2023 Annual 3PL Gold Standard™ Report

Introduction
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manifest

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Panel
500+ people employed by a consumer brand regularly shipping 1,000 - 100,000+ residential orders per month using a 3PL

BLOSSOM ESSENTIALS® LOGIWA LOGISTICS REMIX Passport FULFILL.COM CHARM.IO eHub Tusk

Highlights

30% of brands would not recommend their 3PL to other brands

#1 Not being able to meet the needs of a growing business is #1 reason brands terminate their 3PL

61% of brands terminated their 3PL because they only offered remote-based support

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#1 The #1 reason brands join a new 3PL is a tie between shipping carrier rate competitiveness and sustainable packaging offers

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63% of brands join a new 3PL because they were allowed to visit the warehouse in-person

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63% of brands join a new 3PL because they met each other in-person and built rapport

Introduction

It's no secret that people who work at consumer brands are motivated to choose third party logistics (3PL) providers based on price competitiveness. That being said, brands have reimagined how they find and select the right 3PL partner to grow with.

The 2023 3PL Gold Standard™ Report describes how we rigorously tested our hypothesis that brands have new requirements for their 3PL partner, to now include personalized service, heightened trust factors, participation in roadmap development, and sustainability initiatives.

We secured 500+ survey responses from people working at consumer brands that regularly ship packages to customers to ensure the validity of the survey results.

Our hope is that brands will use this report as a checklist when searching for a new 3PL. Understanding new offers on the market and visualizing which of those offers other brands prioritize when selecting their next 3PL serves as validation in the consumer brand community.

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Whats Inside

03 Research Design

04 Results and Analysis

10 Recommendations

Research Design

The 2023 3PL Gold Standard™ Report was systematically designed to collect 500 responses from people working at consumer brands to test our hypothesis that brands have new requirements for their 3PL partner, to now include personalized service, heightened trust factors, participation in roadmap development, and sustainability initiatives.

Hypothesis

Brands have new requirements for their 3PL partner, to now include personalized service, heightened trust factors, participation in roadmap development, and sustainability initiatives.

Panel Participation

Manifest partnered with Swytchback to run the study using Swytchback's mobile-first platform. Swytchback deployed the survey to a panel drawn from online mobile media networks. Respondents were intercepted and offered the opportunity to take our survey in exchange for closed-loop currencies native to the particular network or application the respondent was in at the time the survey offer was made (e.g video games). Swytchback targeted a broad audience representing multiple demographics and then filtered the information provided by respondents so that the response data could be analyzed against precise profiles.

Methodology

1. Distribute a 25-question survey and screener to a broad audience.
2. Identify participants employed by a consumer brand regularly shipping residential orders using a third party logistics (3PL) service for package delivery.

> We have benchmarked our unique survey design approach against more traditional and expensive survey solutions and have found the data quality to meet or exceed those alternatives. We spontaneously engage respondents as they are living their normal lives in an engaging, mobile and media-first environment rather than collecting data from respondents who have previously agreed to take traditional surveys on a compensated basis. This significantly improves data quality and actionability.

Bruce Bower
CEO & Founder
@ Swytchback

Results and Analysis

One of the scariest challenges that 3PLs face when they go-to-market with innovative technology, managed services, or sustainability initiatives is facing the preconceived notion that it will come at a price far too high to meaningfully consider in a price-driven market.

Our survey results prove that while it's true that brands who are unhappy with their 3PL usually leave due to rising costs; they join their new 3PL for better pricing in parity with new factors such as sustainability initiatives, better communication, and demonstrating the ability meet or exceed service level agreement (SLA) commitments.

It is also worth noting that select 3PLs — usually highly leveraged, or highly experienced — may offer an innovative solution that is also cost effective. Highly leveraged 3PLs offer cost effective innovation by trading margin for revenue. Repeat founders stand up their business-level framework infrastructure under commercial agreements built on the promise of being the next big thing (again).

