



What Does a 3PL Need to Know to Quote You?



Over the past decade, more and more shippers have partnered with third-party logistics providers (3PLs) to handle their warehousing and distribution, ecommerce fulfillment and transportation management needs.

Finding the right 3PL is a crucial decision because the success of your company's operations relies on your choice. The process of choosing a 3PL provider can quickly become overwhelming given the hundreds of options and considerations involved.

Part of finding the best 3PL is understanding what the 3PL needs in order to provide an accurate quote for handling your warehouse/fulfillment operations. It's easy to be the lowest bidder when you don't provide much detail, but you can avoid pricing surprises and ensure you've found the best provider when you include all the necessary info in your request.

Use this whitepaper to help you understand what information you need to have ready to receive an economical and accurate 3PL quote.



Choosing the Best 3PL for Your Company

All too often, a 3PL gets a request for “off-the-rack” fulfillment rates from a company looking to make a move from their current provider.

The trouble with this approach is that it's like calling a residential home builder and asking how much it will cost to build a house. Of course, the builder will want to know how big the house is, what materials you want to use, the number of bathrooms and the thousands of other details that could raise or lower the price.

It's no different for a professional 3PL. Reputable 3PLs that really know what they're doing will ask for data that will help ensure they deliver an accurate quote. The data they're asking for will help them answer some key questions, which include:

1. How much space will the product take up in my warehouse—for storage, packing and processing?
2. How much labor do I need for your account in receiving, picking, packing and value-added services?
3. How much day-to-day customer support should we dedicate to your account from your main account manager?
4. Are major capital investments required to support your account (for racking, conveyors, robotics, etc.)?

Every minute of labor is a part of the 3PL's cost of goods sold, as is every square foot of space your product takes up in their warehouse. That's why it's in your best interest to provide as much information as possible. You don't want to find out that they can't perform at the general rates they provided **after** you have moved your product and integrated your systems.

Not all 3PL quotes are created equal. When choosing a 3PL to handle your order fulfillment and delivery, be sure to get several quotes for comparison. Some 3PLs will include various services in their quote while others may charge extra for them.

Even if two 3PLs include the exact same services in their quote, the quality could differ significantly when it comes to the actual service level they provide.

There are many other soft factors to consider when choosing a 3PL provider, such as:

Cultural Fit and Ethics

Cultural fit and ethics speak to the way the organization behaves. Some of these behaviors include how investment decisions are made, the way employees are treated and how the internal teams strategically function together. It's smart to look for a 3PL that can complement your organization and add support to some of the areas that aren't your strengths. For example, if you aren't very process-oriented, focus on a partner that excels in detailed process management and training.

Choosing the Best 3PL for Your Company cont.

Company Structure

Understanding the 3PL company structure will give visibility into capital resources, leadership, organizational charts and how they operate. You should know who your executive-level contact is, as well as your day-to-day contact, and how they fit into the 3PL organization.

Industry Fit and Experience

Focus on 3PLs that have experience in your vertical. They will have a better understanding of regulations, similar order profiles, retailer relationships (including vendor scorecards and best practices) and inventory management. You don't always need to find a provider with exact experience, but for some needs, like temperature control or lot number management, it's very important for them to understand the specific expertise you require.

IT Capabilities

Managing fulfillment is an extremely technology-driven process. Does the 3PL have a proprietary Warehouse Management System (WMS) or do they work with a software provider? Do they have in-house expertise or do they leverage external resources? (Either can work.) The same applies to other resources and applications, like an Order Management System (OMS) and a Transportation Management System (TMS).

Scalability

Few organizations will look the same in five years. It's crucial that you have a handle on your company's growth trajectory and how the 3PL can align with your growing business. There are a couple of things to consider:

- Will your needs involve multiple locations or will one work?
- Will the relationship move from pure B2B into ecommerce, or vice versa?

Each industry is unique and will challenge 3PLs in different ways. It's ideal if 3PL facilities are configured to deal with relatively broad types of inbound, storage and order-picking needs.

