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The Definitive Guide to

Integration Best Practices for Optimizing 3PL Management

eBook

Table of Contents
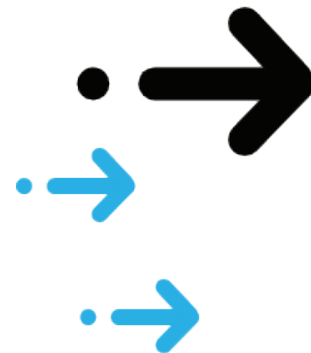
3PL (third-party logistics) an organization's use of outsourced distribution, warehousing, and/or order fulfillment services as part of its supply chain

Introduction

From inventory warehousing to transporting deliveries, many retail, wholesale and manufacturing companies rely on 3PLs in a variety of areas to help shoulder their heavy load. Oftentimes, these businesses choose to outsource order fulfillment to 3PL warehouses or in conjunction with their own warehouses to free up valuable time and capital. The logistical expertise, vast resource network, and scalability of these third-party partners are invaluable to the supply chain.

However, managing 3PLs without an automation and integration strategy can introduce overlooked difficulties to your organization's logistics, such as:

- Lack of real-time visibility across all warehouses
- Stock-outs, delayed procurement, and lost revenue
- Mistakes and holdups in order fulfillment from manual processes
- Unhappy, frustrated customers due to shipping delays and errors

What makes this situation even more difficult is there isn't a universal integration solution because every 3PL operates differently. Custom development for addressing these concerns can be expensive and requires technical know-how, so creating a plan and identifying the right solution is crucial for your business' success.

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In this eBook, we'll discuss the following topics to help you efficiently manage your 3PL operations through automation and integration:

- Examples of 3PL management challenges
- Benefits of automating and integrating your 3PL business processes
- Best practices for 3PL integration
- Ideal qualities for your integration solution
- First-hand experiences with 3PL automation

Common 3PL Management Challenges

While 3PL providers offer many perks, some unique pitfalls can arise when incorporating these partners into your operations. Here are some excerpted responses from fulfillments and logistics experts regarding typical challenges when working with a 3PL:

easyship   **pacejet**   **ShipBob**

"The first challenge is the initial set up costs. Business owners need to properly budget for this transition to keep their finances sound. The most significant upfront cost will be arranging a freight shipment and notifying the fulfillment center with an 'advanced shipping notice' (ASN), a form that describes what items you're shipping, the quantity to be shipped, and other simple attributes."

"One of the top challenges in working with 3PLs is managing the information flow that makes up the lifecycle of an order. In an ideal world, the shipper is able to electronically submit orders directly to the 3PL's system and have real-time visibility on the order status from fulfillment through delivery, as a result of updates from the 3PL system back to the shipper. It's also beneficial if the 3PL can provide the shipper with a portal, where they can enter one-off orders for processing, and also receive status messages back.

In reality, not all 3PLs have the systems capability to provide this level of automation and visibility to the shipper. As a result, requests for service are handled via phone, email, fax, etc., and reporting can also be cumbersome. The 3PL may be manually processing and compiling summary reports for you, and you may not know it."

"Common challenges merchants have with a 3PL include:

- The 3PL is messing up orders or has too many errors that they don't make right.
- The 3PL is not advancing and improving or thinking ahead.
- You've outgrown the 3PL (e.g., your order volume is growing fast and they can't help you hit the next level of scale; they only have one location or a couple fulfillment centers).
- You have to rely on them to make changes for you (a 3PL should help you be self-sufficient and remain in control of your fulfillment, even if it's not happening within your hour walls).
- Their technology is archaic (a 3PL's technology should offer more than a basic portal and integration with your ERP or OMS. Companies today need a foolproof way of offering bundles, managing subscriptions, and merging duplicate SKUs across channels with the right backend logistics to round out the commerce tech stack).
- The 3PL's fulfillment pricing and cost structure can be confusing with hidden costs that add up quickly.
- You get what you pay for and, often, the cheapest 3PL is not going to be the best."

