

amazon supply chain

Guide to third-party logistics (3PL)



This guide will give you everything you need to know about third-party logistics (3PL) – so that you can decide if your business would like to partner with a 3PL provider.

To survive and thrive in today's business world, you must be able to deliver whatever your customers want, whenever and wherever they want it.

Indeed, rapid and reliable order fulfillment is the key to ensuring customer satisfaction and bottom-line growth for companies of all sizes, across all industries.

However, as your company evolves and expands and as business conditions fluctuate, you may find that it becomes increasingly difficult to manage your warehousing, inventory, distribution, and fulfillment processes – which can become a source of operational headaches and soaring costs.

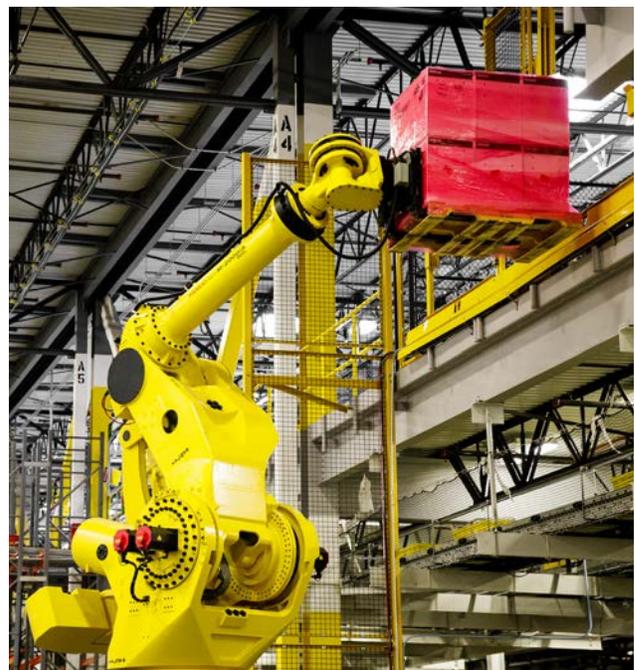
Additionally, your team may prefer to focus on their core competencies – such as product development, sales and marketing, or customer support – rather than devoting all their attention to the complicated, time-consuming task of fulfilling customer orders.

For these reasons, many companies look to external experts – third-party logistics (3PL) providers – to help them handle their end-to-end logistics operations. A [recent study](#) revealed that 86% of US-based Fortune 500 companies use 3PL providers for various logistics and supply chain functions.

A [growing number of organizations](#) across various industries are discovering that outsourcing their warehousing, inventory management, and order fulfillment to a 3PL can have many business benefits such as improving customer service, operational efficiency, profitability, and market share.

The question is: **Should your organization work with a 3PL provider?**

In this guide, we will give you all the information you need to know about 3PLs – so that you can decide if you would like to partner with such a provider and, if so, you can choose the right 3PL for your business.

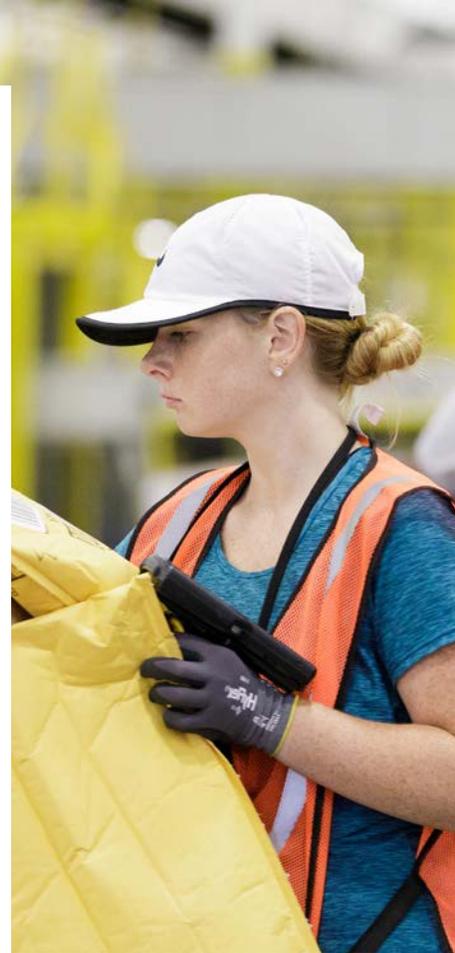


What is a 3PL provider?

A 3PL provides a range of logistics services and solutions for organizations of all sizes (from small- and medium-sized businesses to large-scale enterprises to public sector entities) that want to outsource certain aspects of their warehousing, inventory management, and fulfillment operations.

Some 3PLs offer a complete suite of integrated, end-to-end logistics solutions, while other players specialize in specific areas or industries.

