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Leave IT To Your 3PL

Still struggling to get your logistics technology up to speed? You're not alone. See why companies are increasingly outsourcing IT to their third-party logistics providers.

Seventeen percent of companies that outsource logistics use their third-party logistics (3PL) provider's information technology (IT) services, according to the 2017 *Third-Party Logistics Study*. That's up from 11 percent the previous year.

Companies should — and do — turn to 3PLs for their logistics technology for several reasons. First, there's still a lack of technological sophistication among shippers, despite what some say is dramatic growth in logistics technology over the past three to five years.

"Many companies still use complicated spreadsheets that only one person understands," notes Curt Sardeson, CEO of technology implementation and consulting firm Open Sky Group in North Carolina. "When shippers have bad, old, or the wrong technology, they become so focused on just getting things done that there's no time to innovate or ask questions about whether there's a better way."

But that will change because Amazon has trained consumers and businesses alike to expect speedy deliveries.

"More and more companies are recognizing that a 3PL has the people, plants, and equipment to execute fulfillment more cost effectively or efficiently than the shipper can," Sardeson says.

Data supports that statement. The U.S. 3PL market grew 7.3 percent in 2017 to $179 billion, reports Evan Armstrong, president of Armstrong & Associates, a Wisconsin-based 3PL market research firm.

Armstrong and others cite four primary reasons why shippers are increasingly turning to 3PLs for the technology needed to manage their logistics—and offer a few best practices, too.

1. Logistics isn't a core competency.
Many companies want to focus on what they do best, and that isn't always logistics.

"One of the first things I ask people who come to us for a solution is, 'What's the best use of your time?'" says Michael Manzione, CEO of Rakuten Super Logistics Inc., a Nevada-based 3PL that works with e-commerce and other companies. "For most e-commerce businesses, we think the best use of their time is for product development, marketing, and customer service, not fulfillment."

Along with this is the fact that many companies don't invest enough in supply chain technology, which forces them to find it on the outside.

"A lot of large shippers operate on green screen or enterprise resource planning systems, not supply chain systems," says Armstrong. Those with their own warehouses will have warehouse

E-commerce companies outsourcing to Rakuten Super Logistics can tap into its SmartFill technology, which integrates with any website for automatic order fulfillment, including packing.

management systems, he notes, but fewer will have transportation management systems. They can get all of that—and more—from a 3PL.

In addition, logistics technology can seem overwhelmingly complex.

"Historically, the technology has been complicated to set up and manage, so many companies outsource it," says Nicholas Daniel-Richards, co-founder of ShipHero, a cloud-based platform that manages inventory, fulfillment, and shipping for 3PLs and growing e-commerce businesses.

2. They recognize the value that comes with turning processes over to experts.
To make sure they provide the best service possible to clients, 3PLs often invest significantly in technology and tools that help them fill and ship orders quickly, efficiently, and cost effectively.

"Many 3PLs have built impressive dashboard tools for monitoring metrics that include on-time service, dock-to-stock measurements, and shipping accuracy," says Armstrong. "They augment what shippers can do in their own systems."

"We simplify things," adds Manzione.

For example, tech-savvy 3PLs make it easy to manage inventory stored in multiple locations from a single view or dashboard. "We let shippers see everything in the ordering process quickly and easily so they can focus on building the business, not managing orders," Manzione says.

3PL experts also use sophisticated technology to enhance the customer experience in ways that a shipper without this capability can't.

Daniel-Richards sees this value in integrated brick-and-mortar and e-commerce retail systems that let retailers "surprise and delight" consumers.

"The best example I've seen is an online customer who abandons a shopping cart with an item in it—say, a pair of boots—but then shops at the retailer's brick-and-mortar store," he explains. "Because of a loyalty card or the store's app, when the customer makes a purchase, the point-of-sale system sees the abandoned cart and flags it. The clerk can then offer the customer a discount on what's in the cart right on the spot to close that sale."

Why add this level of technology internally when a trusted 3PL already has it in place?

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3PL Technology Books and Insures Shipments in One Click

Using sophisticated technology to insure shipments is one of the newest technological innovations for third-party logistics (3PL) providers.

One option comes from Falvey Shippers Insurance, which is 100-percent secured by Lloyd's of London and offers the highest capacity in the industry. To simplify the shipping insurance process for 3PLs, Falvey created a proprietary application programming interface (API) called shipAssured.

Among the advantages of this type of automated insurance:

■ Instant quotes and purchase coverage.

■ Easier decision-making for shippers that don't have an annual insurance contract.

■ Better visibility and transparency on coverage and documentation.

