



*The*

**ULTIMATE**

*Guide On How To*

# **Transition to a Growth-Driven 3PL**

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Edited: 01/12/2023





# Is **Weak** Fulfillment Slowing Your Business Growth?

**Fast, accurate** order fulfillment is **critical** to building a successful eCommerce business.

Once logistics are up and running, most companies are understandably reluctant to switch 3PLs because of the cost in time and money. However, sticking with a fulfillment solution that creates problems for your business is like crossing a lake in a leaky boat. If you row hard enough and keep bailing, you might make it, but it will exhaust you. Inadequate fulfillment leads to a slow (or fast) drain on your online business that reduces profits and impedes the growth of your enterprise.

## THE HIGH COST OF INFERIOR ECOMMERCE FULFILLMENT

Suppose your brand places \$10,000 in inventory in a 3PL warehouse. The industry average shrinkage rate is 2%. That means you'll lose \$200 worth of stock to theft, damage, or items getting lost in the warehouse. Mis-picks put the wrong product in the box about 3% of the time. That's \$300 of inventory you probably can't resell.

If your fulfillment partner isn't a good fit, other costs include return fees, slow order processing, and poor product handling, which can eat up another 5% of your inventory value.

Total loss from inefficient or sloppy warehouse procedures: 10% or \$1,000. If your margin is 15%, bad logistics cut your profits by two-thirds.

Warehouse issues are sometimes dramatic (an error across a whole shipment of goods, losing an entire pallet of inbound stock) but more often minor: an uptick in your returns rate, a damaged box, a few items missing from the shelves, a late shipment leading to a return or an order shipped with the wrong SKU. Individually, these mistakes can seem like the cost of doing business, but, taken together, they add up to a strong argument for switching fulfillment companies.

# 4 Simple Steps To Start Your Transition

## STEP 1: IDENTIFY YOUR PAIN POINTS

The clearer your understanding of current fulfillment problems, the better prepared you'll be to find the right solution. Here are some common fulfillment issues:

- ✘ **Total costs of fulfillment are too high.** Dig into your logistics expenses to understand what's driving them. For example, a low-cost 3PL with a high error rate will likely increase your returns costs and drive down customer lifetime value.
- ✘ **Shipping is inadequate.** Perhaps you need to bring down high shipping costs, or you want more flexibility to ship with different carriers.
- ✘ **Service is slow.** Getting orders out on time is critical to growing your business. Look for same-day and next-day order processing and fulfillment services.
- ✘ **The 3PL couldn't handle your product.** A warehouse that isn't experienced in handling merchandise like yours won't serve your fulfillment needs. Identify characteristics of your items that require special care: heavy, bulky, fragile, high-value, hazmat, etc.
- ✘ **Customer service isn't responsive.** Are you spending too much time chasing down your 3PL's customer service to resolve problems? That's time your team could spend making sales and working with existing customers.

## STEP 2: WRITE YOUR WISH LIST

Once you identify your pain points, list what you're looking for in your ideal 3PL partner. Include add-on services that will boost your business, such as kitting or LTL freight shipping.

## STEP 3: SEARCH FOR POTENTIAL FULFILLMENT PARTNERS

Don't limit your 3PL search to warehouses in your city or state. Your customers are national, so search for the best national fulfillment solution for your eCommerce operations.

## STEP 4: INTERVIEWS AND SITE VISITS

A 3PL is one of your most important business partners, so don't shortchange the search. Speak with representatives from your short list of warehouses and do site visits if possible.



# Make your Transition Plan

*“The timeline of a 3PL transition is the thing that sets everything up for success.”*



**Chris Mortl**  
Sales Executive  
Red Stag Fulfillment

This is the tricky part of the transition to a new 3PL; it's the reason you hesitated to make a move in the first place. You need to set up new systems and point your software at the new warehouse at just the right moment so you cause as little order delay as possible. That might feel like solving a 3D puzzle where you don't have all the pieces, but you don't have to do it alone. Lean on your new 3PL to help you plan and manage the transition.

## GET YOUR PAPERWORK IN ORDER

Paperwork is time-consuming, but it's crucial to get it done correctly for a smooth transition. Take the time to read emails from your new 3PL, review contracts and other documentation, and return signatures where requested. The transition can't start until your paperwork is done.

In addition, be sure to create ASNs (advance shipping notices) for merchandise headed to your new warehouse. ASNs are always required, but they are particularly crucial for your first shipments. Without them, your new 3PL won't know what to do with your inventory and might even turn back a container.

## CREATE YOUR TIMETABLE

ECommerce companies sometimes need to make a 3PL transition on a tight turnaround. You might have a container arriving in a week and want it to go to the new warehouse. Or you're about to enter your peak season, and you know it will be a disaster if you don't get out of your current 3PL ASAP.

