**3PL Central**

# PEAK SEASON PLAYBOOK

## Preparing Your 3PL Warehouse for Optimal Efficiency
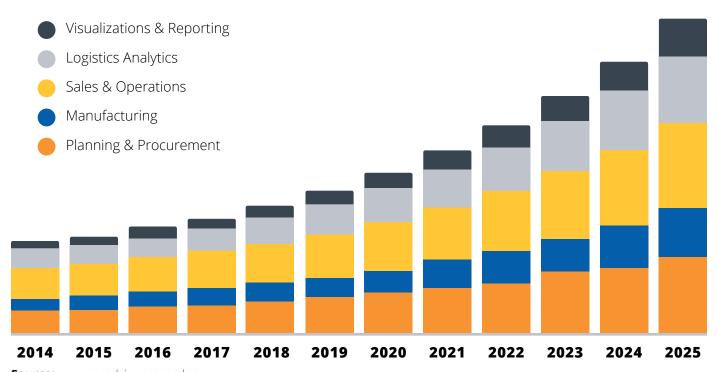
# TABLE OF CONTENTS

# INTRODUCTION

Last year transformed the logistics industry. During the pandemic, supply chains experienced unprecedented and accelerated growth—and it shows no signs of stopping. This is especially true for ecommerce, which grew 44% in the United States last year—nearly triple the 15.1% year-over-year jump seen in 2019.

**U.S. Supply Chain Analytics Market Size, By Solution, 2014–2025**
(USD Million)



Legend:
- Visualizations & Reporting
- Logistics Analytics
- Sales & Operations
- Manufacturing
- Planning & Procurement

Years: 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025

**Source:** www.grandviewresearch.com

As with any booming marketplace, this also brought growing awareness and pressure to meet consumer demands. The rapid development of the supply chain industry supercharged manufacturers, retailers, third-party logistics (3PL) providers, and everyone in between to think about new and innovative ways to remain agile and efficient amid a post-COVID boom.

Now, in an already thriving marketplace, 3PL warehouses must prepare for the upcoming peak season while continuing to scale, remain nimble, and meet customer demands.

# PEAK SEASON IN THE POST-COVID BOOM

Third-party logistics warehouses have largely taken advantage of the exploding ecommerce growth, which is estimated to reach $1.3 trillion by 2024. In addition, online buying channels doubled during lockdowns, making 3PLs more important than ever as retailers and direct to consumer (DTC) manufacturers move to partner with and outsource fulfillment to them.

With years of fulfillment expertise and strong customer relationships, 3PL warehouses are well-positioned to profit from these partnerships and successfully meet the growing needs of consumers—especially during peak seasons.

The rise of omnichannel fulfillment has made peak seasons even more critical for warehouses who look to take advantage of an expanding marketplace. Last year, online sales during the winter holidays grew 45.2% year over year despite the many challenges the pandemic brought with it. In addition, peak seasons seem to continually expand and can include other buying surges such
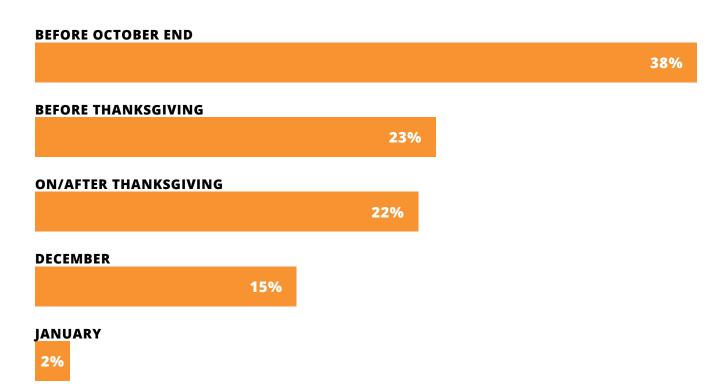
as Chinese New Year or Prime Day, which helped third-party sellers make more than $3.5 billion in sales last year.

**Heightened Peak Shipping Seasons**

MOTHER'S DAY

PRIME DAY

BACK-TO-SCHOOL

HALLOWEEN

BLACK FRIDAY

CYBER MONDAY

HOLIDAY SEASON

With so much business potential riding on peak season, how can third-party logistics warehouses prepare and plan for maximum accuracy and efficiency while remaining focused on current business needs?

The truth is warehouses must start to prepare as soon as possible to optimize operations with best practices that they can use year-round to effectively scale fulfillment activities. With 38% of holiday shopping beginning before October, many warehouses begin prepping as early as July for peak season optimization. In a poll of 3PL Warehouse Manager WMS users, only 37.5% said they were operationally sound all year round.

