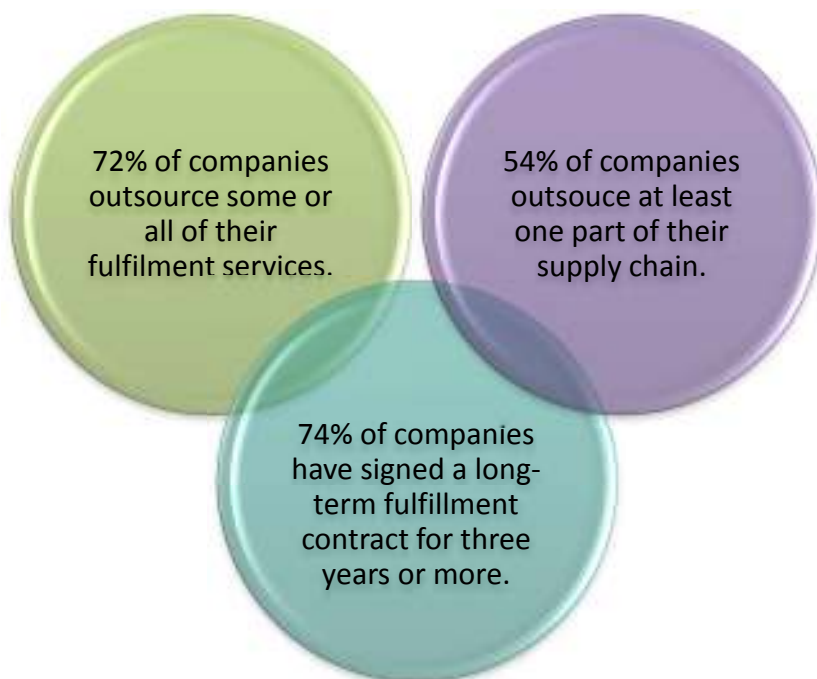


## THE ESSENTIAL GUIDE TO CHOOSING THE RIGHT 3PF PARTNER

Today more and more companies are choosing to outsource their fulfillment to an experienced 3PF (third party fulfillment) provider. Brands can realize significant cost savings when calculating the total cost of ownership for their fulfillment program. 3PF providers offer the technology, staffing and processes necessary to ensure your brand integrity remains uncompromised throughout the supply chain.

But with thousands of 3PF companies to choose from, how do you find the provider that is right for you and your brand? This whitepaper will help guide you through the 3PF decision process – from research to analysis to selection. After reading this document, you should have a better understanding of the following:

- How to identify your 3PF requirements.
- What to look for in a 3PF provider.
- How to select the best 3PF partner for your business.
- How to compare operational costs between 3PF partners.
- What service level metrics 3PL providers should maintain.
- How 3PF costs compare with your internal operations.
- How much of your fulfillment should you outsource?
- What questions should you ask during a site visit?



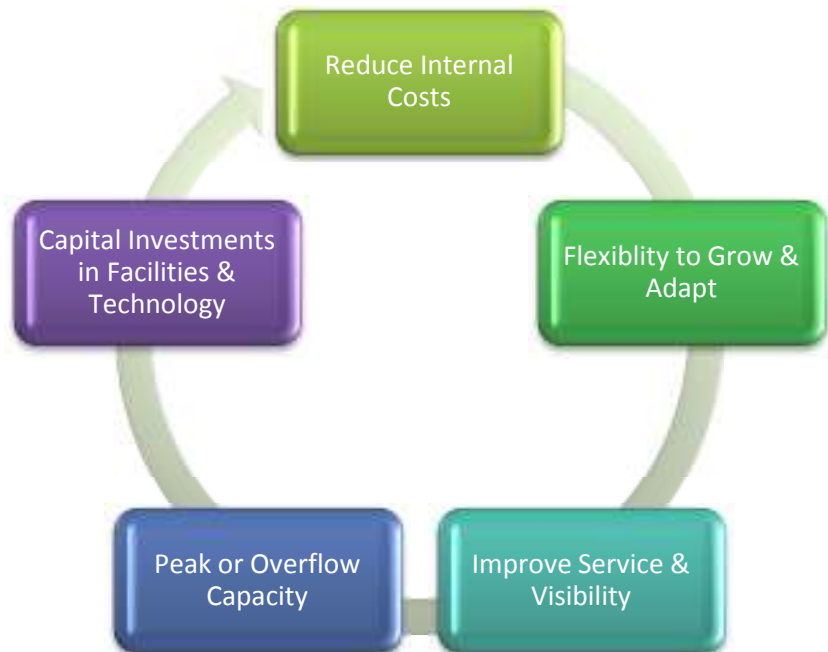
*Source: Tompkins Supply Chain Consortium*

