



A Guide for Creating & Executing a 4PL Network

**BUILDING YOUR FULFILLMENT NETWORK
FOR OPTIMAL EFFICIENCY**

TABLE OF CONTENTS

Introduction 1

Step 1: Identify Network Locations 2

Step 2: Find, Select, and Connect with Partners 3

Step 3: Add Network Customers 4

Step 4: Configure Your Technology 5

Step 5: Final Prep 6

Step 6: Go Live 7

INTRODUCTION

Growth for third-party logistics (3PL) warehouses can be challenging. With an increasingly demanding ecommerce customer base and high overhead costs, many 3PLs operate on razor-thin margins. As a company built by 3PLs for 3PLs, we've been there, and we've had many conversations with our customers over the years helping them to succeed in a highly competitive industry. 3PLs are realizing that **fourth-party logistics (4PL) networks** are key to handling the demands of ecommerce at scale. However, many are unsure where to start such a complex process with multiple considerations.

Networks can be as simple as a single partnership between two warehouses or as complex as a pre-defined, multi-node consortium of several independent 3PLs working together. Additionally, most networks are considered "private" with one owner and one or more "servicing" 3PL partners. When you establish your network, you will be the "owner" of your customers and of the network. You can invite and connect with other 3PLs to build out an optimized geographic footprint to accomplish your strategic goals and meet the needs of your customers.

We've created this playbook as a guide listing all the important steps to creating and executing a well-defined, reliable 4PL network. We've also developed tools to make it easier and faster for you to stand up your own 4PL network, like **Fulfillment Marketplace** and **Extensiv Network Manager**.

With the right tools, you can:

- **Expand your operating capacity** and geographic reach with trusted 3PL partners
- **Own your customer relationships** while outsourcing and billing for fulfillment services
- **Get full visibility** to your customers' inventory, order, and transaction data across all network warehouses
- **Automate order routing and management** to efficiently leverage multi-facility fulfillment

Use this step-by-step guide to learn how Extensiv can help you get started with building your network and serving more customers nationwide.

STEP 1: IDENTIFY NETWORK LOCATIONS

Distributing inventory across multiple facilities can reduce both transportation costs and transit times while mitigating supply chain risk for you and your customers. By selecting optimal network locations you can realize reduced transit times and costs. By locating products closer to consumers, you can leverage economy shipping methods while maintaining, or exceeding, delivery service level agreements (SLAs).

- 1. Collect shipping data:** Gather destination shipping data from your warehouse management system (WMS) or from your customers' sales channels and shopping carts. Be sure to collect destination address information, dates, carrier, and service details, and potentially item and quantity details.
- 2. Organize data:** Import your order data into Microsoft Excel or Google Sheets and organize the data by regions to make it easier to analyze. Sort and group data by zip codes or postal codes, states or provinces, and add a "region" or "zone" designation to each group (i.e., Northeast, Southwest, etc.).
- 3. Identify top regions:** Look for the regions that have the most orders and the highest shipping volume. Use formulas, filters, or sorting functions in your data analysis software to identify these regions to determine volume.
- 4. Use the findings:** Identify the regions farthest away from your current origin with the most shipping volume to indicate the best possible location for additional fulfillment warehouses.
- 5. Engage a service:** If you prefer to complete a thorough cost evaluation of order volume by destination, you can contact us at fulfillment@extensiv.com for more advanced, guided options.

Identifying the best locations to seek out network warehouses can be tricky.

Many factors need to be considered, including order volume, consumer destinations, carriers, services, and more. Look for the obvious answers if you are just starting out or [contact Extensiv](#) for assistance in growing your network footprint.

STEP 2: FIND, SELECT, AND CONNECT WITH PARTNERS

Creating your partner network is the most important step of the 4PL process.

Once you have identified where you need a partner facility, you also need partners who will treat your customers with the same attention to detail and expertise as you would. Common questions 3PLs often ask are: How do I find complementary, high-performing 3PL partners? How do we work together? What technology are they running? How much do they cost?

- 1. Leverage Referrals:** The best way to find a high-impact warehouse partner is through referrals from your peers or technology partners. Ask your WMS provider for other customers who may be able to help with your specific needs. This will ensure a seamless technology integration with similarly minded 3PLs. For a listing of potential partners, check out our [3PL Marketplace](#).
- 2. Be Prepared:** When contacting partner warehouse options, be sure to have workflow and vertical specific questions that you need help with. Include any exceptions, known challenges, areas for improvement, and emerging opportunities for success. This will put everyone on a common footing and move the conversations forward.
- 3. Prioritize Value:** Look for partners that will help you succeed with the right mix of services, service levels, personality, and price. Avoid the trap of only working with the lowest cost option and instead look for businesses who are focused on the partnership aspect of the relationship.
- 4. Look for Synergies:** Finding partners that leverage the same technology stack and are familiar with similar operations, reports, and requests will drive efficiencies through quick, automated integrations and standardized communication. Finding partners that operate to your same high expectations can complement your services and provide a seamless experience for your customers.

