Flexe

The Guide to Fixed and Flexible Logistics

Understand applications, evaluate partners, and build internal consensus

Contents

A New Era in Commerce

Competition is an inevitable component of business, but today's competition is especially fierce.

Commerce is different. The internet, and Amazon in particular, fundamentally disrupted retail years ago by transforming the way people shop. Businesses are increasingly responsible for meeting and exceeding consumer expectations as online shopping continues to grow and evolve.

The COVID-19 pandemic uniquely accelerated eCommerce. After stores closed, online sales grew 10-years' worth in just 10 weeks[1]. Businesses were not prepared to support that growth—not even Amazon.

More than 14,000 retail stores permanently closed in 2020[2], and eCommerce sales volumes are impossible to ignore. According to the 2020 Flexe Omnichannel Consumer Report, 49% of consumers increased and sustained their online spend because of COVID-19[3]. Sales strategies must support different buying channels, or retailers risk falling behind.

Fortunately, when challenges arise, so do innovations; new solutions that improve business and serve customers better. The right technology enables businesses to thrive even in the most high-pressure environments. For retailers and brands, much of the innovation needed to support omnichannel retail and new buying behaviors starts with logistics technology.

Modernizing warehousing and fulfillment

The objective of traditional logistics networks was getting goods to a specific location, at a specific time. Demand was proportional to the population density around a physical retail location, which made forecasting simpler. But, eCommerce decentralized demand. Instead of goods going to predefined locations like a grocery or department store, orders must now make it to shoppers' doorsteps. That fundamentally changes how the supply chain needs to operate.

Amazon figured out early on that eCommerce is all about logistics. As a result, it spent years conditioning shoppers to expect faster delivery times while it built the infrastructure to support it. Amazon invested billions of dollars building a logistics network that is impossible to recreate.

Who should read this guide?

Logistics professionals who are responsible for researching, choosing, and/or influencing business decisions to improve logistics-network strategies. Some key initiatives may include:

+ Decreasing eCommerce delivery times
+ Dealing with supply chain disruptions or a rapidly evolving channel mix
+ Digitally transforming the supply chain

Whatever the goal, this guide will help inform next steps in finding the right solution and the right solution provider.

How can this guide help?

This guide and the included appendix are critical resources to understanding what fixed and flexible logistics models are, whether a dynamic approach is the right solution, and next steps that will make the decision-making process easier.

Examples of technology-first logistics solutions

Technology-first logistics solutions enable today's largest businesses to operate more efficiently. Some of the more recent categories include digital freight networks, on-demand warehousing and flexible fulfillment, and delivery experience management. Technology platforms are the common denominator across these categories. They unlock new capabilities that aren't possible with older approaches or situations.

Increasing eCommerce volumes make this era of retail especially critical for every other retailer and brand. They must meet or exceed the customer expectations Amazon set.

Amazon isn't slowing down. Prime membership exceeded 126 million4 in 2020, and Amazon also announced the addition of 1,500 suburban delivery hubs to support same-day delivery[5]. The retail giant continually resets and evolves consumer expectations. Increasing eCommerce volumes make this era of retail especially critical for every other retailer and brand. They must meet or exceed the customer expectations Amazon set.

Many of the world's largest and most innovative companies already take a technology-first approach and/or are embedding it into their strategies. More and more companies are adopting a dynamic approach to warehousing and fulfillment—an approach that complements fixed warehousing infrastructure with a flexible logistics model. Instead of making steep capital investments to expand logistics networks, major retailers are implementing flexible logistics to rapidly evolve their logistics strategies without fixed-term commitments.

Section takeaways

+ Increasing eCommerce volumes come with new consumer expectations. In this new era, businesses must adapt or fall behind.
+ Even in the face of unprecedented uncertainty, retailers and brands can thrive with the right technology, and it doesn't require a complete remodel.
+ Many of the world's most innovative companies are complementing their fixed logistics infrastructure with flexible logistics.

In Section 01: Understanding Fixed and Flexible Logistics

Develop an understanding of the features, strengths, limitations, and ideal utilizations of both fixed and flexible logistics.

Understanding Fixed and Flexible Logistics

What are the differences between fixed logistics and flexible logistics? How should organizations think about each? Understanding the difference is critical.

Fixed		Flexible
owned network	outsourced to 3PLs	on demand

Fixed logistics model

A *fixed logistics model* is asset-heavy. It consists of facilities with fixed-term lengths and square footage in static locations—typically predicated on leasing or owning buildings. A fixed logistics model includes long-term investments, and is best-suited for managing high-volume, complex operations that may require automation and customization.

Flexible logistics model

A *flexible logistics model* is asset-light. It typically comes without term-length agreements, square footage restrictions, or location constraints. A flexible logistics model is best for improving omnichannel operations by extending the reach of eCommerce fulfillment networks, providing rapid retail replenishment, and/or responding to supply chain disruptions and shifting market dynamics.

Both fixed and flexible logistics models have a variety of characteristics that stack up differently. Depending on business needs, one logistics model may provide a more optimal solution than the other. On the following page is an overview and comparison of the features of each.

Comparison chart: the features of fixed and flexible logistics solutions

	Fixed logistics		Flexible logistics
Ownership / management	Owned and operated	Leased via third-party logistics provider (3PL)	Supported via flexible logistics provider
Ideal forecasting profile	Stable product lines with significant volume and operational complexity	Stable product lines with significant volume and operational complexity	Product lines with variable volume or seasonality, consumer demand and/or channel growth
Investment type	Capital expenditure with minimums and fixed monthly costs	Operating expense with minimums and fixed monthly costs	Operating expense w/ no time length (project or program specific investment)
Startup costs	High to very high	Medium to high	None to low
Terms	Fixed	Long-term contracts	Typically no term agreements
Location	Fixed	Fixed	Flexible
Capacity	Predetermined square footage	Predetermined square footage	Variable, limited only by size of provider network
Software	In-house or purchased software such as: + Warehouse Management System (WMS) + Transportation Management System (TMS) + Inventory Management System (IMS) + Yard Management System (YMS)	Utilizes provider WMS for a fee	Flexible Logistics Provider WMS at no cost
Integration	Enterprise Resource Planning (ERP) Shopping carts Commerce platforms	Integration required for each logistics provider used	Single-provider integration required to access network
Hardware & other automation equipment	Responsible for purchase and maintenance	Provided at a cost	Included in cost
Automation	Customized to support unique business operations	Customized to support unique business operations	Typically not offered
Scalability	Complex; limited to footprint and capabilities of owned facility(s); slow and expensive to expand	Moderate; based on available capacity and capabilities in certain markets; slow and expensive to expand	Moderate to easy; based on available capacity and capabilities in certain markets; fast and low-cost to expand
Capabilities & value-added services	Responsible	Provided, based on availability	Provided, based on availability
Support & issue resolution	Responsible	Provided at a cost	Provided without additional cost
Labor	Responsible	Provided at a cost	Provided at a cost
Time to implement	12 months+	2-3 months+	2 weeks+