## When Consumers Are Most Likely to Begin Holiday Shopping in the United States

**BEFORE OCTOBER END**

38%

**BEFORE THANKSGIVING**

23%

**ON/AFTER THANKSGIVING**

22%

**DECEMBER**

15%

**JANUARY**

2%

**Additional Information:** United States; Deloitte; September 9 to 15, 2020; 4,012 Respondents; Online Survey
**Source:** Statista 2020

To help third-party logistics warehouses realize their peak season potential, consider how to:

- **Improve operations**
- **Increase profitability**
- **Invest in technology**
- **Boost visibility**
- **Enhance the customer experience**

# IMPROVE OPERATIONS

There is no denying it—continuous operational improvement is critical to a warehouse's success. The first step to ensure workflows and processes are ready to deliver optimal performance is to conduct a warehouse audit. Many 3PLs already do this annually. However, with exponential industry growth, audits should be conducted more often to verify operations are running smoothly and efficiently.

As a best practice, conduct a thorough analysis quarterly at a minimum and monthly during high shipping times—especially if ecommerce is a growth driver. Be sure to note any baseline key metrics so you can measure your improvements.

## CONDUCT A WAREHOUSE AUDIT

### INBOUND AND OUTBOUND WORKFLOWS

Closely examine receiving, picking, and packing processes to understand the mechanics behind each workflow and output. Learn where you may have redundancies or where you can use technology to speed up or optimize order fulfillment processes for warehouse workers.

### INVENTORY MANAGEMENT

Use your warehouse management system (WMS) to confirm inventory counts and cycle times are accurate. Implement directed putaway or use barcode scanning to remove manual entry and errors. Be sure to note any discrepancies and learn where you can improve your processes to reduce future issues.

## WAREHOUSE TECHNOLOGY

Confirm all systems and integrations are working properly and sharing data as designed. Be sure to include any technology connected with your WMS—including shopping carts, electronic data interchange (EDI), order management systems, label printing, barcode scanners, and any system connected via API.

## WAREHOUSE LAYOUTS

Include warehouse layouts from storage, fulfillment setups, and even parking lots and bays in your audit. The goal is to optimize warehouse space while continuing to meet service level agreements (SLAs) for operations. When you can maximize the footprint for your warehouse, you are able to increase revenue.

While audits can be time-consuming, they are essential to your warehouse operating more efficiently and should be used to guide future improvements.

Upon the completion of a warehouse audit, 3PLs should use the results as a benchmark. Audit results will share key performance indicators (KPIs) of where to improve accuracy and productivity. This data will be extremely valuable in helping your warehouse learn where to reduce costs, enhance operations, or update any processes.

After implementing any system(s), workflows changes, and/or new automation, measure improvements for full transparency and operational efficiency. Maintaining core proficiency is imperative during peak season.

# PREPARE OPERATIONS FOR PEAK SEASON

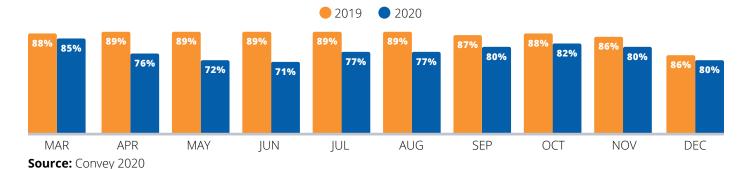| Best Practice Receiving Checklist: How to Optimize your Receiving Workflows | Increasing Throughput with Efficient Pick Strategies | The Perfect 3PL Warehouse Pick and Pack WMS Checklist |
|---|---|---|

# INCREASE PROFITABILITY

The key to improving warehouse profit margins revolves around a 3PL warehouse's ability to understand what activities make money—or alternatively, which activities or, in some cases, customers cost the business more than what they bring in.

When thinking about warehouse profitability, predictive analytics have become more and more common as ecommerce and omnichannel fulfillment grow more prevalent. Predictive analytics help warehouses forecast and build statistical models to measure probability and future outcomes. For example, during last year's holiday season, more than 2 million shipments were delayed. This type of supply chain disruption can impact warehouse inventory levels, labor costs, chargebacks, and SLAs with customers where fees may apply. With predictive analytics, 3PLs can forecast and calculate associated costs to their business and make time-sensitive decisions without delay. It's no wonder that 69% of 3PLs surveyed believe predictive analytics to be a priority for their business.