SKUBANA

"Initially, the problem with 3PLs is scale. You need to have a lot of order volume to make hiring a third-party logistics provider profitable for your bottom line. The next challenge is when you start going direct-to-everywhere and you start becoming omnipresent. It's hard for 3PLs to throttle between direct-to-consumer fulfillment, B2B selling to big box retailers, and FBA prep, which is required to get your product into the Amazon Fulfillment Center.

Another challenge is simply finding a 3PL that meets your unique business requirements. Some 3PLs specialize in low-touch or high-touch services. Some of them focus on furniture, which can be hard to transport, or dietary supplements, which require temperature controlled units. It's really important to have all of your data unified and all of your requirements properly documented to ensure a successful partnership."
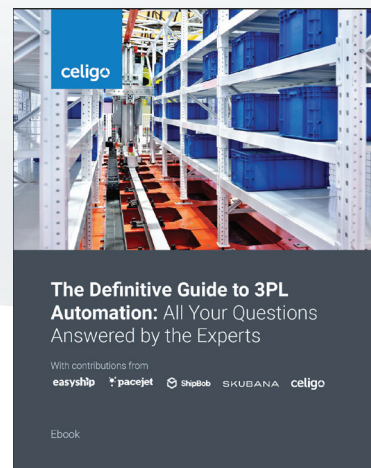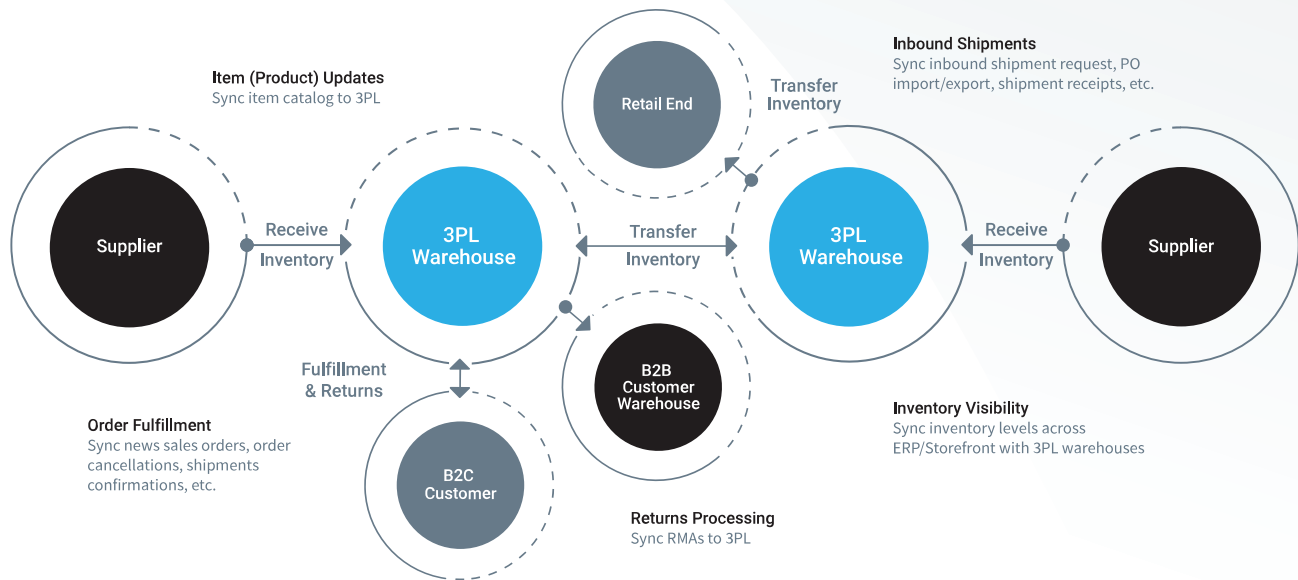
The Benefits of 3PL Automation and Integration

Before starting a new relationship with a 3PL, take these factors into consideration:

- The direct costs of working with a specific provider
- How their fulfillment systems and logistics function with your own
- Their experience with your product type and other unique business needs

For example, let's say that you need to sync new orders and inventory levels between your storefront and the 3PL warehouse. Ensuring that your data is also in sync often gets overlooked. When you're working with such diverse systems, key data tends to become siloed. On top of that, inefficient manual processes—such as re-entering information by hand—compromise the consistency and accuracy of your data.

