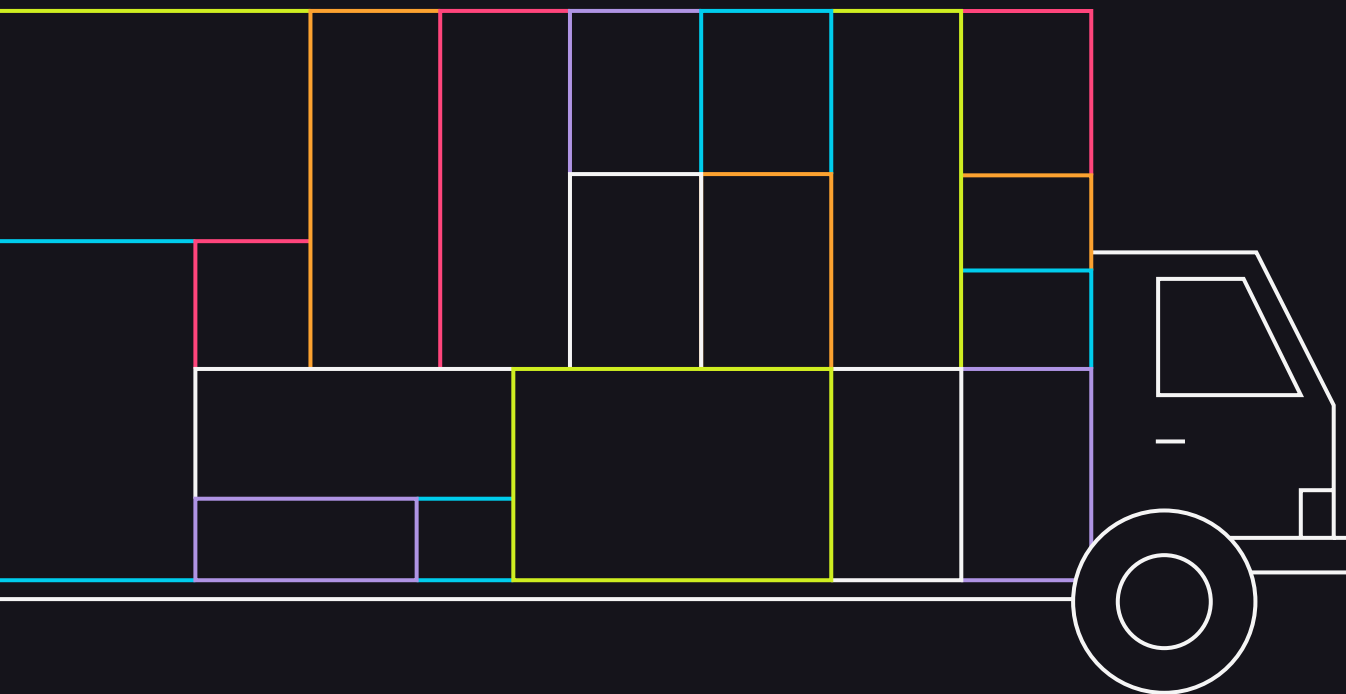




# Third-Party Logistics Checklist

How To Find the Right 3PL Partner



Last modified

04/2022

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# Now—perhaps more than ever before—third-party logistics providers (known as 3PLs) are the secret ingredient that’s allowing successful ecommerce brands to scale their businesses.

In the last couple of years, we’ve seen the effects that political instability, natural disasters, regulatory change and staffing shortages can have on the supply chain, with experts predicting disruptions will continue to occur with increasing severity and frequency.

This comes at a time when customers want fast, free, and frictionless online shopping and shipping. According to research conducted by Forrester for Shopify’s 2022 Future of Commerce report, 90% of consumers say that free shipping influences whether they’ll purchase an order online, while 83% want a product shipped to them fast: either by same-day or next-day delivery. They also want flexibility, with 87% looking for a free returns option before they hit Buy.

By outsourcing your shipping, fulfillment, and returns to a trusted partner, you’ll be able to reduce returns, increase conversions, and build a loyal customer base. Choosing a good 3PL lets you spend more time working on growing your brand and product development—instead of hunched over boxes and packing slips.