■ Simplified claims filing and tracking.

"shipAssured integrates seamlessly with various types of shipping software, but 3PLs use it mainly with their transportation management systems," explains Jay Jeannotte, Falvey Shippers' vice president.

While it can sometimes reduce costs, automating the shipment insurance process nearly always saves time. For example, it eliminates re-keying of data that's common with manual entry. In addition, automation not only delivers a quote immediately, it also allows shippers to insure their goods while booking the shipment itself.
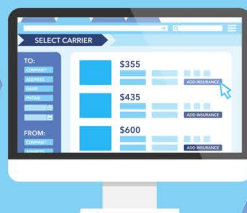
While more commonplace with e-commerce, the service is now available to companies with full truckload and less-than-truckload shipments.

"The beauty of working with an insurer on this is that 3PLs don't have to develop their own technology," adds William Worthington, Falvey Shippers' vice president. "The API does it all for them."

STEP 1: FILL IN THE SHIPMENT INFO

STEP 2: ADD INSURANCE

STEP 3: BOOK SHIPMENT

STEP 4: RECEIVE CERTIFICATE

In four easy steps, the shipAssured API from Falvey Shippers Insurance lets 3PLs add shipping insurance to any kind of shipment quickly and efficiently by integrating directly with existing shipping software.

3. Leveraging a 3PL's technology can often save shippers time and money. A 3PL's technology, contracts, and vendor relationships often allow them to provide shippers with better pricing on everything from packaging to transportation to insurance.

This is especially true with third-party logistics providers using shipAssured, the shipping software application programming interface (API) from Falvey Shippers Insurance. The API allows users to get a quote and insure their shipments for full value—compared to the limitations of carriers' liability—with a single click.

The software was first introduced to e-commerce customers looking to insure small parcels beyond the carriers' standard $100 coverage. The company later applied that model to the broader transportation market, where shippers using the standard freight carrier's coverage often lose a significant sum if freight is damaged. While shippers can purchase excess-value insurance through the carrier, purchasing all-risk insurance separately can save money while offering better coverage.

"Declaring excess value ultimately raises the carrier's level of liability, but it's still subject to the same exclusions," says Jay Jeannotte, vice president of Falvey Shippers. "An all-risk policy purchased separately is a broader form of insurance."

"As 3PLs started using technology more and more to the point where shippers are managing their entire supply chains through a 3PL's portal, it made sense to integrate the insurance purchasing process into that technology,"

adds William Worthington, vice president of Falvey Shippers.

Outsourced technology can also help shippers save on transportation costs. Daniel-Richards sees this with U.S. shippers that want—or need—to provide two-day delivery to customers on both sides of the country. The airfreight service required to ship from one coast to the other isn't the most cost-effective option for many goods. An alternative is contracting with a 3PL on the opposite coast. "It's simple economics," he says.

"There's a huge upfront cost to locate, lease, and staff the real estate involved with setting up a warehouse on the other side of the country," says Daniel-Richards. In addition, many growing companies don't know how to do it—and don't want to know how.

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Companies can leverage the inventory and fulfillment hardware and software provided by 3PLs such as Rakuten Super Logistics.

4. Outsourcing technology helps shippers better manage fluctuations in growth. Many companies experience periods when they scale up and scale down. Others see their fulfillment volume vary according to seasons or marketing campaigns. Outsourcing to a 3PL allows shippers to weather the fluctuations more smoothly than if they handled the technology and processes in house.

"We see companies go through cycles when they're growing, as well as periods when business isn't as good for one reason or another," says Manzione. "We can absorb the costs and changes associated with these ups and downs much better than the shipper can."

In scaling up, he says, shippers can move product in and out of 3PL locations without dealing with the fixed costs associated with warehouses and fulfillment centers.

We Still Need In-House Tech

Making the decision to turn supply chain logistics over to a 3PL because superior technology and expertise make it more affordable doesn't mean that shippers don't have to invest in relevant IT, however.

"There is a cost to integrate your systems with the 3PL's, but the upside is that once you've done it, you've given your organization the capability to use multiple 3PLs and place them strategically around the country," explains Sardeson.

Airbnb for Shippers and 3PLs

ShipHero, a cloud-based platform that manages inventory, fulfillment, and shipping for third-party logistics (3PL) providers and growing e-commerce businesses, is beta-testing "3PL Marketplace," an innovative platform that uses technology to help shippers find, hire, and rate 3PLs. "Think of it as Airbnb for logistics," says Nicholas Daniel-Richards, ShipHero co-founder.