## Fewer Packages Arrived On Time in 2020, Including During the Holidays
### Percent of Packages that Arrive on or Before the Date the Carrier Originally Promised

● 2019   ● 2020

| Month | 2019 | 2020 |
|-------|------|------|
| MAR | 88% | 85% |
| APR | 89% | 76% |
| MAY | 89% | 72% |
| JUN | 89% | 71% |
| JUL | 89% | 77% |
| AUG | 89% | 77% |
| SEP | 87% | 80% |
| OCT | 88% | 82% |
| NOV | 86% | 80% |
| DEC | 86% | 80% |

**Source:** Convey 2020

For 3PLs offering ecommerce or DTC services, the option of offering flat rate fulfillment is gaining popularity to help warehouse customers understand pricing structures. It allows warehouses to have a pulse on overhead and profitability. Stalco, a 3PL warehouse founded in 1994, now offers flat rate fulfillment that includes unlimited SKUs, storage, packaging, and more. Hook Logistics, who opened their door during the pandemic, is another example of a third-party logistics warehouse offering "fulfillment without the fees".

## WHERE TO IMPROVE PROFITABILITY

### WAREHOUSE SPACE

Commercial real estate is becoming more and more difficult to find, which means it is becoming more and more expensive. In fact, nearly 50% of 3PL warehouses report operating at above 90% capacity, with 41% of them looking to expand their footprint this year or in the near future. As the top operating cost for 3PLs, it is important to have a pulse on growth strategies and start looking for new warehouse space early.

### HANDLING

Tracking activity by customer is one of the best ways to understand profitability. In most warehouses, billable activities like receiving, picking, and packing are tracked and charged back to the customer. Before quoting pricing to new customers, perform a dry run of their fulfillment workflows to ensure you bill customers for enough hours to make their business worthwhile.

### STORAGE

Understanding how much space customers are using in your facility will help determine if you are undercharging for inventory storage. If a customer has particularly slow-moving inventory, that can cost your warehouse valuable dollars. To determine your storage cost by customer, multiply your cost per square foot by the total square feet used by that customer.

### MATERIALS

For ecommerce warehouses or those offering kitting and assembly solutions, it is important to track materials by customer. Any materials such as tape, labels, boxes, stretch film, and pallets should be charged back to the customer—in some cases, handling fees may also be added.

However, one of the best ways to remain profitable and combat rising operating, labor, or real estate costs during peak season is using technology to automate and track operations.

## PREPARE FOR PROFITABILITY DURING PEAK SEASON

Five Steps to Improve Warehouse Profitability

Profitable Ecommerce Strategies: How One 3PL Saw 300% MoM Customer Growth

When 3PL Warehouses Should Fire Their Customers

# INVEST IN TECHNOLOGY

Rapid ecommerce growth has spurred a plethora of new technologies for the logistics and supply chain industry, and COVID-19 sped up this changing landscape. For years, warehouses have pushed around the concept of innovation but have been historically slow to adopt new technologies—that is, until recently.

In a 2020 Innovation Study, 39% of respondents said they would invest 10–20% over their current logistics spend, with 31% willing to spend more than 20% on digital technologies. As already shared, predictive analytics technology is a priority, as well as visibility, robotics, and automation technologies. In addition, new ecommerce merchants, retailers, and DTC manufacturers are all eager to work with third-party logistics providers—which means more volume. Successful 3PLs will need to invest in comprehensive technology to meet demands and handle increased throughput both seamlessly and efficiently.

As reported in the Third-Party Logistics Warehouse Benchmark Report, 3PLs in the highest growth brackets were 200% more likely to invest in system integrations with shopping carts and marketplaces and 50% more likely to invest in ecommerce.

So, how does this impact peak season?

As more and more consumers prefer to shop online (62% reported last year), more retailer sites pop up online, and more manufacturers start extending their DTC offerings, 3PLs who want to take advantage of this exploding sector will need to invest in technology. And they will need to do so quickly.

# WHY INVEST IN TECHNOLOGY

## CUSTOMER DEMANDS

Today's consumers want it all—and there is very little room for error. Warehouse customers trust their 3PL providers to help meet these demands. With the right technology, 3PLs can easily share vital information, meet order and shipping SLAs, and create a positive experience to bring back buyers.

