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Seven Abilities of Highly Effective 3PL's



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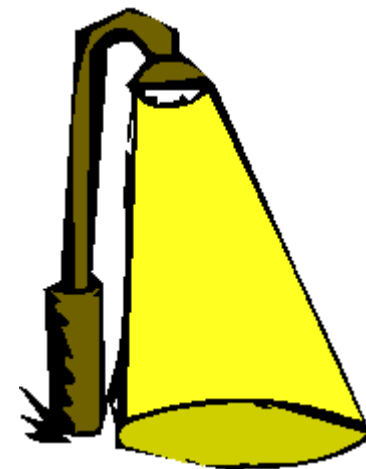


What is a Highly Effective 3PL?

- ▶ The High C's
 - Cost-savings, Convenience, and Competitive advantage
- ▶ Execution
 - The key to responding to fluctuating pressures of production schedules, capacity, weather, traffic, or other influences on strategic supply chain plans
- ▶ Industry Leading 3PL's
 - Quality transportation management AND process improvements that lead to execution excellence

1. Provide Visibility

- ▶ Visibility reveals where your supply chain is and isn't operating at its best
 - Shows how purchasing and fulfillment activities relate to inventory management and transportation order tendering
 - Requires technology that collects the right data
 - Is critical for controlling and managing the physical movement of product





1. Provide visibility (cont.)

Product in transit = inventory

Visibility = monitoring inventory in transit to reduce costly out-of-stocks

- ▶ 3PL and the customer set expectations for status reporting, then develop processes for gathering KPIs and reporting
- ▶ 3PL confirms transit time and required arrival dates
- ▶ As shipment status is gathered via automated/manual procedures, the customer verifies that its rolling inventory will deliver on time

2. Measure performance

▶ Informed Decisions

- Accurate performance measurement leads to data driven decisions

▶ Develop Perspective

- Across the functional silos of an organization

▶ Maximize Revenue

- Properly managing transportation and total supply chain costs will lead to increasing revenue opportunities





3. Create a low-cost network

- ▶ Low transportation rates alone do not equal low cost
- ▶ The ultimate goal
 - To create the lowest-cost network possible that ensures product is where it needs to be, when it needs to be there
- ▶ Think long term
 - A strategic approach to buying transportation leads to better service and lower costs



4. Offer multimodal options

Multimodal strategies help manage the risk of running out of inventory by:

- ▶ Alternating modes
- ▶ Varying transit times
- ▶ Selecting carriers

Timely visibility to shipments, on all modes, provides information to help reduce costly out-of-stocks.

Efficient deployment of viable options produces better solutions and increases your chances for success



5. Develop internal and industry-wide benchmarks for rates

- ▶ Internal Benchmarks

- Identify the low-rate carriers to create a low-cost network
- Gauge trends against historical results

- ▶ External Benchmarks

- Critical to assessing progress against the marketplace



6. Conduct constraint based bids

Constraint based bidding tools:

- ▶ Optimize on price
- ▶ Constrain carriers in different ways
- ▶ Penalize carriers when their actions cost you money



6. Conduct constraint based bids (cont.)

Typical constraints include:

- ▶ Maximum volume for a lane
- ▶ Maximum volume for an origin or destination
- ▶ Maximum volume for a carrier
- ▶ Minimum or maximum number of carriers servicing a facility

Typical penalties for:

- ▶ Not being able to provide services such as EDI and drop trailers
- ▶ Having a poor on-time percentage



7. Establish reliable transit times

- ▶ Build internal and external customer confidence
 - On time deliveries and effective carrier management are critical
- ▶ Uniform parameters
 - 3PLs help you decide on certain indicators of a successful delivery
 - Metrics and parameters vary from company to company
- ▶ Then work with your 3PL on operating procedures and data gathering processes.
- ▶ The collaborative efforts of process mapping, data integrity, and timely reporting will positively influence successful deliveries



What Highly Efficient 3PLs Deliver

▶ Maximum revenue is generated when product is where it is supposed to be, when it is supposed to be there, and at a total landed cost that was planned.

1. Provide Visibility
2. Measure performance
3. Create a low-cost network
4. Offer multimodal options
5. Develop internal & industry-wide benchmarks for rates
6. Conduct constraint based bids
7. Establish reliable transit times



Questions?