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INTRODUCTION
We introduce you to part 2 of our e-book series The Essential Guide to Third Party Logistics. In this installment, we’ll talk about How to Work with a 3PL, The Benefits of a 3PL, & the Future Trends of the 3PL Industry.

The ongoing rebound of the U.S. economy has given way to a period of rapid change within the third-party logistics (3PL) sector. Arguably more diversified and sophisticated than ever, the 3PL sector is seeing an emergence in more 4PL partnerships, resulting in deeper, more strategic relationships. This shift comes as a result of the challenges 3PL organizations are currently facing in the marketplace—from greater reliance on just-in-time inventory and the increasing role and reliance of technology and value added services.

But, with any procurement or outsourced partnership, after you’ve successfully on-boarded the partner, in this case a 3PL, you then have to make sure that not only is the 3PL giving you the shipper the most value, but you must also hold the 3PL accountable and effectively manage the relationship. We outline in several portions in the first chapter how shippers and 3PLs can work better together to achieve their shared goals of reducing overall costs thru efficiency and the use of technology & value added services.

Beyond working with a 3PL and getting the maximum outcomes shippers desire, you also must understand what benefits you are to expect by working with a 3PL. Some benefits are obvious (taking the burdens of shipping complexity off your hands) but a few benefits will surprise you (such as collaboration that yields benefits beyond just transportation management within your business).

Finally, as a shipper or someone in the industry, where is the 3PL industry going? What will they offer shippers to continue the stated benefits today and for years to come? You’ll read about some interesting developments to come in the 3PL industry. Download this second of two new e-books we released this month on the essentials of working with a 3PL, what benefits to expect and look out for, and what the future holds for shippers working with 3PLs.
Chapter One

Working with a 3PL Well
Embedded 3PL Relationship: What is it & Why is it Vital to Ultimate Shipper Success?

Like any outsourced partnership to a service and technology provider, such as in a 3PL relationship, it is vital that all sides are on the same page and speaking the same language in the way of goals, desired outcomes, strategy, and execution for whatever the customer and the outsourced provider are trying to achieve. This model, I like to call an "embedded 3PL relationship."

The definition of "embedded" by itself is as follows, according to Dictionary.com:

verb (used with object), embedded, embedding:
1. to fix into a surrounding mass:
   to embed stones in cement.
2. to surround tightly or firmly; envelop or enclose:
   Thick cotton padding embedded the precious vase in its box.
3. to incorporate or contain as an essential part or characteristic:
   A love of color is embedded in all of her paintings.

So, then, what is an Embedded 3PL Relationship?

In an embedded 3PL relationship, the 3PL representative truly makes itself as a partner with the shipper/customer or a company representative. This is the true idea of an embedded 3PL relationship. The 3PL gets to know the shippers'/customers' engineers, manufacturing or supply chain experts in the supplin order to eliminate points of failure down the road. Embedded relationships are marked by significant investments in facilities and technology by 3PLs, and companies, i more collaboration, transparency, trust and sharing of information, and by mutual commitments to each partner's success (sometimes this may involve gain-sharing such as in small package auditing). Collaborating and sharing information that they have not shared in the past and engaging in vested arrangements. In time, they create a relationship where the two companies work together in the spirit of cooperation and trust, as a single unit, with each being invested in the other's success.
Embedded 3PL Relationship Example

Outsourcing Logistics, and embedding a 3PL into a shipper/customer who give a dedicated representative who handles all of the details for the shipper. Sometimes, this is either having a satellite office near the shipper, a dedicated phone number and communication portal (such as Slack, a new project management/collaboration tool). This can also be done by customers who work closely with their suppliers, like Pratt and Whitney.

This is a big change from the normal relationship of today. The embedded representative helps solidify the 3PL relationship with the shipper/customer, or even further, in the case of inbound shipping practices, the embedded company representative at the Supplier.

This paradigm shift to an embedded 3PL relationship or supplier model requires significant changes in thinking, behavior, culture, and compensation. The current Logistics Manager or Purchasing Manager at the company may be resentful: “Do I really need a 3PL or company representative to help do my job, and, frequently the point of contact for relations with carriers? Who pays for all this? It’s my job, I can do it without this embedding of the 3PL/Company representative?”

So, company leadership has to decide if enough benefits and efficiencies are derived from this change in doing business. It must be very beneficial and a “win-win” relationship. The current Logistics or Purchasing Manager wants an answer as to “WIIFM?” (What’s In It For Me?). The company/shipper/customer have to be ready to accept this change. Change can be very difficult.

Perhaps a pilot program is needed, to actually see how it will work.

Contract terms need to change since the 3PL is committing uncompensated resources to managing the relationship and investing in innovation. Gain-sharing agreements may need to become more the rule than the exception.

Contract lengths may warrant evaluation in an embedded 3PL model. The 3PL needs time to understand the opportunities, generate ideas, implement the ideas, and measure savings over time in order to realize a return on any investment they decide to make. This can be difficult in the context of a three-year logistics outsourcing contract, so term lengths may influence a 3PL’s decision to invest.
Another needed change is that manufacturers must begin to openly share proactive information about their business and supply chain strategies. They will need to trust their 3PL partners (culture, behavior change) with proprietary information, and this can be a difficult shift in thinking. That is why it is vital to ask for references and see the mission and values of the outsourcing entity before engaging in the 3PL relationship.

3PLs need to change, Too, in this Embedded 3PL Relationship Model

The embedded model is a major shift for 3PLs, and Suppliers as well. To make the embedded model work, 3PLs/Suppliers need to be ready to take on the role of supply chain innovator within a customer’s organization. While traditional outsourced logistics relationships involve the 3PL looking across its own operations and asking “How can I improve?” the embedded 3PL/Company Representative looks across the customer’s entire business and asks “How do I drive overall supply chain efficiency?” Like we like to say, if all parties don’t win, why is their a relationship? Value shared is value gained. Or, another saying, "Rising Tides lift ALL Boats!"

Procurement can have a supplier embedded in their location as well.

It is believed that a new model for many outsourced relationships is needed that involves a more strategic approach if shippers want to drive out more logistics costs.

What is the Real Issue Holding Back an Embedded 3PL Relationship?

The basic problem is that shippers or suppliers do not believe 3PLs/Companies are being innovative enough. This is something that many 3PLs and their customers have been building for a while, but with some continuing economic pressures it has really come to a head.

One key factor is that shippers too often tend to keep the 3PL relationship at ‘arm’s length”, and there is not enough collaboration, transparency and trust. Limiting the 3PLs access to information that might enable it to find opportunities for other areas of improvement.
What Else is Needed in this New Arrangement?

There is other upstream information, strategic information, about where the shipper is going, that the 3PL/company are missing. That information would allow the 3PL relationship to be more innovative for the shipper/supplier.

This embedded model would support a higher level of visibility and a more collaborative relationship. The embedded 3PL relationship, in which a senior manager for the 3PL works within the shipper logistics or supply chain organization to act as part of the team. The same occurs when you embed company representatives into a supplier. It would mean joint problem solving/joint idea sessions/brainstorming continuous improvement and co-creation. The 3PL/Customer are engaging with the shipper/customer and supplier in completely different ways.

This change means they are part of strategic conversations and the day to day activity of the shipper/supplier, so they become part of the staff as a partner, much like a hired employee, rather than just having data creating a reactionary 3PL or company.

It is important to note this concept involves a true senior 3PL/Customer operations professional, not a strategic account manager or other more sales related individual that has in the past sometimes served in a somewhat related role at a client.

In the writer’s opinion, there still should be a “win-win”, collaborative Service Level Agreement (SLA) with Key Performance Indicators (KPIs) to ensure continuous improvement takes place between the 3PL/shipper and company/supplier models. If you don’t measure this partnership, you will never know how both parties are doing as to meeting the agreed upon metrics, including cost reduction efforts and continuous improvement. This living document should be reviewed monthly, at first, then perhaps quarterly.
5 Engagement Strategies in Managing a Relationship With a Transportation Management 3PL

When selecting a transportation management 3PL to aid you in a robust and effective transportation management strategy, defining the rules of engagement is critical to success. Do you even first understand your own needs? We've built a deep checklist to understand first before you go about engaging with a 3PL. When you do engage and hire a 3PL for effective transportation management, it is vital that you look at this relationship as a partnership and not a commodity.

