

# **Distribution Performance Solutions** *Insights*

## **3PL Direct To Consumer Order Fulfillment**

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**855.666.4554**

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## 3PL Direct To Consumer Order Fulfillment

The third-party logistics (3PL) warehouse and distribution (W&D) services industry continues to grow and evolve as firms seek to gain competitive advantages around managing inventory, working capital efficiency, customer service and focusing on the core competencies of their business.

One of the fastest growing market segments, direct-to-consumer (DTC) and e-commerce order fulfillment presents unique challenges to 3PL providers.

1. Many W&D 3PL's are focused on pallet-in/pallet-out warehousing. As e-commerce, direct-to-consumer and other supply chain trends drive toward smaller and more frequent orders, 3PL providers need to evolve to meet their client needs.
2. 3PL's often face the challenge of shorter-term contracts with their clients, driving the need for flexibility within the distribution operation to accommodate a broad range of potential clients, across a variety of markets, products and distribution dynamics.
3. This flexibility often has the consequence of being less productive and more costly when compared to more specialized operations around a market segment or specific client business. With order fulfillment effectiveness and cost efficiency being primary drivers of winning and keeping business, 3PL's must address these conflicting priorities to succeed.
4. Successful direct-to-consumer and e-commerce order fulfillment 3PL providers think about inventory and order picking in a much different way than traditional 3PL models.
5. Inventory and order-picking processes can be implemented to achieve high levels of productivity, quality and customer service, as well as lower costs, while having flexibility to accommodate future business opportunities.



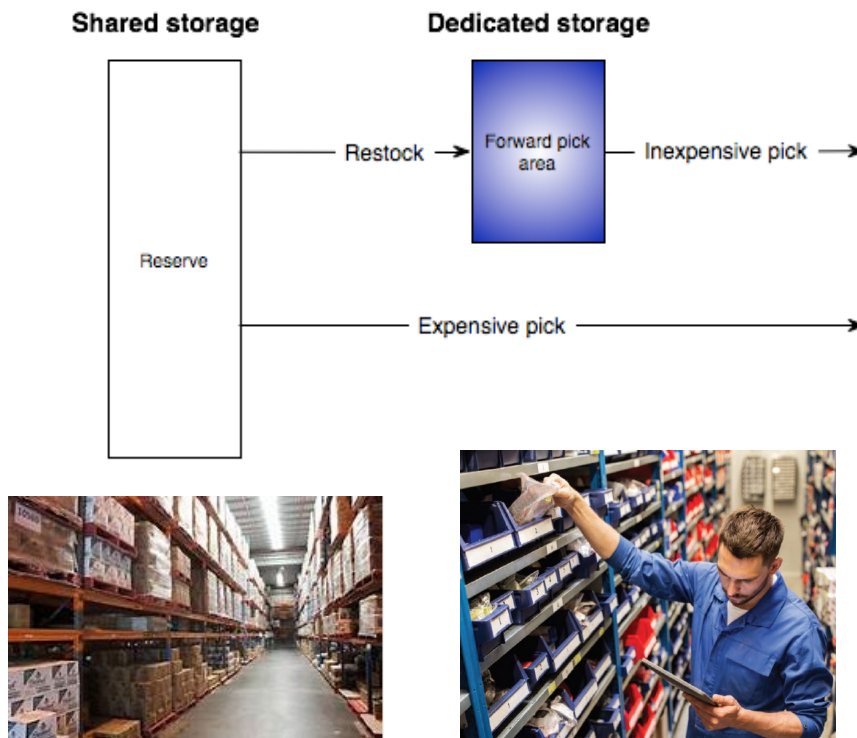
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### Forward / Reserve Inventory Allocation

- Order picking often represents over half of the total warehouse operating expense.
- In high volume small-lot order fulfillment operations, with high SKU counts, a forward / reserve inventory allocation method can significantly improve productivity, lower costs and decrease order cycle times.
- Order pick-rates can be exponentially improved by picking from a forward “*fast-pick warehouse within a warehouse*”, designed to accommodate the fastest moving SKUs that comprise the vast majority of the orders.
- A forward pick area can be implemented with relatively little investment and disruption to ongoing business.
- Orders and SKU’s must be analyzed to determine what SKUs and how much inventory goes into the forward locations. The replenishment process must also be calculated into the business case



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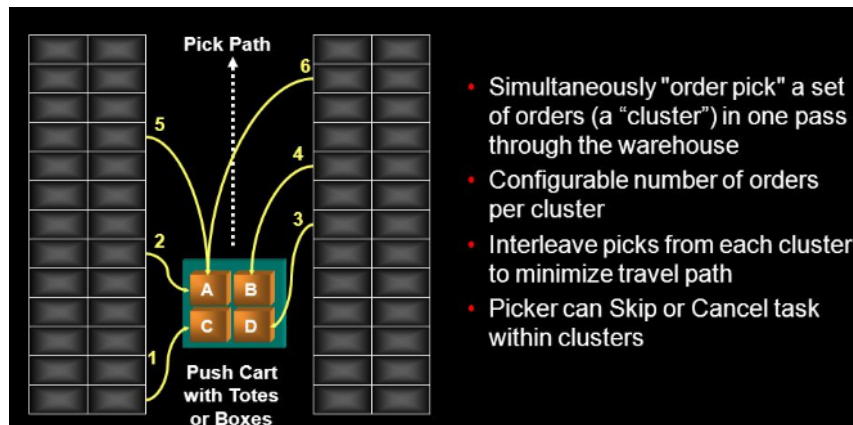
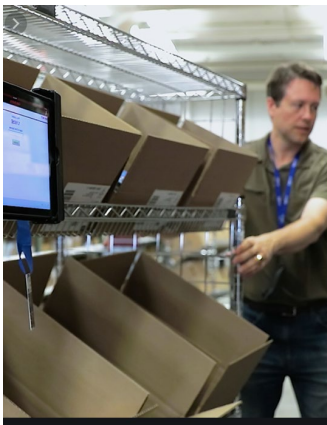
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3PL's can innovate through order picking process improvement, often with minimal capital expenditures, and with solutions having a high impact in meeting DTC and e-commerce order fulfillment requirements.

A process improvement focused and less capital intensive approach works well for shorter term 3PL contracts, providing both cost and flexibility benefits.

### Multiple Order Picking

- Picking high volumes of small orders a single order at a time is inefficient and costly.
- When associates pick multiple orders at a time the non-value add travel time and cost is significantly reduced, as are order cycle times.
- A multi or cluster order picking process can be directed manually (e.g. paper based) or systemically (e.g. WMS).
- Orders must be grouped in a meaningful way (e.g. along a common pick-path) to result in increased productivity and reduced costs.
- Associates can utilize a variety of MHE to accommodate the process (e.g. carts, conveyor, trucks, etc.)



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There are many client specific order variables in direct-to-consumer and e-commerce order fulfillment, and 3PL's can benefit greatly by optimizing the downstream processes, including order consolidation, packing, labeling and shipping sortation.

There are many simple concepts and solutions that can drive dramatic results, including a Centralized Packing and Labeling Operation.

### Centralized Packing and Labeling Operation

- A streamlined and flexible packing operation is essential in a high volume each-pick distribution operation.
- The best designed packing operations allow personnel to complete a variety of tasks, including carton building, quality-checks, VAS, dunnage, packing slips, taping, labeling and communications.
- Today's packing stations are designed to accommodate dynamic needs in layouts that provide for effectively feeding the operation, sending product to shipping and scaling up and down with ease.

