3PLs ADD VALUE
Increasing consumer expectations, market uncertainty, and other recent trends have only enhanced the value 3PLs bring to shippers. From technology innovations to process insights, here are the ways 3PLs unlock and increase supply chain efficiencies.

Through a continued focus on innovation, technology, and fostering strong client relationships, third-party logistics providers (3PLs) are thriving as they help clients move and store goods more efficiently and effectively. Indeed, the 3PL industry is the healthiest it has been in a long time, says Joe Couto, chief operating officer with HighJump, a provider of supply chain solutions.

Companies turn to 3PLs for several reasons. One is economies of scale. When 3PLs purchase technology and equipment, they’re able to amortize their investments over the many shippers with which they work. As a result, most can make investments that would be outside some shippers’ budgets. “For many small shippers, transportation can be an afterthought,” says Amit Saini, vice president of enterprise services with Noodle.ai, a provider of enterprise artificial intelligence solutions. That’s not the case with 3PLs.

Indeed, many 3PLs continually invest in warehouse, transportation, and labor management.
systems. “Those are real-time execution systems to help plan labor and equipment and maximize space,” says Michael Wohlwend, managing principal with Alpine Supply Chain Solutions Consulting. “Slotting optimization is also popular to support a 3PL customer’s lifecycle.”

In addition, many 3PLs are looking for capabilities, such as the ability to pick and fill online orders and provide next-day service, that will enable them to help clients more effectively navigate a market increasingly ruled by e-commerce.

**ADVANCED TECHNOLOGIES BRING EFFICIENCY GAINS**

The current interest in warehouse robots that can bring goods to people will continue, says Jack Buffington, director of plant logistics with MillerCoors Brewing Company in Golden, Colorado. Fueling this trend is the move by many robot manufacturers to offer “robots as a service.” 3PLs can add to or subtract from their robot workforce as needed, and with a more modest investment than many previous automating systems required.

Along with automating previously manual tasks, robots will be able to provide analytics and data based on their constant observations of the workplace. “While robots’ primary value is productivity and automation, in the near future it will be to analyze data,” predicts Stefan Nusser, vice president of product with Fetch Robotics.

Artificial intelligence (AI), while still an emerging capability, will become increasingly critical to 3PLs. While most transportation management systems (TMS) operate by rules—if A, then B; if C, then D—the real world rarely does.

“AI systems, by definition, are probabilistic,” Saini says. They can incorporate external data, such as weather forecasts, and find opportunities to optimize all legs of a journey. AI will help 3PLs keep their assets moving and full, generating savings they can pass on to shippers.

Because 3PLs work with multiple shippers, they’re often able to identify opportunities for transportation network improvements that might not be readily apparent, Saini adds. Similarly, they may see patterns in an overall market that show, for instance, a shift in demand that an individual shipper might not be in a position to notice.

**STREAMLINING E-COMMERCE**

The growth of online ordering has enhanced the value 3PLs can provide. Customers’ increasing expectation of next- or same-day delivery adds to transportation complexity. Many 3PLs have gained experience in tight delivery deadlines and omni-channel distribution, and companies in other industries are leveraging that expertise.

“Companies are focusing on their core competencies and letting companies that specialize in logistics manage the distribution,” Wohlwend says.

For instance, by leveraging a 3PL, beer company MillerCoors doesn’t have to invest in trucks and other transportation assets. Instead it can allocate its budget to the areas where it’s an expert. Indeed, by working with 3PLs, shippers can access transportation and warehousing assets on a variable, rather than a fixed-cost, basis.

And because 3PLs often have space in a network of warehouses, they may be able to cut the time required to deliver goods to customers, says Jim Fleming, supply management program manager with the Institute for Supply Management.

Many 3PLs also have gained expertise in handling the myriad tax and regulatory responsibilities inherent in importing and exporting goods. Their knowledge of international shipping also can help shippers navigate sudden changes in trade agreements and tariffs.

**STRENGTHENING SHIPPER-3PL RELATIONSHIPS**

As the cost and complexity of technology integrations continue to decline, communication between shippers and 3PLs has become easier and less expensive.

The Transportation Intermediaries Association, a trade group for 3PLs, has formed a technology committee to work on the “neutralization” of technology, says Robert Voltmann, president and chief executive officer. That is, in an ideal world, a 3PL would be able to move information between carrier and shipper, no matter which system each is using.

Today’s 3PLs are increasingly interested in establishing partnerships with their clients. Many of the largest...
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players can handle all parts of shippers’ supply chains across the globe, Couto says. Regional players are offering more value-add services, such as returns management or light assembly work, he adds.

**OFFERING RESPONSIVE CUSTOMER SERVICE**

Since its launch 20 years ago, Jarrett Logistics Systems has earned the trust of numerous clients, from Fortune 500 firms to small- and mid-sized companies. Together, its clients span nearly 500 locations in 43 states, all Canadian provinces, and locations across Mexico. Jarrett remains one of the largest privately held 3PLs in North America.