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# When to outsource to a 3PL

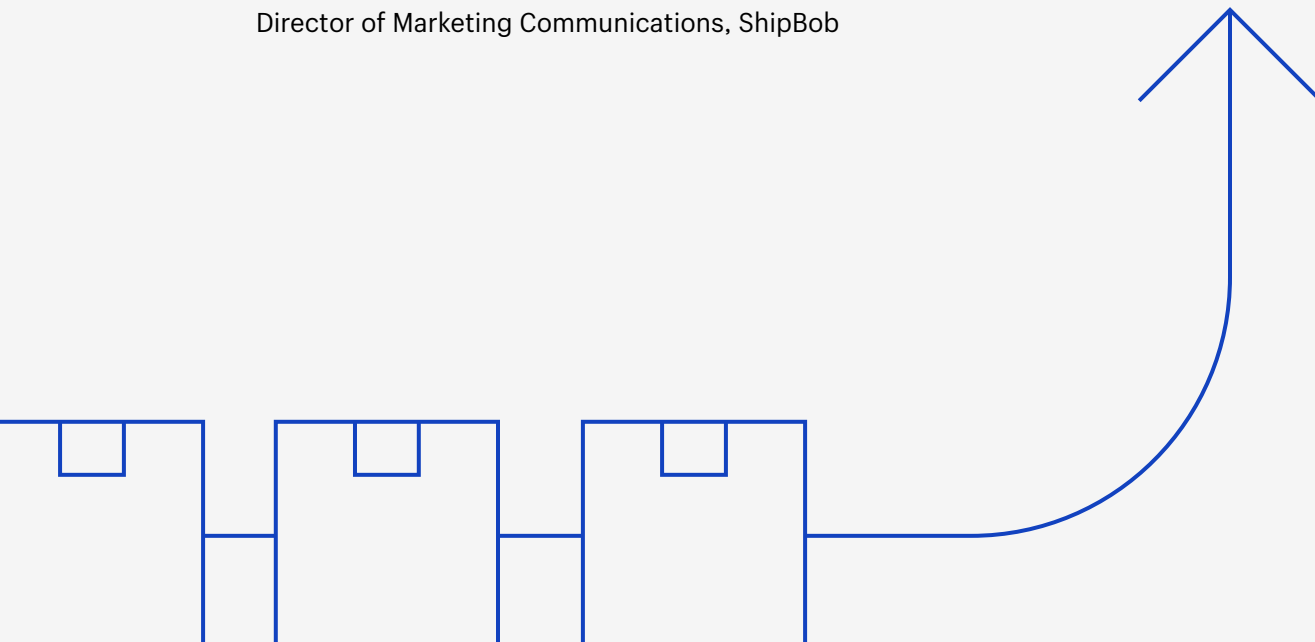
3PLs are often perceived as being for enterprise-sized business, but this is a common misconception. If you have intentions of scaling your business, working with a 3PL can help to reduce overhead costs, free up capital, and improve your customer service.



**Working with a 3PL allows for distributed inventory, with the ability to scale up or down without being tied to a [warehouse] lease.**

**Kristina Lopienski**

Director of Marketing Communications, ShipBob



There's no magic number or formula to determine when it's time to make the switch to working with a 3PL, but it's generally worth considering if you have more than 100 orders per month.

**Ask yourself:**

- 1. As our customer base grows, are we having difficulty keeping up with the increase in demand?**
- 2. Do our order volumes fluctuate throughout the year, making it difficult to manage warehouse space and staffing requirements?**
- 3. Has there been an increase in the number of returns?**
- 4. Are mistakes being made more frequently by our in-house fulfillment team?**
- 5. Are we having difficulties getting orders to customers on time?**
- 6. Have our shipping and warehousing expenses increased?**
- 7. Have we run out of warehousing space?**
- 8. Would our current infrastructure have difficulty meeting a sudden surge in demand?**
- 9. Do we have plans to expand into new international markets?**
- 10. Are our employees working overtime to fulfill orders?**

Answering yes to any of the above questions means that it's likely time to contact a 3PL to determine how they can support your needs, improve your customer service, and reduce your costs as a growing business.