Most 3PLs can deliver a variety of logistics solutions – and each company can pick and choose which solutions they want, customize those solutions to meet their business needs, and change, adapt, and add solutions as their business scales and grows. The array of solutions that 3PL providers offer includes:



Order fulfillment

The entire, end-to-end fulfillment process that involves receiving and storing inventory in a warehouse, and then – whenever orders are placed across your [various ecommerce or other sales channels](#) – picking orders from your available stock, packing them in boxes or other packaging, and shipping them to customers. Some 3PLs also offer value-added order fulfillment services such as kitting as well as white-glove delivery and installation.



Expedited shipping

The capability to provide expedited shipping (and same-day, one-day, or two-day delivery) at scale and at a reduced rate – so that you can simultaneously satisfy your customers and slash your operating costs. Some 3PLs have their own global logistics network and transportation fleet, while other 3PLs partner with carriers who offer these resources.



Inventory management

The process of storing, tracking, and distributing your inventory – so that you have the right products in the right places at the right times to satisfy customer demand as quickly and efficiently as possible, keep inventory costs down, and prevent overstocking and stockouts.



Reverse logistics

The process of managing product returns or exchanges by customers – from handling shipping to receiving unwanted products at the warehouse and assessing whether these items should be restocked or disposed of.



Warehousing and distribution

The capability to store your inventory in the 3PL provider's network of warehouses to ensure your products are strategically positioned in locations as near as possible to your customers or other facilities – so that they can be successfully distributed to meet demand.

What are the benefits of using a 3PL provider?

Partnering with a 3PL provider can deliver many different business benefits and can help fuel your company's long-term development.

Indeed, by outsourcing your warehousing, inventory management, and fulfillment operations to a 3PL, you can:



Reduce costs

One of the primary benefits of partnering with a 3PL is that you will be able to minimize the overhead costs associated with inventory management, warehousing, and shipping. Working with a 3PL eliminates the need for your company to invest in expensive logistics infrastructure (such as warehouse space as well as software systems and transportation resources) and to hire in-house employees to handle your logistics operations.

Additionally, 3PLs – as they may be carriers themselves or have deep relationships with major carriers – can help you negotiate the best possible shipping rates and dramatically decrease fulfillment costs.

Your 3PL provider will also uncover ways to cut inventory, storage, and other costs across your end-to-end supply chain by streamlining processes, offering [volume discounts](#), bundling 3PL services, and other strategies. For example, [VAHDAM India](#) – a major producer and distributor of tea products with over 2 million customers globally – reduced its fulfillment costs by 15% (while sustaining 400% YOY sales growth) by partnering with a 3PL, [Amazon Supply Chain](#), and implementing its [Multi-Channel Fulfillment](#) solution.



Improve delivery performance and customer satisfaction

Organizations that engage the leading 3PL providers – like Amazon Supply Chain – to handle their fulfillment operations usually see a significant spike in their:

- **Shipping speeds**, with some best-in-class 3PLs delivering orders as fast as one day.
- **On-time delivery rate**, with the top performing 3PLs achieving rates of greater than 97% in this area.

This superior delivery performance translates into higher customer satisfaction – which ultimately leads to business growth.





Leverage the logistics industry's top talent, technologies, and techniques

By partnering with a 3PL, your company can gain access to some of the leading experts in the logistics industry as well as the most cutting-edge technologies – such as AI-based inventory management software and warehouse robotics and IoT devices.

These 3PL experts often bring with them a deep knowledge of current industry best practices, and will work with you to infuse these practices into your business processes – thereby ensuring your logistics operations are running in the most efficient and cost-effective manner.

Having the right 3PL personnel in your corner will make your logistics headaches disappear and will free your team up to focus on the areas of your business that matter most to you, such as product development and sales and marketing.

Also, through your relationship with your 3PL provider, you will be connected to a vast, global network of supply chain resources (including specialized facilities, equipment, and employees) that you can tap into whenever the need arises (which may be daily, monthly, yearly, or during certain seasons). Having access to this network will eliminate your need to maintain excess capacity and overhead costs.



Adapt to change and accelerate business expansion

Change is the only constant in the supply chain world and – working with a 3PL provider – you will be better equipped to:

- **Calibrate and scale** your logistics operations to handle fluctuations in supply and demand due to seasonal spikes, shifts in government regulations and fuel prices, or other dynamics.
- **Manage volatility and disruptions** across your end-to-end network.
- **Expand into new markets** by leveraging your 3PL's established network of facilities and partners to help you reach customers and launch new business lines around the world.



Optimize your end-to-end logistics operations

With a 3PL, you can unlock opportunities for optimization and automation across your warehousing, inventory management, shipping, and transportation operations.

For example, working with a 3PL can accelerate your adoption of cutting-edge AI and ML inventory management technologies, which can enable you to more accurately forecast demand and effectively position your inventory as close as possible to your customers.

By implementing new technologies and processes, a 3PL can help you gain real-time visibility and control over your end-to-end logistics operations – so that you can identify and address inefficiencies across your network, increase the volume and velocity of the shipments your company is handling, and improve customer experience as well as bottom-line results.

Does your business need a 3PL provider?