The keys to Jarrett’s growth and success? Its employees, as well as industry-leading technology. “We have great people who provide exceptional customer care,” says founder Mike Jarrett.

One sign of this: between 7 a.m. and 9 p.m., no calls go to voice mail. “If you call, you’re going to reach someone to speak to,” he adds. Similarly, the information and logistics employees in the JLS Routing Center are accessible around the clock, 365 days a year, with an average answer time of less than 8.5 seconds.

When recruiting, Jarrett looks for candidates who embody character, integrity, honesty, and a strong work ethic. “You can train someone to do a specific job, but you can’t train someone to be honest and hardworking,” Jarrett says.

When new employees learn the company’s processes, procedures, and technology platform, they also learn “the why.” “That is, why do you come to work every day?” Jarrett says. “There’s a sense of purpose, a passion in working here.”

With this foundation, employees understand both the business functions with which they’ll be working, as well as the way Jarrett cares for its customers. “Customers do business with us because they not only value the services we provide, but they also know us, like us, and trust us,” Jarrett says.

Through a “mass customization” approach, Jarrett tailors its services and technology—such as iShip, its proprietary and cutting-edge transportation management system—to best meet the needs of each customer.

For instance, Jarrett helped a large client in the rubber industry eliminate most of its safety stock. To achieve this, its systems provide complete visibility to all goods coming from suppliers, as well as their forecast arrival dates.

The result? “The company no longer needs large amounts of safety stock when scheduling production,” says Matt Angell, vice president, logistics operations.

Jarrett manages the returns logistics process for many of its consumer packaged goods clients, and helps them with OTIF—the on-time, in-full metric that many retailers use to score their suppliers. Jarrett can manage the delivery process with the precision and efficiency required to comply with OTIF, helping clients avoid costly penalties and fines.

**BUILDING A THRIVING BUSINESS FROM SOLID INDUSTRIAL ROOTS**

It’s safe to say few 3PLs trace their roots to a 19th-century paper company, and Sunset Transportation is proud of its industrial history. More than 100 years after John R. Williams and Melville C. Libby formed Williams Paper, a family-owned business still operating today, Jim Williams—John’s grandson—leveraged the company’s fleet of trucks to start a successful backhaul program. With that, he entered the logistics field, bringing a strong focus on high customer service and family-style values.

The program Jim created grew so quickly that in 1989, he left Williams Paper to open Sunset Transportation, now a thriving 3PL based in St. Louis, Missouri, with seven branch offices throughout the Midwest and southern United States, along with over 40 agent offices nationwide.

Jim serves as chief executive officer and his daughter, Lindsey Graves, now runs the company as chief operating officer. She has grown from the bottom
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up, working through all departments for the past 15 years and was a finalist for the 2019 Distinguished Woman in Logistics Award, sponsored by the Women in Trucking Association, the Transportation Intermediaries Association, and Truckstop.com.

DRIVING SHIPPER INNOVATION

While Sunset traces its roots to the 1800s, it has always focused on driving shipper innovation, as shown in its LOGIK platform, scheduled for full release in late 2019. A proprietary, web-based portal, LOGIK offers shippers unprecedented visibility to both their domestic and international shipments, across all stages of the freight lifecycle, including shipment history, in-transit tracking and shipment status, and freight audit and payment analytics.

By providing on-demand visibility to all domestic and international modes, even before pickup, shippers can address non-compliance and overspend before they occur. Historically, shippers often had to wait several weeks after a shipment concluded before they could access post-shipment analysis and reporting.

“We wanted to get ahead of common issues by creating a dashboard that’s dynamic, actionable, and cutting-edge,” says Tracy Meetre, vice president of sales and marketing.

To meet its goal, Sunset partnered with Information Builders, which helps companies leverage data and analytics to drive digital transformation. Together the companies created a data warehouse that merges data from multiple systems, enabling shippers to see their shipments in transit. “Customers can identify any shipment’s location on a responsive map and watch the shipment as it travels across the water,” Meetre says.

LOGIK also can sound an alert if, for instance, an employee is initiating a shipment with a non-preferred carrier, incurring additional costs. While the shipper may still choose to use the carrier, it’s an intentional decision. “We provide information that’s upfront and actionable,” Meetre says.

Moreover, Sunset can provide this state-of-the-art technology to customers that may have assumed such tools were outside their budgets. Because Sunset is smaller than some other 3PLs, its overhead also tends to be lower. Yet as shippers grow, Sunset’s technology and culture are nimble enough to scale alongside them.

Sunset employees want to “make the person who engages our services look like a superhero,” Meetre says. They do this by building strong partnerships and leveraging robust, accessible tools and analytics that help clients take an intelligent approach to managing their supply chains. Some of Sunset’s customers have been with the company for generations. “We invest in them and become extensions of their organizations,” she adds.