Over 500 people working at a consumer brand and using a 3PL completed a 25-question survey about their experience with their current 3PL. The results and analysis that follow are presented in a contextual order:

1. How many brands are unhappy with their 3PL?
2. Why are those brands unhappy with their 3PL?
3. What factors are most important when brands choose their new 3PL?

Up to 30% of consumer brands report that they would not recommend their 3PL to other brands (The aggregate sum of scores 0 through 5). This identifies a significant gap between the vendor most physically connected to the consumer in the ecommerce supply chain. This data point serves as a strong underlying foundation for 3PLs to revisit the factors used when sizing their total addressable market; and to reimagine the functional and emotional elements of their solution that truly lead to brand happiness when it comes to product development and marketing (See Figure 1).

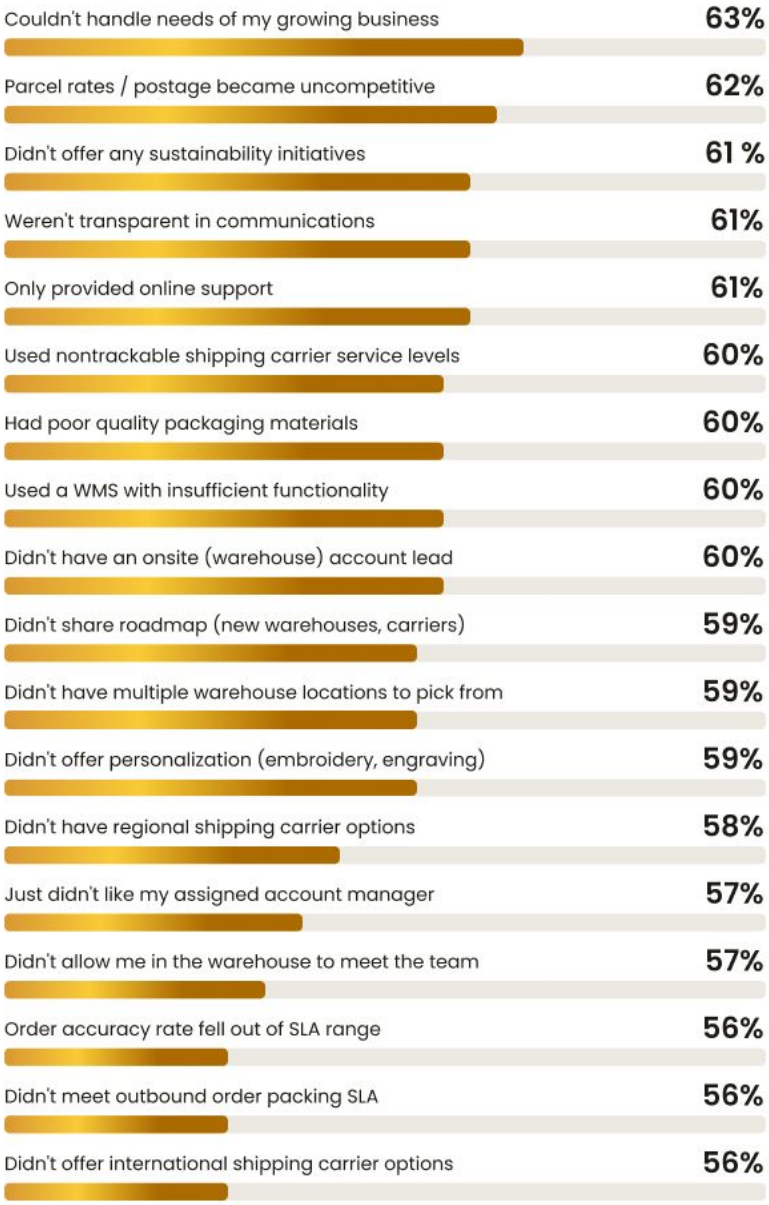
Figure 1. 3PL Net Promoter Score (NPS)

According to our panel, when 3PLs don't offer the benefits stated in our hypothesis as new requirements (personalized service, heightened trust factors, participation in roadmap development, and sustainability initiatives), they hesitate to renew their agreement or they terminate their agreement (See figure 2).

