The Future of 3PL Success Includes Retail Omnichannel Logistics

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Being a shipper today is tough. It is also busy. As COVID-19 gripped the world, more shoppers looked online to make purchases. COVID-19's accelerated shift to e-commerce has created a prolonged peak shipping season. Carriers' space is limited, they must make more residential deliveries, and they are passing the costs along to shippers in the way of increased surcharges and volume restrictions.

The hope of moving past the pandemic and reopening as vaccines become available doesn't mean that shopping centres will be bustling anytime soon.

Many of the social and economic behaviours adopted during the COVID-19 pandemic are likely to outlast the virus.

According to a Pitney Bowes study, 73% of consumers say they have enjoyed shopping online during the pandemic more than they expected. Additionally, 28% of online shoppers spend more time searching for new brands or e-commerce websites they have never visited before.

It is more important than ever for retailers to rethink how they sell online and get items into the hands of this growing customer base without taking a toll on profit margins. Yet, according to DC Velocity, a GlobalTranz survey that polled 150 supply chain professionals showed that:

41%

41% reported they weren't prepared to transform retail stores into fulfilment hubs in major markets.

35%

35% said they didn't feel they had an omnichannel strategy to adjust to consumer buying behaviour.

34%

34% said they didn't feel they had established the necessary partnerships to handle supply chain demand.

This is where 3PLs are coming to the rescue and joining the omnichannel retail strategy and adding parcels to their traditional services mix.

The shift from business-to-business (B2B) to business-to-consumer (B2C) for many shipping intermediaries has opened new opportunities. Those, however, come with unique challenges as well.

Retailers take an omnichannel approach

While omnichannel shipping is not a brand-new normal for retail, the coronavirus pandemic has accelerated the awareness and the adoption of the strategy as more consumers turn to online shopping.

Having inventory closer to consumers will be critical for retailers to keep costs down and customer satisfaction high and managing their expectations.

3PLs as part of omnichannel parcel fulfilment

Another newer normal is having third-party logistics providers (3PL) with various distribution centres and warehouses increasingly part of the omnichannel fulfilment strategy.

This is a shift for many 3PLs who are still moving into this new space of last-mile logistics.

Facing these newfound opportunities for those up-and-down the supply chain, 3PLs are scrambling for new ways to remain competitive and profitable in a competitive and shifting marketplace.

> **The global e-commerce logistics market grew by 27.3% in 2020 and will hit €557bn by 2025, according to Transportation Intelligence.**

In many cases, this means new customer acquisition and finding fulfilment opportunities, and it makes sense that they follow the parcel shipping boon. The most common in 2020 was e-commerce.

The global e-commerce logistics market grew by 27.3% in 2020 and will hit €557bn by 2025, according to Transportation Intelligence. According to the ONS, the 3PL sector is well-positioned to take on some of the business from retail, with online sales in the UK rising by 46% in 2020.

And this move into omnichannel fulfilment for 3PLs makes financial sense as well.

Transportation Insight's latest estimates show that for pure-play online retailers' expense on last-mile services represents 53% of logistics costs, with fulfilment accounting for the other 47% in 2020.

"E-commerce has been one of the key growth sectors for logistics throughout the pandemic with the rise in demand creating opportunities for LSPs and last-mile providers to grow rapidly," Transportation Insight's Head of Commercial Development, Michael Clover, said in the report. "As long as they can help retailers react to the changes in consumer demands and manage wildly changing trading conditions."

This growth potential is attracting 3PLs to the omnichannel retail supply chain

In addition to the 79% growth seen by 3PLs linked to e-commerce fulfilment, warehouses that offered omnichannel fulfilment were 271% more likely to be fast growers, as noted in the Third-Party Logistics Benchmark Report. Therefore, it was not shocking that 65% of warehouses also reported that their 2021 top opportunities were related to e-commerce.