Finding specific workflows to automate can alleviate those bottlenecks. While automation isn't typically emphasized early on in a company's lifecycle, it's necessary for helping a growing business reach the next level. By thinking about how your business will scale, you can address potential issues before your business processes break down. When starting the automation process, you

Item (Product) Updates
Sync item catalog to 3PL

Inbound Shipments
Sync inbound shipment request, PO import/export, shipment receipts, etc.

Transfer Inventory

Retail End

Supplier — Receive Inventory → 3PL Warehouse ← Transfer Inventory → 3PL Warehouse ← Receive Inventory — Supplier

Fulfillment & Returns

Order Fulfillment
Sync news sales orders, order cancellations, shipments confirmations, etc.

B2C Customer

B2B Customer Warehouse

Returns Processing
Sync RMAs to 3PL

Inventory Visibility
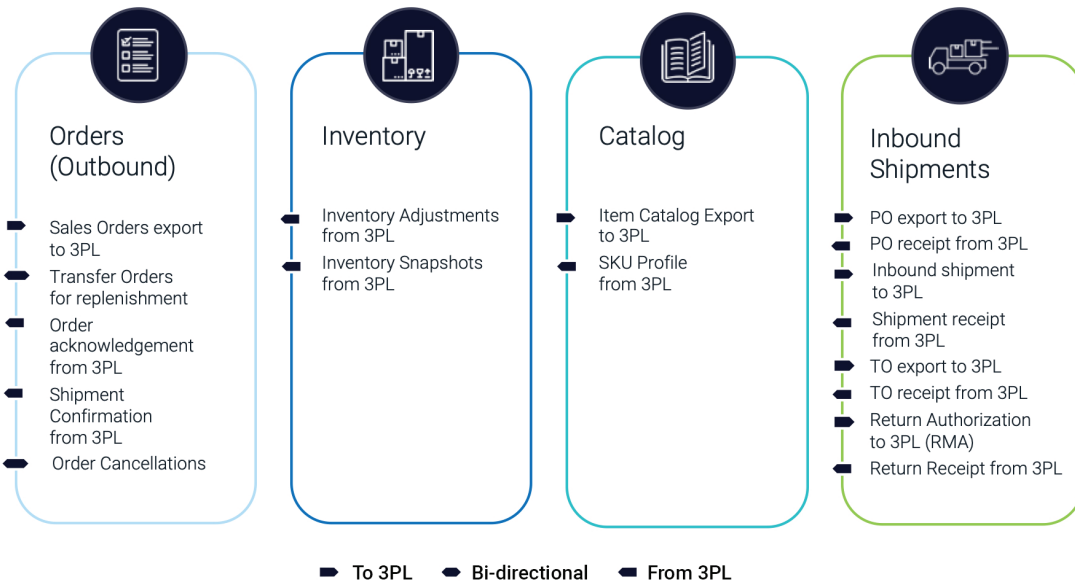Sync inventory levels across ERP/Storefront with 3PL warehouses

first need to have a strong idea of what you want your 3PL system to look like. This image shows a typical ecosystem example.

Plus, in order to successfully automate your 3PL processes, you need to also connect disparate systems and applications together. Integration bridges the gaps between your 3PL systems. When shopping for a 3PL integration solution, you should ensure whether it can handle the specific needs of your business. Ask yourself these questions:

- Can it support the various 3PLs in existence, providing the flexibility to switch between providers with minimal impact?
- Will it be able to handle multiple storefronts and further expansion?
- Can you tailor this solution to fit your exact use case, including more specialized processes?