Extensiv has taken the guesswork out of finding like-minded, reliable 3PL partners. The [Extensiv Fulfillment Marketplace](#) is a listing service of 3PL Warehouse Manager customers who have a track record of high service level performance metrics. Extensiv's vetting process means you don't have to spend weeks or months blindly searching for options only to be met with dead ends and unsatisfactory business partners. Each partner listed in the Marketplace has a full list of capabilities and expertise. These warehouses are often long-standing Extensiv customers, have the full suite of Extensiv products, are processing at scale, and are qualified to work in a variety of different verticals.

STEP 3: ADD NETWORK CUSTOMERS

As your partner contracts are being finalized, it's time to identify the best fit customers to take advantage of your distributed inventory network. Good fit customers should have a sufficient order volume to see improved return on investment (ROI) with a focus on faster delivery times at a lower cost. Mid to high-volume ecommerce shippers almost always see immediate ROI, and customers in need of inventory visibility for furniture, fixtures, and equipment (FF&E), storage, and replenishment can also be good fits. A good rule of thumb is that if it is business you want, it will most likely be a good fit for your network.

- 1. Internal Customers:** Start by looking at your current book of business to determine which of your customers meets an ideal customer profile for distributed inventory ROI. It's also possible that your customers have already asked you for a more sophisticated fulfillment strategy and a network partner play allows you to bring solutions to market quickly while minimizing risk.
- 2. Sales Opportunities:** A 4PL partner network is often used to expand one's sales territory and footprint. With the right partners and technology in place, look for larger, national opportunities that require more robust fulfillment strategies but still desire the hands on approach of professional 3PL management. Your network is key to scaling and growing your business beyond your current footprint.
- 3. Ideal Customer Profile:** Determine your Ideal Customer Profile (ICP) and focus on those clients. Managing similarly attributed customers across the network will streamline setups, reduce statement of work (SOW) variations, and conform to your best practices. Best of all, these customers are easier to service with consistent, reliable revenue. Finding high-volume ecommerce customers in niche industries is a great foundation for your Ideal Customer Profile. Contact Extensiv at fulfillment@extensiv.com for an in-depth profile analysis based on your business needs and capabilities.
- 4. Sell The Vision:** Most customers in your ICP will quickly understand the benefits of distributed inventory, order routing and management, replenishment, and visibility. Use your expertise in warehousing and logistics, combined with your partner network and streamlined technology to demonstrate the simplicity and power of the model. Overcome objections by offering better visibility, enterprise order management, dynamic capacity options, and other tools and services that help your customers save time and money.

STEP 4: CONFIGURE YOUR TECHNOLOGY

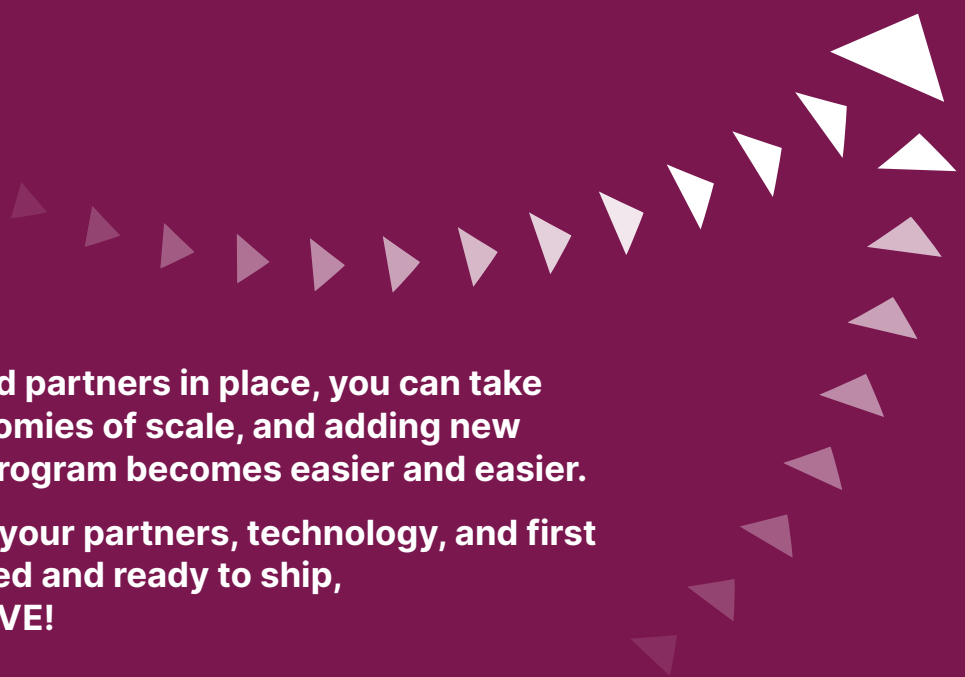
Once you're ready to onboard a customer, it's time to put your systems in place. Tools like **Extensiv Network Manager** can provide a technical overlay that helps manage your complete fulfillment network. Inventory visibility, order routing and management, cart connectivity, transaction verifications, and user-based access permissions for you and your customers provide the partner oversight and complete fulfillment management all from one master-controlled application.