Prior to selecting and throughout your dealings with a transportation management 3PL, you will need to learn a few management and engagement tactics. These tactics enable the relationship between the 3PL and your company to grow and prosper. Unfortunately, failing to maintain this relationship is at the heart of many failures in supply chain processes. To help make keeping this relationship engaged and managed well, take a look at five things you will be responsible for.

1. Set Expectations at the Beginning.

Expectations are the catalyst behind all business decisions. Your expectations for your business as a manufacturer or distributor are to improve production, satisfy your customers, and grow. Similarly, the expectations for a 3PL will mirror and enhance the needs of your supply chain. Yet, expectations can be difficult to explain and manage.

Before selecting a transportation management 3PL, explain your expectations for how the 3PL’s services will improve your business. Define what type of services you want, need, or have considered previously. Explain how your current processes work, and listen to feedback from the 3PL. Furthermore, the 3PL will expect you to be completely honest in your expectations, so do not feel the need to withhold information. In fact, many 3PLS will ask you to sign a non-disclosure agreement (NDA) to keep all parties’ information safe, private, and secure.
2. Communicate Often and With Many Different Representatives.

Often, business owners gravitate towards a particular representative of the transportation management 3PL. This is based on initial interactions between the 3PL and each business. Human nature makes others seek out familiar faces and personalities. However, withholding communication from other people in your 3PL is only a hindrance to your business.

Additionally, some business owners fail to recognize the value in communication. With advanced technologies, dashboards, and KPIs in place, communicating with a 3PL may seem irrelevant. Why would the 3PL want to communicate when you can see all of their information at a glance? The answer lies in continually improving your business processes.

Try to create a communication schedule, which contains specified times for meetings, conference calls, or email notifications, at the onset of selecting your transportation management 3PL. Furthermore, your master service agreement (MSA) should contain the contact information of your primary representative and others in the 3PL who can benefit your business.

3. Constantly Think About Risk.

Risk management is a huge part of an effective transportation management strategy. What happens in the event of a disaster? How would the transportation management 3PL respond to ensure the timely delivery and operation of your outsourced processes?

Your 3PL should be willing to explore all of the potential “what if” scenarios. You should have an intricate understanding of what the 3PL will do to ensure all of your processes are not affected. Some of these scenarios may seem extreme, but you need to think about the overall goal of driving your business forward.

If you feel the 3PL’s plan for addressing a particular issue does not stand up to your company’s vision, say something about it. Each risk mitigation plan can be altered and improved, and your 3PL respects your input into the creation of these plans. However, staying silent will only lead to disappointment and distrust, which undermines the value of hiring a transportation management 3PL in the first place.

Your employees work for you. They have spent countless hours training and working to ensure your company survives and grows. However, employees may be unwilling to trust your decision to outsource supply chain processes, such as transportation management, to a 3PL. This is where change management comes into play.

Change management reflects how you influence the change of current processes through your employees. This may include seminars, webinars, conference calls, and training sessions. Every interaction in your business represents another venue for effective change management. If your employees do not embrace the forthcoming changes, managing the relationship between your company and a 3PL will be much more difficult.

If you feel your employees will embrace the change, work to show them how the change will benefit the company. You may be tempted to curse, scream, or yell about certain changes, but your employees will be watching your behavior for how to act. If you experience stressors or feel under pressure from the 3PL, do not give the employees a reason to doubt your rationale. Your transportation management 3PL is meant to make things easier, not harder.

5. Do Not Impose Limitations on Your Selected Services.

In business, it can be tempting to avoid making purchases, entering long-term contracts, and trusting others with your company’s responsibilities. However, going beyond these limitations is crucial to the success of using a 3PL. As a result, your company must be willing to adapt to changes in 3PL structure and processes, which will benefit your business.

Similarly, you must be willing to take a proverbial gamble on your 3PL. Sometimes, the goal may not seem visible, and in some cases, the goal may appear impractical. However, the 3PL’s success depends upon your success. If the 3PL fails to achieve increased production and improvements in your supply chain processes, the 3PL loses money. Therefore, you can safely believe that all decisions will reflect your best interests, even when they do not appear to.
Learning more about how to effectively manage a relationship with a transportation management 3PL marks the beginning of a journey of increasing your supply chain processes. However, this journey is not without risk, and a 3PL is designed to reduce this risk by constantly working with you to increase production. Above all else, think of your 3PL as an extension of your employees. Without your business, a 3PL would not be possible. Without a transportation management 3PL, expanding your business may not be possible. By following these five tips, you can stay engaged and maintain a positive relationship with the 3PL of your choice.
7 Strategic Performance Business Practices with 3PL KPIs and 4 KPI Problems to Solve

Strategic Business Planning

Sales, Inventory, and Production Planning (SIOP) should be used for business planning and strategy in the shipper, 3PL relationship. Planning and risk management is imperative.

Performance Management/Measurement Management

The logistics service level agreement and Quarterly Business Review (QBR) should be detailed with specific 3PL KPIs. Here are a few KPIs you could consider:

Customer Service Performance %,
Quality Assurance %,
Turn Around Time %,
Hours/days to customer,
Cost Reduction goal for both the 3PL and the shipper/customer,
Process Improvement shared %,
Voice of the Customer (VoC): negative or positive,
Safety/OSHA performance/reviews/audits/feedback analysis,
QBR: Freight Optimization Improvement % via the Transportation Management System (TMS),
and Fuel Surcharge (FSC) Management

Performance Appraisal/Review System

Frequent 3PL KPIs reviews will detail performance appraisal of each KPI set by the 3PL and shipper/customer. Are they meeting all of their goals? What is lacking? Scorecard analysis, % to all goals, and critical path: “What KPI is holding us back from overall success? Are we improving? If not, why not? Action plan to correct 3PL KPIs which are meeting mutually set goals.
Communication System: Measure all Systems

IT Systems, EDI, Phone, e-mail or face-to-face visit are necessary to use for effective communication in meeting KPIs.

Processing/Technical System

There must be some of the 3PL KPIs for I.T. systems. KPIs are reviewed to ensure the IT SLA/KPI is effective for both parties.

KPI Program Positive Reinforcement

Recognition and Remuneration System: When 3PL KPIs are met or exceeded recognition should be given to both partners. Remuneration comes from the TMS System Optimization. At times, both parties agree to remuneration for Kaizen Blitz events, Six Sigma problem solving. Process improvements and Continuous Improvement Opportunities.

Strategic Human Resource Development System

Both parties must develop human resources to improve operations. Human Resources should be trained for continuous improvement. With LEAN initiative implementation, human resources become process and problem solvers.

Comprehend The Need For Effective Performance Measures & 4 KPI Problems to Solve

3PL KPIs are necessary to measure the performance of all areas set by the two partners. IT performance is critical and ongoing 24/7. Six Sigma Quality and problem solving are necessary for Continuous Improvement. Without KPIs, nothing is being measured and nothing will improve.

It's no surprise that Key Performance Indicators are difficult to set up and manage. The underlying issue is not the KPIs themselves. Once 3PL KPIs are set, most employees know what they need to do in order to achieve their critical success factors. The problems with KPIs are:
Problem 1: KPIs are written in a language which allows people to challenge the system and avoid the intent of the KPI. The impact is that employees get paid their bonuses, but the organization doesn't perform any better and can even perform worse.

Solution 1: This can be significantly improved by engaging a consulting team to review existing KPIs and recommend changes. Consultants have a method which will align the KPI's with the strategy of the organization, while protecting the intent an employee performance.

Problem 2: The reasons for needing a particular Key Performance Indicator are never adequately understood by the workforce. The impact is that employees work hard to achieve goals for which they don't have any context or meaning. In the absence of context, employees don't know "Why?" they need to achieve their KPIs and their work effort is often misdirected or misaligned. At the performance review employees think they have done excellent work but their manager gives them a low rating at their annual appraisal.

Solution 2: Helping managers and employees to understand the meaning of their KPIs is conducted through workshops run by a logistics service provider. The workshops are consistently rated highly by all participants and helps them to understand why the KPI's should matter to them.

When employees struggle to achieve the KPIs, managers and executives are challenged to understand the reason for difficulties in achieving those KPIs.