Additionally, 43% are planning to diversify their services. Omnichannel fulfilment is one of the most significant growth opportunities as it revolves around a warehouse's ability to fulfil orders from multiple channels. This includes e-commerce orders via shopping carts, marketplaces, store fulfilment, and the growing direct-to-consumer (D2C) business.

For the most part, though, many 3PLs still stand on the shoreline as the e-commerce flood rushes by them.

According to Statistica, revenue in the UK e-commerce market is projected to exceed £91 billion in 2021. Furthermore, it is expected to show a compound annual growth rate (CAGR 2021-2025) of 3.46%, resulting in an anticipated market volume of more than £104 billion by 2025.

However, the slow movement to wade into the omnichannel e-commerce parcel tsunami comes, in part, from many 3PLs' inability to master the challenges of the final-mile delivery component.

While 3PLs have long been the go-to for first- and mid-mile shipping, even getting ahead of "pick, pack, and ship" operation in warehouses, primarily working with palletized shipments to handling individual items or "eaches" that make up the bulk of e-commerce fulfilment. However, for many 3PLs, the challenge comes at the final mile, which can be costly and complicated, especially in the wide world of omnichannel distribution.

Warehouse-in-a-warehouse

As fulfilment continues to evolve, retailers are quickly adding emerging omnichannel strategies such as curbside pick-up, warehouse-in-a-warehouse, and more to keep up with the online shopping boom and consumers' demands for fast and free delivery. As a result, 3PLs must adapt and incorporate new, omnichannel, and parcel shipping capabilities to ensure that their businesses continue to grow alongside these new markets.

Take warehouse-in-a-warehouse, for instance.

Warehouse-in-a-warehouse pick, pack, parcel capabilities enable merchants and intermediaries such as 3PLs to dedicate an area of existing warehouse space to fulfil individual e-commerce orders: picking the order, packing the carton, and managing the parcel shipment. This requires close integration of warehouse management software (WMS) and parcel management software platforms capable of tracking multi-enterprise activities such as inventory, order management, transportation management, and accounting systems.

"The beauty of this warehouse-in-a-warehouse strategy is that it can work for a multitude of shippers who are looking to either add parcel shipping to their mix or continue to do it at a cost and time savings," says Martin Hespeler, Vice President of Sales – Americas at Microlistics, a leading warehouse management system provider.

Multi-shipper management part of the tech stack

A 3PLís ability to appropriately capitalize on these opportunities is driven by having the right technology that allows them to integrate via APIs and meet growing customer needs while also managing many shippers.

It is relatively straightforward for multi-carrier shipping software developers to meet their direct customers' complex multi-carrier parcel shipping requirements. They own the code. But a retail solution provider that wants to offer multi-carrier shipping capabilities as a core part of their own enterprise platform needs the same degree of control to respond to their retail client demands.

A multi-carrier shipping system platform with multi-shipper management capabilities offers retail solution providers more complete control over end-to-end multi-carrier shipping system deployment, configuration, and support. This is vital as 3PLs move from traditional freight logistics to individual parcel and last-mile shipments. Built on a single, federated, and cloud-based architecture, multi-shipper management tools enable retail solution providers to use one set of configura-tion tools and utilities to manage their entire tenant-shipper community independently.

Just as a Distributed Order Management (DOM) platform enables a supply chain partner to manage multiple inventory sources from a singular perspective, a multi-shipper multi-carrier shipping system enables retail solution providers to preside over their customer community in aggregate, just as they would with their enterprise solution. Multi-shipper administrative utilities are one level above what a single shipper would need to manage its own multi-carrier shipping system instance, such as user preferences and carrier routing. Multi-shipper multi-carrier shipping system utilities offer more functionality than a multi-carrier API, which still requires significant development from a logistics solution provider. Multi-shipper utilities provide a broader portfolio of production shipping UIs, mobile apps, cloud integration with scales and thermal label printers, and cartonisation, all branded and embeddable within the logistics solution providerís enterprise user experience.