Comparison chart: Strengths, limitations, and ideal utilizations

	Fixed logistics	Flexible logistics
Primary strength	**Managing complexity** Allow for full control and the ability to customize operations to support high-volume operations, unique product characteristics, or automation	**Speed to implement** Enable businesses to move quickly—responding to disruptions or transforming operations to meet dynamic market demands. They are also ideal for businesses that want to improve supply chain resilience
Primary limitation	**Cost to implement** Expensive to implement and maintain; not ideal for responding quickly to change	**Managing complexity** Not ideal for operations that need customization for unique product characteristics, require significant automation, or are extremely complex
Ideal utilization	**Stable and predictable forecasts** Ideal for businesses, or portions of businesses, that have stable and predictable forecasts; especially suited for high-volume operations, which are complex, non-standard, or require automation	**Expansion planning and optimizing last-mile delivery** Ideal for businesses, or portions of businesses, that are developing faster, more affordable delivery promises by moving products closer to customers. Beneficial for mitigating future disruptions and managing fast-moving and unpredictable forecasts; particularly impactful when a business experiences massive growth or seasonal peaks, expands into new markets, optimizes delivery promises, and/or improves omnichannel operations

How do businesses decide which logistics model is better for their needs?

It isn't an either/or decision: Combining fixed and flexible models is the advantage

The answer (and the reason for this guide) is that *businesses don't have to choose.* Complementing fixed logistics infrastructure with flexible logistics is a dynamic approach that improves logistics networks.

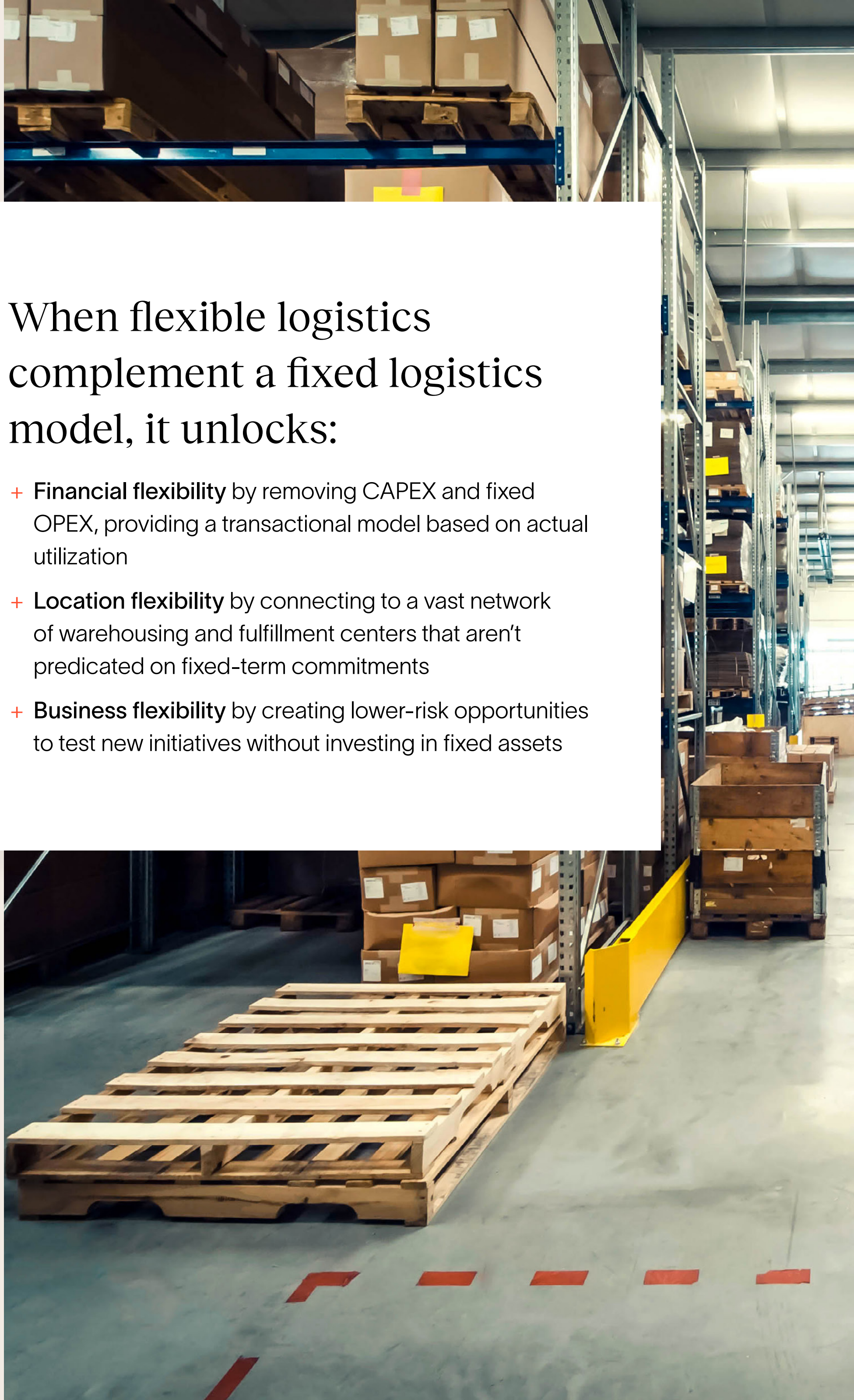
With a dynamic approach, businesses benefit from the best of both worlds: Using the fixed portion of their network to manage volume, automation, and complexity, and then complementing those operations with flexible logistics to expand (and contract) network capabilities.

Section takeaways

+ Fixed logistics are fixed in time, space, and location. They are better for managing complexity, such as customizing operations for unique product characteristics and/or stable product lines.
+ Flexible logistics **are not** fixed in time, space, or location and are ideal for improving eCommerce delivery promises quickly, responding to supply chain disruptions, and and transforming operations to meet dynamic market demands.
+ A dynamic approach gives companies the best of both worlds, unlocking financial flexibility, location flexibility, and business flexibility in the process.

In Section 02: Determining Whether to Pursue a Dynamic Approach

Find out if a fixed and flexible approach makes sense for your organization.



