



In Conversation with
Thomas Campbell
Chief Strategy Officer
Capacity LLC



About **Capacity LLC**

Capacity LLC provides warehousing and fulfillment services including warehousing and distribution, order fulfillment, client services, business-to-business, business to consumer and international fulfillment.

Our conversation with Thomas Campbell, Chief Strategy Officer at Capacity LLC, goes deep into the core of what makes Capacity such a successful 3PL; from the time it was founded to the development of its business & technology strategy to a thriving global 3PL business, fulfilling 100,000 orders across multiple brands in one day during peak periods.



Editor

Please tell us in your own words the Capacity LLC story.

Thomas Campbell

Capacity LLC was founded in 1999 to bring advanced distribution capabilities to companies that need access to expert outsourced operations.

Capacity was founded by me, CEO Jeff Kaiden, CFO Arlen Fish and Jeff's father Allen, also a founding partner. Jeff's father is a supply chain consultant who has designed distribution centers since leaving NASA in the mid-60s. Allen has probably done hundreds of implementations and Jeff participated in many of them.

In the late 90s, Jeff was in a business school with Arlen and in a class on entrepreneurship, so they had to come up with an idea for a business. They came up with the concept for a 3PL (third-party logistics) business idea to provide order fulfillment services. When the class was over (they did well), that idea took hold and they decided to make it a reality. That idea is what became Capacity. Even in the late 90s, it was becoming obvious that the internet was going to change commerce as we know it. I don't think we knew quite how much, but it was clear somebody was going to have to ship all those orders. They asked me to join them in founding the company, I liked the opportunity, and here we are 20 years later with a thriving global business.

What is your overall vision for Capacity?

To provide the best fulfillment solutions to brands in our target markets, and to grow and evolve alongside them. The 3PL market is still a very fragmented and incalculably large market. Most small and even medium-sized companies have little to no access to cutting edge material handling, software, and material handling techniques. We believed then as now that we could add value to them and build our business by filling that gap.

We are generally serving clients that average between 250 and 5,000 e-commerce orders per day in industries like health and beauty, color cosmetics, skincare and haircare, specialty footwear, toys and electronics. We organically developed a specialty in beauty. It's a higher value, smaller, high touch assignment, it has been a good fit with our orientation towards appropriately-curated technology and material handling solutions.

Our strategy is omnichannel. We want to be everything that a brand needs in an omnichannel order fulfillment provider. We want to be able to fulfill all of their channels, both B2B, B2C, and to perform the assembly work they need to add value to product. Whether it's kitting or preparing products for HSN (Home Shopping Network) or QVC (Quality Value Convenience), addressing compliance issues or working with the FDA; we are there to handle whatever their needs are once the product gets in our facilities. We want to be everything they could need in a warehousing and order fulfillment provider.

Capacity's Daily Order Volumes



“Frictionless execution during extreme spikes in volumes as experienced during peak periods is one of our superpowers.”

**Thomas Campbell
Chief Strategy Officer, Capacity LLC**

What are some of the key challenges to meet your customers' needs and expectations?

Frictionless execution during extreme spikes in volumes as experienced during peak periods is one of our superpowers. We love helping to craft customized presentation for the optimum customer experience, innovative solutions to thorny supply chain challenges, and blowing through traditional bottlenecks in operations. Obviously, there are lots of challenges in running a warehousing business, but the spikes in e-commerce volume over the last decade have definitely become one of the biggest bogeys for 3PLs and it's one I believe we are extremely well suited to help brands meet. I think that a lot of the clients that come to us from other providers have had trouble with established SLAs (service level agreements) that those providers cannot meet in the heat of battle.

Why do customers choose Capacity?

I think it has to do with our engineered service offering with an emphasis on synthesizing great IT and people. We're not just creating a cookie-cutter pricing solution and methodology for handling every brand. We have very specific value-added approaches to each of their challenges, whether it is consolidating their business-to-business ordering, or crafting a delightful customer experience for their consumers. We work to be efficient, friction-free, cost-effective, while still maintaining delighted customers who become evangelists for the brand.

We have an in-house engineering and IT effort. We rely on carefully selected software solutions, like Tecsys' WMS (warehouse management systems), in order to provide some of the most business critical applications. We look at problems and engineer solutions as opposed to engineering a solution and then trying to shoehorn a client into that solution. For example, the pick-to-light and put-to-light solutions that we use for high volume e-commerce was crafted specifically for a customer. We designed the carts with one vendor, the lighted pick and put systems with another, and integrated all of that with our Tecsys WMS. All of that to handle tens of thousands of orders in a single day. When brands put on sales, they pop to 10 or 50X, their normal volumes. This year we have seen as many as 100,000 orders fulfilled and shipped across multiple brands in one day during peak periods.

How do you handle orders from your customers?

It varies by client, but for DTC (direct to consumer), the orders will generally flow directly into Capacity's proprietary OMS (order management system) straight from their e-commerce platform. Those orders can be integrated with Capacity through techniques like API (application programming interface), FTPS (secure file transfer protocols), and a number of other protocols. They can be passed to us through an integration with the client's ERP.

In the case of our larger clients that operate on a major ERP, we import orders, process them, and send back ship confirmation through a secure, integrated protocol, APIs and FTPS, whatever the

Given the labor challenges in this industry, what is your strategy?

client requires. Something similar, if more complex, happens with EDI (electronic data interchange) orders going to retailers. Those orders are either coming to us directly as an EDI 850 (purchase order) from the client's ERP, or as an EDI 940 (warehouse advice – like a purchase order, but from the brand not the retailer). Then we're sending back the ASNs (advance ship notices) and the invoices and the ship confirmations to the retailer or the client.

