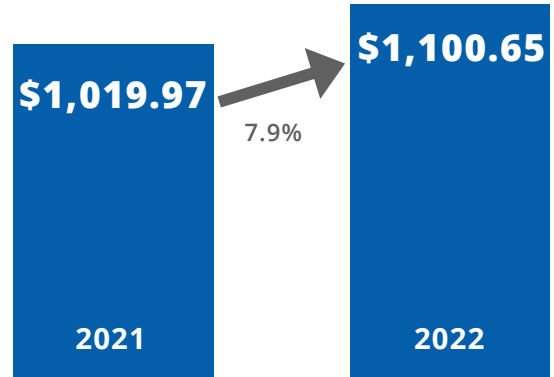
U.S. Retail Landscape During Q1 2022

(USD Billion)

Ecommerce Sales



Total Retail Sales



Source: [Digital Commerce 360 analysis of U.S. Department of Commerce data; May 2022.](#)

In fact, nearly \$1 in every \$5 spent by consumers was spent online, and this widespread adoption of ecommerce has shifted buying patterns in favor of more **omnichannel** offerings like buy online pickup in-store (BOPIS), curbside pickup, and locker pickup. This rise in ecommerce has also led to rising consumer demands and expectations thanks to the Amazon Effect that logistics professionals need to be prepared to meet.

With the uncertainty of supply chain disruptions and this constantly growing state of commerce, **third-party logistics (3PL)** warehouses need to prepare for peak season year-round, but especially now as consumers gear up for back-to-school shopping and the onslaught of holidays starting with Halloween.

To prepare your 3PL warehouse for anything and everything that is coming, this year's Peak Season Playbook has outlined four actions you can take not only to stay afloat but to thrive this peak season:



BUILD RESILIENCY INTO YOUR SUPPLY CHAIN

There is no denying it—traditional supply chain structures are ill-equipped to deal with ongoing, massive disruptions. In the face of uncertainty in the industry—and to mitigate bottlenecks and other disruptions—3PLs must build resiliency into their supply chains. But what does supply chain resiliency really mean, and how do you achieve it?

A resilient supply chain is one that is prepared for any disruption—from severe weather to quarantine protocols to political unrest to heightened demand in peak season—and can react accordingly and on time. To truly achieve resiliency, you need to focus on improving operations with longevity, transparency, and adaptability at the top of mind.



LONGEVITY

3PLs want to maximize profitability now, but they also need to balance this goal with implementing procedures that will keep them in business for a long time. In the short term and at a very rudimentary level, instability in the supply chain means you need to modify your budget now to add some cushion for whatever may arise. Planning a budget that will accommodate fluctuations in the market and inflationary pressures will go a long way to ensuring your 3PL can weather the storm.

But short-term planning is not enough to ensure longevity of your 3PL business. Securing your workforce and optimizing labor utilization and productivity will help combat some of the pressures from the ongoing labor crisis.

Although it seems like the current labor crisis is a result of the pandemic and subsequent disruptions, the logistics labor deficit has existed for decades and is only coming to a head now. In other words, this is a problem that industry leaders should have prioritized a long time ago before it became so urgent, but it is never too late to act.

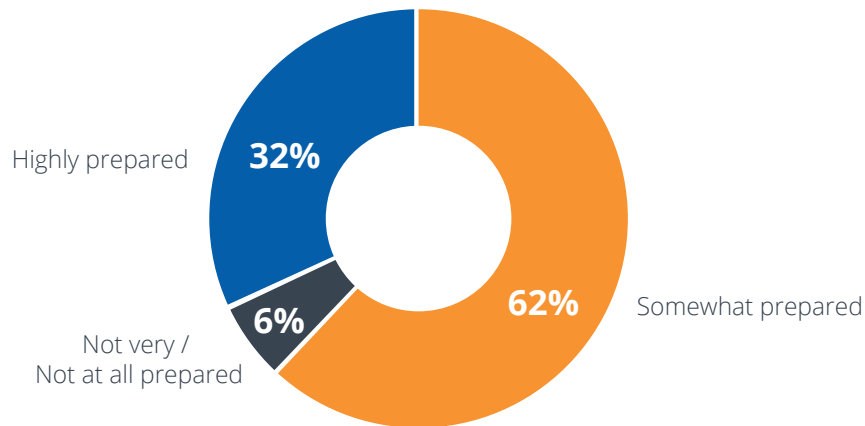
According to Peerless Research Group's "[Talent and Labor Study](#)," 81% of warehouses and distribution centers want to fill open positions within the next 12 months at all levels. The same study shows that less than a third of respondents feel highly prepared to handle their workload with their current staff.