When flexible logistics complement a fixed logistics model, it unlocks:

+ **Financial flexibility** by removing CAPEX and fixed OPEX, providing a transactional model based on actual utilization
+ **Location flexibility** by connecting to a vast network of warehousing and fulfillment centers that aren't predicated on fixed-term commitments
+ **Business flexibility** by creating lower-risk opportunities to test new initiatives without investing in fixed assets

Determining Whether to Pursue a Dynamic Approach

Every company must design its logistics network to improve customer experience and create operational efficiencies while managing disruptions when they arise.

In this section*, examine sets of common business challenges to understand when a dynamic approach is the right approach. Compare different ways to respond using either a fixed or dynamic approach, and review some of the growth opportunities a dynamic approach presents.

Common business challenges in logistics, warehousing, and fulfillment

A dynamic approach expands optionality and flexibility. Complementing fixed infrastructure with flexible infrastructure won't prevent supply chain disruptions or business challenges from arising, but it makes responding to events faster and more efficient.

Questions to keep in mind when assessing various business challenges:

+ Is this a challenge the business has or anticipates experiencing?
+ Can this challenge be addressed today? If it can't be, why not?
+ Can a dynamic approach solve this challenge for the business?

Shifting market dynamics

In addition to general supply chain disruptions, businesses must account for how their strategies support new market dynamics. In 2020, the COVID-19 pandemic impacted retail in a way that requires completely different sets of logistics operations. It increased eCommerce sales considerably, and accelerated the adoption of newer fulfillment methods like buy-online-pick-up-in-store (BOPIS) and curbside pickup.

**Of note: The COVID-19 pandemic presented the largest supply chain disruption in modern history and demonstrated how disruptions impact logistics networks. This section considers disruptions of varying magnitudes, but focuses on more common disruptions that businesses face.*

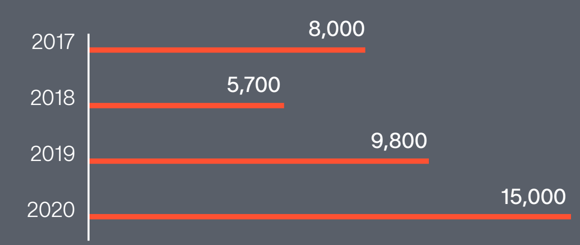
Why now is the time to transform logistics strategies

Store traffic is down, eCommerce is up

Traditional logistics models that rely solely on fixed assets can't solve today's challenges fast. Between shifting buying behaviors and increasing supply chain disruptions, retailers and brands need flexibility to adapt faster.

Buying channels are changing. Consider the increasing rate of store closures. Retailers and brands must update their logistics operations to accommodate today's market and new buying channels, while ensuring future growth.

Retail store closures:[6]



New market challenges include, but are not limited to:

+ Increasing eCommerce volumes
+ Consumer expectations for better delivery options (free and fast, BOPIS, curbside pickup)
+ Reduction or changes in retail footprint and volumes
+ Rapidly changing channel mix
+ Product launches
+ Entering new markets
+ Seasonality
+ Product promotions

Flexible logistics solutions are an ideal complement to a fixed network when addressing new market challenges. Businesses can adapt faster, shift to new channels more efficiently, and diversify operations to be more resilient with a dynamic approach.

Supply chain disruptions

Supply chain disruptions often impact warehousing capacity and fulfillment services. Solving disruptions with a fixed logistics network typically includes sourcing additional capacity within the network.

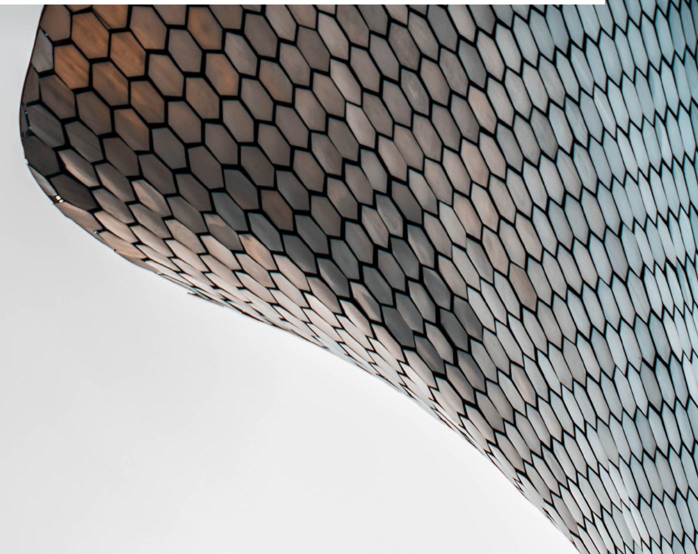
Common supply chain disruptions include, but are not limited to:

+ Delays at the port
+ Economic events like trade wars and tariffs
+ Manufacturing delays (raw material shortages, recalls & safety scares/issues)
+ Forecasting issues
+ Vendor variability / adjustments / bulk purchase
+ Inclement weather
+ Economic uncertainty

The above disruptions are common and impossible to predict. When flexible logistics complements a fixed logistics network, response times to these types of disruptions decrease. In any event that calls for additional capacity or services, a flexible solution provides it almost immediately, especially when a business integrates with a provider before disruptions occur.

Examples of strategic initiatives

+ Logistics network optimization
  - Cost reduction for inbound and outbound LTL/FTL transportation
  - Cost reduction for last-mile transportation
+ Increasing eCommerce competitiveness
  - Improve eCommerce delivery promises
    - Pilot regional promotions for same-day or one-day delivery
  - Increase online conversion rates through advertising
+ Supply chain resilience
  - Contingency planning
  - Supply chain diversification



Case Study: Sell Goods Co. Must Reduce Delivery Times and Costs for Its eCommerce Shoppers

To optimize last-mile delivery for time and costs, inventory must be positioned closer to end consumers, and that requires more facilities.

Below is a case study outlining the differences between a fixed logistics model and a flexible logistics model when considering logistics-network expansion. It compares the opportunity and outcomes of a business using only its existing third-party logistics providers versus complementing its current fulfilment locations using a new, flexible logistics provider.

Background

Company	Sell Goods Co.
Goal	Improve their nationwide ground delivery promise from 3 days to 1 day.
Current logistics infrastructure	Currently in year two of a five-year, fixed lease with a national 3PL, ABC Logistics Co., in Indianapolis, IN.
% U.S. reached with 1-day delivery	With a single warehouse, Sell Goods reaches: 11% of U.S. with 1-day delivery, 47% in 2 days, and the remaining 40% in 3 days.