## AUTOMATION

Process and workflow automation—from managing inventory, shipping, and receiving to picking and packing—will offer warehouses the best opportunity for growth. It is also the best way to improve efficiency by removing manual entry and improve the bottom line by removing errors that can lead to mispicks and chargebacks. Automation will also help tackle the management of all billable activities—helping warehouses get paid more and faster.
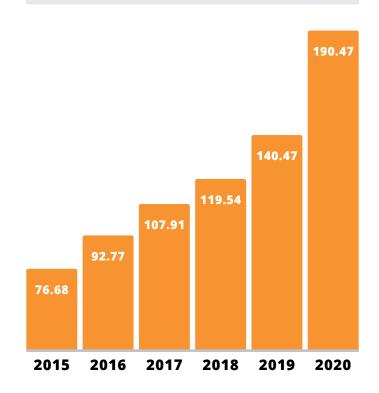
## SINGLE SOURCE OF TRUTH

Third-party logistics warehouses operate as a hub that connects multiple supply chain players. By implementing a warehouse technology platform that enables other business partners and customers to connect to your WMS is a game changer. Using best practice workflows that can impact multiple customers will allow for faster onboarding and happy customers—keeping your warehouse competitive in a rapidly evolving marketplace.

Be sure to load test all systems before any peak season or high-volume shipping time—peak season is not the time to determine that you are not prepared to handle increased volumes.

### U.S. Retail Ecommerce Holiday Season Sales from 2015 to 2020
(In Billion U.S. Dollars)

| Year | Sales |
|------|-------|
| 2015 | 76.68 |
| 2016 | 92.77 |
| 2017 | 107.91 |
| 2018 | 119.54 |
| 2019 | 140.47 |
| 2020 | 190.47 |

## INVEST IN TECHNOLOGY BEFORE PEAK SEASON

Complete Guide to Evaluating Warehouse Management Software
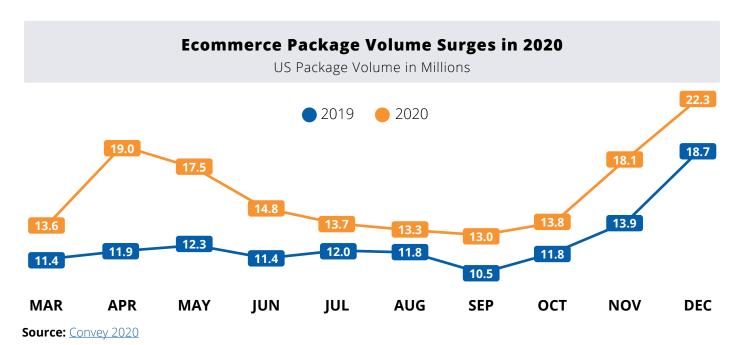
3PL Warehouse Process Checklist: WMS Technology Evaluation Best Practices

Three Warehouse Automation Tips 3PLs Should Adopt Now

# BOOST VISIBILTY

As third-party logistics warehouses become the nucleus of ecommerce and omnichannel fulfillment, visibility is more important than ever. In today's landscape, 3PLs must be prepared to share more and more information with partners, customers, and consumers. One of the most important is outbound shipments. Last year, more than 3 billion parcels were shipped during holiday peak season—setting a new industry record. And, of course, everyone wants to know where their package is and when it will arrive.

The challenge, however, is determining the right level of visibility to meet the needs of the business and warehouse customers.

## Ecommerce Package Volume Surges in 2020
### US Package Volume in Millions

● 2019   ● 2020

| | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|---|---|---|---|---|---|---|---|---|---|---|
| 2020 | 13.6 | 19.0 | 17.5 | 14.8 | 13.7 | 13.3 | 13.0 | 13.8 | 18.1 | 22.3 |
| 2019 | 11.4 | 11.9 | 12.3 | 11.4 | 12.0 | 11.8 | 10.5 | 11.8 | 13.9 | 18.7 |

**Source:** Convey 2020

When looking to boost the level of visibility for your warehouse, consider gaps or missing data points. There may be opportunities for improvement that were discovered during the warehouse audit or that you have already tried to solve for with new technology—whichever the case, determine what missing data will help your warehouse better manage operations. The goal should be to increase visibility to measure performance and drive improvement.

As 3PLs define their roles more clearly in the supply chain, potential supply chain partners such as brands and merchants are already expecting warehouses to enhance efficiency, accuracy, and speed. When polled, these supply chain professionals looked to 3PL warehouses for innovation (55%), full-service offerings (64%), and ecommerce fulfillment (40%).

Considering these dependencies, look for ways to address visibility issues and identify what resources are required to solve them. In many cases, an investment in technology may be required. But remember—this investment will yield long-term benefits for 3PLs, as well as help them make informed decisions and extend visibility to customers.