Problem 3: The reasoning behind the 3PL KPIs themselves is not analyzed properly by the executive and management teams. This does not sit well but is prevalent in 90% of organizations. Often, Key Performance Indicators are set without understanding their true impact on the organization. The impacts of actually achieving the KPIs are not connected to the organization strategy and the original intent of the KPI is not achieved.
Solution 3: A consultant has partnered with a KPI Analyst. There is software called eMonstro, which helps managers to analyze KPIs and determine whether the intended impact on the organization is the same as the reason the KPI was created. This enhances the decision-making capability of the manager by using evidence-based data the manager does not have ready access to. EMonstro is used to map intended impacts versus actual impacts for that KPI. This service is provided as a consultation and eMonstro software license.

Problem 4: If Key Performance Indicators have been established effectively, it should be possible to predict and quantify the impact on the organization. For example, if the organization needs to improve customer service, should the KPI be set for training existing service consultants or hiring new consultants with a different job profile or preventing the best consultants from leaving by better engaging them and setting up a career plan. All three initiatives have an impact but few organizations understand which of the three impacts will directly affect customer service.

Solution 4: Software, like eMonstro, for instance, has been designed to predict the true impact of a KPI on the organization. This requires behavioral analysis, which can only be conducted by a seasoned organizational psychologist. By combining effective KPIs with correlated outcomes, the software is then able to predict how much of a particular intervention is required to achieve the required level of the KPI. The software is set up once to suit your organization and KPIs and then allows you to use it to manage your KPIs more effectively.
9 Key Topics to Understand to Frame A Shipper’s Mind for Effective KPI Management with a 3PL

What is a Service Level Agreement (SLA)? How does an SLA work with Key Performance Indicators (KPIs)?

A service-level agreement (SLA) is a contract between a logistics service provider and a customer that specifies, usually in measurable terms, what services the logistics service provider will furnish. Many logistics service providers will provide their customers with an SLA. More recently, logistics departments in major companies have adopted the idea of writing a service level agreement so that services for their customers (users in other departments within the company) can be measured, justified, and perhaps compared with those of outsourcing network providers.

Some examples of basic metrics or Key Performance Indicators (KPIs) that SLAs may specify include:

- IT agreements: Customization/Integration
- Bar coding/RFID/Voice Activation Systems
- Slotting and re-slotting
- Inventory Records Accuracy
- Quality Assurance upon receipt
- Returned Merchandise Authorization (RMA)
- Continuous Improvement
- Mutual Inventory Management/increase turns/
- Cost Reduction agreements
- Implementation of Lean initiatives to increase throughput to customers
- Six Sigma: Voice of the Customer (VOC) feedback/Customer Service
There are many more KPIs that can be added to this basic SLA agreement. The more KPIs, the more difficult the negotiation process. It can take months to negotiate a complex SLA/KPI document, as you go back and forth with your logistics provider so the document becomes a “win-win” for both parties.

After the SLA/KPI is an approved document by both the customer and logistics provider, this document and its contents need to be reviewed monthly to begin with, and quarterly thereafter.

9 Key Topics to Understand to Frame A Shipper's Mind for Effective KPI Management

Effective KPI management starts with some key areas to have both parties understand. These are core principles which will guide the rest of the more detailed and statistical KPIs found in the SLA. Here are the 9 key topics to understand in the relationship between the shipper and the 3PL.

Collaboration

To be unified is to collaborate and trust the shipper/customer Third Party Logistics Service Provider (3PL) relationship. The partners have to work in the spirit of cooperation. It has to be a “win-win” partnership. There has to be give and take. Adversarial relationships do not work.

"Clear" Communication

The organizations have to be set up for very effective, clear communication. In the case of a serious problem, accountabilities/responsibilities and names have to be in place for both parties. If either partner has a serious problem, or the point person can't answer the question, the organizational ladder has to be in place: who do I contact next?
The Answer

Outputs and measures are put into a Service Level Agreement (SLA) with mutually agreed upon win-win, effective Key Performance Indicators (KPIs).

3PL/KPIs

All KPIs have a target percentage to meet. For example: Inventory Record Accuracy has to be 98-100% accurate daily. All KPIs have metrics to measure.

Effective KPI Management Requires Periodic SLA/KPI Review

Feedback: As frequently as possible, and at least monthly, both parties have to review the SLA/KPI document to establish where they are on the win-win partnership targets set by both parties.

Communication Is The Critical Path To Success

Communication should be daily by the customer/shipper project leader/point person of the shipper, and the project leader/point person of the 3PL. Both partners should have their respective Table of Organization (TO) in front of them with all pertinent names, e-mail addresses and cell phone numbers for easy access.

Effective KPI Management Goals

One of the goals of the SLA/KPI should be Continuous Improvement or Kaizen (LEAN initiative). Cost Reduction is another major goal. Jobs and processes should be improved daily by brainstorming, Value Stream Mapping (VSM) and Value Engineering by both parties, as cross-functional teams. The major goal is to bring value to the ultimate customer beyond their expectations.
3PL/Shipper/Customer Rewards

Rewards created by gainsharing. As the two partners implement Continuous Improvement or Kaizen cost reduction will follow. Rewards will be reaped by both parties. Six Sigma’s DMAIC, PDCA and VSM should be used as well to solve problems and gain opportunities. The Transportation Management System (TMS) of the 3PL can gain rewards for both parties as well through freight optimization.

3PL/SLA Skills/Knowledge

Continuous Improvement, Kaizen, Kaizen Blitz, Value Stream Mapping, Value Engineering and Six Sigma skills are necessary to have by both parties, IT system knowledge is imperative for data analysis, visibility to assets, like inventory, tracking shipments, communication, customization and integration.

Effective KPI management starts with understanding these 9 key topics. Effective KPI management is also only as good as how often you are reviewing your data and collaborating with your 3PL for whatever of the supply chain functions you are leaning on the 3PL for. As an example, our shipper customers who come to Cerasis for better and more efficient transportation management, meet with our account managers to review their shipping activity and use our analytics within our TMS to set new benchmarks and update KPIs so the shipper is continuously improving. Continuous improvement is so vital, we've also made it a Cerasis core value.
Looking to Outsource Logistics? A Guide to Go from Pain to Gain

Around the globe, value-added services are becoming an integral part of the logistics market, reports PR Newswire. Meanwhile, the overall value of the global logistics market continues to exceed $4 trillion, and the demand on the industry is only increasing. As a result, more companies and organizations are turning to third-party logistics providers (3PLs) to outsource all or partial logistics operations. Unfortunately, entering the realm of outsourced logistics blindly can have devastating consequences, but you can go from pain to gain when you outsource logistics by following the steps in this guide.

**Hemorrhaging Cash or Encountering Disruptions in Product Flow: Assess Current Logistics Operations.**

Companies that want to outsource logistics begin processes tend to have common problems at onset. They may be hemorrhaging an untold amount of cash flow, or the flow of goods may be continually stalling, due to natural or man-made disasters. While some businesses may opt to simply continue “trucking along,” the true fighters must take the following actions:

**Do something.** You must be willing to start looking at your business with a critical eye. If you cannot see the problems, your business is doomed to fail. Make a move to begin the process of outsourcing by gaining buy-in from stakeholders or other parts of your executive team.

**Assess current operations, if possible.** As explained by the University of Tennessee’s Haslam College of Business, your first duty is to assess the current state of your logistics operations and processes. You need to start working to identify the problems and solutions to your existing internal logistics trials.
Locate and Isolate the Source of the Problem(s).

Assessing current operations can be nightmarish, and you must find a way to generate performance measurements for each area of your logistics operation. The following steps can create a performance measurement score for your operation, explains Cassandra Campbell of Shopify, assuming no scoring system has been in place previously:

**Define each problem.** Create a list of all suspected and known problems in your logistics processes.

**Define what is causing the problem.** If you are unsure what is causing the problem, create a list of hypotheses. This will help you determine the most likely cause of the problem through the process of elimination.

**Determine if an internal solution can repair the problem.** Depending on the size of your organization, an internal logistics solution may be available. Consider it.

**Are resources available for the proposed internal solution?** An internal solution will come with a cost, and you need to ensure resources are available for this reason.

**How does the proposed solution evolve in the event of an unforeseen collapse or expansion of operations?** If the potential losses from an in-house solution are more than the potential costs of outsourcing, move forward with beginning the outsourcing process.

Review Available Options to Outsource Logistics.

In an interview, reports Supply Chain Brain, Scott Vrablik explained the necessity of thoroughly creating a process to outsource logistics processes. These critical steps must include the following:

Create a 3PL Selection Strategy or Plan.

The 3PL should meet with the executive team.