Figure 2. Why Brands Leave Their 3PL

Have you hesitated to re-sign or have you left a 3PL because they...

n=614 people employed by a consumer brand regularly shipping residential orders using a 3PL



> These statistics are a tell-tale sign that the industry is shifting. Vendors are no longer accepting the bare minimum when it comes to their fulfillment partners, especially in relation to communication. Gone are the days where 3PLs could get away with outsourced customer service or a "one-size-fits-all" approach. The exponential increase in online ordering has made it abundantly clear that quick response times, ease of communication and adaptability are critical for a growing business and is cause for change.

Sarah Vilenskiy
Founder & CEO
@ Blossom Essentials

> Enterprise brands considering launching an RFP process (request for proposal) for logistics infrastructure usually ask one core qualifying question: Does the technology/service work as expected? 3PLs on the other hand are tested in so many different ways. While you might expect that some components of their offer be deprioritized by brands while new requirements are added, that is not necessarily the case. I believe this is because high-growth brands view their 3PL as the conduit to the customer experience. They rightfully feel entitled to a greater degree of service as the most commercially motivated vendor in their infrastructure, second to the manufacturing process itself.

David Field
Head of Strategic Accounts
@ Passpor

What factors are most important when brands choose their new 3PL?

The appropriate qualification of the 18 reasons brands choose a new 3PL come from Bob Sixsmith, Cofounder & VP Operations @ Manifest, who is building his 3rd 3PL in under 10 years without pause:

"The reasons brands select 3PLs seem to change fundamentally every few years. While economic buying patterns are more in-your-face than ever in today's macroeconomic conditions, I've noticed more and more brand leaders prioritizing factors of trust, unique 'in-person' account management approaches and simply being someone they want to work with. Although it seems basic and uncomplicated, it's the exact opposite for 3PLs of a certain size and that's created a large opportunity for new, niche 3PLs to capture the market and build long term partnerships with the most promising brands"
(See figure 3).

> After pulling [a separate set of] empirical data on our ecommerce fulfillment database, we found the following information: the reason ecommerce merchants leave 3PL's are lack of transparency for pricing and hidden fees, shopping around for something cheaper and more competitive, outbound shipping lagging or the 3PL not meeting SLA's, lack of communication, not having a dedicated account manager, and broken and/or lost product (lost after it is inventoried but before it is shipped out and product arriving to the customer broken because of poor packaging).

