

FORTNA

Thought Leadership Series

From Promise to Profit: Unlocking 3PL Success with Automation



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For third-party logistics (3PL) providers, every customer relationship is built on a promise. You commit to speed, accuracy and reliability, day in and day out, through peak seasons, promotions and inevitable market disruptions. Your customers, in turn, build their brand reputation, forecasts and customer loyalty on your ability to deliver.

Successfully fulfilling your promise is a win-win for both you and your customers. However, these promises are being challenged by escalating operational hurdles and macroeconomic uncertainties. Long-term planning is becoming increasingly complex, especially with several tenants under one roof.

Many 3PLs operate under multi-year, fixed-price contracts while labor, real estate, energy and transportation costs continue to rise. This results in a widening margin gap, where profitability erodes even as volume grows. Absorbing these cost pressures while meeting strict service-level agreements (SLAs) becomes unsustainable with traditional methods.

In this Insight, explore why automation is no longer optional for 3PL competitiveness and how flexible automation strategies create long-term value for both 3PLs and their customers.



Customer expectations outpace manual operations

The bar continues to be raised for supply chains. Today's 3PL customers expect far more than basic fulfillment. They demand:

- Near-perfect order accuracy
- Consistent service levels regardless of volume
- Real-time visibility into inventory and orders
- The ability to scale quickly without disruption

These expectations are not just aspirational; they are table stakes. According to industry benchmarks, 99.9% order accuracy is now the standard for best-in-class 3PL operations, with average fulfillment operations falling in the 97%- 98% accuracy range.¹ Consumers also expect faster delivery options, amplifying the pressure on 3PLs to support aggressive fulfillment timelines for their customers without errors.

Manual warehouse operations struggle to meet these demands. Labor variability, training gaps and human error introduce risk, especially during peak seasons when performance is most visible and least forgiving.

For 3PL customers, that risk translates into missed shipments, lost sales and damaged brand trust. For 3PLs, it results in margin erosion, SLA penalties, strained contracts and customer churn. Automation reduces these vulnerabilities, replacing unpredictability with consistency at scale.

1

<https://www.cisco-eagle.com/blog/2023/09/05/order-picking-accuracy-and-roi-for-industrial-automation/>

Automation: the foundation of customer confidence

When 3PL customers entrust their inventory, orders and brand reputation to a logistics partner, they expect flawless execution no matter how complex or volatile their business becomes.

Automation enables 3PLs to make stronger commitments and keep them by standardizing workflows and removing variability while advancing capabilities. This consistency creates confidence, giving customers the freedom to grow, adapt and compete without worrying whether their logistics partner can keep up. A solid foundation empowers 3PLs to stand by their promises and add significant long-term value.

Accuracy customers can trust

Managing multiple customers under one roof means handling diverse SKUs, order profiles, packaging requirements and service-level expectations simultaneously. As SKU counts grow and order profiles change, manual systems become harder to manage and more prone to error.

Automated systems operate with precision that manual processes simply can't match. In fact, automation can reduce picking errors by up to 70%, driving better order accuracy for lasting customer loyalty.²

Fewer errors mean fewer returns and less rework. For 3PL customers, this translates directly into confidence that their brand experience is protected at every touchpoint.

Accelerate under pressure

3PLs routinely handle sharp volume fluctuations driven by seasonality, promotions and market dynamics. Traditional, labor-intensive operations struggle to scale efficiently during peaks and then scale back without accumulating excess costs during slower periods.

Automated systems operate at consistent performance levels across all hours, enabling faster fulfillment cycles and more predictable operating costs, even as volumes fluctuate. They don't slow down during surges or struggle with sourcing and managing labor.

This consistency allows customers to plan promotions, launches and seasonal periods with confidence, knowing their 3PL can meet higher volumes and increase speed without compromising execution.

Scaling without disruption

Growth should strengthen operations, not strain them. 3PLs must be able to onboard new customers quickly, expand existing accounts and adapt to shifting volume, SKU profiles and service-level requirements without interrupting day-to-day operations. In a multi-customer environment, even small changes can create ripple effects that impact labor planning, throughput and customer performance.

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<https://www.elementlogic.net/sg/insights/the-rise-of-robotics-in-warehouse-operations>

Traditional manual operations and rigid infrastructure make scaling difficult and expensive. Adding volume often means adding headcount and reconfiguring workflows. These adjustments take time, increase risk and introduce inconsistency.

Flexible automation changes this equation. Scalable automation solutions allow 3PLs to increase throughput, storage capacity and order complexity without disruptions. Capacity can be added in phases, system configurations can evolve as needs change, and performance remains consistent even as demand fluctuates.



Shared profitability for 3PLs and their customers

3PLs often operate on a cost-plus pricing model, meaning inefficiency impacts everyone. When manual operations rely on temporary labor to manage spikes in demand, costs rise quickly, productivity becomes inconsistent and service risk increases. The 3PL must not only manage the expense of the additional headcount but also figure out a plan to keep the workers busy once demand slows down.

Automation helps 3PLs control costs by reducing unexpected operating expenditures. When 3PLs can stand by their promises, their customers will also reap the rewards.