Outsourcing providers should understand the business, including customers, suppliers and pain points.

Consider sustainability measures, if available.

Review vested outsourcing versus immediate benefits.

Narrow the potential outsourcing partners down to a “hand full” of potential 3PLs.
Begin Negotiations With the Outsourcing Provider.

The next step to outsource logistics is starting the negotiation process. This is not a process that involves only one 3PL. Instead, the 3PLs will work to create a bid for your company. In a sense, the bid is the initial phase of contract negotiation. Upon receiving bids, ask the 3PL to review your business for eligibility for discounts, contract length, termination exclusions or restrictions, rebidding processes, payment processing and due-date requirements and usefulness in global trade. Each of these processes is further repeated in a second round negotiations once you have selected the outsourcing partner that most aligns with your needs and wants.


There are a few best practices that can help you succeed in the global supply chain when outsourcing logistics. According to Forbes magazine, the electronics’ giant, Avnet, demonstrates how effectively a long-term logistics partner can be to an organization. However, the following practices, reports Nicole Pontius of Camcode, can enable an organization to continually review outsourcing logistics processes and ensure the outsourcing provider is having a positive effect in the company:

Define a mechanism for measuring performance.
Ensure end-to-end benefits are realized by comparing KPIs to expected results.
Check for discount availability.
Look for experience among peers and a logistics specialist.
Continue operating with a demand-driven view of outsourcing.
Ensure the outsourcing provider’s strategy aligns with corporate strategy.
Take advantage of technology improvements via the outsourcing provider.

Outsourcing does not eliminate your responsibility to stay involved in your logistics operations. Even though logistics processes are outsourced, you should still maintain a close eye on the operation. Ultimately, it is in the best interest of the 3PL to adhere to the requirements as dictated in your contract.

Some 3PLs may try “skim the edges” of the contract. As a result, you need an experienced and globally-known partner in logistics outsourcing with a dedicated transportation management system available, such as the Cerasis Rater. You have the opportunity to grow your business through logistics outsourcing, but understanding what it is and how to select the best partner are essential to creating a comprehensive, bi-directional stream of profits.
Now that we have an overview understanding of KPI (Key Performance Indicator) management, let's dig deeper today and cover ways to create total stakeholder satisfaction, how we can create fully functioning outputs, and finally how to establish the framework to develop KPIs and other measurements.

We will then finalize the series on logistics key performance indicator success management with practical techniques to carry through the academic subjects we've covered thus far.

Ways To Create Total Stakeholder Satisfaction Within Your Organization Starts with the S.M.A.R.T Technique

Before we fully get to establishing a framework effective KPIs when engaging with a logistics company, we must take a step back and understand how to apply the creation of stakeholder value. This starts with deploying the S.M.A.R.T. technique to your own business. If your business is not sound and prepared for engagement with any vendor, much less partnering with a logistics company, you will hardly reap the rewards of hiring outside expertise to bridge the gaps your company is not able to fill using in-house resources.

Firstly, what does your current in-house team look like? Write down the current job descriptions and roles of your current in-house team. Then, and you may not know this yet or you may, write down your desired job descriptions and the roles of the logistics company and how your team would work with the logistics company. This will give you an idea of where your gaps are as an organization and what you need to fill.
At the end of the day, whether you perform logistics fulfilment in-house or with an outside hired logistics company, the goal is to bring value to all customers and go beyond their expectation.

Stakeholders are satisfied when they have bought in and KPIs are being met.

Who are your stakeholders? The entire company of both partners are stakeholders in this relationship.

Both parties get value when there is clear communication of objectives, or goals.

**Setting Communications Objective Between The Two Parties**

This first step is the most important. All communication objectives must clearly support your organization in achieving its stated goals in the engagement with a logistics company. If you are clear about where your organization is going and what it needs to achieve, it becomes much simpler to work out what you need to do in terms of communications activity to support that.

Ideally, all objectives should be S.M.A.R.T. The S.M.A.R.T. acronym stands for "Specific, Measurable, Achievable, Realistic and Time-bound". Sometimes, the S.M.A.R.T. technique is not always possible when delivering communications to a myriad of different audiences, and often on a small budget.

The best way to work out your objectives is to ask the question:

A year from now, what do we want to have achieved from a communications point of view that will support our organization in achieving its goals when working with a logistics company?

**A Scenario of Creating Stakeholder Value in An Organization & Use of the S.M.A.R.T. Technique**
Using a fictitious organization, Rounders NZ, we have set two key business goals for them to achieve in the following year:

To achieve a unified organization which is working productively and efficiently together and which clearly understands the overall business plan.

To effectively introduce the new international rules into New Zealand that satisfy the Olympic Rounders Committee.

To support these business goals, your communication objectives may be:

**By the end of the year, all employees and organizations understand and support our strategic goals and programs for the next three years.** This is a SMART objective and can be measured – provided you think about how you are going to measure it when you put your stakeholder communications plan together at the start. You may want to introduce some checks or surveys throughout the year rather than waiting till the end of the year to find out if you’ve achieved your objective.

**Build awareness and understanding about the new changes to the rules within our sporting code to increase compliance by players and referees.**

The effect of any communications effort with this may be difficult to measure unless specific measurement tools are put in place upfront. Evidence may be just as useful in situations like this.

Objectives won’t work if you make them too broad or try to achieve too much in one statement. For example, saying you want to improve relationships with your key stakeholders might be a worthy objective. However, without the why? It could be interpreted any number of ways when it came to developing activities to support it. That is why it is vital to now think about the desired outcome and how you can crate fully functioning outputs with better inputs.

### Creating Fully Functioning Outputs to Expect from Engagement with A Logistics Company

As we have now taken a step back to first understand how to create stakeholder value for the organization (shipper) who is looking to engage in the partnering with a logistics company. Let's talk about the outputs, or desired metrics worth measuring, in each category of what a logistics company might provide. Now, if you are in this industry, you know that not every logistics company offers the same services. Cerasis is squarely focused on transportation management through technology and managed services, however, there are logistics companies who offer fulfillment, warehousing, freight forwarding, and more. But, we want to make sure and include the outputs to look for in each of the core logistics areas.
Warehousing can have numerous outputs, but here are the core outputs to expect to measure:

- receiving turnaround,
- Six Sigma quality checks,
- put-away time,
- input-output warehouse rack time,
- cycle counting,
- shipping time,
- re-slotting times,
- labor times,
- human resource performance.

**Transportation Outputs:**

- on time delivery to customers,
- following the latest transportation legislation,
- treating customers well when delivering goods,
- route and lane optimization,
- proper tracking mechanisms,
- GPS coordinates,
- driver management,
- driver KPIs,
- transportation maintenance,
- and safety management.

**Implementing and sustaining LEAN initiatives:** 5S, Kaizen, Kanban and LEAN Six Sigma to bring value to the customer and go beyond their expectations
Continued monitoring of Safety/OSHA outputs to protect the people of the logistics company and your own employees.

Continued management education and training to keep abreast of the state-of-the-art in logistics

IT improvement outputs: is the customer delighted with the IT integration, customization, inventory and transportation tracking visibility, and data information. Are your IT systems state-of-the-art?

Is the customer happy with communication?

Are you using voice of the customer (VoC) techniques to improve operations and customer service?

Creating a Framework for Developing KPIs and Measures

KPIs are set by the customer/shipper and logistics company in collaboration and trust. It must be a “win-win” collaboration. The customer states what measurement they want to use to monitor the performance of the logistics company. The logistics company works with the customer to agree or disagree with the requested KPIs. Both find a “win-win” middle ground.

Consider Six Sigma quality will be used and measured. Six Sigma continuous improvements using DMAIC (Define, Measure, Analyze, Improve and Control), PDCA (Plan Do Check Act) and VSM (Value Stream Mapping) are applied for Cost Reduction and Process Improvements.

In Six Sigma you must find the ROOT CAUSE of a process to be able to solve it, and improve the process. The concepts of root cause analysis seem simple, but applying them in every aspect of your company is difficult. Experience dictates:

“If only our employees understood why getting to root cause is so important, and how it will benefit us in the long run!”

“Why do we keep seeing the same problems come back and bite us two months later?”
The statistical representation of Six Sigma describes quantitatively how a process is performing. To achieve Six Sigma, a process must not produce more than 3.4 defects per million opportunities. A Six Sigma defect is defined as anything outside of customer specifications. A Six Sigma opportunity is then the total quantity of chances for a defect. Process sigma can easily be calculated using a Six Sigma calculator.

