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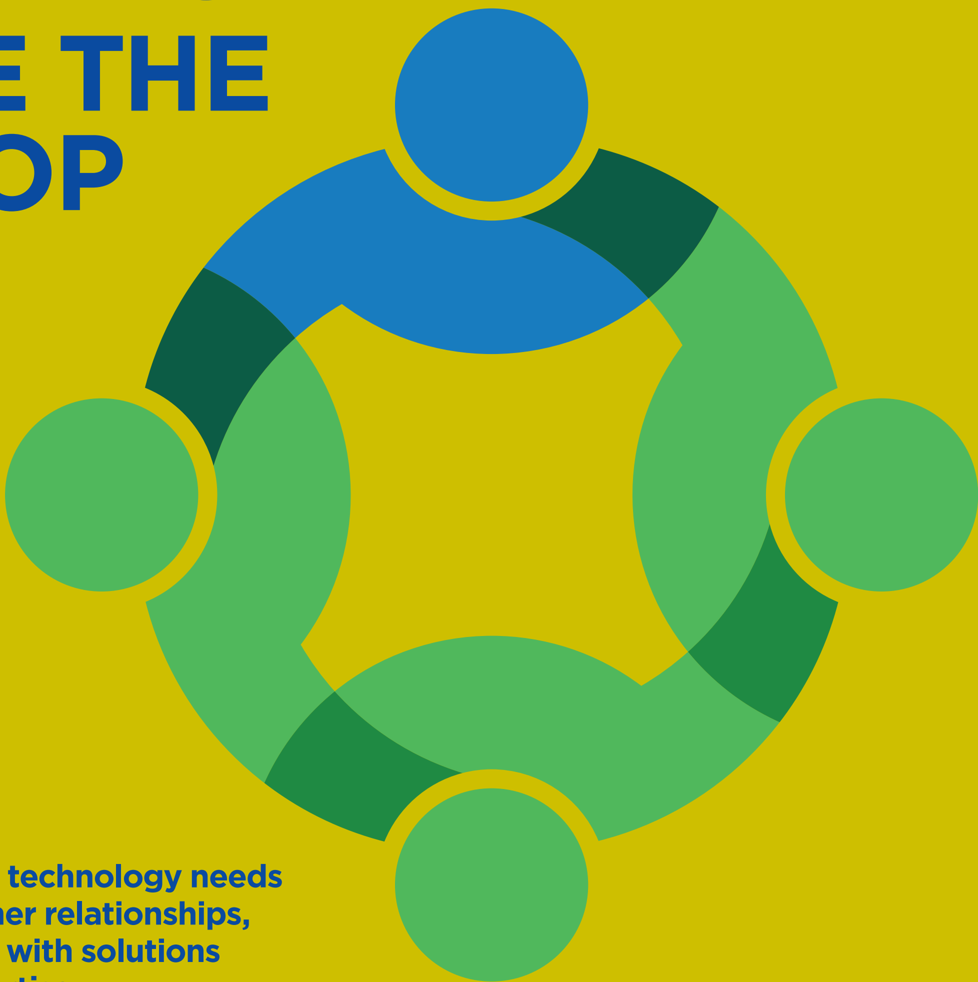
IT Gap? 3PLs CLOSE THE LOOP



To help shippers meet technology needs and manage customer relationships, 3PLs come armed with solutions and expertise.

Just a decade or so ago, most shippers partnered with third-party logistics (3PL) providers largely as a labor play. Rather than shippers handling warehousing and logistics functions in-house, they outsourced them to 3PLs.

That has shifted. Today, many shippers turn to 3PLs to provide the technology solutions and expertise they need to manage increasingly complicated customer relationships.

More than four in five shippers responding to the *2018 Third-Party Logistics* study by Penn State and Penske Logistics said 3PLs help them improve customer service.

Because 3PLs can spread their investments across multiple clients, they're often better able to invest in newer solutions, and then become experts in the technologies' configuration, implementation, and application. Shippers gain access to solutions they may not be able to afford on their own and can leverage their 3PLs' investments, often shifting what would be a capital expenditure to an operating expense.

The technology systems 3PLs offer fall roughly into two groups, says Stephen Bullard, vice president of product development and deployment with Tompkins Inc.

The first group includes software, such as warehouse management systems (WMS), to track products within a facility. On top of this, 3PLs might layer distributed order management systems (DOM) to manage the flow of products from multiple facilities to customers, or order management systems (OMS) that can aggregate orders from different marketplaces, such as Amazon and eBay.

Some 3PLs are introducing more sophisticated solutions that, for instance, look at historical buying patterns as well as promotions and seasonality to better forecast future inventory requirements.

The second category of technology comprises materials handling tools. This can include established technologies such as RFID, as well as newer solutions, including robotics. Indeed, some 3PLs are introducing robotics in order to alleviate labor shortages.

To be sure, these technology investments can be substantial, even for 3PLs. Those costs drove a wave of consolidation in the 3PL industry starting in about 2014, says Yemisi Bolumole, Ph.D., associate professor of supply chain management at Michigan State University. Many of the transactions produced "end-to-end players," able to offer shippers a wide range of logistics services, Bolumole says.

A PARTNER FOR YOUR PARTNER

To improve their own systems, transportation companies, namely carriers but also 3PLs, turn to global business improvement providers such as DDC FPO.