# Common 3PL challenges

Each 3PL is different, including how they price their services, where their warehouses are located, their minimum and maximum monthly orders, and what they specialize in. It's not just about finding a 3PL that fulfills orders properly, provides good customer service, has up-to-date technology, and bills fairly. It's also about finding one that can cater to your ecommerce store's needs.

Your business is unique," says Kristina Lopienski, director of marketing and communications for ShipBob. "That's why it will take some time to find a 3PL that will provide everything that you need."

For example, ecommerce merchants interested in expanding into new international markets will want to seek out an experienced 3PL that's well versed in handling cross-border customs and tax obligations. Likewise, if you plan to scale at any point, different 3PLs have different storage capabilities. Discovering that your current 3PL doesn't have enough warehouse space for your expanding product line and order volume can be a literal growing pain.

For this reason, some ecommerce merchants rely on multiple 3PLs to meet all of their needs. However, Calli Grace, head of merchant success at Shopify Fulfillment Network, says choosing one that can handle all your needs is the best option, particularly if you're offloading fulfillment with the goal of dedicating more of your time to other aspects of your business.



**You don't want to become a project manager.  
You want to go with a robust network that  
meets all of your needs.**

**Calli Grace**

Head of Merchant Success, Shopify Fulfillment Network

# Best practices for choosing a 3PL

“Picking the right 3PL partner at the beginning saves you future headaches,” says Stephen Jones, senior partnership manager at Veeqo, an ecommerce fulfillment platform. Nobody wants to deal with breaking contracts or the logistical hurdles of moving merchandise. “That’s why it’s important to do your due diligence, as it’s better to spend more time finding the right 3PL than being with the wrong company and having to switch later, which can cost you time and money.”

But how exactly do you choose the right 3PL? By asking the right questions. But first, you’ll need to determine whether a 3PL is the answer to the challenges your business is currently facing by considering three key questions.

## Current needs

### **What are your business’s present needs and how much does fulfillment currently cost?**

To start, outline your current freight logistics and supply chain, along with the associated costs. This will help you determine how much time and money you’d potentially be saving, as well as kickstart your conversation with 3PLs to see if their services align with your needs.

In addition to budget, you’ll need to arrive at the discussion with the following information ready:

- Your product weight and dimensions
- Your current monthly order volume
- The average number of items per order
- Common order combinations
- Your average basket size
- Where your customers are located
- The total number of SKUs
- The technology you use, like the ecommerce platform that hosts your store

“Finally, knowing your average basket size is one of the most critical pieces of information,” says Jones, who explains that most 3PL companies charge per item picked—not per order. “If you’re predicting profitability on a SKU-by-SKU basis, this can make outsourced fulfillment appear very cheap,” he says.

## Future needs

### What are your plans for the future?

If you've been doing fulfillment in-house and are currently seeking out a 3PL, chances are you're currently growing—or are preparing for future growth.

In addition to your current standard operations, you'll also need to share with prospective 3PLs your plans for the coming months and years, including business projections, marketing plans, new products you plan to launch, or new markets you plan to enter.

For many ecommerce merchants, this latter point is where working with a 3PL can prove to be particularly advantageous.

“A 3PL is often the quickest way of spinning a shipping operation in a new experimental market,” says Jones. For example, if you're based in the United States and want to test your products in Australia, it makes sense to store a small batch of inventory in the country using a 3PL. “This removes the complexity of learning about local real estate and labor laws before you know if the market is even worth it.”

Your future plans are also why it's important to pay careful attention to the types of questions a 3PL asks you. In addition to determining whether the partnership is a good fit, these questions can be a signal that the 3PL has your best business interests at heart. For example, they may ask you about average order value, with the intention of advising you on maximizing sales, reducing costs and cart abandonment, and optimizing your supply chain.



**This is a sign of a 3PL that thinks through business strategy and is looking for a long-term partnership. The more data and info you share, the more a 3PL is equipped to help you and offer ways to streamline your fulfillment strategy.**

**Kristina Lopienski**

Director of Marketing Communications, ShipBob



# Assessing benefits

## Will working with a 3PL help you save time and money?

### How will working with a 3PL impact or improve customer experience?

Ultimately, many discussions with prospective 3PLs are guided by the same underlying question: “How will outsourcing my fulfillment help me save time and money?”