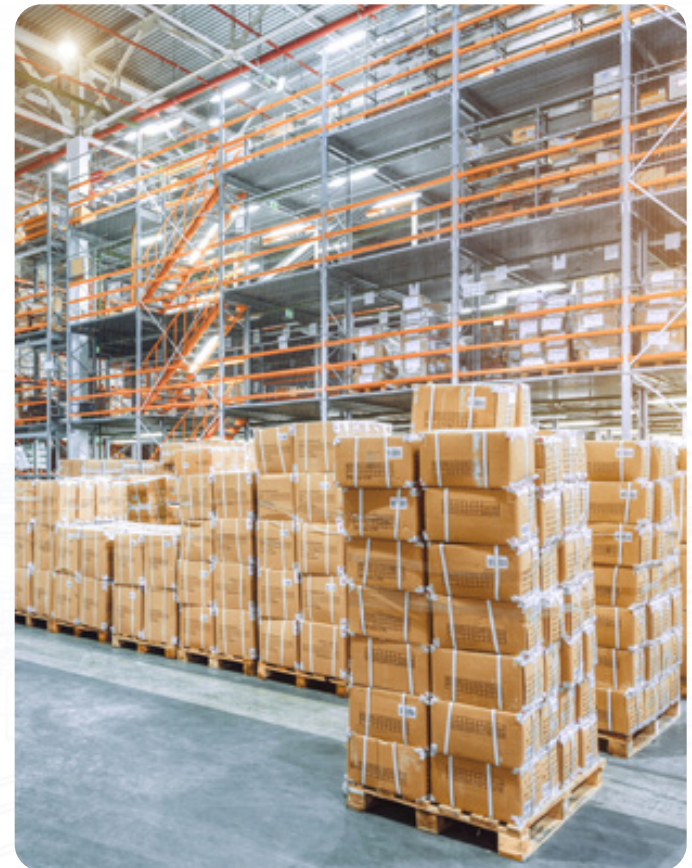
While certain facilities are specialized and require particular processes and equipment (e.g., cold storage and specialized picking operations), a successful 3PL should be able to adapt its existing facilities to meet most of your needs. You'll want a flexible partner that can adapt to changes in your business, including SKU (stock-keeping unit) spikes, order volumes, etc.

Crucial Questions to Ask Potential 3PL Providers

These are the core, critical questions that you should ask all the 3PLs you're vetting, regardless of your exact needs:

- Will I have a dedicated account manager?
- What does your account management structure look like and at what hours of the day will support be accessible?
- What WMS do you use?
- How do you manage parcel or TL/LTL transportation?
Do you have a separate TMS?
- What services can you provide and what technologies do you use to provide them?
- Will I have access to an online portal system? If so, what tools and data will I be able to access within it?

Don't be afraid to ask questions. A professional 3PL will be happy to answer any questions you might have, and how they interact with you at this early stage could be a useful indicator of the service level you should expect going forward. Ask questions that align with your business priorities. For example, you may want to know what the average turnaround time is for completion of documentation, or what percentage of shipments arrive on time and accurate.



Get a Cost Breakdown

Again, not all 3PL quotes are created the same way. Not all 3PLs include or even offer the same services, so asking for a clear breakdown of costs is the best way to accurately compare quotes.

This not only allows you to see exactly what you get for your money, but it also enables you to calculate the total cost each 3PL is charging once the various essential costs have been accounted for. We recommend providing a clear template of how you want to receive the pricing portion of a proposal, so everyone is approaching it the same way, and so you can do an apples-to-apples comparison of costs. If you have the ability and data to figure out the annual volume of each activity, add that to the template so everyone knows what the total cost should add up to on a function-by-function basis.



