

8 Strategies to Make Your Third-Party Logistics (3PL) Stand Out from the Competition

Third-Party Logistics (3PL) service providers help drive the fast-growing e-commerce revolution, but how can you stand apart from the crowd?

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EINPresswire.com/ -- As we prepare to cross into the third decade of the 21st century, we can look back and see clearly how Digital Transformation has steamrolled its way across one industry sector after another.

Newspapers and magazines (once supported by lucrative print advertising business model) have been overtaken by online media, including new formats, such as blogs, vlogs, and podcasts. The software industry has also been transformed, with app downloads and subscription-based Software as a Service (SaaS) business models largely displacing permanent one-time software license sales. And in the transportation market, the app-driven “sharing economy” business model has muscled its way in to overtake traditional taxi and livery car services.

As the tech revolution has transformed industry after industry, what’s left on the table?

One of the last holdouts that has resisted Silicon Valley-style “rationalization” efforts has been the domestic freight industry and its highly fragmented carrier market, which is predominantly made up of independent truck drivers and small fleet operators (80% of which own less than 6 trucks).



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As many entrepreneurs looking to crack this market have discovered, companies who ship goods to their customers are willing to pay good money to offload the burden of having to interface with this highly fragmented freight market.

Of course, the largest companies, such as Amazon or Walmart, have the financial wherewithal to invest millions to build up their own private shipping operations (including trucking operations, and in the case of Amazon, a private fleet of air cargo planes) to ship goods between their suppliers, distribution centers (DCs), major shipping carriers (such as FedEx, Ups, and the USPS), and their own fleet of delivery trucks.

But what are the options for smaller companies that lack the capital or inclination to start their own private transportation systems?

These companies are increasingly turning to a different class of outsourced freight operators, the so-called Third Party Logistics (3PL) companies.

“

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sales as fast as possible.

What Distinguishes Third-Party Logistics From Traditional [Supply Chain](#) Outsourcing Approaches,

 FORMASPACE



The custom workstation shown above features an upper receiving chute, three shelves for easy access to packing materials, a built-in spool holder, and a hanging lower shelf for an industrial label printer.

3PL companies join the ranks of other successful business outsourcing models (such as outsourced payroll and benefits managers) that allow companies to focus on what they do best, leaving the messy details to a trusted third party.

The Covid-19 pandemic has only accelerated the uptake of 3PL operating agreements, particularly in the retail sector, as retailers facing plummeting brick-and-mortar sales have been looking for ways to ramp-up their online-commerce

Such As Freight Brokers?

If you are a veteran of the logistics market, you might argue, "Wait a minute, isn't this 3PL jargon just another name for a freight broker?"

Not quite.

The 3PL business model, which has its origins going back to the 1970s, has grown beyond its roots in managing warehousing and transportation operations. Today's 3PL companies have expanded their remit to take on a much deeper role within the companies that hire them.

Unlike freight brokers, today's 3PL service providers often have direct access to their client's enterprise resource planning (ERP) software systems, enabling them to manage a wide range of supply chain operations, including production/order management, order fulfillment and billing, labeling and packaging, reverse logistics for product returns, freight forwarding, cross-docking and customs services for international sales.

This is how 3PL companies fit into the larger logistics outsourcing market.

First-Party Logistics: 1PL

Companies or agencies (including manufacturers, wholesalers, traders, retailers, distributors) that manage their logistics in-house when sending or receiving cargo.

Second-Party Logistics: 2PL

Carriers that offer a single stage of transportation within the supply chain, such as cargo ship container shipping companies or airlines providing air cargo services, as well as the agents who support them, including freight forwarders, freight brokers, shipping agents, etc.

Third-Party Logistics: 3PL



Each material handling facility has unique requirements. The custom Formaspace workbench shown above incorporates a scale cut out in the stainless steel top to speed up the weight check workflow.

Third-Party Logistics service providers that enter into “deep” partnerships with in-house logistics personnel to take responsibility for managing one or more of these supply chain functions: procurement and/or [manufacturing](#) production, transportation/freight forwarding, DC/warehousing operations, order fulfillment/financial management, and IT services in transportation, material handling, or production management.

Fourth-Party Logistics: 4PL

There are often cases where a company does not have the necessary in-house expertise to manage an external 3PL partner but is hesitant to hand over the reins without detailed oversight. In this scenario, some companies elect to engage a consulting company, known as a Fourth-Party logistics partner, to oversee the management of their 3PL contracts.

Fourth-Party logistics partners are also often brought in to manage multiple 3PL partnerships when a single third-party logistics company cannot offer full, end-to-end coverage of a client's supply chain operational requirements.

Fifth-Party Logistics: 5PL

It's a longstanding business principle that the biggest, highest volume customers generally get the best rates. As a consequence, companies relying on one or more small 3PL partners may not have the negotiating strength to get the lowest price on supply chain contracts, such as air freight or freight forwarding transportation services. So-called Fifth-party logistics service providers (also known as “aggregators”) can step in to aggregate orders across multiple 3PL companies to negotiate better rates from shipping companies or freight airlines.

8 Strategies For Successful Third-Party Logistics Providers

As we enter the peak shipping season, 3PL service providers will be put to the test.

Here are eight strategies to help your 3PL operations stand apart from the competition:



The custom workbenches shown above feature gray PLAM work surfaces, angled upper shelves with pencil lips, dual 7-flex monitor arms, built-in CPU support, integrated power strips, and lower shelf units.

1. 3PL Service Providers Need To Establish A Trustworthy Working Relationship With Vendors

Third-party logistics providers need to earn the trust and confidence of their clients each and every day.

Of course, it goes without saying that 3PL companies need to meet or exceed the performance targets they have committed to as part of their client agreements, but successful 3PL companies can take this one step further by pro-actively providing extra levels of transparency and visibility for their clients.

Make it a habit to provide daily performance and exception reports that clearly identify any issues or problems you are experiencing; be sure to elevate items that need timely client input and direction. Good reporting practices will also make it possible for you and the client to identify emerging trends as well as spot issues before they become major problems.

Clients will want to pay particular attention to inventory management reports that identify lost or damaged inventory or an unexplained mismatch between inventory records and out of stock reports from the warehouse or distribution center. The client will also want to know which items failed to ship the previous day (and why) – to ascertain whether there is a vendor delivery issue or a 3PL receiving issue.

2. Protect Supply Chain IT Data Like It's Your Own

It takes a lot of trust for companies to turn over access to their critical supply chain management and fulfillment operations to a third-party company.

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