Unfortunately, 3PL pricing plans are often complex and difficult to understand.

“Additional service requests can create a fast receipt of charges. We definitely recommend that if your business is new to working with a 3PL, take the time to walk through your services needs and how that sits within their pricing. Lean on your 3PL to advise you on how you can keep costs as low as possible, while keeping efficiencies high,” says Grace. She notes that additional costs can often include inbound costs, storage costs, outbound costs, customs and duties, custom packaging, and more.

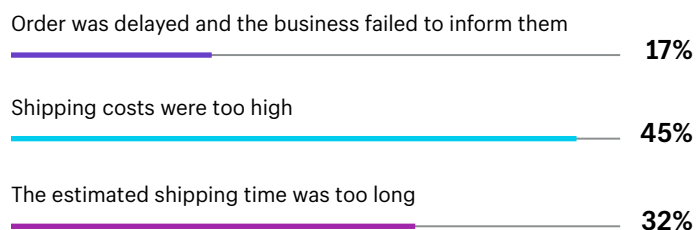
Keep an eye out for a 3PL with an easy-to-understand pricing plan, such as SFN, which has just one fee for all your storage, fulfillment, and returns. And remember—you’ll usually get what you pay for. Instead of going with the lowest bidder, try asking yourself: “What am I getting for this price? What services are most important for my business? How much support will I get?”

Finally, consider if and how working with a 3PL will affect your customer service.

According to Shopify’s 2022 Future of Commerce report, consumers reported abandoning purchases in the last year because the product order was delayed and the business failed to proactively inform them (17%), shipping costs were too high (45%), or the estimated shipping time was too long (32%). If you’re not able to meet consumer demands, you may be losing new business—and repeat customers. Working with a 3PL should improve the customer service, experience, and shipping options you’re able to offer.



### Reasons for abandoning purchases:

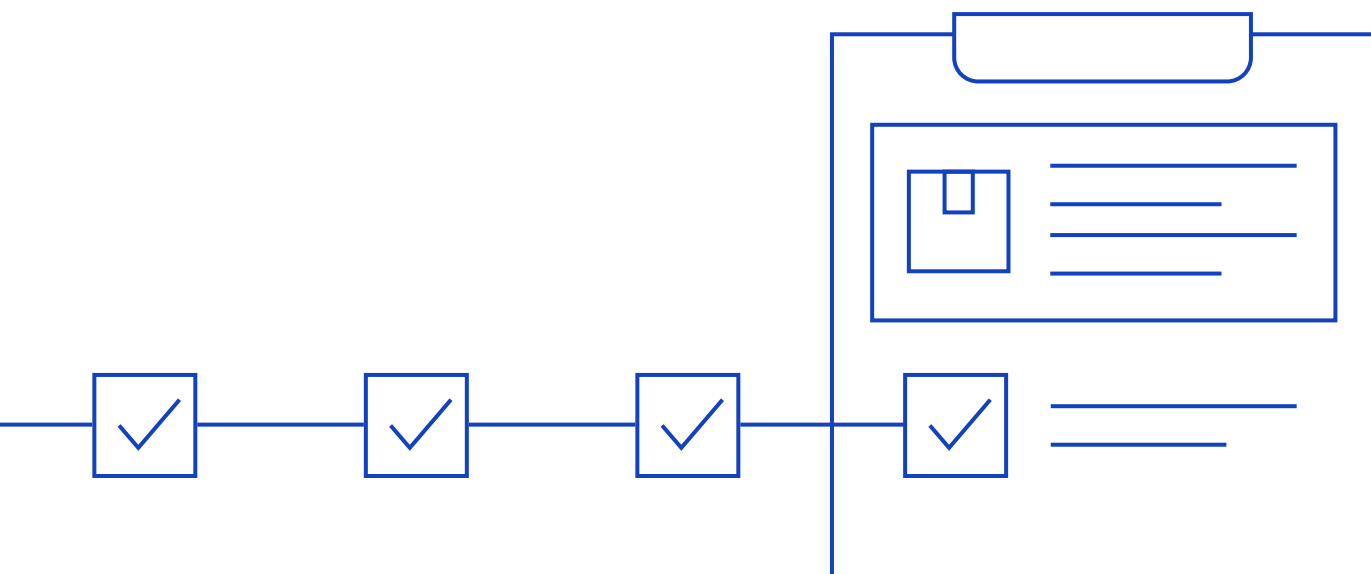


# Questions to ask a 3PL provider

## General questions

You know firsthand how important reviews and client satisfaction are to selling products online. Choosing a 3PL is no different. By asking a company what its track record is in terms of financial stability and client satisfaction, you can determine whether your partnership will be a long-lasting and fruitful one.