Considerations of Setting a Framework for Effective KPIs with a Logistics Company

Common pitfalls are not reviewing the SLA/KPI living document frequently enough with a logistics company. A pitfall in practice, is not giving the ACTUAL KPI performance thus making the KPI look good, but not factual. At times, an audit of the percentage behind KPIs will be necessary. If times, or activities change, the KPIs should also change. The SLA/KPI is a “living” document that reflects the current reality of the times.
Chapter Two

The Benefits of Working With A 3PL
5 Advantages of Hiring a 3PL Provider for Outsourced Logistics

There are a multitude of benefits companies gain by outsourcing supply chain management and logistics to a value-added 3PL provider. Third party logistics offers an all in one solution for assembly, packaging, warehousing, and distribution. Utilizing a 3PL provides businesses with a reliable logistics advantage, and maximizes profitability through combined knowledge and resources. The following are 5 advantages to using a 3PL provider.

Resource Network

3PL providers have a vast resource network available that provides advantages over in-house supply chains. Using a 3PL’s resource network, each step in the supply chain can be executed in the most efficient, cost effective way. 3PLs can leverage relationships and volume discounts, which results in lower overhead and the fastest possible service. Choosing a 3PL provider allows your company to benefit from resources which are unavailable in-house.

Save Time and Money

Outsourcing logistics will save a wealth of time and money for your company. Using a 3PL provider eliminates the need to invest in warehouse space, technology, transportation, and staff to execute the logistics process. 3PL providers can save from costly mistakes, and allow your business to build a global logistical network with lower risk and higher return. Additionally, 3PLs save you the time needed to carry out the supply chain. There is no need to worry about the paperwork, billing, audits, training, staffing, and optimization involved to get your goods where they need to go.
Ongoing Industry Expertise

A 3PL provider is knowledgeable of industry best practices, and stay up to date with the latest developments in technology, manufacturing, and logistics. 3PL software is capable of advanced reporting, inventory management, and provides visibility to monitor the entire process. 3PL experts employ Just in Time practices to ensure the correct amount of inventory is shipped when and where you need it. Outsourcing logistics allows your company to focus on your core competencies, and leaves the rest to the experts. 3PL services will allow you to have peace of mind knowing your logistics needs are being handled by reliable, seasoned professionals.

Scalability and Flexibility

A benefit of using a 3PL provider is the ability to scale space, labor, and transportation according to inventory needs. Businesses with seasonal periods can enjoy stress free transitions between industry ups and downs, having the ability to utilize more space and resources when needed. Using a 3PL provider allows your business to grow into new regions without barriers. Furthermore, as you grow, a 3PL provider can help you scale as they have the resources to seamlessly support growth into new markets.

Continuous Optimization

3PL providers have the resources at hand to make adjustments and improvements to each link in the supply chain. 3PL professionals will ensure your needs are met, by using the fastest, most efficient, and cost effective methods. A 3PL provider has the tools to restructure the supply chain, and use technology that ensures the proper amount of goods arrive when and where you need them. Sophisticated management software can analyze and monitor practices to eliminate inefficiencies and streamline the supply chain. Outsourcing 3PL services will ensure continuous improvements are made to your logistics process. Third Party Logistics providers can help maximize profits, reduce wait times, and improve customer service.
Report Points to Increase of Shippers Outsourcing Transportation Management Due to These 4 Core Benefits

Businesses today often need a bit of help moving their bottom line forward. Outsourcing various parts of your company to other businesses that specialize in those areas has long been a solution that can give you excellent results. Here at Cerasis, we understand that it isn't easy to turn over a major part of your company to the hands of someone else. This is especially true when outsourcing transportation management, as transportation can include a large part of your overall supply chain and business costs.

However, outsourcing non-core competencies has now become a widely accepted practice across many industries. One company may outsource IT hosting capabilities while another outsources customer service and yet another fulfillment needs.

Consider the many shippers who have outsourced transportation management and other logistics functions to third-party logistics (3PL) providers the past few years.

A distributor or manufacturer’s strength is in making product—its focus is procurement and streamlining production, but without the capability to fulfill orders, it is doomed. So manufacturers and distributors have increasingly turned to 3PLs to focus on the back-end operations and streamlined process as it relates to transportation management.
According to a recent report from Evan Armstrong of Armstrong & Associates, the 3pl industry is expected to see even more growth in the coming years than it saw from 2010-2013. Here are the details.

- The growth of the U.S. third party logistics industry was at a healthy 4.5 percent in 2010-2013. Armstrong estimates that this growth will increase to 6.4 percent from 2013-2016.
- Worldwide, four specific industries will account for much of the upcoming 3pl growth. Those industries include industrial, healthcare, technological, and food & groceries.
- The slowest demand for 3pl services will be in outsourcing transportation management, Armstrong stated. The biggest demand will be seen in the domestic transportation management, including dedicated contract carriage.
- Currently, domestic transportation management dominates demand, accounting for 23.7 percent of all 3pl demand. Warehouse management demand is also strong, accounting for 19 percent of all demand.
- Due to an increase in wages and manufacturing costs in China, many 3pl companies are “near shoring” — offering increased services in areas closer to the U.S. Mexico, in particular, is becoming a preferred locale for manufacturing services, due to its close proximity to the United States.
- The increased 3pl growth can mainly be credited to the need for infrastructure to support supply chains involved in global trade, Armstrong said.

4 Core Benefits of Outsourcing Transportation Management

For any shipper, transportation management and the costs associated are a huge part of their business having a direct impact on profitability and competitiveness among numerous affects. And while the way you ship and the prices you pay will have a big influence on it, there are other elements involved as well that all need to be looked at. Outsourcing transportation management to a 3PL has these 4 core benefits.

**Better Productivity** – By outsourcing transportation management, which often requires dealing with several if not hundreds of relationships with vendors, customers, suppliers, carriers, and other admin people, shippers free up their team to focus on other aspects of the business, such as better procurement or allowing for more strategic collaborative relationships with suppliers. This means that shippers will complete more work that will generate revenue while the 3PL handles the often fast moving stressful, difficult tasks of transportation management.
Better Results – The simple fact is that when you utilize professionals, you get professional results. A 3PL focused on best practices and the use of the most up to date and effective transportation technology, is trained to identify mistakes or issues in the transportation footprint of a shipper and to not only point those mistakes out but also proactively mitigate such issues in areas of transportation accounting, freight claims, and more. When a shipper outsources transportation management, there is also more accountability yielding more professional results.

Analysis, Reports, and Business Intelligence for Continual Improvement – One of the things we come across at Cerasis, especially as we are talking to prospective shipper customers, is that most shippers don’t have reliable or consistent data not only on the simple activities that occur in transportation, but they have no real way to analyze the data or gain insights that provide business intelligence in order to continually improve. When you outsource transportation management to a 3PL focused on transportation management, you should expect the use of a transportation management system to tender loads, choose carriers, and create bills of lading. Because all of the activity happens in this transportation management platform, several reports and custom analysis can be created. With the help of an expert transportation management company, you are then guided to make future decisions which truly impact efficiency and equates to even more bottom line savings. In short, outsourcing transportation empowers a shipper to get a clear picture of how to improve transportation strategies without having to struggle to get the information yourself.

Simplifying the Chaos of Transportation with Technology – Thanks to technology many of life’s complications have been made drastically easier for us human beings. From hailing a cab, to finding a date, to getting a mortgage, or booking a flight, technology continues to bring down the walls of complexity offering a seamless, always connected, and device-agnostic experience for almost any major function of life and business. This too is true with transportation technology. The driving force of simplification in transportation technology is the use of a transportation management system. As we stated in our state of transportation management systems blog post earlier in the year, unfortunately, not all shippers are taking advantage of a TMS just yet. But, as we have stated in our benefits of a TMS blog post, if you are a laggard in the adoption of technology in supply chain functions, you typically will spend more time and money than you have to and you will hurt your long term competitiveness. And, to boot, as more and more customers, and your competitors, are turning to multiple sales channels and methods of distribution (often referred to as multi- or omni-channel logistics), there continue to be more advancements in transportation technology solutions for e-commerce and reverse logistics.
7 Advantages of a Non-Asset-Based 3PL Provider

Outsourcing logistics processes can be an effective means of managing the needs of your organization. However, when you decide to take the jump to outsourcing, you will have to choose between an asset-based and non-asset-based third-party logistics provider (3PL). Both types of 3PLs have advantages and disadvantages. But, a non-asset-based 3PL provider may offer much more than you realize, including these seven key benefits.