PROVIDING DIFFERENTIATED VALUE

Over the past decade, LFS, Inc. has “built a spirit of entrepreneurship, which now defines our culture, along with creativity, passion, commitment, attitude, and teamwork,” says Andres Lopera, chief executive officer and integrator with the Florida-based firm. “We engage shippers in the way, shape, and form they ask, and are committed to providing substantial, differentiated value to their supply chains.”

This approach has helped propel LFS from five to more than 200 teammates. Along the way, it has helped its partners improve their ground transportation processes and productivity in the United States, Mexico, and Canada, with Europe as a recent addition.

While LFS remains largely focused on transportation operations, it has also opened sister companies with different focuses. This includes SKHOLL, a cargo insurance broker underwritten by some of the biggest names in the industry.

LFS also offers a unique loyalty program, LFS Rewards, through which shippers accrue rebates and value-adds like insurance coverage and credits to offset their accessorial charges, all at no additional cost. What’s more, shippers don’t have to hit a spend tier to activate LFS Rewards.

REAL-TIME PRICING FOR OTR TRANSPORTATION

LFS has long offered shipper-specific, real-time pricing for all modes of over-the-road transportation. To accomplish this, LFS draws from its comprehensive database of full truckload (FTL) rates that can be searched, or fed via API, in live production.

LFS’ internal Quality Assurance (QA) team ensures adherence to both shippers’ and LFS’ processes and expectations. QA teammates maintain live visibility of all operations in progress.

Sunset Transportation employees act as extensions of clients’ organizations, building long-term partnerships and leveraging robust, accessible tools and analytics.
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As a result, they can quickly identify divergences and coordinate with the LFS operations teams to return an operation to proper functioning.

Recently, LFS went through a vendor compression process with an existing partner that had been working with 60-plus truck brokers. Not surprisingly, this approach bloated its transportation costs and degraded operational performance, with no consistency in dispatches or lane awards.

LFS is one of four 3PLs remaining with the company. Because of this consolidation, the shipper improved on-time performance by 7% and boosted billing accuracy and timeliness by 14%, among other benefits. “The consolidated vendor scope allows them to focus on process adherence and consistent performance against those processes across vendors,” Lopera says.

Technology continues to be LFS’ primary investment, with a focus on business intelligence and the graphic user interface of all its platforms. “As we add more functionality, we also add more simplicity, so users can find the data they’re seeking with as few movements as possible,” Lopera says.

Unlike some brokers that focus on the number of offices and head count, LFS prefers to strategically place sales personnel who work remotely and, when requested, ops personnel who act as in-house team extensions of its partners. Keeping costs in line is key, Lopera says, given the likelihood of continued margin constrictions and greater use of technology. At the same time, the services offered by 3PLs will, ideally, be more bespoke.

“LFS is well poised to crush performance expectations with customized service, innovative solutions, and a very attractive cost structure,” Lopera says.

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**3PLs ADD VALUE**

Capacity LLC differentiates itself through its investments in engineering solutions that meet clients’ unique challenges. For example, when several of Capacity’s clients saw their daily order volumes jump from several thousand to 10 times that amount, Capacity went to work.

“We developed solutions to handle the day-to-day volume as well as the peak periods,” says Thom Campbell, chief strategy officer. Two of Capacity’s four founding partners bring backgrounds in civil engineering and have been designing warehouse solutions for decades, he adds.

Capacity operates fulfillment centers in New Jersey, California, England, and France, with a sales office in New York. It focuses on higher-value consumer products.

Simply addressing logistical challenges with “brute force and more people” rarely leads to an effective, sustainable solution, Campbell says. “You can’t flood a challenge with an infinite number of bodies.”

Instead, Capacity develops systems internally and also works with vendors to design solutions that leverage technology to minimize potential bottlenecks.

One example is its solution that can apply double-sided labels containing all the information needed to essentially act as a packing slip. Not only does this cut down on paper use, but it can shave 15 seconds off filling each order. Another solution automatically applies shipping labels and confirms ship method, then conveys the parcel to the correct carrier sort area in the facility.

At the same time, Capacity works with clients who use the packing slip to help distinguish their brands. “When they sell directly from their websites, the packing slip can become a way to differentiate themselves,” Campbell says.

Capacity has partnered with several firms that grew from modest beginnings to international brands. Capacity’s ability to handle complex IT integrations and craft scalable warehouse solutions contributed to their clients’ growth.

At the same time, Capacity builds tight communication channels with its clients, all of whom can call or text with any concern.

“The relationships that drive supply chain success are human to human,” Campbell says. “We are a huge believer in CRM, data-driven interactions between real human beings, with systems that capture data and facilitate continuous improvement for our clients, their customers, and us.”
We know that sending millions of consumer packaged goods, small and big, requires more than just filling boxes and attaching labels. It takes an advanced engineering platform and the people behind it, to ensure that every item is properly packaged, sorted and processed, with controlled inventory levels, intake speed and outbound product movement. On the front end, the added-value services that we offer and our high-touch approach to our business make for seamless and fluid fulfillment.