Bailey Clark
Director of Partnerships
@ eHub

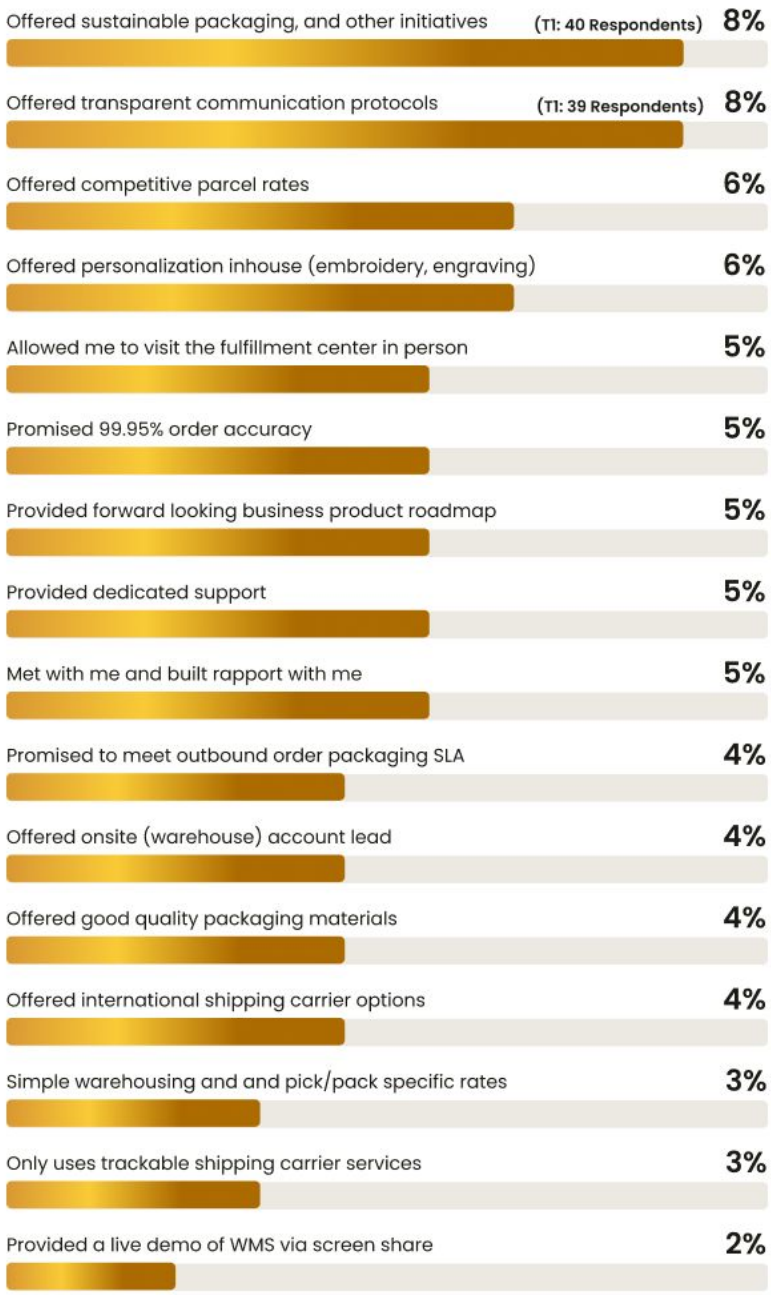
> These charts emphasize the reality that the current parcel delivery ecosystem is failing today's shippers, who struggle with high, unpredictable parcel rates and unreliable support. This dynamic impacts their ability to exceed customer expectations while turning a profit. It's clear that shippers need a meaningful alternative to today's existing parcel delivery ecosystem, where 97% of the market is driven by legacy national parcel carriers. It's crucial for shippers to recognize alternatives and pursue them aggressively, or else they'll continue to be disappointed by the legacy national parcel carrier ecosystem.

Ben Emmrich
Founder & CEO
Tusk Logistics

Figure 3. Why Brands Join A New 3PL

What is the #1 reason you have switched to a new 3PL?

n=511 people employed by a consumer brand regularly shipping residential orders using a 3PL



> The best 3PLs use a WMS that provides visibility to take warehouse operations to a higher level of efficiency, speed and order accuracy. Ultimately, the best WMS will allow your 3PL to scale effectively for your current and future needs—providing flexibility to adapt and support ever evolving ecommerce operations. Your 3PL should be able to quickly bring on new warehouses, new clients and fulfill an ever-growing portfolio of products.

Erhan Musaoglu
CEO & Founder
@ Logiwa

> Shipping costs have skyrocketed in recent years. The key to keeping cost low is to have more options and alternative carriers can help achieve that. Companies [including 3PLs] that can efficiently leverage a diversified carrier strategy end up saving money [that may be passed on to brands] and at the same time hedge against any rising rates or carrier disruptions. More choice leads to better outcomes