This is coupled with the so-called "Great Resignation"—or, as [Modern Materials Handling](#) puts it, the "Great Evaluation," where "employees are evaluating what's important to them, what works best for them and for their families, how they can best achieve work-life balance, and what type of corporate culture they want."

In this climate, retaining talent should be a priority for everyone in the industry, and 3PLs need to evaluate their benefits and programs to make openings as appealing as possible to attract new workers. Without a stable workforce, there is no longevity for a 3PL, and the next major disruption could put you out of business.



How prepared are you to handle workload with your current staff?



Source: https://www.mmh.com/article/survey_talent_and_labor_on_the_rise

TRANSPARENCY

Another way to build resiliency in the supply chain is with transparency. The source of supply chain transparency is data and information, which largely come from digitization.

On the topic of labor, once you have a sufficient workforce, you still need to focus on labor utilization and productivity to optimize warehouse performance for the long haul. This is where automation and business intelligence come into play, both of which are components of a robust **warehouse management system (WMS)** that gives you transparency into your workflows.

WMS software automates repetitive, manual processes to free up your workforce to perform more skilled tasks, which not only contributes to higher worker satisfaction levels but also makes your processes more efficient, scalable, productive, and trackable.

Furthermore, WMS platforms with built-in **business intelligence suites** allow you to monitor employee productivity and service level agreement (SLA) performance to ensure your processes are accomplishing immediate and future business goals. **G2** reports that 89% of organizations they surveyed will be using WMS functionality for labor planning and management by 2024.

To further improve disruption response, industry leaders must depend upon real-time visibility over their entire supply chain, which comes from implementing technology stacks centered around a WMS. A WMS will give 3PLs an accurate, real-time view of inventory moving into, within, and leaving the warehouse.

To expand that view to other parts of the supply chain—like following inventory from manufacturing to warehousing to final delivery—an **order management system (OMS)** paired with the WMS is the ideal solution. Implementing a technology stack that gives end-to-end visibility of your supply chain allows you to plan for different scenarios and react to any future disruptions with agility.

ADAPTABILITY

Digitization naturally lends itself to adaptability as well because cloud-based warehouse management software is flexible while still aligning 3PLs to best practices. For WMS and OMS users, this means that you can quickly make changes in your system(s) to combat disruptions without scrambling the entire supply chain. Additionally, the visibility provided by these systems ensures that all parties involved are aware of the changes.

For example, OMS software offers fantastic order routing capabilities that allow 3PLs with multiple warehouses to change which warehouse fulfills a particular order, and the warehouse—running an integrated WMS—automatically receives the order info and can work on fulfillment. This digitization streamlines the fulfillment process and allows greater adaptability when all systems communicate.

To further build resiliency into the supply chain, many brands are adapting their stock management strategy as well, which affects inventory levels for 3PLs. Previously, many brands employed the just-in-time (JIT) method, whereby products are manufactured as orders come in, minimizing the amount of inventory they kept in a warehouse.

Now, the just-in-case (JIC) strategy, whereby companies produce and store inventory ahead of time such that they always have enough goods on hand, is gaining more popularity after the shortages we experienced during the pandemic.

What does this mean for 3PLs? Brands practicing a JIC strategy will need to store a surplus of goods (and potentially for a longer time) in your 3PL, so optimizing inventory storage—at a time when warehouses are running out of available space—is essential.

Again, digitization is the answer. WMS software functionality may include directed putaway and other tools for maximizing storage space in the warehouse, allowing your 3PL to adapt to the storage needs of your customers as they evolve over time. Not just being able to adapt but being able to adapt with agility will prepare your supply chain for industry shifts, headwinds, and disruptions.