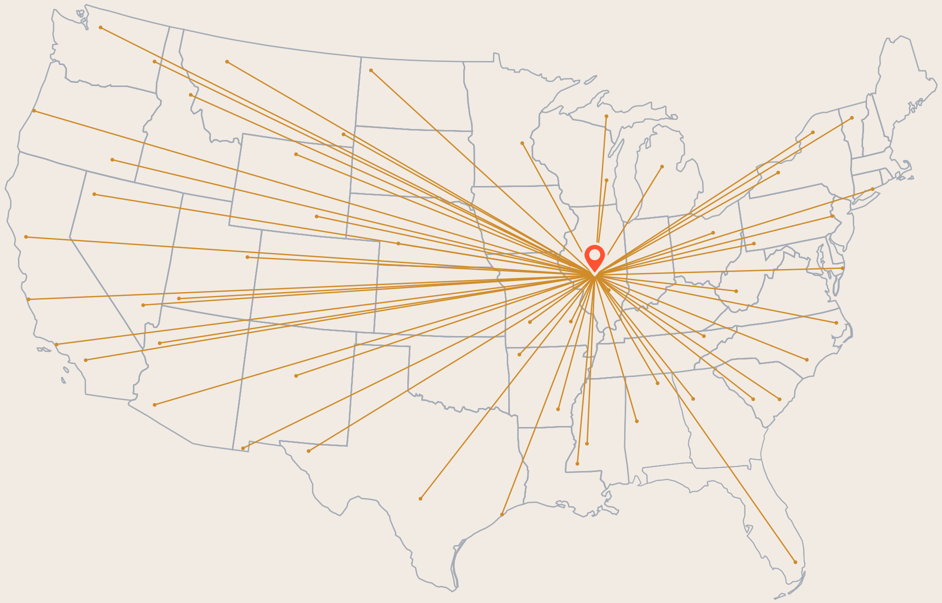
Logistics providers considered

	Option 1: Fixed logistics solution	Option 2: Flexible logistics solution
Logistics Provider	ABC Logistics Co.	123 Logistics Co.
Relationship	Current 3PL	None
Model	Fixed	Dynamic model (complement to their existing fixed logistics network)

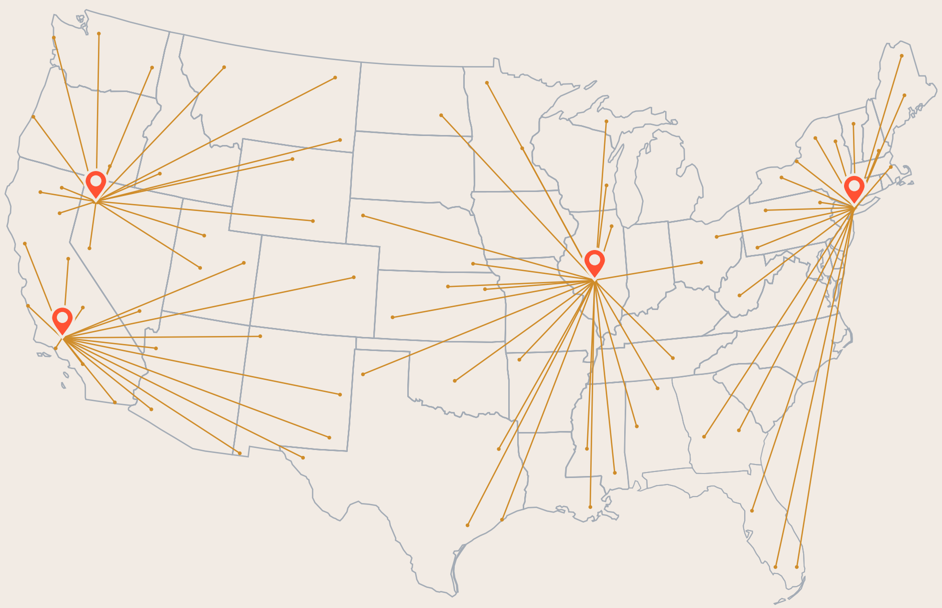
Logistics providers comparison

	Option 1: Fixed logistics solution	Option 2: Flexible logistics solution
Logistics provider	ABC Logistics Co.	123 Logistics Co.
# of available facilities	Three	Unlimited
Proposed locations to optimize last-mile delivery	New York, NY Los Angeles, CA Reno, NV	Albany, NY Dallas-Fort Worth, TX Des Moines, IA Fort Wayne, IN Fresno, CA Greenville, SC Harrisburg, PA Jacksonville, FL Memphis, TN Phoenix, AZ Portland, OR
% U.S. reached with 1-day shipping	40%	91%
Ground parcel transportation costs	$100.3 million	$63.5 million
Maximum capacity	Fixed, 60,000 sq. ft. maximum	Flexible, 120,000 sq. ft.+
Lease duration / terms	5-year leases required for each additional warehouse	n/a
Pricing structure	Fixed monthly fee	Transactional fees based on storage plus inbound and outbound handling
Expenses	Start-up fee Fixed facility costs Inventory carrying costs	Inventory carrying costs
Labor	Fixed based on labor minimums	Transactional fees based on volumes
Customer support	Available 24/7 at $15.00/hr.	Available 24/7, free
Integrations	Already integrated to 3PL	Single integration required
Weeks to launch date	16	8

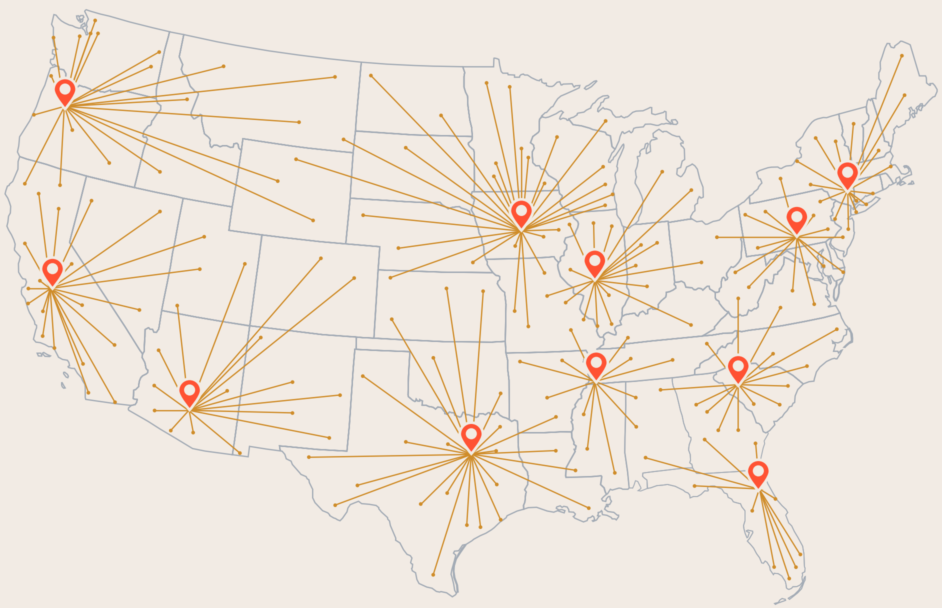
Current solution:



Current solution + fixed logistics solution:



Current solution + flexible logistics solution:



Some businesses start small with flexible logistics to solve a specific problem and gradually expand their flexible footprint as the benefits and additional opportunities become clear.