Labor strategy is critical. There are a few cornerstones to ours. First, we genuinely value all of our employees down to the warehouse associate level. We do not see labor as a commodity, and we believe that is a real weak spot in our industry. Labor management and strategy for Capacity is a core competency, a strategic asset and key advantage for us in our industry.

We try to be the best employer possible, offering time off, health care, a career path for every single person in our organization, whether they are a direct Capacity employee or through a temporary labor agency. As we're moving into peak season, we start feathering in additional shifts, but we do so long before we actually need the labor, so that we can have training time, retention, and no scrambling of the jets on the Wednesday before Black Friday. That's where Tecsys' WMS ease-of-use comes in handy: we can rapidly train and scale up with the new hires and crush our brands' objectives!

There's a robust cultural effort to make it a fun place to work, a safe place to work, an enjoyable place to work, a place where the CEO has a direct relationship with everybody from the warehouse supervisors to the person who cleans the office. We are a very flat organization.

When we have a good year, the owners do not just bank the profits. We reinvest in our platform and share a significant portion of profits with all of our dedicated team members who made that happen for us.

We have consolidated transportation for employees and outbound shipments (multiple brands shipping to the same retailer on the same truck). We have solar panels on hundreds of thousands of square feet of warehouse roof space. We focus on sustainable packaging and won't ever use solutions like peanuts, because they are evil. We work with clients who are ever more focused on sustainable practices to create delightful but economically sustainable customer experiences. Whether it's by recycling our own corrugate and shrink wrap, or using recyclable air pillows, each component is evaluated and optimized. We know ours is a resource-intensive industry and we also know we have to be mindful as consumers and clients alike to focus more on this key area. We have to craft sustainable solutions for every brand, but especially for those clients for whom it's critical, like brands that are organic or natural that need to have an alignment between their packaging, their presentation and their values.

I understand that Capacity is big on sustainability, how do you incorporate sustainability into your operations?

How important is technology to your business?

Technology, alongside our people, is the cornerstone of our offering. There is clearly a labor revolution in which automation is increasingly going to be a critical part of closing the gap that is being created. As e-commerce rises as a proportion of retail, it takes a lot more physical space and labor than shipping to retailers. There is a lot of work to be done in warehouses generally, and there aren't necessarily as many people who want those jobs as are needed at this time in history.

We're focused on crafting solutions that will leverage advanced data mining, robotics, vision technology, and more, in order to get the productivity and efficiency that will allow us to lower the labor component. We don't plan to cut workers, but as we grow, we plan to do more with less people, through advanced fulfillment solutions and other ways where we can add value while improving service, efficiency, and profitability for us and our brand partners.

How do you monitor and measure business success?

We are a data-driven company. We have KPIs (key performance indicators) to monitor order accuracy and timeliness. We have KPIs and service level agreements (SLAs) surrounding inventory accuracy, shrinkage, throughput, and we have very, very granular, hourly internal KPIs during peak periods. We'll monitor the number of orders we're processing per hour for a given client to see which shifts are performing best and where we need to put additional attention in terms of our labor strategy. Those are the critical ones. We also have KPIs surrounding our customer service effort. We create cases for every client issue and categorize them and data mine them to help us and our clients improve service and platforms.

We also have a client service team that is focused on higher value-added tasks like project planning and execution. Planning from clients' projections, overall planning for peak season, redesigning packaging. All of those activities are captured and data mined to show how quickly we are closing cases, and where we need to rapidly escalate critical issues. Which clients are creating the most cases? Why? Which of our representatives is taking the least amount of time and being the most efficacious in closing cases? We need to know, and our Salesforce instance is customized to help with all of those touchpoints which contribute to a delightful and friction-free fulfillment experience for our brands.

Have you seen progress in the past couple of years?

Absolutely. I have participated in a number of quarterly business reviews, which we do for almost all of our clients on a regular basis, and in every single case, the customer service team has showed improvement in the time elapsed and closing issues and even a reduction in the number of overall cases. And that is reflected in our relationships with clients, especially those who understand the value of the partnership.

Editor

How does Tecsys add value to Capacity?

Thomas Campbell

Tecsys is absolutely core to what we do. Having a flexible partner who will customize our WMS and respond to our needs, whether it has to do with expiration dates or lot numbering or different wave types or different batching protocols. We can't have one of the big WMS providers walk in with some 21-year-old project manager who just gives us the platform the way it was crafted or gives us a multimillion-dollar bill for the customizations we need. We need a partner like Tecsys who can be responsive, provide great value, engage with us intellectually to create modifications that add value to our business and to the Tecsys platform. This in turn enhances the value in our clients' businesses, and those who understand how important we are to their ability to grow and be flexible on behalf of our clients keep coming back for more. Many of our relationships with new brands are with executives who know us from prior brand partners, and we think this is one of the highest compliments our service can receive.



“Tecsys’ WMS is the most critical system that we partner with today. It’s at the heart of everything we do, by controlling the movement of inventory through our facilities, managing allocation, and the overall order flow. It’s a combination of our nervous system and our circulatory system and our whole cardiovascular set up. We rely on it as critically as life support.”

Thomas Campbell
Chief Strategy Officer, Capacity LLC

About **Tecsys**

Since our founding in 1983, so much has changed in supply chain technology. But one thing has remained consistent across industries, geographies, and decades—by transforming their supply chains, good organizations can become great.

Our solutions and services create clarity from operational complexity with end-to-end supply chain visibility. Our customers reduce operating costs, improve customer service, and uncover optimization opportunities.

We believe that visionary organizations should have the opportunity to thrive. And they should not have to sacrifice their core values and principles as they grow. Our approach to supply chain transformation enables growing organizations to realize their aspirations.



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