IMPLEMENT OMNICHANNEL FULFILLMENT SOLUTIONS

The [2022 State of the Third-Party Logistics Industry Report](#) highlighted omnichannel fulfillment as one of the biggest opportunities for 3PLs in 2022. Omnichannel fulfillment is a unified approach to managing inventory and processing orders across a variety of sales channels. This means you would consider all inventory holistically—no silos for different sales channels—and fulfill orders with the same processes across multiple sources.

During peak season, omnichannel fulfillment is a gamechanger for 3PLs looking to position themselves as partners for their customers' marketplace strategies. Retail and direct-to-consumer businesses are rapidly expanding their omnichannel selling strategies—selling from different channels such as brick-and-mortar retail, ecommerce, mobile, etcetera simultaneously.

As brands also offer more omnichannel buying options like BOPIS, curbside, and locker pickup, 3PLs need to adjust their fulfillment strategies appropriately.



SHIFTING COMMERCE LANDSCAPE

This change in retail has come in a number of forms: fluctuations in consumption habits, channel shifts, and rising consumer expectations. Thanks to the Amazon Effect, consumers expect orders delivered fast and usually for free—though approximately one in five U.S. consumers will accept a modest increase in shipping fees for faster than normal delivery. How fast is fast? **More than 90%** of U.S. consumers expect a baseline of 2- to 3-day shipping while 30% expect same day shipping.

Consumers also care about flexibility, both in how they buy and with returns. Roughly 60% of consumers planned to continue using store-based pickup options (e.g., BOPIS and curbside) post-pandemic.

Locker pickup is quickly gaining momentum thanks to Amazon and Walmart despite its meager market penetration of less than 5% in the U.S. However, its popularity in Europe shows how the trend lowers redelivery rates, is a more sustainable delivery method for ecommerce, and could take off in urban areas where leaving a package is inconvenient or unsafe.

Ecommerce returns are also a major part of omnichannel commerce and fulfillment. In fact, the United States has an average online return rate of 20-30%. Most consumers will not buy online if a brand has a dissatisfactory return policy.

“**Retail has experienced more change over the past five years than in the prior fifty.**”

- [McKinsey & Company](#)

How many are willing to pay more for delivery speed?

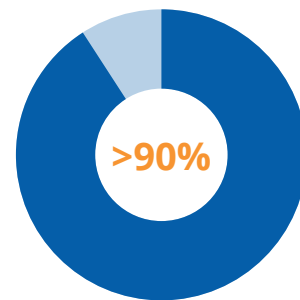


1 in 5 U.S. consumers will accept a modest increase in shipping fees for faster than normal delivery

Source:

<https://www.mckinsey.com/industries/retail/our-insights/retails-need-for-speed-unlocking-value-in-omnichannel-delivery>

How fast is fast?



More than 90% of U.S. consumers expect a baseline of 2- to 3-day shipping while 30% expect same day shipping.

Source: <https://www.mckinsey.com/industries/retail/our-insights/retail-speaks-seven-imperatives-for-the-industry>



OMNICHANNEL FULFILLMENT—WHAT TO DO

To help your customers compete in this shifting commerce landscape, you need to prioritize omnichannel fulfillment solutions that shorten the click-to-customer cycle and meet consumer expectations. After all, serving your customers means meeting the heightened demands of consumers.

Implementing omnichannel fulfillment solutions does not have to be complicated. An omnichannel strategy can streamline your processes by removing the silos and barriers that kept inventory separate for different sales channels—you just have to **stay organized**.

To do this, you must have the proper technology infrastructure, starting with a WMS, to manage orders and inventory with a unified approach so that you can fulfill demand from any channel without hiccups. It should not matter if an order is going to a brick-and-mortar retail location, storage locker, or direct-to-consumer; you need to be capable of picking, packing, and shipping that order efficiently and tracking inventory accurately.

Picking accuracy and efficiency is crucial—the elite omnichannel fulfillment operations fulfill orders within as few as two hours of purchase. A WMS that automates picking and pairs with mobile barcode scanning will shorten fulfillment times so your customers can offer faster delivery options to consumers.