## HOW TO IDENTIFY YOUR 3PF REQUIREMENTS

Understanding your own fulfillment process before reaching out to potential 3PF candidates is a great exercise for both you and the potential partner, particularly when it comes to accurately estimating the cost per order and other ancillary expenses. Here are a few things to consider:

- What are the requirements for the sales channel you are outsourcing? Is it multichannel (direct to consumer, retail and/or wholesale)? Is there a customer service component? The best way to answer these questions is to walk through several orders and provide a complete list of time, motion and material requirements.
- If there is a contact center component, what is the average call time and average number of calls per month? What level of agent training is needed?
- How many orders are shipped per month? Are there seasonal fluctuations in orders?
- What are the number of receipts and total units?
- How many pallets and SKUs is the 3PF required to keep on hand (average vs. peak periods). What are your mix/max levels for each product?
- What are the technology and connectivity requirements for order management functions? What interfaces need to be in place for websites and data systems?
- Do they offer detailed, easily accessible real-time reporting?

### TOP REASONS COMPANIES OUTSOURCE FULFILLMENT



*Source: Multichannel Merchant*

## WHAT TO LOOK FOR IN A 3PF PROVIDER

Now that you've established your requirements, it's time to conduct an initial investigation into possible providers. Many companies begin the process by sending out an RFI that can contain hundreds of questions. However, our experience has shown it is best to make an initial, personal outreach to the companies you are considering and ask them a few baseline questions. This will help you gain a sense of their company culture and how they operate. Your conversation should give you a better understanding of the following:

- Can they consistently meet your service level agreements?
- Do they comply with systems and connectivity requirements?
- Can they provide services at a competitive rate relative to partners with like capabilities?
- Do they meet or exceed the "time to market" expectations established with your company's internal fulfillment systems.
- Can they demonstrate a tested and proven onboarding process with minimal service interruptions?
- Can they provide information on how they will reduce your freight costs through shipping analysis and recommendations?
- Can they provide value added services like kitting, returns processing, customer service, etc.
- Do they offer detailed, accessible reporting that can be measured and analyzed for continuous process improvement?



***"Companies should partner with a reputable third-party rebate processor that will be good stewards of their brands and customers. Rebate fulfillment providers must be committed to fast turn times, accurate processing and delivering an exceptional consumer experience."***

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# HOW TO SELECT THE BEST 3PF PARTNER FOR YOUR BUSINESS

Finding the right partner should not be a daunting task. However, if you are a brand that is positioned for growth and expansion you should be looking for some key qualifications in a 3PF. Below is a short list of things to consider as you migrate through the selection process:

**Pricing.** Don't focus solely on the bottom line; be sure to ask detailed questions about the 3PF provider's systems and technology. The cheapest solution may not be the one that is best suited to providing the high-touch service your customers expect.

**Accuracy.** Be sure the partner clearly understands the specifics behind your brand's order management process. Every last detail must be taken into account including number of orders, average units per order, receipt of single SKU cartons vs. mixed SKUs, reserve and forward pick space requirements, inventory accuracy, back order processing, returns, etc. Having all the details at their fingertips will allow 3PF partners to provide an accurate assessment of pricing and service level expectations.



**Experience.** Fulfillment companies who are seasoned professionals should be able to back up their industry knowledge and experience with information that can help in the decision making process. Be sure to request details on the partner's systems and technology, onboarding methodology and sample materials. An experienced 3PF provider will be able to increase your speed to market and improve visibility throughout all areas of your supply chain.

