



ABSTRACT

Why hire a tech-enabled 3PL to implement your supply chain IT solution? The short answer: Collaboration yields success. Partnering with an outside firm can help you achieve results faster, make better use of your system, and put you on the road to using predictive analytics that can improve overall operations.

Collaborate to Accelerate Your Supply Chain IT

Implementing a new supply chain IT solution? Here are three ways a tech-enabled 3PL can help shippers get the most out of their project.

By Victoria Fraza Kickham

Organizations of all shapes and sizes are looking to increase visibility across their supply chains in order to make better day-to-day business decisions, but also to capture and analyze data for long-term gain. From a shipper's perspective, better visibility across the supply chain can lead to greater confidence in inventory levels—and savings that result from the need to keep less inventory on hand. It can also open doors to deeper analy-

sis, including the use of cost-to-serve metrics that help reveal a company's most profitable—and unprofitable—customers.

The best way to address these issues is by implementing a supply chain IT solution that seamlessly integrates with your existing enterprise resource planning (ERP) system and addresses the needs of all stakeholders in the organization. This involves considerable investment in time, money, and personnel, and

is a huge strategic undertaking for even the most sophisticated companies. Collaborating with a third-party logistics (3PL) organization that provides customized, leading-edge technology solutions and deep expertise in logistics is one way to alleviate the pain associated with such projects.

And it's a trend that is gaining steam. Collaborative partnerships between shippers and technology-enabled 3PLs are growing, according to the *21st Annual Third-Party Logistics Study*, which reveals that such relationships are becoming less transactional and more strategic over time. The reason? There are real savings to be gained. Among the more than 300 users of 3PL services surveyed, 75% said their use of 3PLs has contributed to a reduction in overall logistics costs. What's more, 86% said 3PLs have contributed to improving customer-service levels. Forming even closer partnerships that can foster greater supply chain gains is a natural next step in that direction, says Andy Moses, senior vice president, global products, for Penske Logistics.

"Where we are successful is in the collaboration," Moses says of tech-enabled 3PLs such as Penske. "It's not that companies can't do it on their own, but how fast they can get there and to what degree a tech-enabled 3PL can be an accelerator.

"When you work with a tech-enabled 3PL, you're getting a partner that is, in its own right, a strong organization with a strong culture. You're getting a partner aligned around your goals. There's just so much power in that."

The power of a 3PL partnership can be boiled down to three overriding benefits when it comes to implementing supply chain IT solutions: efficiency, acceleration, and collaboration. Shippers that partner with a 3PL stand to gain supply chain efficiencies while accelerating the implementation of their IT solution and forming partnerships that bring insight and oversight to the project. Practical-

ly speaking, such partnerships can help you achieve results faster, make better use of your system, and put you on the road to using predictive analytics that can improve overall operations. In this report, Moses elaborates on how these benefits come together to deliver tangible results.



BENEFIT #1: REALIZE SUPPLY CHAIN GAINS

Driving efficiency and effectiveness are the primary goals of any IT-related project, but they take on even greater meaning when implementing supply chain solutions—such as transportation management systems (TMS), warehouse management systems (WMS), and fleet management systems (FMS). This is because there are so many stakeholders involved in the process today, explains Moses. Operations, supply chain, purchasing, transportation, and warehouse teams are on the front lines when it comes to new supply chain IT systems, but internally, others also have a stake in the game—including finance, customer service, and sales. Externally, end customers and suppliers figure into the mix as well. Creating a system that addresses the needs of all these players can be a challenge.

"Supply chains tend to run on core systems—transportation management, warehouse management, fleet management, and so on. These tend to be the systems that people in operations, transportation, and

warehousing of the shipper's organization live in. They get familiar with them and are able to move around in a fluid way," says Moses. "Then you have all these other stakeholders who are on the periphery—they need to look things up once in a while. So, part of the challenge is to create visibility of information to all of these various stakeholders in a manner that will be realistic."

This is where "off-the-shelf" solutions or add-on components to an ERP system often fall short, and where customized solutions provided by a 3PL can make a big difference in both the quality of the system and how easily it will be implemented. Penske's ClearChain™ Technology suite of tools and applications is a case in point. ClearChain enhances supply chain visibility by providing complete, accurate, and timely data that connects everyone in the supply chain with the information they need, Moses explains. Instead of wrapping the business around the technology, such customization allows you to wrap the technology around your business.