Cost breakdown example. [Download your own copy to use.](#)

STORAGE EXPENSE	Yearly Volume	Proposed Rates	Months	Total	Comments
Processing Area Storage	5,000	\$ 1.00	12	\$ 60,000	Per square foot / month
Bin Storage	10,000	\$ 3.00	12	\$ 360,000	Per bin
Pallet Storage Initial	6,000	\$ 11.25	1	\$ 67,500	Pallet
Pallet Storage Recurring	1,000	\$ 15.00	12	\$ 180,000	Pallet
Total Storage				\$ 667,500	
INBOUND HANDLING EXPENSES					
Unload and Putaway -- Palletized	0	\$ 5.00		\$ –	Per Pallet
Unload and Putaway -- Floorloaded Case	64,167	\$ 0.65		\$ 41,708	Per Case
Total Inbound				\$ 41,708	
OUTBOUND HANDLING EXPENSES					
Outbound Ecommerce -- Order	120,000	\$ 2.50		\$ 300,000	Per Order
Outbound Ecommerce -- Pick	180,000	\$ 0.45		\$ 81,000	Per Unit / Each
Labeling	50,000	\$ 0.25		\$ 12,500	Label
Stretch Wrapping / Pallet	12,386	\$ 4.00		\$ 49,546	Pallet
Total Outbound				\$ 1,041,030.96	
RETURNS					
Per Return	6,000	\$ 5.00		\$ 30,000	Return
Per Item / Case	7,200	\$ 1.50		\$ 10,800	Item
Total Returns				\$ 40,800.00	
OTHER					
Customer Service and Support Charge -- If Separate		\$ 3,000.00	12	\$ 36,000.00	Month
Cycle Count Program				No charge	Month
Minimum Monthly Invoicing Storage				\$ 45,000.00	Assessed Monthly
Materials Provided by Ward				Cost plus 10%	
Startup -- One Time Charge				\$ 15,000.00	One time
Physical Inventory				Hourly rates apply	
Grand Total				\$ 1,827,039.29	

Get a Cost Breakdown cont.

Sometimes the best way to get to the heart of the value offered is to ask what's not included in the given quote. For example, a cycle count program may be included in the rate structure, or it may be an additional cost if you require regular counts by SKU velocity. The right 3PL provider will offer a range of value-added support services for manufacturers and Tier 1 suppliers, including:



In-plant lineside replenishment: Delivering the required parts and materials to a location promptly for point-of-use, oftentimes sequenced to the required specifications.

- This frees up the cost of storing and handling products within the company's manufacturing facility.



Sub-assembly and parts configuration: Assembling parts into the components used in a manufacturer's products.

- Not only are space and labor savings key benefits to the manufacturer but coordinated preparation of parts for effective and efficient final use is critical to maximizing the assembly process.



Kitting and packing: Combining finished products with additional accessories and parts, as well as final packaging.

- Done in "post-production," these value-added services remove the burden of work that's often not a core competency of the manufacturer and is focused on creating a final packaged product that might not have been considered during the manufacturing process (e.g., 12-packs reconfigured to 3-pack cartons, or the creation of an assortment of items as a new SKU).



Sourcing and purchase order management: This can include procurement of consumables, packaging or any material that's part of the manufacturing process.

- Quality partners will have processes and technology that minimize sourcing costs and product lead times at each stage of a manufacturing supply chain. They'll also leverage core procurement processes that are coupled with supplier setup standards.

Understanding what is and is not included in each quote is key to determining value.

Once you choose a 3PL, act quickly. There are many variables in logistics that can influence the costs of partnering with a 3PL. The price of fuel or the exchange rate can fluctuate, or carrier charges can increase with demand. When vetting 3PLs, get clarification on how long the quote is valid to ensure you're comparing quotes that will still be applicable when you are ready to finalize an agreement and begin the implementation process.

Drafting a 3PL Quote

On the other side of the equation is what a 3PL considers when quoting its services to a company like yours. Like you, a 3PL must consider your company's needs and what supply chain services you're seeking.

To provide an economical and accurate quote for your warehousing and shipping needs, provide a 3PL with the following:

✓ The Amount, Type and Condition of Inbound Freight

The inbound logistics process includes the movement of raw materials, finished goods and supplies from a manufacturer or other distribution channel to a fulfillment center, warehouse or retail store, depending on the business model.

