

## DIRECTOR'S POINT OF VIEW

# 3PL outsourcing saves time and money

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With the continued rising cost of real estate, material handling equipment, information systems, trucks, fuel and just about every resource, it makes more sense than ever for companies to outsource their logistics needs to a competent 3rd-party logistics provider (3PL). The advantages of outsourcing are well documented:

- ▶ devoting capital and overhead to core activities
- ▶ remaining flexible in times of growth or retraction
- ▶ capitalizing on the innovation of your partner
- ▶ leveraging the assets of the 3PL

More and more companies are counting on their 3PL to manage their supply chain from the manufacturer all the way to their end-user.

The domestic revenues for 3PL's grew 12% from 2006 to 2007, up to \$114 billion. Globally, the 2007 3PL revenue reached \$391 billion according to Armstrong and Associates. There is a great reason for this double digit growth: outsourcing

saves money! The capability and scalability of the quality providers in the industry attracts Fortune 50 companies and start-ups alike. As these companies concentrate on growing their businesses, both they and the 3PL provider grow in unison.

It has been a true win-win situation for all parties involved. Customers are leveraging the expertise of the 3PL in areas of technology, security compliance, sanitation and risk management to optimize the relationships they have with their partners.

As the need for technology is increasing every day, the requirements are more robust than ever before. 3PL's with leading edge warehouse management systems, full EDI capability and interfacing technology are clearly in high demand. Real time information is a must-have for all customers, and service providers using the latest technology are fitting the bill. Companies with e-commerce sites as well as traditional shippers need a partner who can interface with their systems and supply real time information to them and to their customers.

Value added services such as quality inspection, packaging, kitting, labeling and assembly are also ways that 3PL's are showing greater value to the marketplace. Vertical growth within one's client base is a major part of the advancement of the industry.

Seasonality is another factor that plays an important role in the outsourcing model. In most businesses, and especially retail, the seasonal needs of the client can explode in the 3rd and 4th quarters. The flexibility gained through outsourcing allows consumer products companies and retailers to economically manage this seasonal demand.

Most industry prognosticators anticipate the double digit growth of the 3PL industry to continue for several more years. Customers will continue to ask their partners for greater efficiencies, better technology and increased flexibility. 🚚

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