Preliminary 3PL Integration Checklist

With so many workflows to streamline in a typical 3PL system, you may wonder where you should begin your integration journey. Keep in mind that you don't have to address everything at once. Instead, take a phased approach by addressing the most important processes first. Here's a

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Orders (Outbound)

- Sales Orders export to 3PL
- Transfer Orders for replenishment
- Order acknowledgement from 3PL
- Shipment Confirmation from 3PL
- Order Cancellations

Inventory

- Inventory Adjustments from 3PL
- Inventory Snapshots from 3PL

Catalog

- Item Catalog Export to 3PL
- SKU Profile from 3PL

Inbound Shipments

- PO export to 3PL
- PO receipt from 3PL
- Inbound shipment to 3PL
- Shipment receipt from 3PL
- TO export to 3PL
- TO receipt from 3PL
- Return Authorization to 3PL (RMA)
- Return Receipt from 3PL

To 3PL   Bi-directional   From 3PL

potential integration roadmap that you can adjust to fit your organizational needs:

1. **Order Fulfillment** – Sync new sales orders, order cancellations, shipment confirmations, and more with your 3PL.
2. **Inventory Visibility** – Sync inventory levels across your enterprise resource planning (ERP) software and storefront with the 3PL warehouses.
3. **Item (Product) Updates** – Sync your item catalog to the 3PL.
4. **Returns Processing** – Sync your return merchandise authorization (RMA) to the 3PL.
5. **Inbound Shipments** – Sync inbound shipment requests, purchase order (PO) imports and exports, shipment receipts, and more with the 3PL.

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Additionally, as part of your next steps, use this integration checklist as a reference:

1. **Review your business processes** – When it comes to automating fulfillment and inventory management, you can group your business processes into four categories: orders, inventory, catalog, and inbound shipments. As you can see in this diagram, there are common data flows between your order management system and 3PLs that need to be taken into account.

2. **Identify data that is manually transferred** – In other words, ask yourself which processes are currently manually processed today – email, spreadsheets, phone calls, data re-entry, etc. – that could benefit from automation. Then, map the data that's currently transferred manually between applications, such as emails, CSV, and data re-entry. Pinpoint the critical data transfers that must be 100% accurate and timely, as well as the number of current errors from manual entry. Also, create a return-on-investment metric, noting the number of hours and full-time employees needed to support these manual processes.

3. **Select an integration option** – When it comes to potential integration solutions, you have many options to choose from to fully automate your complex 3PL system. For example, ad-hoc integrations can be fairly expensive to create and maintain. They also typically can't be customized after deployment without costly development work. Meanwhile, most pre-built, native integrations are limited to one-size-fits-all, point-to-point integrations, so they can't support additional endpoints or use cases.
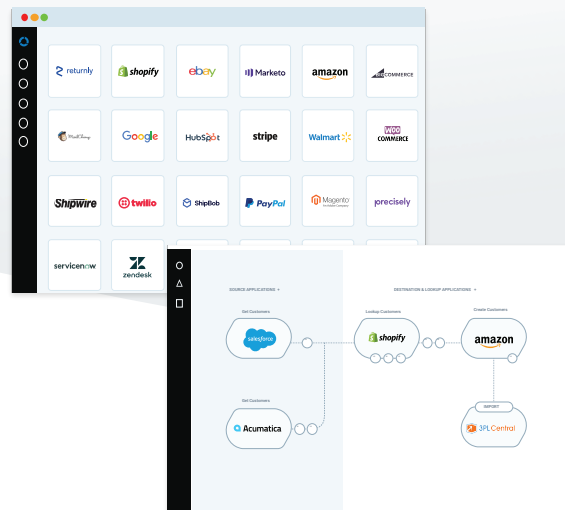
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On the other hand, an integration platform as a service (iPaaS) allows you to manage all of your integrations in one place. Without an iPaaS, separately maintaining all of the systems involved in your 3PL processes will end up creating more bottlenecks. Advantages of an iPaaS include:

- Full 3PL process automation through integration

- Standardized integrations
- Pre-built integrations through connectors and templates to speed up the process
- Guaranteed data delivery
- Built-in monitoring and management
- Easily understandable error and recovery processes
- Data governance and compliance

Why Automate 3PL with Celigo's iPaaS

Celigo's next-gen iPaaS, integrator.io, makes it easy to build and maintain custom integrations between your storefronts, 3PL providers, ERP, CRMs, and other systems and applications in one centralized place. For common use cases, you can take advantage of pre-built integrations such as integration applications and quickstart templates from our integration marketplace.