What kind of volume will you send to your 3PL? The amount of inbound freight, its packaging/presentation (pallets, crates, cartons, bulk, etc.) and its timing are all things you need to have ready. Will your product be easy to store? Will it require any kind of processing once it arrives? Provide your 3PL with as much specific information as possible.

Typically, the things that make receiving more complex are floor-loaded containers vs. palletized and high numbers of SKUs on a single inbound delivery (that require sorting as the cases are stacked onto single SKU pallets). Also, let the 3PL provider know specific details if you have an exact quality assurance process for taking items out of cartons, photographing them, and checking for quality, color, etc.

Receiving is the most important part of the warehousing process. If it's done incorrectly, it will affect all other downstream processes and results.

Drafting a 3PL Quote cont.

✓ Handling Requirements

Once they know how frequently inbound freight will arrive and in what shape, the 3PL needs to understand what it will take to handle, process and ship that freight.

What types of picking (full case, split case, each/units, pallet, etc.) will your products require? Are order volumes consistent or will they require unpredictable levels of labor? Do you want your 3PL to handle returns? Will they need to package or repackage anything? Typically—and this is especially true for direct-to-consumer or ecommerce orders—the outbound picking portion of your business will drive most of your annual expenses for a fulfillment operation. Not everyone can provide detailed reporting, but general information to deliver accurate order processing and picking rates includes:

1. **Average order volume per month with seasonality:** This will allow the 3PL to determine staffing – and where they can really shine. Remember, they may have dozens of other customers in the same building, which means they can move labor within a day or week from another account to yours when needed. This can create real savings.
2. **Average units/order:** This information, combined with the more detailed data you could provide (more on this later), helps the 3PL determine the labor required to get your product out of storage and to a packing station. More data

is better because it can determine how they might batch pick higher volume SKUs to save on travel. Travel is one of the major cost items in a warehouse. This is why robotics in the industry today focus on retrieving a product and bringing it to a packer – it's where the money is!

3. **Average SKUs per order:** Again, the more SKUs you have on an order, the more complexity you have (and the more labor needed to finish an order). Typically, ecommerce orders average only 1.2 SKUs per order, but this can vary depending on the product type and mix.
4. **Packout requirements:** What type of boxes do you use? Is there gift wrapping? What type of dunnage or packing protection do you use? Provide photos of finished and in-process orders to share a visual of the type of care you want to be taken when your orders are packed. Remember, the packer is the last person to see what your customers see when they open that box at home.

Drafting a 3PL Quote cont.

✓ Handling Requirements Cont.

General data: Averages are nice, but sometimes they can hide wild fluctuations that can increase cost. Providing a full year's worth of data can unearth those fluctuations and provide information about all the seasonal impacts a 3PL may face. Sharing data with your 3PL is one of the most effective paths to quickly achieving notable results. Most companies fail in this crucial step. Accurate and clean data, while often easily available, isn't always harvested. Work with your 3PL to gather and apply all available supply chain data. For example, do you have supplier data? Is it aggregated in a usable form to be processed and computed? How about customer and client data? Is your shipping data available and usable?

SKU codes, the number of orders per week and the number of SKUs per order are just some of the information requirements that will factor into a 3PL's quote. Supplying your 3PL with this data allows them to provide a detailed quote that aims to satisfy customer needs and showcase a long-term commitment. Available, accurate and usable data is a secret weapon you and the 3PL can use to streamline processes and gain a competitive edge. Examples of this information include:

- SKU velocity reports
- 12-month order histories
- Parcel shipping information, including weights and destinations
- Purchase orders or ASN details for receiving
- Item master reports

Drafting a 3PL Quote cont.

✓ Storage-Related Requirements

There's no one-size-fits-all approach to fulfillment. A 3PL will need to know the case volume, dimensions, minimum height, maximum height and average height of pallets to determine the right storage solutions to help you to manage, store and track your goods with ease.

Your partner will want to know if pallet rack or flow rack storage is best, whether some of the product can be bulk stacked in the warehouse and more. That's where required data becomes important. Many clients get hung up on how much space they're taking at any given moment on any given pallet and only want to pay for what they're using at that exact second.