Now that you have a good grasp of what 3PLs are and the business impact they can deliver, you need to determine if your organization could benefit from enlisting the services of a 3PL provider.

Below are some telltale signs that your business needs a 3PL partner:



Your business is having trouble handling the volume of orders you receive.

Many organizations grow at such a rapid clip that their logistics operations can't keep pace – they simply don't have the storage space, inventory management systems, or fulfillment capabilities they need. A 3PL can help you scale your logistics operations over time so that you are always able to meet demand as your business grows and evolves.



Your business would like to improve customer experience by offering fast, reliable fulfillment.

The success of your business rests on your ability to deliver on time, every time for customers. With a 3PL provider, you can offer expedited shipping, make accurate delivery promises for customers, and ensure fast, reliable fulfillment.



Your business wants to decrease your overhead costs for shipping, warehousing, and inventory.

Logistics operations require capital-intensive infrastructure and assets such as warehouse space, delivery vehicles, and specialized supply chain personnel. Engaging a 3PL partner eliminates the need to invest in these resources – so that you can free up working capital and channel it into initiatives that fuel long-term business growth.

Furthermore, a 3PL will work with you to drive [cost optimization](#) across your organization by managing your [inventory](#), shipping, and warehousing operations as efficiently as possible.



Your business is looking to expand into new markets.

A 3PL provider possesses the network and know-how that you need to expand into new markets around the globe. Your 3PL will serve as your trusted advisor, helping you to successfully navigate new business landscapes, tackle regulatory and operational challenges, and minimize the cost and complexity of your logistics operations as your business scales.

How can you choose the right 3PL provider for your business?

Once you've decided that your business could benefit from a partnership with a 3PL, you need to begin the process of evaluating the numerous providers out there and choosing the right one for your business.

During your evaluation and decision process, here are some key factors to consider:



Global presence

It's pivotal that the 3PL partner you choose has an established global network of fulfillment centers and other logistics facilities and resources – ideally in locations close to where your customer base is (or will be in the future). This will enable you to ensure that the right amount of inventory is always strategically distributed and positioned in right places, at the right times – so that you can improve on-time delivery performance, avoid stockouts or overstocking, and slash inventory and fulfillment costs.

Amazon, for example, has built the world's largest fulfillment network – with over 200 fulfillment centers encompassing more than 200 million square feet of space, over 200,000 operations staff and over 85 aircraft. By partnering with Amazon Supply Chain, you can gain access to this global network, and use it to rapidly and reliably deliver for your customers around the world and across your different sales channels.





Delivery performance

When it comes to fulfillment in today's business world, organizations have the need for speed and reliability. You will want to check to see that the 3PL you select has.

- **A proven track record** of delivering [on time, in full](#) for customers around the globe and across different industries.
- **Shipping speed options** (such as one- or two-day delivery) that meet your needs.
- **The capability to handle increased or decreased volume** when your business experiences sudden surges or drops in demand.



Range of services

3PL providers offer a variety of services – from picking, packing, and shipping to warehousing and inventory management and handling returns. Identify which aspects of your logistics operations you are looking to outsource, and make sure that the 3PLs you are evaluating have the capability to help you improve in those specific areas. Additionally, some 3PLs can provide complementary products and services – such as advertising and invoice auditing – that you may be interested in.



Costs

Take the time to review and understand each 3PL's pricing structure. Some providers offer [simple, predictable, and cost-effective pricing](#) models for storage and fulfillment (with bundled fees for services like warehousing, picking, packing, and shipping) and discounts for large-volume orders, while others have complicated pricing models that may contain hidden fees or require complex, long-term contracts. The 3PL that you ultimately choose should be the one that offers the best services at the lowest cost – as this will have a positive impact on your bottom line over the long haul.



Technology

One of the main benefits of partnering with a 3PL is that they will introduce you to state-of-the-art technologies for inventory management, warehouse automation, and shipment routing and tracking, and other processes – and utilize these technologies to help you automate and optimize your end-to-end logistics operations. Before implementing these new systems, you will want to verify that they can be integrated seamlessly with your current tech stack and also that your organization's data security and privacy will be safeguarded.





Industry experience

3PLs operate across an array of industries including ecommerce, high-tech manufacturing, healthcare, automotive, chemicals, construction, public sector, and many more. Some 3PL players specialize in serving specific industries, while others cater to a broad swathe of industries. Make sure the 3PL you select has experience serving companies in your industry, and – if possible – get references from the 3PL's current or past customers.

By devoting time to conducting in-depth research and considering the factors highlighted above, you can find the right 3PL for your business.

Working with right 3PL partner can truly transform your business, empowering you to drive long-term bottom-line growth by:

- Keeping your end-to-end logistics operations running as efficiently as possible.
- Keeping your warehousing, inventory management, and fulfillment costs down.
- Keeping your customers happy by delivering on time, every time.

Learn more

about how Amazon Supply Chain is helping businesses transform their logistics operations.

[Click here](#)