From how consumers shop to where and when they buy, a 3PLís ability to support e-commerce fulfilment is a must from now on. The rapid adoption of e-commerce buying is slated to transform the entire supply chain with an influx of new buyers. In 2020, 29% of buyers were over the age of 55óand let us not forget about the expectations of more recent generations, such as Gen Z, which are now rapidly accumulating purchasing power.

Overall, the demand for 3PL services will nearly double to $408 billion in the next five years, according to the 2021 State of the 3PL Industry report. As a result, 3PLs must be ready to offer comprehensive solutions that include parcel services productivity, inventory management, and improved efficiencies for picking, packing, and shipping for their customers to remain relevant in a growing e-commerce marketplace.
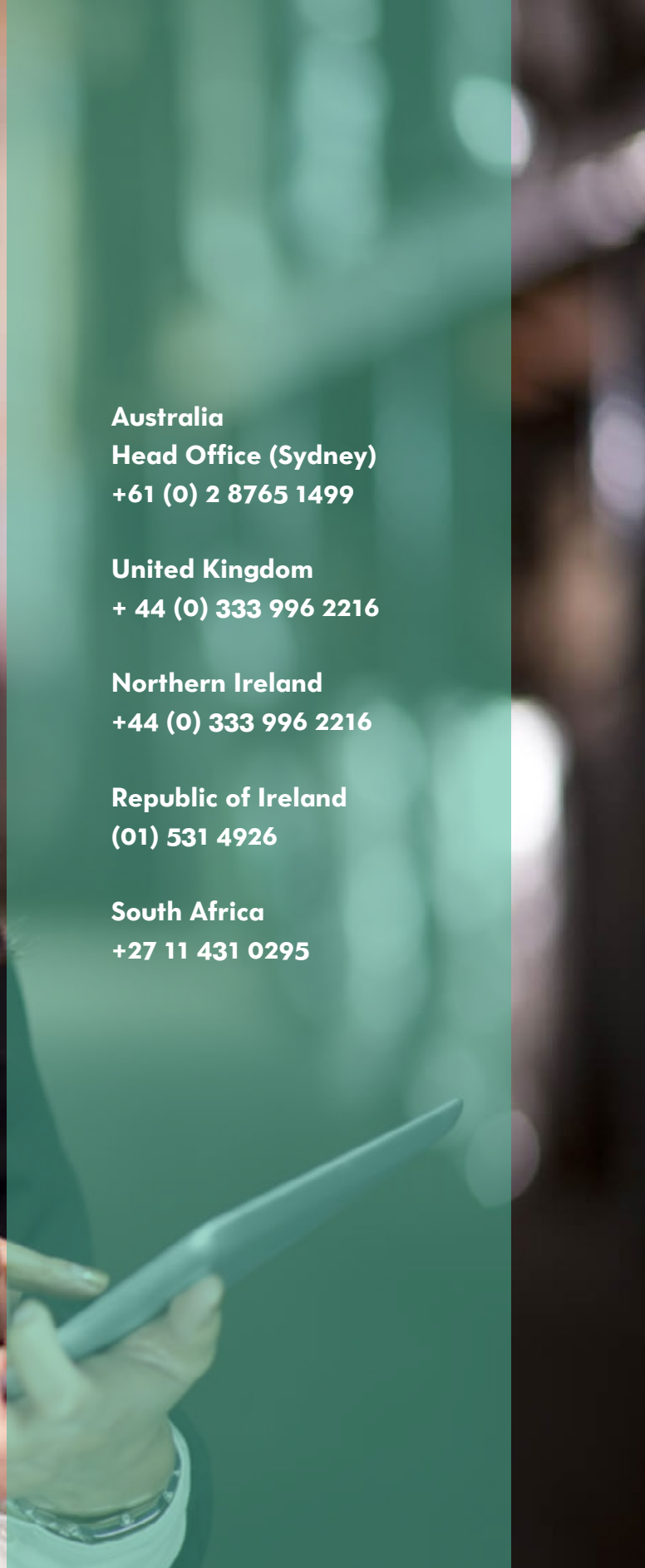
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