Here's how our integration platform adds value to 3PL automation:

Pre-Built Integrations

Based on industry best practices, our pre-built integrations cover the most common use cases. Quickly connect to popular 3PLs through pre-built API, EDI, or FTP integrations.

Custom Integrations

With integrator.io, you can also expand upon pre-built integration use cases to fit your specific business needs. Build custom integrations from scratch, leveraging the intuitive UI and power of our platform.

Cost-Effective

Managing your integrations on integrator.io doesn't require hiring a specialized systems administrator. Instead, a tech-savvy user in the departments that rely on those integrations can accomplish them in just a few minutes.

Resiliency

Don't worry about a system breaking down from lack of maintenance or massive data loads. Since we consistently maintain our iPaaS on the backend, we ensure long-term stability of your workflow automations.

Customer Stories

At Celigo, one of our company values is "We win when our customers win." It's an honor to serve our customers, and nothing gives us greater joy than helping them succeed. These customer stories showcase some key wins in 3PL automation:

HAIRHOUSE

We signed up with a lightweight account at Celigo, which included hours of implementation assistance if we needed it. We took it on board, learned it, and built the integrations. We didn't actually use a single bit of assistance. That's how easy it was to use Celigo.

Viv Paverd
National ICT Manager
Hairhouse

Hairhouse needed to integrate their NetSuite ecosystem with a 3PL warehouse service in order to streamline fulfillments for their B2B and B2C orders. Optimizing their 3PL logistics through integration helped them compete against international competitors like Amazon in the Australian market.

[Read the case study](#)

lights4fun

Because with this seamless integration with Celigo, everything is always aligned, and we know that the data we're looking at is actually correct. So rather than having to spend that time verifying what we see, we can dive deeper into the data. We essentially grow the business by using these tools.

Kieran Eblett
Finance Director at
Lights4Fun

Lights4fun felt frustrated with their disparate systems as they managed 14 online marketplaces internationally. On top of that, they used different fulfillment companies and 3PLs to handle warehouse inventory in the UK, U.S., and Germany. With their partner Catalyst IT, they built custom integrations for their 3PLs and incorporated pre-built integrations on Celigo's platform. The company was able to complete their digital transformation project within 100 days with a high degree of confidence.

[Read the case study](#)

VERTEX WIRELESS

Celigo is a crucial part of running our business. Without a secure platform processing data quickly, we wouldn't have been able to handle the 3PL volume that we did in the past year. We're looking at doing double, if not triple, that volume in the next year and a half, and Celigo will play an important role in that.

Martin Lund
Director of IT
Vertex Wireless

Vertex Wireless searched for a more robust, reliable integration solution that can support the 3PL services they offer as a wholesale distributor.

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With Celigo's integration platform, they're able to effortlessly process 3,000 to 6,000 fulfillments per day. Plus, building, testing, and implementing an integration for a new Vertex Wireless customer now takes a few hours a day instead of the previous 6-8 months.

Read the case study

Conclusion

Lack of real-time visibility into inventory across 3PL warehouses often causes delayed procurement, stock-outs, and lost revenue. Without automation, the resulting order fulfillment delays and errors can lead to unhappy customers. By implementing the right integration solution, you can improve the customer experience, optimize your procurement operations, and reduce operational costs.

Additional Resources

EBOOK

The Executive Guide to Best Practices for eCommerce Integration

Learn more about automation and integration for order fulfillment and other ecommerce business processes.

Download eBook

CASE STUDY

Vertex Wireless builds a custom 3PL empire with scalable, hands-off integrations

Learn how Vertex Wireless leveraged Celigo's integrator.io platform to optimize processes and expand capabilities.

Learn More

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Hundreds of applications.
Thousands of business processes.
Millions of combinations.
ONE iPaaS.

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