Shippers will declare their needs—for example, a Southern California 3PL that can handle apparel and personalize packages—and 3PLs will respond with capabilities and rates.

Allowing shippers to rate their logistics providers in the platform will force 3PLs to focus on providing quality service, says Daniel-Richards. Those that provide good service will be highly rated and benefit from long-term clients and new customers attracted by high ratings. Both will, in turn, reduce the need for marketing.

Because shippers and 3PLs will use ShipHero's technology to manage the work, it will make it easier for shippers to switch 3PLs if they're dissatisfied.

"With the current model, a shipper might be locked into a contract with a provider that isn't meeting its needs," Daniel-Richards adds. "With this approach, that company can get a new 3PL into the mix very quickly because there's no need to integrate with new systems." On the other hand, "That won't be necessary if providers serve them well," he notes.

3PL Marketplace will launch later in 2018.

With e-commerce businesses, the 3PL is probably already integrated with the company's e-commerce platform, Manzione adds. The challenge, however, is keeping 3PLs informed of platform updates and changes.

"The shipper is the platform's customer, not the 3PL," Manzione says. "We can't talk to them on behalf of our clients, so our clients always need to make certain they have someone in house or on call to guide them through changes and keep us informed."

When selecting a 3PL, Manzione recommends shippers ask for a cost-benefit analysis to determine if leveraging that provider's technology and services makes sense.

"We see some companies coming to us too soon," he says. "They're smart enough to understand that fulfillment isn't the best use of their time, but they're not at the volume level where outsourcing is cost effective."

Rakuten's e-commerce shippers are typically ready to take advantage of the company's services when they're filling 400 to 500 orders a month, he says.

Armstrong recommends getting the provider's best thinking about how to meet the shipper's needs.

"Rather than say, 'here's what we've been doing and how,' provide the 3PL with enough information and flexibility to come back with the optimal solution, which might be something different from what you've done traditionally," he suggests.

Remain Flexible

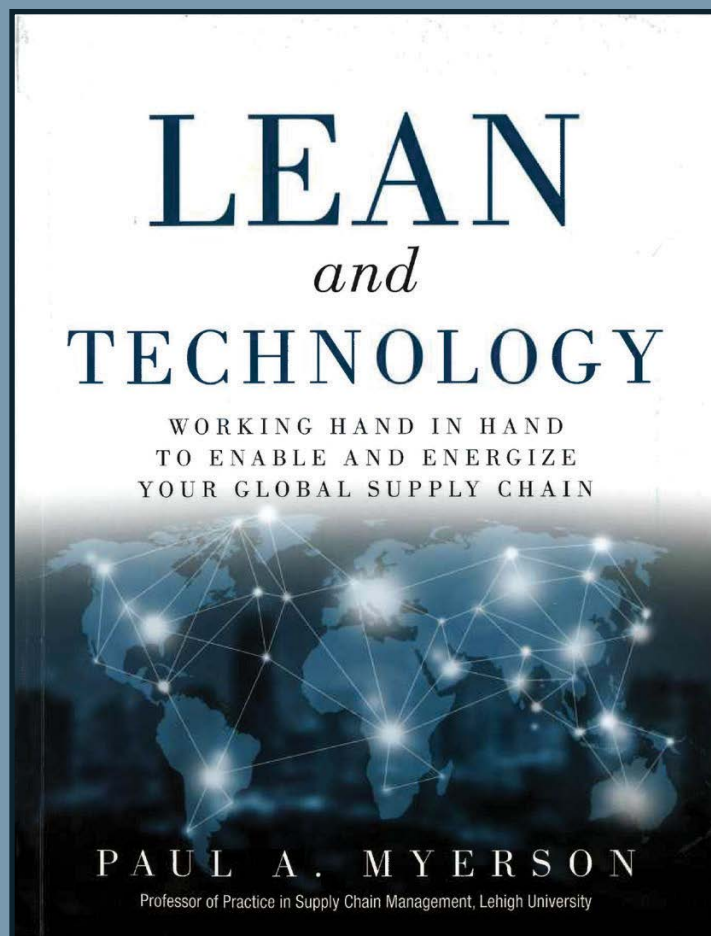Be prepared to adapt to the 3PL's processes and systems, too.

"For us to be successful, we can't continuously modify what we do for every shipper," says Manzione. "There can be some variables, of course, but if the shipper wants us to change how we do things to fit with what they've been doing, they won't gain efficiencies by working with us."

Let them use their own facilities, technology, and tools, too.

Adds Sardeson: "When you allow your 3PL to control the layout, physical location, and systems, you'll benefit from economies of scale." ∎