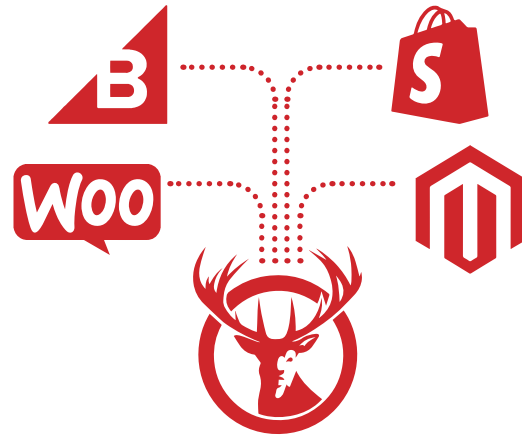
Short transitions are possible, but giving yourself and your new fulfillment company more time allows you to work out the kinks and ensure smooth onboarding. Your new fulfillment partner might want to send a test order to check that the warehouse has calibrated the pick and pack process to ship your items safely.

Figure out your ideal timeframe, then make a step-by-step plan and get feedback from your new 3PL. A typical warehouse transition takes about 60 days, though 30 days is feasible.

## PRIORITIZE INTEGRATIONS EARLY

When you think about your 3PL transition, moving your physical inventory is top of mind. However, your software integrations are just as critical to a well-run logistics operation as the goods on the shelves.

In fact, integration can hold up a transition if neglected. Setting up a plugin or middleware link can take as little as a day or two, but API development may take weeks or months. And, whatever integration solution you choose, leave time for testing to ensure that information transfer between your site and the warehouse is live and working seamlessly.



*RSF integrates with all the leading eCommerce website integration services*

## WIND DOWN WITH YOUR CURRENT 3PL

Consider the timing for your transition. Do you want to sell through the stock in your old warehouse before sending orders to the new one, or make a clean break and forward all your inventory?

There are pros and cons to both approaches. You save money on freight by sticking with your current 3PL until you hit your reorder point. However, you might hit that point for each SKU at a different time, leading to orders that your old warehouse can only partially fill. In addition, if you're leaving because of high error rates, a faster transition will put your fulfillment in competent hands more quickly.

Work with your old and new 3PLs to make a plan for this transition that minimizes the number of days your stock is in transit and unavailable for picking. Your order of operations might be:

- ➔ Direct shipment from the factory to the new warehouse.
- ➔ Create an ASN so your new partner knows what to expect.
- ➔ Continue to fill orders from your current 3PL until the new warehouse has stock on the shelves and ready to pick.
- ➔ Arrange to have your remaining inventory sent from your old 3PL to your new one.



# Onboarding With Your New 3PL *Doesn't Need To Be Painful.*

Like any large undertaking, the key to a 3PL transition is breaking it down into steps and taking it one step at a time. If your new 3PL has an onboarding team, their transition experts can do a lot to make the switch easier.

**Here are tips to make your move to a new warehouse smooth.**

## TEST INTEGRATIONS AND ORDER FULFILLMENT

Don't turn your customers into beta testers; check every aspect of your order fulfillment operations before you go live. Push information in both directions, including sending dummy orders. Check that inventory data flows back to your order management systems.

Have the 3PL send a package from each warehouse location you'll use. Test the order processing time, make sure your items ship in an appropriate box, and check on the packaging and infill.

## STANDARD OPERATING PROCEDURES FOR THE NEW WAREHOUSE

Align your fulfillment to be consistent with warehouse standard operating procedures and you enhance your new logistics success partner's ability to meet your expectations for on-time, accurate order fulfillment. That sets you up for excellent fulfillment and helps make the relationship scalable.

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**■ ■** *Part of growing a business is finding the bottlenecks and being able to open up those flows so that when you 10X, you can do so without the operational bottlenecks. Having someone like Red Stag who has the team, the know-how, and the experience to help you remove those obstacles is crucial. ■ ■*



**Brenden Marquardt**  
Co-Owner & Founder  
Homestead Brands

# Let Us Handle The Heavy Lifting.

You outsource fulfillment to a 3PL because you don't want to do fulfillment. If you're on the phone daily tracking down lost orders and resolving customer issues, your 3PL isn't doing its job. If your inventory keeps coming up short because of shrinkage compounded by inaccurate cycle counts, the 3PL creates more work for you, not less.

When you find the right fulfillment for your brand, the 3PL transition is your last significant logistics project. After you're up and running, you can forget about order fulfillment. The professionals are handling that, so you can turn your attention to expanding your product line and growing your business.

## Red Stag Fulfillment makes 3PL transitions easy

Red Stag Fulfillment has a dedicated onboarding team that works with each new client from the day you complete your paperwork until your fulfillment is running smoothly. They will work with you for the first 60 to 90 days to work out the glitches and ensure integrations are up and running and we are packing your orders according to your SOPs.

*Let our experts help you with  
your 3PL transition.*