1. Access to Other Experience and Knowledge, Not Limited Hardware.

The first advantage of a non-asset-based 3PL provider is knowledge and experience. Asset-based providers have their own resources, materials and fleets, giving rise to the idea that they are superior choices. However, you must consider how a problem in that provider could evolve. In other words, an injunction or financial penalty assessed by the Department of Transportation (DOT) could jeopardize your entire operation. But, in a non-asset 3PL, additional resources can be diverted and accessed to keep you in operation, reports Aabaco Small Business.

2. Flexible Solutions for Growing Companies.

Scalability is essential to the future success of your business. Market trends will change, and your business will need to adapt to sudden, unpredicted changes in your market forecasts. While analytics tools can help you create an accurate forecast, sometimes they are wrong. As a result, you need a flexible solution, and non-asset 3PLs can meet that demand, asserts 3PL Info. In fact, flexibility is considered the most important benefit a non-asset-based 3PL provider can give you.

It seems like every business comes with hidden costs these days. In asset-based 3PLs, you have no way of knowing what the actual operating costs of accessing their assets are. What are the fuel charges, and how do those charges compare to the rates you are currently being charged?

Non-asset providers have a bested interest in maintaining visibility, promoting greater use of their services. In addition, the goal is to provide the lowest service costs possible, even if it means outsourcing additional processes to asset-based providers. This can be confusing, but you must ultimately understand that the non-asset providers have the wherewithal to ensure their costs are kept down and passed along to you, their partner.

4. Non-Assets Have Paid to Be Recognized by the DOT, Proving Compliance-Driven Resolve.

Before 2013, any organization could claim to be a non-asset-based 3PL provider. The reporting requirements were nonexistent, and some true asset-based enterprises took advantage of this to claim non-asset-based operations. That changed when the DOT mandated a $75,000 freight broker surety bond for all non-asset-based providers in 2013, explains PLS Logistics. Consequently, the true non-asset providers were the ones that could reasonably pay the bond amount without disrupting existing operations. Ultimately, this payment shows potential shippers that non-asset providers have already taken the steps to ensure the safety of their partners.

5. Optimization of Your Existing Supply Chain Network.

The definition of logistics services is all of the processes that go into manufacturing, distribution, sales and returns of products. Since an asset-based provider owns their own supply chain assets in the network, they would not be likely to improve your own network processes. Consequently, you would get the benefit, but if you were to abandon ship, you would lose the optimization. In a non-asset relationship, your own network becomes part of the whole network, creating lasting optimization that would enhance your workflow even if you were to take a different direction in the future.

This also includes equipment and hardware upgrades. For example, the use of a dedicated transportation management system, created by a non-asset-based partner, could help you identify the best carriers to use for future shipments. Meanwhile, an asset-based partner may limit your options to their resources, increasing costs unless fleets expand, explains Industry Week.

An asset-based provider is comparable to a for-profit enterprise, and a non-asset-based provider is comparable to a nonprofit. Asset-based providers are vested in your payments, not your honesty. As a result, you may be on your own with performing audits and preventing errors, such as double-billing, in your transactions. Since non-asset-based providers do not benefit from these actions, it is in their best interests to monitor your transactions for accuracy and catch errors as they occur.

Ultimately, this can prove to increase your profit margins, and within the contract of a non-asset-based 3PL provider, you may pay a portion of reclaimed payments to the provider. Ultimately, the lack of assets means the non-asset provider should work to reduce inefficiencies in your operation by identifying problems and errors to take advantage of a small profit for your larger reclamation.

7. A Non-Asset-Based 3PL Provider Benefit When Your Organization Benefits, Not the Other Way Around.

When your organization benefits, the 3PL should benefit as well. In the case of non-asset-based partnerships, this concept is true. However, asset-based partnerships are built on your use of that company’s specific resources. As a result, you cannot be certain other cheaper rates are available. In non-asset 3PLs, you can access more resources to get a better rate. Since this type of company is built on working with more people to get smaller profits from each person, they can access more resources. Ultimately, a small profit among many people adds up to a greater profit than large profits off a few people.

Which One Is Right for You?

No one can tell you what type of 3PL to use. That is your right as the owner of your organization. However, if you know the advantages and disadvantages of using a non-asset-based provider, you can be better-prepared to make a decision that will benefit your company in the long run.
3PL Logistics Companies Up Services to Continue to Meet the Needs of Shippers

When the housing market collapsed in 2008, the US and global economies went into a tailspin. Stocks plunged, layoffs became normal, and shippers scaled back operations in favor of surviving the collapse. Although 3PL Logistics Companies or 3PLs were around before the recession, companies realized the short-term savings of outsourcing logistics, transportation, and freight management to 3PLs quickly, and the age of the rise of the logistics provider was born. However, the economy is on the mend, and the need for immediate cost savings and lean solutions is starting to take the backburner to how 3PL Logistics Companies could benefit shippers through long-term relationships.

Client Needs of 3PL Logistics Companies

The needs of yesteryear-clients were quite simple: get costs under control quickly. However, the needs of the modern client and end-user are starting to reflect desires in a healthy economy. These needs include the following:

- Access to new markets, which demands area-specific expertise and drayage management.
- Predictive analytics, which identify the intrinsic inefficiencies in simple processes that did not warrant in-depth review in response to the Great Recession.
- Effective dashboarding capabilities, which allow shippers to gain a comprehensive view into small and large processes. For example, the Cerasis Rater enables rapid reporting, tracking of KPIs, and review of asset-allocation quickly and easily.
- Better use of asset-based and non-asset-based resources, such as dimensional pricing, forecasting, storage, kitting, less-than-truckload (LTL) and truckload usage in freight consolidation.
Although each of these needs has always been present, many shippers were able to achieve these feats through in-house solutions. However, a growing omnichannel, e-commerce market share is making shippers look to squeeze every drop from data-rich environments to leverage capabilities and services to reduce costs to the end-user. Consequently, 3PL Logistics Companies must expand their services.

3PL Logistics Companies Expand Services

Modern 3PL Logistics Companies offer much more than traditional 3PLs. Through the use of data-driven technologies and better allocation of assets, resources, and value-added services, according to Joseph O’Reilly of Inbound Logistics, 3PLs have seen an uptick in contracts, and 72 percent of shipper’s report plans to increase outsourcing of services to 3PLs. As a result, some specific services have emerged from the shadows.

In the 2015 3PL perspectives guide from Inbound Logistics, the following graphs show us the state of 3PL Logistics Companies giving us perspective on both the greatest challenges facings shippers and 3PLs. According to Inbound Logistics' Report:

For shippers, cutting transport costs is the top-rated challenge, according to 47 percent of respondents (see Figure 2). Business process improvement (26 percent), better customer service (23 percent), and supply chain visibility (17 percent) follow respectively.

![FIGURE 2](chart.png)

**What is the greatest challenge shippers face?**

- Cutting Transport Costs: 47%
- Business Process Improvement: 26%
- Improving Customer Service: 23%
- Supply Chain Visibility: 17%
- Managing Inventory: 16%
- Finding, Retaining, Training Qualified Labor: 15%
- Reducing Labor Costs: 15%
- Regulations, Security, Other Compliance Issues: 14%
- Expanding to New Markets, Selling: 13%
- Expanding to New Markets, Sourcing: 11%
- Vendor Management: 11%
- Technology Strategy and Implementation: 11%
Considering the challenges confronting shippers in today's market, it's still back to basics. Sixty-five percent of surveyed 3PL Logistics Companies identify capacity as their customers' biggest concern (see Figure 1), followed by technology investment (58 percent), recruiting and retaining labor (57 percent), and regulations (47 percent).

**Figure 1: What is the greatest challenge 3PLs face?**

- **According to 3PLs**
  - Capacity: 65%
  - Technology Investment: 58%
  - Finding, Training, Retaining Qualified Labor: 57%
  - Regulations: 47%
  - Rising Operational Costs: 45%
  - Finding/Retaining Customers: 42%
  - Meeting Customer Service Requirements: 34%
  - Making a Profit: 29%
  - Contingency Planning/Risk Management: 29%
  - Global Coverage: 15%
  - Corporate Social Responsibility (including Sustainability): 13%

**Small Package Auditing, Consulting, and Contract Negotiation**

Small packages have always proven to be more difficult in managing during order fulfillment. They get lost or misplaced. They get damaged. They get forgotten. They get less care than the bulky, oversized items with the “Handle with Care” marking. However, every purchase, and therefore, every order is valuable, especially as social media grows in dominance to prove the customer is always at the forefront of any business.