- 1. Configure The WMS:** Moving a customer into your network configuration is a great time to evaluate SKUs and other item setup configurations in the WMS. Multiple warehouses will now be accountable for inventory, and clear consistent setups in the WMS will minimize any exceptions and confusion. Be sure your partner warehouses can handle a robust item list and multiple workflows that may impact each customer.
- 2. Order Routing Rules:** Deploy order management and order routing capabilities to maximize the benefits of distributed inventory. Be sure your order management tool, such as Extensiv Order Manager, can automate the routing of orders and has rules-based logic to dynamically send orders to the best fulfillment option. Note that each customer may have a different set of criteria for order routing. Customers may also leverage Order Management tools for exception handling and fulfillment visibility.
- 3. Connect Order Sources:** Once your order routing rules are in place, it's time to connect the order sources. These include shopping carts, ERPs, marketplaces, and more. Be sure that all orders flow through your order management software to take advantage of routing rules and provide consistent visibility to your customer.
- 4. Manage by Exception:** Once orders start flowing, use your technology to refine your order routing and management rules. It is the role of order management to scrub, validate, and assign orders to each warehouse in such a way that it is 100% ready to pick, pack and ship. All order exceptions should be addressed before the warehouse sees an order, dramatically reducing errors and extraneous communication between partners.

Extensiv offers white glove customer and order management setup for our Network Manager customers to accelerate your network setup. Motivated partners can be connected and processing orders in less than 30 days!

STEP 5: FINAL PREP

- 1. Balance Inventory:** If not already complete, ensure sufficient inventory levels at each warehouse. Inventory can be split 50/50 between facilities, or more advanced analytics can be completed to determine the best SKU and quantity mixes at each facility. Proper inventory allocation is paramount for optimal cost and transit time reductions for delivery, and real time inventory reporting from all facilities will ensure items are not oversold. Inventory can be moved between facilities in bulk, or new inventory can be directed to the appropriate facility directly from the manufacturer.
- 2. 4PL Billing:** If 3PL billing is complex, then 4PL billing is an enigma. The final prep stage is a good time to configure your billing systems to account for cost accrual from your partners along with tariff mark-ups and billing to your customer. With proper planning you can maintain an accurate total of costs and revenue across your entire network, giving you a full profitability analysis for each customer.
- 3. Set Your Dates:** Look for proper cut-over dates and set your target. Cut-over dates will be the day and time that you switch from an existing workflow to the new network management workflow. These are often set for the end of the day, week, or month. Coordinate with your partners and technical vendors to find the least disruptive time to flip the switch, but don't delay, every un-optimized order is costing you and your customers time and money.
- 4. Support Your Partners:** Communication and reciprocity are key drivers to long term partner success. Clear and proactive communication between warehouses can be automated to reduce service loads, and also offer course correction mid-stream. Think of how much communication and input you want from a partner and then double it! As your relationship progresses, you'll find that most warehouses will become a transparent extension of your business.



Once you have solid partners in place, you can take advantage of economies of scale, and adding new customers to the program becomes easier and easier.

**Now that you have your partners, technology, and first customer configured and ready to ship,
IT'S TIME TO GO LIVE!**

STEP 6: GO LIVE

Congratulations! You've processed your first network orders and you're on your way to building out a full suite of 4PL services to expand your reach and offer your customers a significant competitive advantage with a distributed fulfillment model.

Got questions? Get customized advice for your business.

Book your free initial consultation today!

Follow Us!



ABOUT EXTENSIV

Extensiv is a visionary technology leader focused on creating the future of omnichannel fulfillment. We partner with warehouse professionals and entrepreneurial brands to transform their fulfillment operations in the radically changing world of commerce and consumer expectations.

Through our unrivaled network of more than 1,500 connected 3PLs and a suite of integrated, cloud-native warehouse management (WMS), order management (OMS), and inventory management (IMS) software, we enable modern merchants and brands to fulfill demand anywhere with superior flexibility and scale without painful platform migrations as they grow. More than 25,000 logistics professionals and thousands of brands trust Extensiv every day to drive commerce at the pace that modern consumers expect.

To learn more, go to [extensiv.com](https://www.extensiv.com).

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