Section takeaways

+ Companies pursuing a dynamic approach infuse greater optionality and resilience into their supply chain and are better poised to succeed in today's physical and digital retail environment.
+ A dynamic approach makes it simpler, faster, and more efficient to address many common business challenges, from supply chain disruptions to shifting market dynamics.
+ Complementing a fixed logistics network with flexible logistics creates opportunities for growth and new strategic initiatives.

In Section 03: Introducing Flexible Logistics into Your Organization

Find out how to build consensus in your organization, identify the right flexible logistics provider, and prepare for launch.

Getting Started with a Dynamic Approach

The process to determine if a dynamic approach is right for a business looks a lot like the traditional business-to-business (B2B) buying process.

It starts with deeply understanding the problem: Businesses often view the supply chain as a cost center, not a strategic differentiator. That mindset must change. Effective distribution networks were not built to support today's market, but are paramount to meeting today's exacting consumer demands.

Then, it requires buy-in from decision-makers across the organization, finding the right provider, and then managing the implementation. However, there is one key differentiator when implementing a flexible logistics model over a fixed logistics model: it's faster.

How to build organizational consensus

It is important to acknowledge that implementing change isn't easy and consensus doesn't happen overnight. It requires multiple parts of the organization aligning on what isn't working and what the solution is.

Studies show that the typical business purchasing decision involves, on average, 5.4 people[7]. Larger buying committees help mitigate purchasing mistakes, but they introduce inherent challenges as more people get involved.

A diverse buying committee has multiple perspectives on purchasing decisions, all of which include varying priorities and concerns. It is the champion's job—the person driving the initiative—to educate and address the concerns of different roles on the buying committee.

Making the case internally: Who to involve

Here are the typical stakeholders involved in the decision to pursue a flexible logistics model; what they appreciate about the current, fixed solution, what might concern them about the introduction of a flexible solution, and how they stand to benefit from a dynamic approach:

+ Logistics and Supply Chain Operations
+ Information Technology (IT)
+ Procurement and Finance
+ Legal
+ Transportation
+ Merchandising and Marketing

Buying committee:

Logistics and Supply Chain Operations

What role do they play in the purchasing process?	Decision-makers
How early do they need to be involved?	Logistics and Supply Chain professionals are typically the champions of the initiative and proposed strategy. They should be involved as early as possible to assess different solution providers.
Common objections:	+ This approach hasn't been used and is unknown + Requires new technology to integrate and adds work for the teams + Providers don't own the facilities + Additional facilities complicate inventory management and allocation + Carrier and transportation changes + Quality assurance across the network
Benefits:	+ Prevent waste with transactional model + Use a single technology platform to unify operators and unlock the ability to scale up (and down) the number of facilities in use + Expand into new markets without additional investments in fixed cost infrastructure + Run new initiatives and quickly address supply chain disruptions with unlimited infrastructure + Reduce last-mile transportation costs (if expanding fulfillment or distribution network)

Information Technology (IT)

What role do they play in the purchasing process?	Influencer; verify technology, integration, and security requirements
How early do they need to be involved?	As early as possible; integrations are often required for flexible logistics operations, and visibility is essential for resource allocation. IT can prevent progress and implementation of flexible logistics solutions if they do not have the time required to assess and implement.
Common objections:	+ Bandwidth and prioritization limitations + Time to implement + Data security and privacy considerations + Available EDI and API integrations + Current ERP, OMS, or other internal system workflow constraints
Benefits:	+ Minimize internal IT support for network expansion; no future integrations required + Reduce integration timeframes and costs + Enable iterative approaches to implementation through .csv, API and EDI integration options

Procurement and Finance

What role do they play in the purchasing process?	Contributor / Influencer; negotiates directly to minimize organizational risk and reduce costs.
How early do they need to be involved?	Procurement and Finance typically get involved in the later stages of partnering with a flexible logistics provider.
Common objections:	+ The risk of a new solution is too high + The price is too high + Insurance and payment terms
Benefits:	+ Prevent wasted spend through transactional model + Reduce long-term risk and committed spend through transactional model + Reduce future contract negotiations for new warehousing and fulfillment operations through standardized contracts and billing + Avoid implementation and start-up costs for network expansion

Legal

What role do they play in the purchasing process?	Influencer; reviews and executes contracts across relevant parties
How early do they need to be involved?	As early as possible; whether it's for an immediate project or in preparation of a future need, the earlier legal is involved, the faster it is to implement a flexible solution. In certain cases, the legal process is managed through Procurement.
Common objections:	+ Payment terms + Liability and indemnification + Lien terms + Utilizing vendor vs. owned agreements
Benefits:	+ Minimize contract negotiations when expanding logistics network through single contracts

Supply Chain Executive Leadership

What role do they play in the purchasing process?	Contributor / Informed
How early do they need to be involved?	Supply chain executives are often internal champions as CEOs and board members count on supply chain leadership to guide digital transformation efforts, support eCommerce growth, and improve customer satisfaction. Since flexible solutions are relatively new to the market, supply chain executives play a key role in driving organizational alignment, reducing internal risk perception, and removing blockers.
Common objections:	+ Additional inventory carrying costs + Additional landed costs + Resource and prioritization constraints
Benefits:	+ Outcome-based economic model with no long-term commitments, capital investments, or fixed costs + Stand up (and down) new facilities to expand service levels and respond to supply chain disruptions faster + Test and improve eCommerce delivery promises + Unified view of inventory and operational metrics across flexible facilities + Reduce mid- and last-mile transportation costs, which decreases total landed cost + Decreased time in transit reduces shipping times and costs + Increased customer satisfaction

Other roles to include:

Transportation

What role do they play in the purchasing process?	Informed
How early do they need to be involved?	Transportation professionals need to be involved during planning, scoping and execution to ensure transfer of goods in the timeframe required. Flexible facilities may impact middle-mile transportation and distribution, so keeping this role informed is essential.
Common objections:	+ The addition of new facilities increases the number of middle-mile routes + Lot size and yard management
Benefits:	+ Reduced mid-mile transportation costs + Reduced last-mile transportation costs + Reduction of total time in transit leads to improved eCommerce delivery promises + Reduced total landed cost

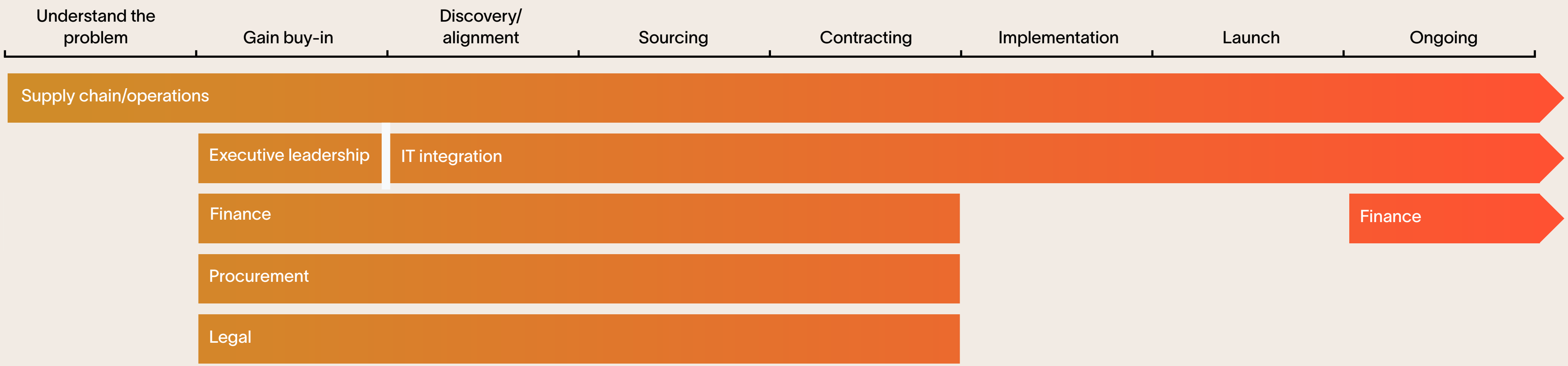
Merchandising and Marketing

What role do they play in the purchasing process?	Merchandising and Marketing are a supporting member of the buying committee. For example, improving eCommerce delivery promise from 3 days to 2 days can increase cart conversions, which often directly improves key performance indicators.
Common objections:	+ Unclear about the direct impact a logistics network expansion will have on marketing initiatives + Too complicated and slow to leverage for advertising initiatives + Siloed technology won't provide data insights or visibility into effectiveness of logistics-driven marketing initiatives
Benefits:	+ Flexible and fast solution to support events that rely on fast, affordable delivery promises + Connect the impact of delivery promise on conversion rates

Who to involve and when to involve them

For each member in the buying committee, one of the best things to do is involve them at the right stage in the process, which is often earlier than one might think. This is especially true of stakeholders in legal and IT/integration, whose contributions to the process have the greatest potential to cause delays if they aren't given sufficient opportunity to prepare.

The chart on the following page provides a sense of what a typical process looks like, and the order and stages in which stakeholders play a role.



For a more detailed process overview, including key action items to complete during each stage, see Chart A (page 23) in the Appendix.

How to identify the right flexible logistics provider

The decision of which flexible logistics provider to use is just as important as choosing to introduce flexibility in the first place. Below are sample criteria and questions to consider when evaluating providers. Some questions will require a direct response from the provider, while some can be answered ahead of connecting with them. For more questions and criteria to consider, look at Table B: Logistics Provider Criteria Considerations (page 24 in the Appendix).

What solutions and program(s) do they offer?

The ideal flexible logistics provider is one that can scale and support growth. Understand each providers' solution sets and identify how to extend different capabilities to address and maximize the investment for future business needs.

How many warehouses are in the logistics network and where are they located?

The power of a flexible logistics provider isn't always the number of warehouses in their network, but how they can support different regions—even in the tightest real estate markets. Different solution providers may work with customers and recommend several regions to support projects. Ask how the logistics network has grown and matured over time. That's an indication of the provider's growth and their reputations with logistics operators in their network.

What customers are they serving today?

A business should think about what makes it unique: the types of products sold, sales channels, and industry. The best way to be confident that a flexible logistics provider can handle a given type of business is if they already are. Information and case studies about similar customers demonstrate the provider's capabilities and ability to manage complex operations. Customer logos also denote the quality and caliber of service.