Small package auditing, consulting, and contract negotiation enable shippers to ensure greater compliance with shipping concerns, better fulfillment, and tracking of packages, enhanced dimensional-weight pricing models to give small packages a fair-share of the focus in transport, and better rates when negotiating prices with the top carriers. In more ways than one, a 3PL is becoming more of a consulting firm, and shippers are looking to 3PL Logistics Companies as experts in the field.
Warehousing and E-Fulfillment

The demands of rapid deployment of omnichannel solutions and greater access to products through e-commerce is generating the need for entirely new era of warehousing. E-fulfillment is becoming a priority as many modern businesses do not exist in brick-and-mortar locations, and the stress of this expansion is being directed into the existing supply chain. As a result, 3PL Logistics Companies are being forced to create new warehouses, move manufacturing and order fulfillment operations closer to consumers, which may include the construction of foreign and domestic warehouses, and focus on ensuring all returns or claims are processed timely, accurately, and with a focus on customer service, not cost savings.

Drayage Management

Drayage management is becoming a similar concern for the omnichannel supply chain as more products are cross more borders, faster, and under greater scrutiny. However, the demand for lower prices and better compliance is driving 3PL Logistics Companies Small to refocus efforts to ensure products are moved short distances by the parties who will benefit the most. In other words, a 3PL who owns drayage operations or who collaborates with other shippers will be able to ensure drayage processes are audited, tracked, and linked across the entire journey. Therefore, accuracy, accountability, and timely delivery of packages will become easier.
International Shipping Optimization

International shipping modes are also becoming a focus on 3PL Logistics Companies. As more companies demand lower rates and 100-percent accuracy in compliance, without accounting for changes in order requirements due to political or cultural differences, 3PLs are working to ensure all international shipping methods use the latest technology, follow best practices, and avoid delays. Furthermore, the push towards international shipping optimization is proving to work best with long-term contracts where the documented trustworthiness and credibility of a company can help shipments move towards fast lanes and avoid the pitfalls of inspections, certifications, and randomized audits.

The push towards a global economy is helping to reduce post-Great Recession fears, and the US economy is clearly on the rebound. Although many organizations found solace in the use of outsourcing services in the immediate aftermath of the Great Recession, shippers are turning their attention back to 3PL Logistics Companies as the health of the world’s economies continues to improve. Instead of focusing solely on short-term, actionable ways to improve efficiency, the role of the 3PL is morphing into the development of strategic partnerships to focus on long-term sustainability, compliance, and growth. As a result, logistics providers must expand their services and capabilities to adapt to their new roles.
Survey Finds Significant Success in the 3PL Industry Across the Supply Chain Industry

For Cerasis, a 3PL is any company that provides technology or services to carry out any of the functions of the supply chain. There are some 3PLs who perform niche tasks, like Cerasis does with transportation management for over the road modes like LTL, Truckload, and small package. Then there are other types of 3PLs, like service supply chain solutions from our friends at Flash Global who serve the high technology sector for after sales service. Then there are some large 3PLs who do the full boat of services in the supply chain from fulfillment, technology, to customer satisfaction and everything in between.

No matter what type of 3PL there is, each brings value to their customers. In short, this survey is saying, among many other studies and reports, that those shippers who partner/outsource to a 3PL are staying competitive because the shipper is able to bring on immediate expertise through the use of a 3PL and the shipper then is able to compete and stay on top of all the latest changes in logistics capability. If you are still managing functions like transportation management in house, it may be time to start looking towards a 3PL in order to continue to scale your company without adding unnecessary costs as you grow.

Survey Points to Continued Success of Shippers and the 3PL Industry

Today, the 22nd Annual Surveys of Third Party Logistics Provider (3PL) CEOs, sponsored by Penske Logistics, revealed that 3PL CEOs are confident about the current state and future revenue growth potential of both their companies and the regional 3PL industries.
The annual surveys, which this year included the CEOs of 30 of the world's largest 3PLs, found that more than 80 percent of the companies surveyed were profitable in 2014. CEOs from North America and Asia-Pacific forecasted three-year revenue growth averages for their companies of 7.86 percent and 11.50 percent, respectively. European CEOs forecasted 5.33 percent growth over the same period.

CEOs across North America, Asia-Pacific and Europe were also asked to project regional industry revenue growth rates for the next three years in each of their regions. North American CEOs projected average industry revenue growth rates of 5.92 percent; European CEOs projected average industry revenue growth rates of 4 percent; and CEOs in the Asia-Pacific region projected average industry revenue growth rates of 5.75 percent.

The surveys are being presented today at the Council of Supply Chain Management Professionals (CSCMP) Annual Global Conference by their author, Dr. Robert Lieb, Professor of Supply Chain Management at Northeastern University's D'Amore-McKim School of Business, and Joe Carlier, Senior Vice President of Global Sales for Penske Logistics. The findings analyze responses from 30 major 3PL CEOs across North America, Europe and Asia-Pacific whose companies generated more than $40 billion in revenue in 2014. The report was co-authored with Dr. Kristin Lieb, Associate Professor of Marketing Communications, Emerson College. The survey is underwritten by Penske Logistics, a leading provider of third-party logistics services.

"Last year, the logistics industry experienced one of its best years in many years and 2015 is on-track to be a good year as well," said Marc Althen, President of Penske Logistics. "The 3PL industry continues to deliver value, savings and efficiencies by collaborating closely with customers and adjusting to rapidly changing economic conditions, business challenges such as capacity and talent shortages, as well as consumer online shopping needs that demand new and agile supply chain and fulfillment models."

An encapsulation of key survey findings follows.
The Growth of Mergers and Acquisitions in the 3PL Industry

Only seven of the 30 CEOs reported significant M&A activity by their companies during the past year. Following the onset of the global recession in 2008 there were relatively few large-scale acquisitions in the 3PL industry. That has changed dramatically since early 2014. Since that time there have been ten major acquisitions by 3PLs totaling $18 billion. This is leading to a significant restructuring of the industry in many markets, and will require substantial effort on behalf of those 3PLs to integrate those operations post-acquisition. It will also result in significant brand confusion in the marketplace that will have to be addressed by those companies. Many of the CEOs involved in this year's surveys believe this recent wave of M&A will lead to defensive acquisitions by other 3PLs.

CEOs across North America, Europe and Asia-Pacific agree that the need for M&A stems from four key factors: 3PLs experiencing market pressure to expand service offerings; an increased desire to offer one-stop solutions to customers; the need to drive scale in specific markets; and a desire to expand their geographic footprint. North American CEOs predicted that 6.54 percent of their revenue growth over the next three years will come from M&A activity. European CEOs projected that figure at 3.67 percent while CEOs from the Asia-Pacific region predicted that 4 percent of their revenue growth during that period would be M&A related.

A More Focused E-Commerce Approach

Survey respondents cited significant changes in the e-commerce marketplace in the past year, referencing strong growth, an increased focus on next-day delivery and rapid expansion of international e-commerce.

In both North America and Europe, CEOs reported that Amazon had a particularly significant impact on supply chains and the e-commerce industry in their regions, highlighting the company's focus on same-day delivery and its developing relationships with 3PL companies for last-mile delivery. On average, e-commerce now accounts for an average of 11.85 percent North American 3PLs' revenue, and CEOs predict it will increase to 20.85 percent in three years. On average e-commerce revenues now account for 5.33 percent of European respondent revenues, and that percentage has been projected to grow to 9 percent in three years. Growth in Asia-Pacific's e-commerce market was aided by the region's massive e-commerce provider, Alibaba – a company Asian-Pacific CEOs believe might become a significant competitor for 3PL business in the region. For all three regions surveyed, CEOs said that the expansion of 3PL technology support for e-commerce was critical for the industry's ongoing success.
"Amazon's recent actions are impacting e-commerce in a major way," said Dr. Robert Lieb, Professor of Supply Chain Management at Northeastern University's D'Amore-McKim School of Business. "The company's market dominance and huge popularity with customers creates a great opportunity for 3PLs to assist Amazon, and ensure customers get the goods they need – especially during peak e-commerce seasons."