Unfortunately, warehouses don't work that way. There's a general footprint customers occupy in a warehouse, and while you might flex up or down during the year, space is a part of a 3PL's cost of goods sold, and they can't sell it to someone else for a day or fill a pallet position you aren't fully occupying. Be aware of this as you negotiate with them, and you will demonstrate that you're well-informed and attuned to what's going on with your business.

The typical storage-related data required by 3PLs includes:

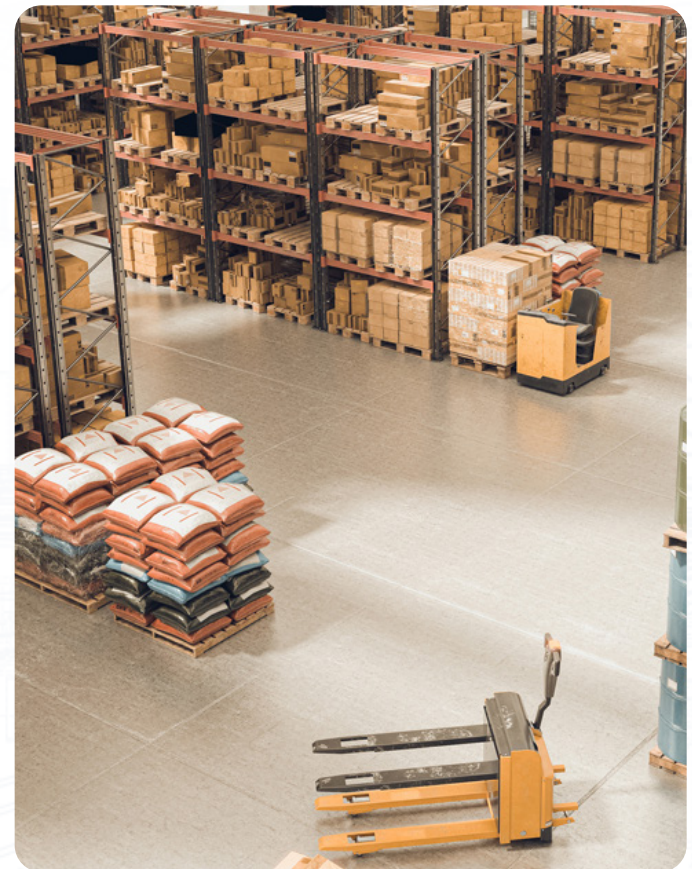
1. Pallet and case count stored on an average or monthly basis
2. Cases/pallet average
3. Total SKUs in inventory and potential annual SKU growth
4. Pallet and case dimensions
5. Inventory turns

3PLs are typically storing products for companies that fulfill small orders (e.g., retail or ecommerce). This type of fulfillment is usually labor-intensive and costly, so finding the right mix of storage solutions is critical for optimizing operations.

Putting It All Together

Yes, it seems like a pain to provide all of this information to a 3PL when you just want a quote from a menu of static rates. But remember, there's a large amount of variation in how much a house costs to build, and you don't want to be stuck in a tiny apartment when you need a home for a family of five!

Be wary of menu-based rates, as you could end up deciding to move your business to a new partner that has no idea of your true needs or costs. Taking a little time to provide some of the data outlined in this whitepaper will pay off in a huge way—giving you peace of mind and contributing to the mutual success of both parties.



Contact G&B Fulfillment for Your Next 3PL Quote

G&B Fulfillment makes fulfillment frictionless, so you can stop worrying about how your products will get to their destinations and focus on growing your business. Whether you need [ecommerce](#), [multichannel fulfillment](#) or [transportation management](#) solutions, you can trust our experts to provide the support your business needs as it grows.

We work as an extension of your team to ensure your products get to the right people, at the right time, and that these items are picked, packed and shipped based on your key performance indicators (KPIs). We'll be there through your volume peaks and valleys to support your growing business and bring peace of mind to your supply chain.

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