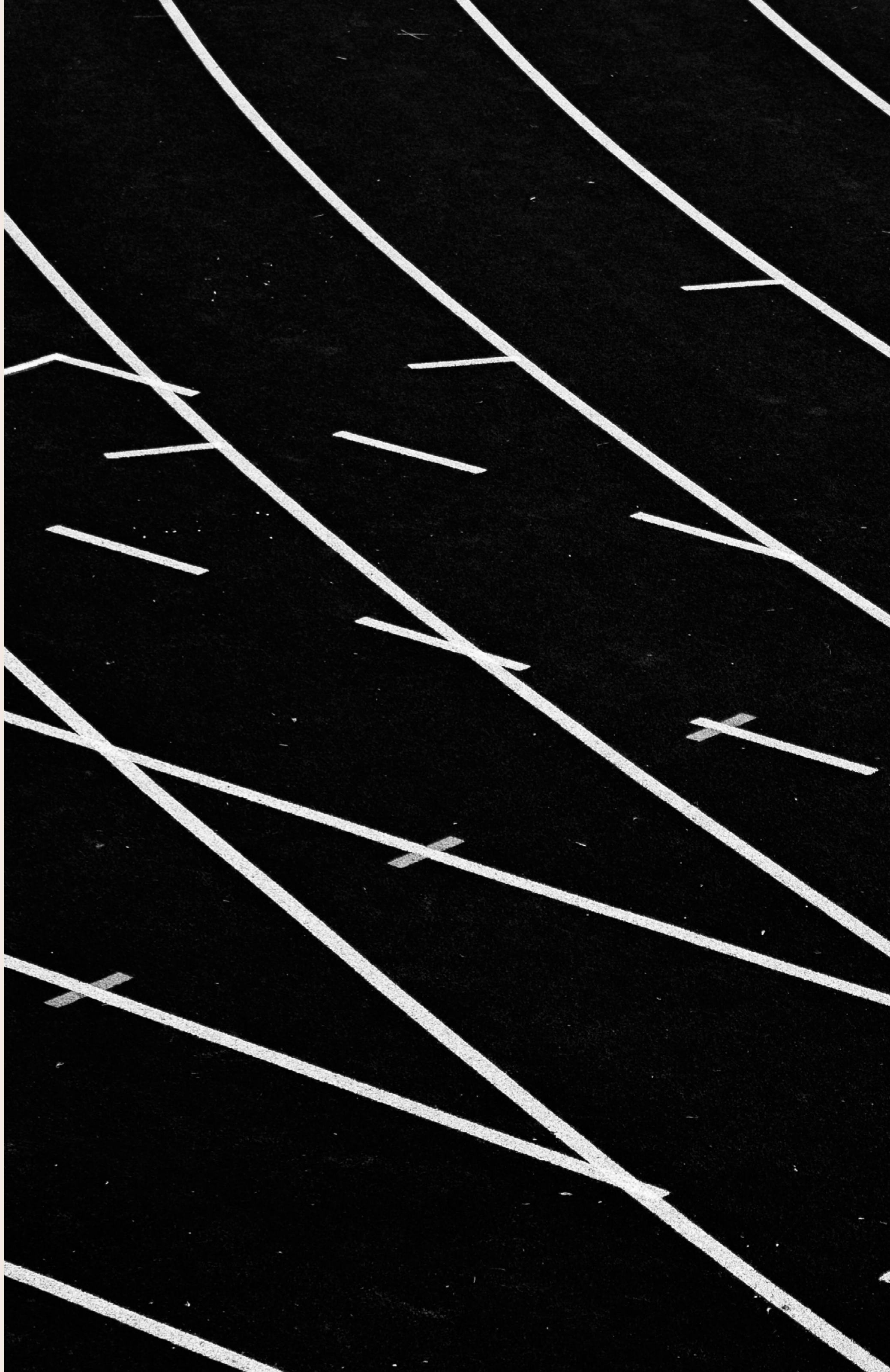
How to get started

Whether there is a need for a solution today or not, start now. There's no match for flexible logistics when it comes to common, unexpected supply chain disruptions. But, the best time to pursue a dynamic approach is before the business needs it vs. seeking solutions when disruptions arise.

Companies that wait until there's an urgent need sacrifice time and money. Without a solution in place, problems take longer to solve because enterprise-class solutions—even flexible ones—don't happen overnight.

Section takeaways

+ The best time to introduce flexibility is before the business needs it, and there are several steps in the buying process that can happen ahead of time.
+ Streamline the buying process by identifying the buying committee, understanding their perspectives and concerns, and engaging them at the right time.
+ Start to outline key comparison criteria and what questions to ask potential flexible logistics providers.



Section 04

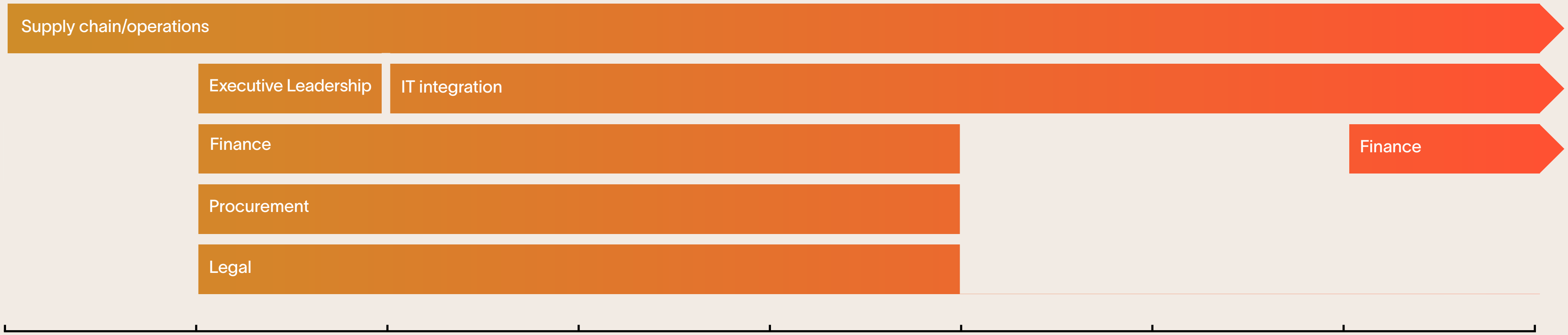
Summary and Appendix

Implementing a new B2B technology solution is no small feat. It requires a deep understanding of the business problem and partnering with a solution provider to solve both immediate and future needs.

Clearly understanding how a flexible logistics model complements a fixed model opens the door to solving more than just a single problem. It enables businesses to address ongoing challenges while also supporting future strategic initiatives.

Share this guide with others in the buying process, use the content and Appendix to assess potential solution providers, and discover how flexible logistics models transform businesses.

Chart A: Buying committee Gantt chart



Understand the problem

Document challenges: Capacity shortage, peak season, expanding eCommerce operations, improving delivery promise

Define needs: What services are needed? What is being budgeted? In what locations are services needed?

Begin researching solution providers and engaging in introductory calls

Gain buy-in

Identify the right teams and people for the buying committee

Engage with each to include in buying process

Discovery/ alignment

Work with the logistics provider to identify a solution

Get a detailed understanding of: Facility requirements, scope of work (SKU mix, volume, velocity, etc.), understand technical and integration needs to support the solution

Buying committee: Engage your legal team to begin reviewing legal framework and contracts, consult the Procurement, QA and Operations teams to outline facility requirements and approval processes

Sourcing

Work with the flexible logistics provider to: Review warehouse partners that align to your requirements

Make a site visit to see the facility and management team

Verify capabilities and services that support your products

Review pricing and bids from providers; understand key differentiators, if applicable

Contracting

Review logistics proposals

Determine the service-level agreements and KPIs for your project to ensure you're aligned on what success looks like

Finalize statement of work (if available), warehouse service agreements, terms of service agreements, and any other applicable contracts

Begin integrations work as needed

Implementation

Agree upon a launch timeline and share your final volume forecasts

Meet your external operations team and align on expectations and day-to-day communication preferences

Perform integration testing and gain access and receive training on any applicable tech systems

Prepare and provide item master or other required product documentation and make a plan for routing inventory to the facility