- What sets your company apart from other 3PLs?**
- What services do you provide?**
- What do you consider your specialty?**
- How many customers do you have?**
- Do you have any case studies I can read, or can you refer me to one of your existing or previous customers?**
- How do I know that your company will be around in five years?**
- How do you support ecommerce merchants who would like to scale or expand into new markets?**
- How will using your services save me money?**



## Questions about customer service

When an issue occurs, you'll want to know that your 3PL is in your corner. Here's how to ask about the service they will offer you as a customer—and to ensure they will be there to support you.

- What are your company's hours of operation, including on weekends and over public holidays?**
- What hours is your customer support team available?**
- What's the best way to contact your customer support team?**
- Will I have a dedicated account manager?**

## Questions about inventory and fulfillment

Based on where the majority of your customers reside, it's helpful to know where the 3PL has warehouses and where you can store merchandise. This can help you keep merchandise within shipping zones so you can provide same-day or two-day shipping without incurring extra costs.

Likewise, if you sell internationally, consider a 3PL with locations in both the European Union and the United Kingdom, which could help reduce cross-border shipping and tax complexities.

- How many warehouses do you operate?**
- Where are your warehouses located?**
- Will you allow me to choose which fulfillment center locations my products are in?**
- What is the process for sending inventory to your warehouse?**
- How do you receive and store inventory?**
- Do you have any prohibited product materials?**
- Do you have any product size and weight limitations?**

- How quickly can stock adjustments and stock take be performed?**
- How do you support merchants in managing supply chain disruptions?**
- How do you manage periods of high sales volume, such as flash sales?**
- What is your company's corporate social responsibility policy or staff welfare policy?**
- Can I visit one of your warehouses or distribution centers to ensure everything is up to code?**

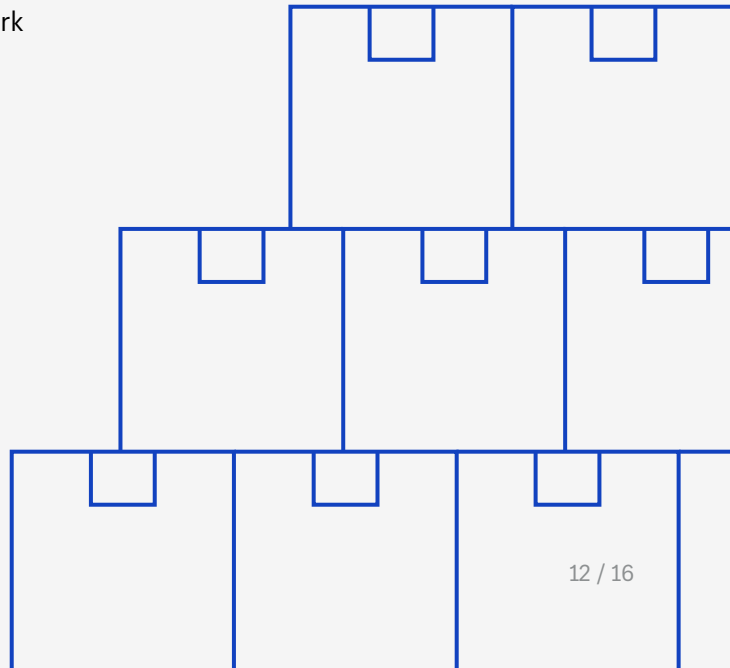


**For most online businesses, your inventory is your most valuable asset. You want to trust your 3PL to understand and execute inventory and order management, so you can stay focused on scaling your business.**

Questions to ask a 3PL provider

**Calli Grace**

Head of Merchant Success, Shopify Fulfillment Network



# Questions about shipping

To gain a better understanding of pricing and anticipated costs, you'll need to fully understand 3PL operations and standard shipping procedures.