Flexible automation drives value for 3PLs and their customers:

- Predictable costs for consistent pricing structures and profitability
- Optimized workforce in volatile markets
- Consistent throughput and stronger margins
- Confidence that SLAs will be met without compromise
- Scalable capacity that adapts to changes and growth

With flexible, advanced automation solutions in place, growth benefits both parties, strengthening partnerships and profitability instead of dwindling margins.

AS/RS: flexible automation built for 3PL complexity

Companies are increasingly turning to 3PLs to handle supply chain logistics as demands significantly climb. The 3PL market is projected to grow from \$1,142.7 billion in 2024 to \$2,546 billion by 2032, at a compound annual growth rate (CAGR) of 10.5% during the 2024–2032 period.³ As consumer expectations rise, the stakes become even greater for flawless 3PL performance, making automation a necessity.

However, some 3PLs initially shy away from automation because of uncertainty and ever-changing requirements. Customers change. Product mix varies. Contracts end. Business profiles evolve. Automation investments must remain valuable even as customer requirements shift. But not all automation is created equally. 3PLs need solutions that can evolve with them.

Solutions like FORTNA's automated storage and retrieval systems (AS/RS) are designed for flexibility. AS/RS solutions optimize operations and add capacity while remaining modular and scalable. They support goods-to-person (GTP) workflows that dramatically improve accuracy and productivity, without locking 3PLs into rigid, single-customer designs.

Key benefits for AS/RS for 3PLs:

- Increased storage density and improved space utilization
- Higher order accuracy and faster fulfillment cycles
- Reduced labor costs and operational risk
- The ability to scale, reconfigure or redeploy as customer needs change

Many 3PLs initially deploy AS/RS alongside some of the manual processes, right-sizing automation today while preserving flexibility for tomorrow's customers.

Types of AS/RS solutions

There are several types of AS/RS solutions, each designed to meet a specific need or challenge.

- **High-density storage:** Maximizes inventory capacity within constrained footprints. Ideal for high-SKU environments.
- **Robotic picking:** Automated guided vehicles (AGVs) and autonomous mobile robots (AMRs) can transport racks of items to GTP stations.
- **Robotic shuttle:** Supports high-throughput tote and bin handling across diverse product mixes.
- **Unit-load AS/RS:** Designed for palletized or oversized goods using cranes or heavy-duty shuttles.

The right AS/RS strategy aligns technology with customer requirements, SKU diversity and long-term growth plans.

³
<https://www.fortunebusinessinsights.com/third-party-logistics-market-105802>



Transparency strengthens customer relationships

Modern 3PL customers demand seamless visibility. Automation generates real-time data across every warehouse activity and workflow. When shared through intelligent software, this visibility allows 3PL customers to:

- Track inventory in real time
- Monitor order progress against SLAs
- Make data-driven business decisions

This transparency transforms the relationship between the 3PL and its customer. Instead of reacting to issues, both parties collaborate proactively, improving forecasts, optimizing inventory and reducing risk.

Research shows that increasing customer retention by just 5% can increase profits by up to 95%.⁴ Automation-driven transparency plays a critical role in building the trust and performance consistency that keeps customers long-term.

Automate now or risk falling behind

Organizations are looking for partners with a clear, credible automation strategy that proves they can deliver consistency today and adapt tomorrow. Increasingly, RFPs reflect this shift, asking questions such as:

- How will you scale for peaks in demand?
- How do you ensure accuracy and uptime?
- What automation do you have in place today, and what's next?

These questions signal a fundamental change in how 3PLs are evaluated. Automation is no longer a future-state discussion. It is quickly becoming a baseline requirement. Without a clear, phased automation roadmap, many 3PLs risk being eliminated before price, service levels or network strategy are even considered.

3PLs that invest in flexible, scalable automation, such as AS/RS solutions, are better positioned to respond to RFP demands with confidence. They can demonstrate how they will protect uptime, absorb volume swings and onboard new customers without disrupting existing operations.

Those who delay face a widening gap. In contrast, 3PLs that automate with the right partner signal reliability, resilience and long-term profitability.

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<https://www.bain.com/insights/retaining-customers-is-the-real-challenge>

The right automation partner makes the difference

Automation alone isn't enough. Success depends on choosing an automation partner who understands the complexities of 3PL operations and stands behind the solution long after go-live.

At FORTNA, we collaborate with you to build a roadmap by taking an operational design-first approach, ensuring your automation strategy aligns with your business goals. We help justify the right automation for the right processes. Then, we equip 3PLs with advanced technologies to enhance order fulfillment capabilities, minimize labor dependency and increase capacity to give you and your customers a competitive edge.

FORTNA is a proven automation partner to leading 3PLs, delivering flexible, scalable solutions for the most complex operations. Our deep 3PL expertise, best-in-class software capabilities and long-term service commitment help 3PLs justify, deploy and sustain automation solutions that deliver real customer outcomes today and into the future.

FORTNA

FORTNA CAN HELP

Unlock your competitive edge. At FORTNA, designing and deploying automation is only part of the equation. The real value comes from justifying the right automation, integrating it effectively and standing behind it over the long term.

Contact us today at www.FORTNA.com