



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 3

The previous two weeks we've 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 cut throat business of traditional storage and haulage. This week we look at the technology behind these operations, and also have a look at a logistics provider who has taken a novel twist to the warehouse rental model.

The systems that make this possible

Good systems are vital in most cases in enabling the innovation we have discussed. They are not the most important factor - the most important factor is good people with creative, innovative minds and a commitment to delivering the quality of service they've agreed with the client, and with an ability to communicate well with the client. Systems though are the essential tools that this team needs in order to deliver success.

A good warehouse management system (WMS) is normally the core business tool. The WMS makes use of hand held or truck mount mobile terminals with inbuilt bar code scanners to literally 'control' the operators within the warehouse, telling them where to go and what to do - in real time - and getting them to confirm everything through the scanning of bar codes.

In this way the WMS controls the receiving of goods into the warehouse, works out the best location to put the stock, controls stock checking, looks after the stock picking process and then the despatch process. A good WMS will also help to optimise despatches so that delivery vehicles are used in an optimum manner, for instance so they are always sent out fully loaded and they follow a well planned delivery route with minimal dead mileage.

The WMS for most operations must also have the ability to generate activity based charging and billing information - even if the client is not billed this way. The potential for charging should include receipt, quality and conformance check, storage, handling, picking, pick and pack, kitting, despatch, inventory checking, ad-hoc charging space rental and transport.

In most scenarios it is good practice to record the operating costs of client specific operations using a robust costing model even if the client is charged on a fixed price basis, an open book basis or a percentage of turnover basis. This helps with the costing of contract renewals and new contracts. It also helps to pinpoint areas of high operating cost where savings could potentially be made. The information provides benchmarking data and can be used as the basis for key performance indicator (KPI) reporting - often using graphical visual dashboards.

Another key function of the WMS is to report performance against Service Level Agreements, SLA's. SLA's are notoriously hard to police, the client will often focus on the last few issues and problems - even if performance is generally exemplary. The 3PL will often not have the facts and figures at his fingertips to defend and promote his position. A good WMS can collect and report on the information needed, simply as a by product of its core purpose in optimising and controlling the warehouse operation.

Space Rental and Beyond

It doesn't need to all be about technology and services however. Some third party logistics providers are happy to rent out their vacant or surplus warehouses on a conventional landlord and tenant basis. Some however are keen to innovate in search of a little bit more of the 'action'.

One interesting approach to this, by a major international 3PL, has been to rent out their warehousing facility as a working warehouse, complete with narrow aisle racking, core mechanical handling equipment and, interestingly, complete with a blue collar workforce. Additional labour and equipment can be rented from the 3PL on an hourly basis.

The end client then manages the warehouse himself. The advantage of this as far as the client is concerned is that he can walk into a warehouse and have it working for him from day one, with minimal hassle. The advantage for the 3PL is that he can attract good quality clients who will pay a premium to use a modern, ready to use facility.