Additionally, pairing a WMS with an OMS in a technology stack increases visibility of inventory for its entire lifecycle as orders come in and leave the warehouse through a variety of channels. This helps keep 3PLs and their customers on the same page regarding orders that could easily get jumbled without the proper organization.

OMS platforms also automate returns, so warehouse employees get advance notice when a return is coming and can QA the returned merchandise once it reaches the warehouse. Returns are probably the most complicated aspect of omnichannel fulfillment, but the right software makes all the difference.



OMNICHANNEL FULFILLMENT—WHAT NOT TO DO

Many 3PLs already offer omnichannel fulfillment—or something close to it—unknowingly, thinking ‘omnichannel’ means something different and more complicated than it does.

Don't dwell on terminology. For those that already fulfill orders from multiple selling channels but implement a multi-channel strategy that siloes inventory based on the individual sales channel, don't be afraid to convert to a fully omnichannel approach because it sounds daunting. It isn't. Allowing for the same inventory, order, and return processes—regardless of channel—in an omnichannel strategy will streamline warehouse processes and allow you to meet the needs of your customers more quickly and efficiently. While some of this may be dictated by your customer, consulting with them and recommending a true omnichannel approach can offer a level of strategic partnership and insight.

With the proper organization and technology, you will be amazed at how quickly your 3PL business will grow: nearly **92%** of warehouses who offered omnichannel fulfillment saw order volume growth in 2021—and peak season is a big contributor to this statistic. Omnichannel selling and buying are here to stay, and omnichannel fulfillment is the best way to support these strategies both during and outside of peak season.



PRIORITIZE THE FINAL MILE

With the ecommerce boom and heightened consumer expectations, last-mile logistics are more important than ever. Fast shipping is a necessity for 3PL businesses engaging in omnichannel fulfillment as parcel shipping strategies require ultra-fast fulfillment and turnaround times, and peak season will only increase ecommerce order volumes.

During the holiday season in 2021, USPS delivered more than **13.2 billion mail pieces**—between 850 and 950 million of which are estimated to be packages—with an average delivery time of less than three days. This far exceeded the 12.7 billion mail pieces delivered by USPS during the same timeframe in 2020. **CNBC** reports that FedEx estimated it would deliver 10% more packages during the 2021 peak season than it did in the record-breaking 2020 holiday season.

Although the growing “ship from store” trend reduces strain on shipping networks, the major shipping carriers (USPS, UPS, and FedEx) are still expected to face a capacity crunch in peak season, triggering volume caps and surcharges.



Announced general rate increases by parcel carriers

	Effective 2021	Effective 2022
FedEx (Express and Ground)	4.9%	5.9%
UPS	4.9%	5.9%
DHL Express (U.S.)	4.9%	5.9%
Lone Star Overnight	4.9%	5.9%
Pitney Bowes (ecommerce services)	4.9%	5.9%

NOTE: UPS' general rate increases were confirmed by a spokesperson. Both of its increases took effect in December the year prior.

Source: <https://www.supplychaindive.com/news/elevated-parcel-shipping-costs-climb-2022-fedex-ups/617915/>

Parcel shipping surcharges and delivery caps most severely affect smaller brands that do not have the order volume to negotiate the most competitive contracts with the major shipping carriers that prioritize more profitable partnerships.

As a 3PL who may service these smaller brands, it is your job to negotiate shipping rates and capacity with the major carriers to serve your customers. This is especially critical considering FedEx, USPS, DHL Express, Lone Star Overnight, and Pitney Bowes increased rates **5.9%** across the board in 2022—a significant rate increase compared to 2021.

How should your 3PL respond to this strained—and expensive—shipping environment? Implement multi-carrier frameworks, utilize rate shopping, and strategize on geographic distribution of orders.



IMPLEMENT MULTI-CARRIER FRAMEWORKS

According to [Supply Chain Brain](#), “parcel freight rates are built from mostly opaque dimensional weight (DIM) formulas that triangulate shipment size and weight across geographic origin-destination zones, weighted for key customer characteristics and capacity utilization. The result: widely varying rates among carriers for the same shipment.” This highlights the importance of rate shopping and negotiating contracts with multiple carriers as different carriers will give better rates for different shipments.