Set up outbound shipping/transportation as needed

Launch

Ensure product is received at the warehouse, warehouse provider will begin operation

Monitor day-to-day operations, and ensure operations and technology work properly

Ongoing

Work with your logistics provider to monitor performance KPIs and SLAs, manage monthly billing, and look for ways to optimize your operation and become more efficient over time to decrease cost

Table B: Logistics provider criteria considerations

Solutions and capabilities

What solutions are offered?	The ideal flexible logistics provider is one that can scale and support growth. While only one logistics program may be needed to pilot, it's important to understand the types of solutions each provider offers to determine which company can address your needs now and in the future. Some examples: + eCommerce fulfillment + Retail replenishment + Inventory storage
What capabilities are supported?	To take full advantage of a dynamic approach, understand what capability sets exist to support different initiatives, from storage to omnichannel fulfillment. + eCommerce pick-and-pack services + eCommerce heavy-bulky services + On-demand warehousing and storage + Bulk distribution to channel partners + Inventory management + Sortable and non-sortable operations + Multi-line ordering + Speed to launch + Testing delivery promise options + Omnichannel support + Transportation support (FTL/LTL, small-parcel, and same-day courier)

Network composition

How many warehouses are in the network and where are they located? What regions are served?	You may not require lots of warehousing locations, but the size of a provider's network demonstrates the ability to enter into tight real estate markets. Understand which markets they serve and if there are enough locations and capacity in the required regions. Inquire about the quality of the warehouse providers and how that quality is maintained across multiple providers.
What types of capabilities does the warehouse network have?	Depending on current and future needs, get an understanding of what features the warehousing network includes; for example, what percentage of the network is temperature-controlled, sprinklered, HAZMAT, etc.?
What does the matching process entail?	The best flexible logistics providers vet every warehouse in the network and have a detailed process for matching customers with warehouse operators.

Table B: Logistics provider criteria considerations (cont.)

Customer profile

What is the current customer portfolio?	Assess the size of customers the solution providers serve and with what programs. Get a better idea if the solution provider is the right fit based on their customer portfolio and how it compares to current and future business needs.
How do the providers' current customers compare to your organization?	There are multiple types of comparisons to consider. Here are a few: + Type of retailer or brand + Size of company + Annual revenue + Sales channels + Markets served

Pricing and billing

How is pricing determined? Are there hidden fees?	Inquire about the pricing structure and billing to understand how it may differ from current practices in the organization. Ask about transparency in billing, including any costs associated with maintenance or change.
How does billing work?	Understand the billing cycle and what the process looks like to inform the Finance team and future planning cycles.

Technology

How does technology integration work? With what other systems does it integrate?	The best flexible logistics providers improve operations without requiring multiple new systems. Ensure providers integrate with the following: + Warehouse Management System (WMS) + Order Management System (OMS) + Inventory Management System (IMS) + Transportation Management System (TMS) + Enterprise Resource Planning (ERP) + EDI and API integrations, shopping carts (Shopify, BigCommerce, etc) + Advertising platforms (Google, Facebook, etc)
What are the reporting and analytics capabilities?	Getting a sense of their reporting and analytics capabilities will show you how easy it will be to get required data and insights in the form that you need them. This is also key to knowing everything is working as intended once you're up and running.
What is the software interface like? Is it user-friendly?	Harnessing the full benefits of a new technology platform has every bit to do with supporting new operations as it does with basic user experience. The best solutions are intuitive and straightforward.
How robust is data security?	The best flexible logistics providers treat data security as a top priority. Get a thorough understanding of the security infrastructure. Connect the provider's IT leaders with your organization to understand the provider's level of data security.

Table B: Logistics provider criteria considerations (cont.)

Quality assurance

How is quality assurance ensured?	The right provider can give you a detailed explanation of how quality is maintained, for example: + Managing day-to-day operations + Path to escalation and resolutions + Communication around daily operational events or issues + SLA adherence + Warehousing KPIs, such as fill rate, dock-to-stock, and more
What are the benchmark SLAs and reporting structure?	Understand how the logistics provider measures success on a daily and quarterly basis. + How is that success communicated to customers? + What happens when SLAs aren't met? + How are operations course-corrected?

Support services

What is the onboarding and implementation process? Is training available/included?	Go-live is the middle—not the end—of the integration process. No matter how user-friendly the interface is, getting help with onboarding and implementation ensures everything is set up properly. But first, understand what services are involved: + What does training / implementation entail? + Are there teams dedicated to this? + What happens when an error or issue occurs after implementation?
Is live support available? Through what channels and during what hours?	Issues and errors aren't limited to weekdays and business hours. Make sure that live support is available and in what capacity during different times of the week. It's also critical to understand how different types of issues are resolved. Make sure you feel comfortable and confident about the contingency planning of the provider.
Is there a cost for support or troubleshooting?	Avoid being caught off guard by hidden fees. Find out if customer support is a paid or complimentary service.

Table B: Logistics provider criteria considerations (cont.)

Speed and scalability

How long does it take to launch?	Enlist a flexible logistics provider before services are needed to save time and money. Understand what level of process and how much time it would take to get a project up and running once legal is completed.
How scalable are operations?	Understand what the requirements are to extend projects and/or expand into new solutions, for example: + Are new contracts required? + How much time does expansion take? + Are new integrations required?
What happens at the end?	Understand the process of deprecating services once a project has ended. Similarly, it's equally as important to understand what happens when a project needs to be extended. The key to a flexible logistics provider is the flexibility that's actually offered when needs change. For example: + What happens with the warehousing agreement? + Does inventory need to be shifted in the network? + How much time does it take to deprecate operations? + Are there penalties for shortening or extending project durations?
Will they proactively identify efficiencies and opportunities for you?	The right flexible logistics provider won't just help you act on projects and initiatives that you bring to them; they will serve as an extension of your team, seeking new efficiencies and opportunities with and for you.

Citations

1. McKinsey and Company: The Quickening, 2020 2. Forbes, July 2020 3. Flexe, March 2021 4. DigitalCommerce, 2020 5. Bloomberg, September 2020 6. Forbes, July 2020 7. HBR, March 2015

About Flexe

Flexe solves the hardest omnichannel logistics problems for the world's largest retailers and brands. Integrating technology, open logistics networks, and elastic economic models allows Flexe customers to move fast, at scale, and with precision. Founded in 2013 and headquartered in Seattle, Flexe brings deep logistics expertise and enterprise-grade technology to deliver innovative eCommerce fulfillment, retail distribution, same-day delivery, and network capacity programs to the Fortune 500.

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