ATMS International FZCO
P.O. Box: 261724
LOB-20, F-07 Jebel Ali
Dubai, UAE
Tel: +971 (4) 8810433
www.atmsglobal.com

Adding more value - making more profit - how Logistics Providers are innovating to re-shape their business

Part 1

Third Party Logistics providers have a tough time, for instance in the retail supply chain they're squeezed in both directions - by the mighty retailers and by the cost conscious importers and manufacturers.

Traditionally such 3PL's have provided a storage and haulage service - storage prices based on basic charging of handling and storage, and haulage prices based on distance and quantity. This of course is a difficult way to make money - the service becomes a commodity and the barriers of entry are low. Low barriers to entry mean that competition for both new contracts and contract renewal is stiff, and even if customers prefer to stay with a 3PL they know and trust there will be ongoing reductions in profit margins in most cases.

The 3PL provider is often working to arduous service levels agreements where often their performance is highly dependent on external factors including the timely arrival of deliveries and the keeping of delivery schedules - despite inevitable traffic problems. All of this in a climate where the provider is often financially responsible for the clients' stock.

So what is the answer? The focus from the more innovative 3PL's is to look long and hard at how they can add more value for their customers, how they can do better than their customers - faster, cheaper, smarter. The more services the 3PL offers to the clients, and the more intricate these services are, the greater the potential to develop a really strong and symbiotic partnership - a partnership where both parties have a greater commitment and are less likely to part ways.

Over the next couple of issues we'll explore some case studies to see how some 3PL's are succeeding.

The 3PL, the printer and the retail bank

Printing companies are good at printing, banks are good at banking, or so the theory goes. This leaves a big void when it comes to ensuring all the brochures, forms, booklets, point of sale material and stationery are in the right place at the right time - in this case not too many and not too few at each of the banks 100 plus branches and its third party agencies. This void also extends to managing the central buffer stock to ensure branches can be replenished on a regular basis.

The 3PL in question uses a comprehensive warehouse management system to control its operation. The warehouse management system controls all the stock within the warehouse and using hand held terminals with bar code scanners helps to optimise the activities in the warehouse, with minimal clerical work and minimal errors.

This warehouse management system has a web portal which allows clients (and in turn their clients) to use a standard web browser anywhere in the world, to place orders, place delivery requests and to view stock. Indeed, on an authorised basis, users can view any warehousing and supply chain activity, its status and its history. This allows all the bank branches to call off their printed material requirements, within guidelines set by head office, for next day delivery.

The 3PL communicates electronically with the printing company - communicating details of stock levels, re-order recommendations and daily order and despatch information. In turn the printing company provides electronic advanced shipment notifications in order that the 3PL can be prepared for the receipts, and can simply scan in the stock on receipt. The banks head office can also drive the call off process, electronically, direct to the 3PL or via the printing company - for instance requesting new point of sale material to be delivered to all or selected branches for arrival ready for the launch of a new promotion.

It's easy to see the benefits that this approach, the bank gets a good service, the printer can focus on printing and the 3PL has an offering that he can 'scale' by offering to other organisations with similar business needs.