The sooner you start shopping for rates and negotiating with carriers—including smaller regional carriers and alternatives to the “Big 3”—the more likely you are to find the right partners that align with your customers’ shipping needs. Your WMS should integrate with multiple carriers and reflect negotiated rates, making rate shopping for individual orders a breeze. Read more about new players in last-mile delivery here: [The Evolution of Last-Mile Delivery in Logistics](#).

STRATEGIZE GEOGRAPHIC DISTRIBUTION OF ORDERS

Another way to optimize the final mile is to strategize on the geographic distribution of orders. What exactly does this mean? In short, it means having the right distribution network to support your customers.

In addition to implementing a multi-carrier shipping framework to reduce shipping costs to different regions, you should also consider your current geographic footprint and whether it makes sense to partner with other 3PLs across the country (e.g., if you are on the West Coast, partnering with someone on the East Coast) to create 4PL networks. This way, you can store your customers’ inventory at fulfillment nodes closer to the consumer, thereby reducing shipping distance and cost. Creating a 4PL network takes a lot of planning, but if you start now, you could have multiple geographically distributed fulfillment nodes established by peak season.



GET SMART ABOUT SOFTWARE AND DATA

G2 states that in 2020, 72% of respondents in the logistics industry said WMS were the most popular warehouse management software—and the reliance upon WMS software has only grown thanks to the pandemic-fueled growth of ecommerce. Adopting innovative technology is no longer a luxury but a must have for 3PL warehouses.

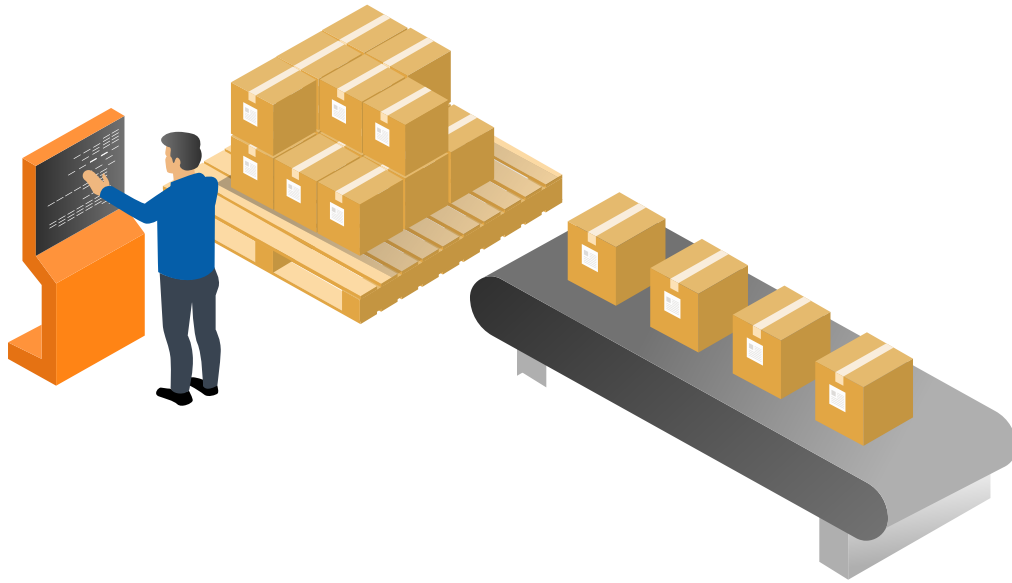
According to **Gartner** research, “61% of respondents say technology is a source of competitive advantage” in supply chain operations, with investments in technology being driven by labor constraints and the need for agility. This is further supported by the 2022 MHI and Deloitte supply chain survey that reports **49%** of supply chain leaders have accelerated spending in digital technologies.

To stay ahead of the competition, it is time to get smart about software and data. Throughout this edition of the Peak Season Playbook, we have peppered in use cases for how WMS software can help with your peak season planning initiatives, but WMS software has a lot more to offer than previously mentioned.



SOFTWARE: INTEGRATIONS AND AUTOMATION

Investing in **automation** does not have to mean robots. Instead, opting for digital automation in the form of a WMS will decrease the amount of manual, non-value-added work your employees perform while simultaneously reducing errors. For example, according to **DC Velocity**, order picking “tasks consume more than 50% of order fulfillment times, but only 25% of that time adds any value.”