- What delivery options, including product sizing and weight, do you offer for standard packaging?**
- What kinds of standard packaging do you offer (e.g., box sizes, bubble mailers, poly mailers)?**
- What custom packaging options do you offer, such as custom packing slips, boxes, tissue paper, or mailers? Can I include inserts with my orders?**
- Do you offer kitting or bundling of orders, or will boxes have to be assembled before they are sent to your warehouse?**
- How do you execute next-day orders?**
- Do you ship internationally?**
- What shipping carriers do you work with, including internationally? Do you have lower negotiated rates with these carriers?**
- How can I track international orders?**
- How do you compensate for delays?**
- How do you handle unexpected spikes in order volume?**
- Do you offer delivered duties unpaid, which is due to the 3PL? Or do you offer delivered duties paid, which lets me collect duties at checkout with the cost of the shipment?**
- Do you manage exchanges and returns? If so, how do you handle them?**

## Questions about pricing plans and costs

Given that the goal of working with a 3PL is often to save both time and money, understanding what and how they charge you is critical. Everything—from pallet storage and packaging to the number of items and orders—comes at a cost.

Before agreeing to work with a 3PL, figure out what factors go into pricing, and calculate the anticipated costs to determine just how much you'll be saving with each prospective partner. You'll need to know what the all-in cost is—not just for shipping, but for every fee added up.

- Are there monthly order minimums or maximums?**
- Do fees change during peak periods like Black Friday/Cyber Monday?**
- Do I have to pay for standard packaging materials and boxes?**
- Do you use dimensional weight in shipping calculations?**
- How often will I receive a bill?**
- What type of fee breakdowns do you provide on invoices?**
- Do I have to sign a long-term contract?**
- What are the terms of exiting the relationship?**

## Questions about technology and integrations

It's not just your relationship with the 3PL that matters, it's also the relationship between your software and its software. Ensuring the two can talk to each other and work together will help you evaluate whether the transition to working with a 3PL will be seamless or whether it will come with some growing pains.

"You want to think about the different apps you use and how they're going to integrate from the front end of your website to the back end of your fulfillment partner," says Grace. "Every configuration from before a purchase is made to accounting afterward should be considered."

Andrew Gholizadeh, partner manager at DEAR Systems by Cin7—a cloud-based inventory management software—agrees.

"It's important to take advantage of the cloud to integrate systems, connect applications, and automate processes," he says. "This allows product businesses to unlock significant value through operating more efficiently with improved forecasting to better cope with disruptions. It's crucial that the suitable 3PL partner can connect to the tech stack to allow data to flow seamlessly between all connected apps."

Frictionless inventory software integration is also key to the customer experience, with 81% of shoppers in Shopify's 2022 Future of Commerce Report indicating they want the ability to see how much inventory is remaining, and nearly the same amount (80%) wanting to see available inventory in stores near them.

- What kind of software do you use?**
- Are you able to integrate directly with my Shopify store through an API or an approved app?**
- Do you have a standalone platform you can integrate with through an EDI or via FTP? If so, how easy is it to use?**
- What communications platforms are available for orders, shipping notice returns, inventory counts, incoming purchase orders, receiving, and adjustment notifications?**
- How easy is it to add additional sales channels?**

## Start delivering confidently with every order

The right 3PL partner can help take your business to the next level. As your business scales and your shipping and fulfillment systems evolve, use this checklist to help you in your search for the perfect match.

Shopify's premium 3PL partners—including ShipBob, Veeqo, Linnworks, and Cin7—seamlessly integrate into your Shopify store.

**Shopify Fulfillment Network [can also help high-volume businesses fulfill quickly and affordably.](#)**

A full service logistics provider with simple pricing, it provides end-to-end solutions to get orders to your customers easily and quickly, with a vast network of strategically located fulfillment centers across the US.

World-class fulfillment that was once reserved for only the largest companies in the world is now accessible and affordable for every high-volume brand, thanks to Shopify Fulfillment Network.

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