Timur Eligulashvili
President
@ Logistics Remix

Profile attributes of the panel and matching 3PLs with brands

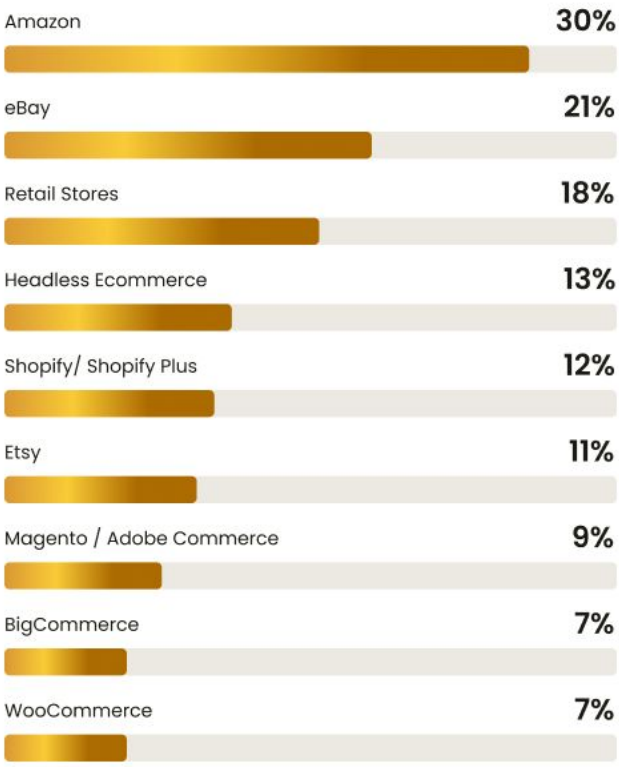
Guest analysis by Jim Phillips, VP @ Charm.io

"In aggregate we see Shopify dominating the business-to-consumer (B2C) space and headless growing fast among larger brands. With the distribution of this list spread across marketplace, brick & mortar, and B2C platforms it represents that commerce is increasingly omnichannel. Consumers are expecting the fulfillment experience to be unified across all channels. Choosing the right 3PL provider is key to reducing transit times to be in line with the Amazon standard (See figure 4).

Figure 4. Brand Sales Channel Mix

Which sales channels do you use?

n=509 people employed by a consumer brand regularly shipping residential orders using a 3PL



Matching brands with 3PLs based on preferred SKU count totals has been of interest from every logistics partner we've helped grow. Having the right data to find the best brands & 3PL providers is key to saving time and growing sales (See figure 5)."

Figure 5. Brand SKU Count

How many SKUs do you typically carry at one time?

n=508 people employed by a consumer brand regularly shipping residential orders using a 3PL

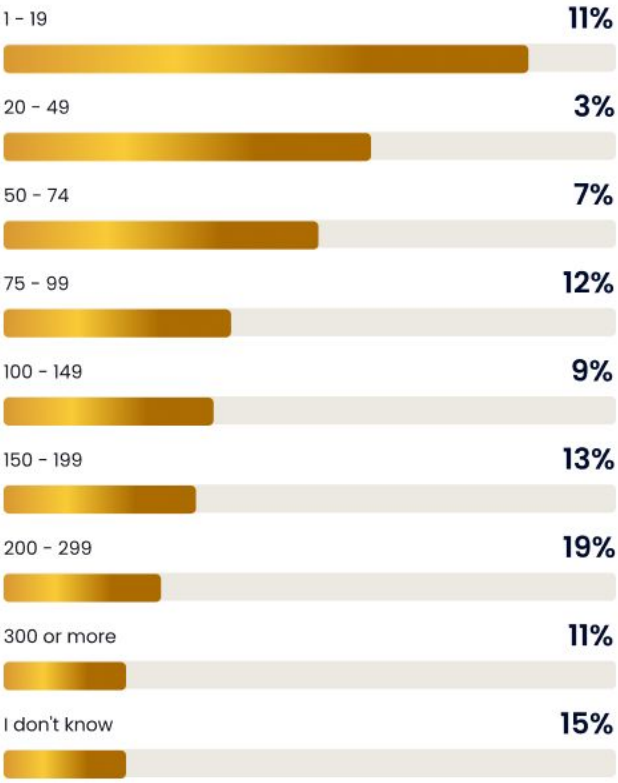
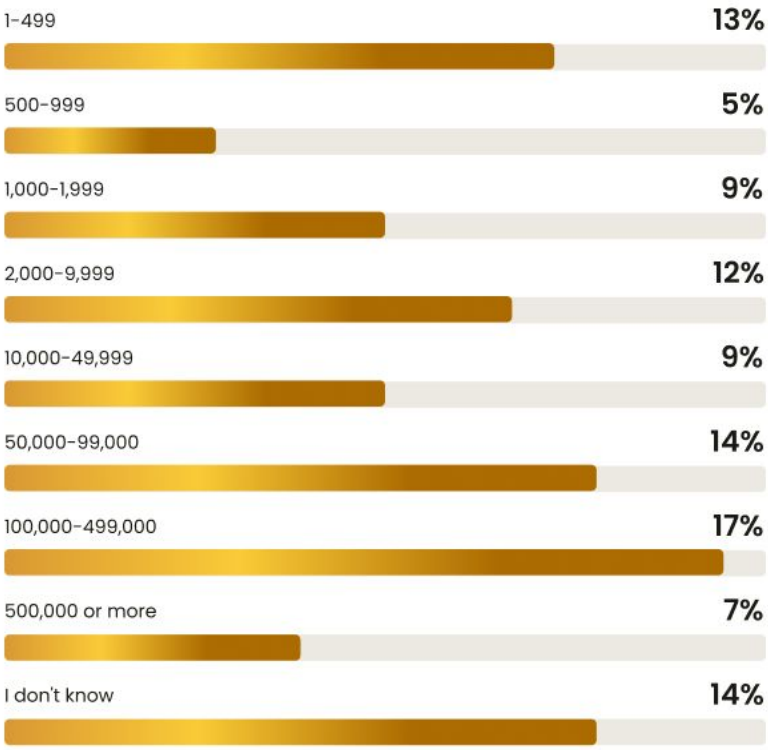