## HOW TO ENHANCE VISIBILITY FOR PEAK SEASON

### SHIPPING VOLUME AND SLAS

Create internal dashboards to track daily order volumes and shipments. Use this data to confirm commitments made to customers to meet service level agreements.

### CUSTOMER NOTIFICATIONS

Enhance visibility for warehouse customers with automated notifications for low stock, order shipments, delivery notices, and other important inventory activities.

### INFORMED DECISION-MAKING

With real-time data available at many warehouses' fingertips, use this information to make key business decisions. When combined with workflows and output, visibility into data can help prepare your business for future outcomes.

## BOOST PEAK SEASON VISIBILITY

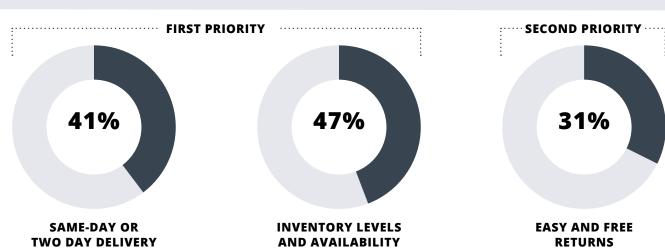| Allstate Moving Systems: Scaling Operations by Replacing Legacy Systems | Why 3PLs Are Ditching Their On-Premise WMS for the Cloud | How 3PL Warehouses Can Win More Business with a WMS |

# ENHANCE THE CUSTOMER EXPERIENCE

Peak season is all about enhancing the customer experience—which should also be a priority all year round. Historically, third-party logistics warehouses have been largely invested in meeting customer demands and working with their customers to help expand their offerings. The importance 3PLs place on these relationships, and those of their partners, is why so many retailers and DTC manufacturers are seeking out 3PLs to help drive innovation that enables growth.

This is especially critical considering the importance of ecommerce fulfillment for many 3PL providers. When asked, third-party logistics warehouses listed their top three priorities on how to meet the needs of their customers. Same-day or two-day delivery polled at 41%, and real-time inventory levels and availability polled at 47%—emphasizing the need to provide complete visibility. Easy and free returns was a close second at 31%.

## Supply Chain Ecommerce Capabilities in Order of Importance

**FIRST PRIORITY**

**41%**

SAME-DAY OR
TWO DAY DELIVERY

**47%**

INVENTORY LEVELS
AND AVAILABILITY

**SECOND PRIORITY**

**31%**

EASY AND FREE
RETURNS

**Source:** Kenko

# HOW TO IMPROVE CUSTOMER SATISFACTION

## OFFER WHITE-GLOVE TREATMENT

Allow warehouse employees every opportunity to make each of your customers feel important by allowing them to offer business-approved discounts or small gifts. When warehouse employees—from the front office to the docks—understand that customer satisfaction is a top priority, they will make their best effort to meet customer demands.

## BE HONEST

When looking to improve a customer relationship, honesty is the best policy. Remember, no one expects warehouse employees to have all the answers, but commit to finding out what a customer needs and then do it.

## LET CUSTOMERS HELP THEMSELVES

When possible, utilize technology to allow customers to self-serve with permission-based access to your WMS or warehouse systems. This helps reduce calls and emails to warehouse staff during peak shipping times.

Above all, when looking to enhance the customer experience, transparency is best in building long-term and trustworthy relationships.

## ENHANCE YOUR CUSTOMER EXPERIENCE FOR PEAK SEASON

Four Website Best Practices for 3PL Warehouses

How Warehouses Can Better Serve Their Customers

# CONCLUSION

With the exponential growth of ecommerce fulfillment, the rise in peak season orders shows no signs of slowing down. Plus, supply chain disruptions are predicted to continue this year, leading to even more inventory and shipping complexities than ever before. To prepare your 3PL business for peak season, conduct a warehouse audit as soon as possible. To ensure efficiency, prepare for peak season early so warehouse staff has time to implement new technologies, processes, and workflows as needed. By optimizing warehouse operations sooner rather than later, 3PLs will have a greater opportunity to communicate with customers and prepare themselves for a successful and lucrative peak shipping season.

# ABOUT 3PL CENTRAL

3PL Central 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. As the proven industry leader for over a decade, 3PL Central accurately manages billions of dollars in inventory and processes more than 1 million orders a week from any of our customer's and their customers' systems. To learn more, please visit https://3plcentral.com/.

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Interested in learning how 3PL Central can partner with your warehouse and help you prepare for peak season?