



Wait! Don't Sign That Contract

Tips on Determining When (And How) to Select a Third Party
Logistics (3PL) Provider | www.FORTE-Industries.com

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OUTSOURCING

When faced with complex distribution challenges, a third-party logistics (3PL) provider may appear to be an easy solution. Nonetheless, don't sign a contract with a 3PL before evaluating your business, operations, goals and expectations and how they coincide with your distribution alternatives.

Begin by evaluating your company's ability to maintain control of distribution activities while heightening customer service levels and profitability. Document current and projected functional specifications of your operation, which consist of material to be handled, storage and transportation requirements, order profiles, necessary throughput, SKU profiles, value-added service requirements, customer needs and delivery schedule.

Next, record the cost of building materials, equipment, technology, transportation and project time and labor requirements to meet the needs of forecasted distribution initiatives. Finally, list the benefits of investing in these expenses and the probability of a timely return on investment.

A network analysis determines the changes necessary to optimize your supply chain network. It is unwise to do a cost-benefit analysis and make a decision between carrying out internal improvements and outsourcing your fulfillment until the network analysis creates an optimized model for reference.

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SCENARIOS THAT DICTATE CONSIDERATION

There are five primary situations during which companies may want to consider contracting with a third-party fulfillment partner.

As soon as (if not before) a company's distribution operations begin underperforming, improvements need to be made. Timeliness of deliveries, product condition, order accuracy and vendor compliance all affect customer satisfaction and ongoing profitability. The potential solutions include making distribution improvements through process, technology and/or management modifications, or contracting with a 3PL that has existing qualifications.

Companies experiencing notable corporate growth and/or expanding into new markets need to know how long their existing supply chain can keep up with growth projections before customer service starts to decline. A 3PL may prove capable of supporting the fast-paced increase in order activity and inventory maintenance.

Mergers and acquisitions are often catalysts for outsourcing logistics, particularly if neither company has the necessary logistics infrastructure in place. Again, a network analysis is an enlightening and strategic step to take before determining a resolution involving a large supply chain modification.

Startup retailers and wholesalers tend to be candidates for outsourcing as they have to simultaneously tackle challenges regarding time and effort for operational development, initial and ongoing costs, labor requirements, equipment and technology investment, transportation options and the lack of comprehensive expertise.

Whether large or small, long-established or startup, many companies increase their profitability by relinquishing their in-house distribution activities and focusing efforts and

resources more on what they do best—whether this is manufacturing, sales and marketing, operating stores and/or providing customer service.

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SELECTING A DISTRIBUTION ADVOCATE

Only when you have analyzed the nuances of the business should the evaluation and selection process be done. All current and planned functional specifications are criteria that should be included in a request for proposal (RFP) document. Things to scrutinize when going through the 3PL selection process include the service providers' costs, demonstrated results, client references, flexibility, locations, services and culture—standard and specific to your company's needs.

Conduct upfront research to identify select preliminary 3PL candidates to receive the RFP (consider a dozen or more). Know each candidate's facility location(s), service area(s), all available services, business partnerships and reputation in the market.

After the primary candidates have replied to your RFP, evaluate how well their services match up with your needs. Eliminate companies that cannot adequately address your functional specifications. Are they able to fulfill unique value-added service requirements? Do they have experience in handling your type of products?

The remaining 3PL candidates should facilitate tours of their facilities and interviews with their existing clients. Ask each 3PL and their customers' related questions and look for variances in answers regarding the quality and availability of services provided. Determine the flexibility of their operations and their willingness to work to meet your needs as they change.

Invite potential 3PL providers to tour your facilities and interview executives. Ideally, to ensure a good fit, they should be interested in being educated about your operation and culture.

Contract negotiations (initial and ongoing) are a pivotal step in a 3PL relationship. Don't be afraid to walk away from a deal if you come to an impasse about terms and conditions. For example, both parties must agree to the payment structure, i.e., the 3PL receiving a flat periodic fee or the provider being paid according to pieces/cartons/pallets shipped. Determine if the 3PL is accountable for the level of accuracy and product conditions. Establish what party will finance improvements if system upgrades become necessary and how it will affect service fees.

It is important that your 3PL is a dedicated partner. They must strive to be flexible and accountable for their performance while meeting and exceeding your order fulfillment needs and customer service requirements.

Why FORTE

Single-Source Accountability

Whether we're helping you develop a strategic plan, design and build a distribution facility, or optimize a distribution operation through performance metrics and analytics, FORTE provides a true single point of contact responsible for the complete performance of your distribution network. No finger pointing. No fragmentation of responsibility. No multiple suppliers for technical support. You have performance goals, and it's our job to make sure they're met on an ongoing basis.




Total Objectivity

We don't manufacture equipment. We don't develop WMS software. We don't have commercial arrangements with any suppliers for expected volumes of business.

We're simply interested in delivering the most efficient distribution solutions at the lowest total cost. Our client-side service approach means our only allegiance is to our customers. So with every engagement, you know we'll choose the most appropriate level and blend of technologies integrated into an effective operational system.

Expertise

Our team is deeply rooted in the hands-on implementation of distribution center design and warehouse automation. FORTE's engineers and technicians integrate today's best practices in supply chain management and distribution center operations while developing next-generation technologies. As a result, our solutions employ the best combination of practical advice, data-driven analysis and technology-enabled systems. With FORTE, you get:

-  More accountability than a consultant
-  More experience than a systems integrator
-  More objectivity than a manufacturer

That's why the world's fastest-growing companies are making distribution their FORTE.

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