Figure 6. Brand Monthly Order Volume

How many orders do you ship in a typical month?

n=507 people employed by a consumer brand regularly shipping residential orders using a 3PL



> The size of the brand in terms of average monthly order volume is a leading variable we consider when matchmaking brands with the right 3PL. The 18 reasons brands join 3PLs (outlined earlier in the report) are critical to the selection process for sure, but first we need to know if a 3PL will accept low order volume brands and/or if they can handle high order volume brands. Matching actual (and projected) monthly order volumes from the brand with preferred volumes from the 3PL are a great first indicator in narrowing down 3PLs during the vendor selection process (See figure 6)

Joe Spisak
CEO @ Fulfill.com

Recommendations

1. **Create a basic 3PL scorecard to internally rate your current 3PL** using the 18 reasons why brands leave or join a new 3PL in 2023. Internally comparing the vendors you chose 1, 2, and 3+ years ago to new requirements of the current year is critical to ranking competing ecommerce infrastructure priorities on the annual improvement cycle.
2. **Develop and share a more comprehensive 3PL metric scorecard with your current 3PL** including qualitative analysis on what is most important and least important to your brand along with how your 3PL is performing. Performance reviews between core vendors and brands are the backbone to maintaining an ecommerce infrastructure built on the most innovative and cost effective technologies and service providers.
3. **Launch a Request For Proposal (RFP) process to compare qualified 3PLs with your specific needs.** If your internal and external scorecards are not at least showing you a path towards mutually agreed upon success, it's time to pack up your inventory and move into a 3PL you can grow with. Stay organized in your RFP process and use it as a map to help you make the right judgment call.

Participant Demographics

Household Income	
Less than $10,000	9%
$10,001 - $40,000	13%
$40,001 - $80,000	20%
$80,001 - $160,000	20%
$160,001 - $205,000	8%
$205,001 - $500,000	12%
$500,000 +	9%
Prefer not to answer	8%

Age	
Under 18	1%
18 - 24	11%
25 - 29	9%
30 - 34	11%
35 - 41	13%
42 - 50	15%
51 - 57	11%
58 - 65	16%
66 - 74	5%
75 or older	2%
Prefer not to say	6%

Gender	
Female	36%
Male	41%
Non-binary, Agender or Something else	13%
Prefer not to say	10%

Region	
Northeast	13%
South	21%
Southwest	16%
Midwest	18%
West	21%
Northwest	11%

To **learn more** about the 3PL Gold Standard™ please go to **www.manifest.eco**

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