

The new status quo: How non-traditional services are revolutionizing the supply chain

A review of emerging non-traditional supply chain services and the impact they have on the third-party logistics model



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Introduction

Failure to develop efficient supply chains results in costly overages or detrimental shortages. To overcome inefficiencies, many businesses bring in third-party logistics (3PL) partners to streamline customers' supply chain operations.

Traditionally, 3PL providers offered a specialized set of services focused around warehousing, order fulfillment, transportation and supply chain logistics. Today, several factors have driven 3PLs to non-traditional services that spread their influence further into the supply chain.

This white paper will look at the impetus behind this change, as well as examples of non-traditional supply chain services. From there, the paper discusses how these value-added services impact the partnership between 3PLs and their customers.

Background: Growing beyond tradition

The logistics and transportation industries experienced a significant downturn after the onset of the 2008 economic recession. In the years following, consumer demand and the amount of tonnage shipped declined for the first time in decades. As a result, several trucking and logistics companies faced the impending possibility of closing their doors¹.

Manufacturers realized that their supply chains were overrun with inefficiencies that caused increases in overhead expenses². Motivated by the chance to mitigate costs during a recession, many called upon 3PLs to tighten supply chain operations and identify areas for improvement beyond the traditional scope of services.

Innovative 3PL providers recognized an opportunity to cement their partnerships by offering value-added services. These 3PLs moved beyond the transactional focus of the traditional view, in which shipping rates were the most significant value for clients³. Instead, they focused on strengthening customer relationships by offering non-traditional services that brought value to customers throughout the supply chain where they needed it most.

Background: Embracing new solutions

From special packaging to product customization, non-traditional supply chain services include various solutions that fall outside the traditional 3PL focus on warehousing, order fulfillment, transportation and logistics.

Labeling

These services include marking individual products with specialized content such as branded labels and barcodes, or unique product identification numbers. When labeling products, 3PL providers must oftentimes meet the customer's needs and the requirements of government regulatory agencies.

Product packaging alterations

A product's packaging can become outdated during its time in warehouse storage. This is especially true in markets where innovation is frequent, such as technology and electronics. For example, a customer may be warehousing a product compatible with an Apple iPhone 4. This product also works with the newly released iPhone 4S. However, every unit must be repackaged or manipulated in order to reflect this compatibility. Traditionally, customers would outsource this service to a company that specializes in repackaging. However, insourcing it within the context of services provided by a current 3PL partner is an efficient, cost-effective solution.

Packaging postponement

Packaging a product commits the good for sale, which makes it difficult to alter in response to market demands or branding changes. To avoid downstream alterations, manufacturers may postpone packaging on certain products and have their 3PL provider package units during order fulfillment.

Kitting displays

Traditionally, retailers assembled point-of-purchase displays, endcaps or store-ready pallets upon arrival. This approach was risky, because it relied on the retailer to correctly stock and ship the displays. Instead, manufacturers turned to their 3PL providers, asking them to build, assemble, mark and shroud the displays for delivery. This solution is a natural fit, since 3PLs already house and ship the display components.

Bundling product

Bundling multiple products can be required for temporary promotional campaigns. 3PLs can assist by streamlining the logistics of the project and allocating necessary labor and equipment.

Reverse Packaging

Retailer or end user standards may require various packaging configurations. Working with retailers to identify the requirements and shucking product to conform is another non-traditional service that brings value to customers.

Reverse logistics and return processing

Several traditional 3PLs have adjusted their infrastructure to efficiently handle challenging reverse logistics, from cleaning returned products to handling liquidation and B-level closeouts.

Customer call centers

Service is an important component that impacts consumer purchase decisions. Innovative 3PLs create and staff call centers to triage product questions or concerns by assigning dedicated customer service representatives. CSR's also enhance the supply chain on the front end by processing phone, fax or email orders, and on the back end, by sending shipment confirmations on behalf of customers.

Foreign trade zones

Foreign trade zone status allows a customer's imported product to be moved immediately to a 3PL's facilities without waiting for customs clearance. This rapid movement is a significant advantage when dealing with the delivery of sensitive or expedited materials. This status also gives certified 3PLs the ability to seamlessly handle arduous customs requirements for their customers.

Impact

Value-added services that fall outside the realm of traditional supply chain solutions can save millions of dollars and create mutually beneficial, collaborative relationships. By adapting to customers' needs and identifying solutions, 3PLs can cement their relationships in an extremely competitive marketplace while offering value in the following areas:

Flexibility

Many non-traditional supply chain services evolve from urgent market-driven projects that require immediate solutions. Because of their expertise in logistics and eye towards the bottom line, 3PL providers can integrate these projects into the existing supply chain and grow them into long-term, value-added services.

Scalability

Services are contingent on demands that can either fluctuate or be completely unpredictable, such as a manufacturer's promotions or recalls. 3PLs can scale and repurpose labor when developing individualized solutions to address the time-sensitive needs of an individual project.

Responsiveness

3PLs provide a ready and available workforce that can be flexed and scaled to meet a customer's needs in a timely manner. Constant management oversight and collaboration streamlines these non-traditional services and keeps them responsive to changing needs.

Cost-effectiveness

Outsourcing to external vendors that specialize in non-traditional services or handling these projects in-house can result in high labor, equipment and transportation costs. 3PL providers have trained staffs that specialize in non-traditional services, thus mitigating mistakes and maximizing cost-effectiveness.

Trust

An existing partnership between a 3PL and its customer is a trusted relationship that can expand to include non-traditional services. Working with a trusted 3PL provider to solve problems and develop solutions is a reliable path, especially in times of urgency.

Resourcefulness

3PL providers have a flexible infrastructure that allows them to manage labor and handle additional needs, such as specialized equipment or packaging.

Conclusion

Today, 3PLs must be able to handle many projects outside the scope of traditional services. From packaging postponement to customer call centers, these non-traditional services allow the 3PL provider to positively impact various steps in the supply chain. It is also a value-add for customers that are seeking an enriching relationship that can evolve over time.

Resources

1. "How An Industry Survived the Recession" from Forbes
<http://www.forbes.com/sites/marccompeau/2012/02/10/how-an-industry-survived-the-recession/>
2. "Trucking Perspectives 2011" Inbound Logistics
<http://www.inboundlogistics.com/cms/article/trucking-perspectives-2011-exclusive-research/>
3. "3PL Value-Adds Mean Millions" from Inbound Logistics
<http://www.inboundlogistics.com/cms/article/3pl-value-adds-mean-millions/>