System integration is at the heart of such programs. Moses emphasizes the need to integrate ERP and supply chain systems to create a two-way flow of communication. Often, these systems don't communicate with each other—or not fully—creating more work rather than streamlining business processes. Part of the problem is that decision-makers in many organizations don't fully understand the supply chain function.

"We're talking about implementing intricate systems," says Moses. "You can start to see where, in order to do this right, the shipper not only needs a high-caliber supply chain team, but it also needs resources within its IT group that become fully knowledgeable of the supply chain function."

A tech-enabled 3PL can provide that level of support and expertise, guiding the shipper toward a high-quality solution that delivers efficiency-enhancing results.



BENEFIT #2: ACCELERATE THE PROCESS

For many organizations, bringing in a 3PL means yielding faster results and, ultimately, getting even more out of their supply chain IT project than they had hoped. This is a direct result of the merger of the shipper's in-house capabilities and "tribal knowledge" of the business with the 3PL's experience in operations and technology.

"We have seen over and over again that when we partner with successful companies, our combined knowledge allows us to achieve better results," says Moses. "Typically, we're able to engage with professionals on the shipper's end that understand all the nuances of their customers' environment, and when we combine that with our talented supply chain pros, it seems we're able to get more done than the shipper would have been able to do on its own—and not just in terms of speed; we'll get more out of it than perhaps they would have."

One example: mastering the functionality of a new system. Moses says it's not uncommon for an organization to implement a new TMS or WMS and find that two years down the road, it is still using just a portion of that system's functionality. A 3PL's experience on both the technology and operations side—having worked on hundreds or even thousands of projects with varying customers—brings a level of expertise that can close that gap.

“Our IT pros are deeply knowledgeable of supply chain functions, so there is a real depth of experience among our practitioners that brings a lot to the table,” says Moses.



BENEFIT #3: PARTNER FOR LONG-TERM SUCCESS

In the end, it's all about results. Moses lists three tangible goals for any supply chain IT project:

- Reduce transportation costs
- Reduce inventory days on hand
- Achieve a measurable difference in supplier compliance

Beyond that, he says 3PLs seek to implement programs that produce “high-integrity data” so that the shipper can move into predictive analytics—such as measuring the cost to serve particular customers or segments of customers.

“At the end of the day, we want to implement programs that can drive results that can be seen on financial statements,” says Moses. “Cost-to-serve metrics are popular now. Shippers want to know what it costs to serve customers, groups of customers, or customers in a particular geography or in a particular product offering. These are things that come out of having strong process management.”

Such results are also the fruit of strong partnerships that share insight and oversight of the project. In addition to the insight each party brings to the table, oversight is a necessary element that keeps projects moving

forward. As Moses explains, business partners that are engaged and actively governing outsourced arrangements are the most likely to succeed. Goals must be created, monitored, and approved; you can't simply hire a tech-enabled 3PL and then walk away from the project.

“When we have a customer that is engaged with us across functions—supply chain, finance, and so on—that's a great sign to us,” says Moses. “Good governance is never to be underestimated. The best companies certainly know this. It's a mistake to assume ‘We can outsource this and wash our hands of it.’ You can do that for day-to-day management of functions, but broad governance is important. We love when a shipper is highly engaged in that.”

CONCLUSION

Partnering with a 3PL helps shippers achieve results faster and make better use of their supply chain IT system. It also sets up a path for long-term success, laying the groundwork that allows organizations to develop better supply chain analytics. Combined with the IT customization and industry experience 3PLs bring to the table, such partnerships put organizations of all sizes, across all industries, on the road to a smoother, more streamlined and transparent supply chain.

ABOUT THE AUTHOR

Victoria Fraza Kickham is a Boston-based freelance writer covering manufacturing, distribution, and supply chain issues. She was managing editor of *Industrial Distribution* magazine from 2000 to 2010, and since then, her articles have appeared in a variety of publications in both the industrial and electronics industries. Contact her at victoria.kickham@gmail.com and follow her on Twitter @vfkickham.