However, performing these tasks with a WMS that automates pick jobs and leverages mobile barcode scanning makes this process more efficient, accurate, and effective at accelerating inventory turnover time. Automation also frees up time for employees to perform more value-added tasks, so you get the most out of your labor force.

There are numerous workflows that WMS software automates including receiving against advance shipping notice (ASN), inventory tracking, billing, and more. Especially in ecommerce fulfillment where profit margins are thin to begin with, automating processes to improve operations is a no brainer.

Utilizing **integrations** with your WMS is another essential way to build out the digital automation capabilities of your software. With application programming interface (API) and online shopping cart integrations, your system can automatically receive order information and update inventory availability on online marketplaces based on real-time stock status—no more manual order entry necessary. Integrations with shipping carriers also allow you to rate shop and print labels directly from the WMS—no need for multiple software instances.

The order processing and shipping automation that comes from integrations is critical for ecommerce fulfillment, and this is just a small sample of the different varieties of integrations that enhance the WMS user experience. Leveraging integrations will allow you to use your WMS to its fullest potential and save you precious time this peak season.



DATA: ANALYTICS AND REPORTING

The key to getting the most out of your WMS is using all the features—not just the basics of inventory tracking and management—such as analytics and reporting. In addition to the advantages from business intelligence in labor management for seeing individual contributors' productivity, WMS software offers a lot of analytics and reporting options that help you run your 3PL.

For example, WMS software provides analytics on inbound and outbound productivity. An outbound productivity tool allows you to set goals for hourly picking pace, view what times of day are most productive, and gauge fulfillment performance over the course of a week. This enables you to develop a strategy for assigning work in the warehouse and streamlining operations.

WMS reporting may also provide information on inventory turns and the fastest moving items, which help you aid your customers' demand planning efforts. Demand planning is particularly crucial this peak season as brands shift from JIT to JIC inventory stocking strategies.

The importance of accurate demand planning recently became apparent when major retailers Target and Walmart both publicly impacted their earnings by having too much inventory on hand. But, on the other hand, not having enough inventory to meet demand also causes a loss of revenue for your customers.

Accurate demand planning helps keep the balance between oversupply/too much inventory versus not enough inventory, and WMS and OMS systems are essential for tracking the inventory data needed to forecast demand, which will prove essential this peak season.



CONCLUSION

The ecommerce boom we experienced as a result of the COVID-19 pandemic has slowed this year, but ecommerce is still growing.

Insider Intelligence predicts U.S. ecommerce sales will surpass \$1 trillion this year, two years ahead of pre-pandemic forecasts. As such, ecommerce growth continues to be a major focal point of the logistics industry and will be a deciding factor for which peak season strategies prevail. Your 3PL business probably serves ecommerce brands, so not only knowing the trends but also being prepared to enact peak season strategies—particularly leveraging the right technology—are the keys to a successful peak shipping season.

ABOUT 3PL CENTRAL, AN EXTENSIV COMPANY

3PL Central, an Extensiv company, is the leader in cloud-based warehouse management system (WMS) solutions built to meet the unique needs of the 3PL warehousing community. Serving as the backbone of our customer's operations, our platform quickly transforms paper-based, error-prone businesses into service leaders who can focus on customer satisfaction, operate more efficiently, and grow faster. Offering a comprehensive warehouse management platform, we make it easy for 3PLs to manage inventory, automate routine tasks, and deliver complete visibility to their customers. To learn more, please visit www.3plcentral.com.

ABOUT EXTENSIV

Extensiv is a visionary technology leader focused on creating the future of omnichannel fulfillment. Through our unrivaled network of more than 1,500 connected 3PLs and a suite of integrated, cloud-native warehouse, order, and inventory management platforms, we enable modern merchants and brands to fulfill demand anywhere with superior flexibility and scale without painful platform migrations. More than 25,000 logistics professionals and thousands of brands trust Extensiv every day to drive commerce at the pace that modern consumers expect. Visit www.extensiv.com to learn more.



Interested in learning how we can partner with your warehouse and help you prepare for peak season?

[REQUEST A DEMO HERE](#)

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