DDC FPO's "primary goal is to free up its clients' time and capital so they can run their businesses more efficiently, and help their customers improve their operations," says Chad Crotty, vice president of sales and marketing with the Evergreen, Colorado-based firm. DDC FPO accomplishes this by streamlining, standardizing, and in some cases, automating its clients' business processes using offshore and tech-enabled resources.

DDC FPO must stay ahead of technology changes to remain relevant, says Luna Boyd, vice president of client solutions. DDC FPO invests heavily in development and has teams dedicated to continuously building solutions that will increase carrier and 3PL productivity, while reducing their costs. "They can pass these benefits on to their shippers," Boyd adds.

Transportation is saturated with software solutions, and many providers have touted their products as "out-of-the-box" for automating back-office functions, including billing. However, they often fail to deliver on the promise of automation due largely to the thousands of templates the industry uses daily.

In contrast, DDC FPO has been able to draw on its 30 years of expertise in data capture, as well as its more than 14 years of experience in freight billing to develop

CARRIERS AND 3PLs DISCOVER BENEFITS

When DDC FPO partners with carriers and 3PLs, it's with the goal of supporting their long-term success by adding value and helping them save money. That begins with in-depth discovery. "From the start, we ask many questions to make sure we understand our customer's pain points and goals," says Chad Crotty, vice president of sales and marketing. Most clients realize positive results within a few weeks.

This is key, as many transportation and logistics companies operate on slim margins, and their employees often are stretched thin. "We take ownership and accountability of their non-core functions, freeing up their time and internal resources," Crotty says.

Carriers and 3PLs that can focus on customer satisfaction report several benefits:

They retain clients. DDC FPO's billing and rate auditing services boost accuracy, meaning fewer phone calls to shippers to chase down errors. This saves time and money; for instance, one client cut billing costs by 40%. It also improves relationships with shippers, boosting client retention.

They enhance their reputation. Many back-office functions interface with clients. A quality experience can enhance the company's image.

They can act with agility. The labor elasticity and tech-enabled solutions provided by DDC FPO enable carriers and 3PLs to effectively handle market fluctuations.

They can accelerate receivables. DDC FPO helps clients efficiently and accurately process and audit freight bills, so they can collect more quickly.

As a global business process improvement provider that processes 30% of all LTL bills in North America alone, DDC FPO has a wide variety of capabilities for the transportation ecosystem. "Whether you're looking for back-office operations like general data capture, analytics, and IT, or for external processes like customer lifecycle engagement and digital marketing services, we have solutions to fit your needs," Crotty notes.

solutions that live up to their promise.

One example is DDC Intelligence, which "leverages machine-learning software to eliminate manual data entry by automatically extracting and validating data," Boyd says. Because of its human-like capability to read and understand context, it becomes smarter and more accurate with each document. The result? It can automate up to 80% of the data capture process, dramatically reducing labor expenses, while increasing throughput.

INNOVATION MOTIVATION

Today, many 3PLs are innovating with several goals in mind. They want to boost their own efficiency, lower operating costs, and produce fewer errors—all of which can benefit their customers. Many also want to build their image as high-tech and innovative, Bolumole says. This helps in attracting both customers and employees.

Similarly, when assessing 3PLs' technology offerings, many shippers also have several goals in mind. They need solutions that enhance their customers' experience by providing tools such as order transparency that many customers expect. Most shippers also are interested in tools that can provide efficiencies through, for instance, route or labor optimization capabilities.

Even as more shippers turn to 3PLs, some concerns remain. Any time two organizations connect systems and share data, the question of information security arises. To address this, shippers can ask how the data between the companies will flow and how the systems will be secured. For additional security, most relationships also include non-disclosure agreements.

Some shippers worry about a 3PL sitting between them and their customers, and potentially diverting the relationship. A good 3PL can actually improve the shipper-customer relationship, says C. John Langley, Ph.D., and professor of supply chain and information systems at Penn State University. They do this by introducing technology, such as track and trace, that most customers want and that shippers may not be able to offer on their own.

Until recently, many integrations between 3PLs and shippers were expensive and time-consuming. However, a growing number of 3PLs now use integration layers and platforms that streamline the integration process.

KEYS TO SUCCESS

Several steps can help ensure a successful shipper-3PL partnership. A starting point is determining the level of automation your firm needs. If most shipments are "pallet in and pallet out" it probably doesn't make sense to pay for technology geared to smaller, individual orders. Conversely, if you move tens of thousands of stock-keeping units (SKUs) several dozen times per year, you'll likely benefit from state-of-the-art materials handling equipment. "You need technology that adds value to your supply chain," Bullard notes.

Even as many integrations between shippers and 3PLs become increasingly "plug and play," both sides should budget a reasonable amount of time. Most organizations need at least six months to move their systems and information, make the connections, and test the flow of data. "If you rush, you face problems," says Marc Wulfraat, founder and president with MWPVL International, a supply chain consulting firm.

As with most substantial projects that require several organizations to work together, ongoing and open communication is key. This typically should include frequent updates on the tactical aspects of the project, regular status checks on operations at the management level, and annual strategic conversations at the executive level. Regular dialog helps align everyone's expectations.

Shippers also can take an active role in their 3PL relationships. Rather than wait for updates, "push them to partner, collaborate, and innovate," says Joe Vernon, supply chain analytics practice leader with CapGemini.

As the number of sales channels continues to grow, along with customer expectations, the relationships between shippers, 3PLs, and their partners likely will become increasingly strategic, Vernon says. "Companies are looking for answers that 3PLs can provide." ■