## Service Level Metrics

Before entering into an agreement with your 3PF provider, it is essential that service level metrics be understood and agreed upon. Below are a few examples:

- 99% of all orders shipped within 48 hours
- 100% of all returns processed within 48 hours
- 99% of all inventory received within 48 hours
- 100% rush shipping same day
- 80% of calls received within 30 seconds
- 99% of calls answered
- 99% Order Pick Accuracy

## COMPARING INTERNAL VS. 3PF COSTS

Now that you've gathered the data, it's time to determine if it makes sense to outsource the order management and fulfillment functions of your business. The proposed costs for 3PF will depend on the volume of orders, transactions and service level metrics you set as standards.

According to a study by F. Curtis Barry, internal fulfillment costs can vary widely, depending on order volume and fulfillment efficiency. On average, fulfillment costs with a 3PF partner are typically half that of internal fulfillment costs. Depending on volume those costs can be even lower.

Some companies opt to outsource only part of their fulfillment services. Some brands are comfortable handling the B2B component of their fulfillment (retailer, wholesaler, etc.) and prefer to have a 3PF provider handle the more high-touch B2C component.

### Making the Most of Your Site Visit

After narrowing your partner selection to a couple of candidates, a site visit for each partner should be conducted to determine which provider is the best match for you and your brand. The tour should be broken into three parts – facility and operations, systems and technology and contact center (if needed). Throughout your visit, keep in mind the company's corporate culture and how it marries with your brand's core values and mission.

**Facility & Operations** – Be sure to visit the fulfillment center during peak hours of operation. Midafternoon is typically one of the busiest times in the warehouse as workers are rushing to get last minute orders out the door. Ask to see the partner's SOPs for order management, inventory control, receiving, inspection and warehouse security. If your order management requires value-added services such as kitting, gift wrapping or specialty printing, ask to see where they perform those tasks as well.



## GETTING THE MOST FROM YOUR 3PF PARTNERSHIP



**Systems & Technology** – Most 3PFs have a designated IT department. Ask to see the data center and discuss any security concerns you have regarding proprietary company and customer data. Have an IT professional demonstrate the WMS and OMS systems as well as the partner's online reporting capabilities.

If the 3PF provides web development and hosting, ask to see some current samples of its work. Finally, if the partner offers inventory forecasting, request a demonstration of the tool's capabilities.

**Contact Center** – Finally, visit the partner's contact center and take the time to listen to some live calls to get a sense of the level of experience the 3PF has with call handling and order processing. If the partner offers services such as email and live chat, ask to see a demonstration of those services as well. Inquire about the agent turnover rate and, if possible, take some time to talk with one or more of the agents to get a sense of the company culture.

## MAKE YOUR 3PF PARTNER SELECTION

After completing all your homework, the time has come to select a partner. Choosing a 3PF provider is not a commodity based decision. There are many factors beyond price that must be considered to find that perfect match. Location, capabilities, experience, technology and company culture are just a few of the areas that need to be factored into the final equation. Find a 3PF that quickly understands the needs of your brand, offers proactive recommendations and complete transparency into your program activity. The best 3PF partner is one that can grow and adapt to the ever-changing needs of your brand and has a long-term vested interest in your success.



### **About Promotion Fulfillment Center**

At PFC, our clients' success is our number one priority. Since 1974, PFC has delivered outstanding results, with turnkey solutions in fulfillment, e-commerce, rebates, sweepstakes, coupons and contact center – all backed by leading technology. Brands who partner with PFC have historically achieved considerable cost savings in excess of 20 percent and have significantly improved their turn times. PFC allows clients to focus on their big picture business goals, while skillfully managing all the details. For more information contact Bowen Smith by phone (800) 493-7063, x294, email [bsmith@pfcfulfills.com](mailto:bsmith@pfcfulfills.com) or visit [www.pfcfulfills.com](http://www.pfcfulfills.com).

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