



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

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

## Part 2

Last week we looked at how Third Party Logistics Providers are striving to innovate in order to add more value to the work they do with their clients - this being their big opportunity to break out of the cut throat business of traditional storage and haulage.

This week we'll look at how one 3PL is helping an imported of tableware to grow their business.

If you look at a typical importer or retailer what are they good at? or at least what should they be good at? Essentially the really important things, the things that make the retailer stand out, are down to sourcing, and perhaps designing, the right product - at the right price, then marketing and selling it. The rest is important but is a bit of a distraction; the rest being the admin of sourcing and importing, stock management and storage, admin of order processing and despatch, the fulfilment process of picking and despatch. These are all areas that are, or can be, the core competence of the 3PL. These extra services give the 3PL a lot more to go for than the traditional receipt of pallets and despatch of pallets and cases.

This case study is a classic example of companies playing to their strengths. The importer is typical of those companies that have seized the opportunity of low cost product sourcing from the Far East based on superb product designs from their own in house UK team. By designing products with a great market appeal and by sourcing at low cost and by carefully cultivating relationships with key wholesalers and retailers their business has boomed. This has recently been supplemented by a direct to consumer web shop they have developed.

Design, sourcing, marketing and key account management is what they focus on, and excel at. The rest they leave to their Third Party Logistics provider. The 3PL looks after order taking and order processing, also takes a direct despatch requirements feed from their shopping web site. The 3PL then takes care of order picking and despatch. Direct to home deliveries are undertaken using a major parcel carrier - the 3PL generates all the labelling and electronic manifest data required. Deliveries to retail stores and warehouses are carried out with a combination of the 3PL's own trucks and sub-contract vehicles. The 3PL also looks after invoicing and credit control on behalf of their client.

So far so good for the downstream process. In addition the 3PL looks after the upstream process as well. The tableware client places bulk orders on their Far East suppliers. The 3PL then manages call offs in line with stock levels and sales forecasts. The 3PL uses the global tracking module of its warehouse management system to control and track the production, despatch and importation process.

The use of a comprehensive warehouse management system is essential for this operation; the WMS provides the communications hub to the client and to the outside world - virtually eliminating data entry and associated errors. The WMS is used to optimise all the warehousing and logistics processes, and to record the costs of these processes allowing improvements to be identified, planned and measured. Importantly it also by its very nature collects and reports the service level information needed for when the client and the 3PL sit down to review performance.

So what about the money side of all this? Well it is really quite straightforward, the 3PL just agrees a fee based on percentage of the client's sales turnover. This is a very visible

figure as the 3PL is administering all sales anyway. The beauty of this simple arrangement is, well, simplicity, but also because it incentivises the 3PL to continually innovate and improve. It also incentivises the 3PL to hold optimum stock, not too much and not too little - an incentive that isn't normally associated with third party warehouses where the desire is often to maximise stock holding.

The tableware importer can really focus on his core business, this focus has enabled the company to achieve solid year on year growth - growth that has also, of course, benefitted the 3PL provider. The partnership can be seen as a genuine win-win partnership. The commercial terms are reviewed periodically of course but assuming professionalism, openness and good communication the chances of either party defecting are low.