Additional Supply Chain, Logistics, and 3PL Industry Trends and Insights

• **West Coast Port Issues:** In early 2015, one of the worst labor conflicts in recent history, labor slowdowns at major West Coast ports, created significant supply chain issues for carriers, 3PLs, and shippers, particularly in the North America and Asia-Pacific regions. Consequences included long delays, the re-routing of many shipments, shipments getting stuck in ports, frequent mode shifts (ocean to air), changes in destination ports, long transit times, missed sales for customers and considerable customer unrest. Amid these significant issues, the conflict underscored the importance of companies addressing risk mitigation and choosing a proactive 3PL partner with a proven track record and strategy for handling disruptions. Despite their customer's problems with the affected ports, 3PLs believe that few of them will significantly change their degree of reliance upon those ports in the future.

• **Global 3PL Industry Concerns:** In Europe and North America, CEOs continue to be concerned by the truck driver shortage and talent management issues spanning the industry. Twenty-six percent of North American CEOs and 60 percent of Asia-Pacific CEOs cited the worsening driver shortage to be a key factor affecting the global 3PL market. Additionally, an inflexible workforce, oppressive regulations, rapidly changing market conditions, increased costs for technology upgrades and capacity constraints are dynamics these CEOs believe will affect the global 3PL industry over the next several years.

• **Lower Oil Prices:** In North America, 80 percent of CEOs reported that the decline in oil prices had a positive impact on key customers, particularly with regard to lower transportation costs. CEOs agree that lower oil prices are not likely to have a significant impact on the environmental sustainability programs of 3PLs.

• **Economic Uncertainties:** Changing economic conditions are impacting the 3PL industry in Europe and Asia-Pacific, in particular. While a few European CEOs reported observing some improvement in the Eurozone, many agree that the European 3PL market has not rebounded significantly in the past year. The majority of Asian-Pacific CEOs cite the declining GDP growth rate in China as an industry dynamic impacting the region's 3PL industry, with additional responses citing infrastructure issues in the region's emerging markets and difficulties in developing accurate economic forecasts.
• **Future Impacts of Ride-sharing Services:** Ride-sharing companies, most notably Uber, are believed to potentially pose a threat to aspects of the 3PL industry in the future. As an international transportation network with technology at its core, Uber operates in more than 60 countries and has attracted significant investment capital. The company could eventually pose a threat to 3PL business, by providing last-mile delivery services, becoming a small LTL carrier and taking business away from small-volume couriers.

**Survey Design**

12 Benefits Realized by Shippers When Hiring Outside Transportation Management Services

Today we are going to pick up from where we left to discuss the benefits and ROI of transportation management services. We’ve already discussed how we view what we call the new model to approach transportation management from a third party logistics provider environment. As a quick recap, the old model separated the use of a transportation management system and managed transportation services. In the old model, managed transportation was then defined as taking over completely the planning and arrangement of transportation.

However, at Cerasis, we believe when you are hiring an outside company for transportation management, it is not entirely taking over, but instead that the 3PL, as in our case, arms the shipper with technology (tools) to procure and make their own choices when it comes to what carriers and what modes are best. The technology aids in this process by more efficiently offering up many choices and letting the shipper know the optimal mode. Then the services that naturally are needed to deal with anything outside of processing a shipment are the transportation management services. These include such things as carrier relations for rate negotiation and maintenance of rates, freight accounting services like payment, auditing, and invoice consolidation, and finally other things like freight claims management.

With technology and services the focus of the transportation management services provider, it allows the logistics or transportation manager to stay strategic and thus embed themselves and their department more deeply into the business and not get siloed or myopic. You can read countless books and studies that say when any job function is in the weeds, it’s hard to move the department, and thus the business forward. With that said, let’s talk about what are the benefits and ROI potential when you employ transportation management services from an outside provider.
12 Benefits Realized by Shippers When Hiring Outside Transportation Management Services

Overview

The decision to outsource any process, including transportation, involves tradeoffs between risks and benefits. Before deciding, it’s important for shippers to understand the costs and risks associated with transportation management services and must assess what are the shipper’s needs in order to align to a provider who can meet those needs and thus provide a tangible and beneficial ROI.

If a shipper currently plans and executes transportation activities using manual processes (spreadsheets, faxes, phone calls) and has more than about $1 million in freight spend or more, it can almost certainly save money while maintaining services levels by moving either transportation management services to a provider who can offer both managed services and a transportation management system.

Transportation management services can offer a significant return on investment (ROI). The primary area in which transportation managed service can save a company money is by lowering its freight spend. However, there are also other types of benefits.

By working with a 3PL to provided transportation management services for transportation planning via a TMS or through an inbound program that executes on the shipper’s behalf or with their vendors, there is typically 4 to 15% of freight savings realized. Very few times do shippers not realize direct freight savings from employing a provider of transportation management services, according to ARC Advisory Group. These savings can occur in a number of different areas as well, typically driving savings mostly in the way transportation procurement occurs. Further, those with hazardous materials typically see a great savings from transportation management services.

These savings are also usually achieved without any service degradation, with many shippers realizing increased customer service levels. So, you have thus a win win of savings AND with increased customer service, a shipper also realizes the ability to stay more competitive, supporting long term sustainable growth.
Benefits of Transportation Management Services

Beyond the ability to save on freight costs, there are a number of other benefits realized by transportation management services to include:

1. **Better Decision Making through Data**: When you are not guessing about what you have done it's a lot easier to plan where you are going. When shippers better understand their activity (much like when you track your own calories) this awareness allows the shipper to make strategic decisions and make better choices to drive down costs.

2. **Process Enforcement**: When a 3PL offers transportation management services through technology, you can build in the custom business logic to make sure users of the TMS are selecting the best carriers for specific lanes. Additionally, a 3PL can enforce a routing guide, working with vendors either through direct freight routing on the vendor’s behalf or by offering a vendor module to access the TMS.

3. **Domain Expertise and Consultation for Continuous Improvement**: When you bring on a 3PL who is an expert at transportation management, you not only get the knowledge they’ve gained since doing business, but you get the knowledge they’ve encountered in thousands of other like experiences for issues you as a shipper may face. It behooves the 3PL to make sure you are informed on all best practices and that you continue to realize a benefit and ROI from their services.

4. **TMS Development over Time to Respond to Market & Shipper Needs**: In line with continuous improvement of transportation management services are the continual improvements to the development of the transportation management system. Now, this is an area you need to ask about BEFORE you hire the 3PL for managed transportation. You should ask if the 3PL has an in house technology team or if they outsource the TMS to an outside provider themselves. You will have more of this benefit if the 3PL has an in house team as they are faster to develop and iterate the TMS to market trends and customer needs.

5. **Warehouse Efficiencies**: When your transportation is managed properly and you are able to successfully procure transportation with less delay, your warehouse and overall operations are also more efficient. You have product coming inbound reliably and product getting to customers reliably. Again, when you are not in the weeds as a Transportation Manager, you can more easily make sure other aspects of the business benefit too.

6. **Customer Satisfaction**: We have already talked a bit about increased customer service levels when hiring a 3PL who offers transportation management services, but it’s such a key differentiator for staying competitive. We all know the old adage of how it’s easy to gain a customer, but much harder to keep one. Do you really want to have the reality that you are not consistently getting product to customers on time? Or that you are having issues with freight claims, or not invoicing correctly? No.
7. **New Delivery Capabilities**: Again, this goes back to a more strategic mindset when you are less in the weeds with transportation management. You can also lean on that domain expertise and work with the 3PL to create optimal shipping strategies, like pool point distribution.

8. **Cash Flow Improvements**: Pre-paid and add? Free shipping? Only Pre-paid? Collect? How do you know how you should charge a customer? When you have the ability to better understand how transportation accounting happens, the 3PL can consult with you on finding the right balance between good customer service and overall profitability/cash flows with your transportation department.

9. **Inventory Reductions**: When you are more confident in your transportation management, with programs like just in time (JIT) and know that each location has a successful inbound transportation program, you start making more strategic business to impact other managers’ jobs, such as the supply chain director. When you hold inventory, cash is tied into product that is not currently driving value.

10. **Ability to Focus on Core business or allow managers the opportunity to focus on other projects**: We’ve indirectly talked about not being in the weeds and how it makes you more strategic. For most companies, it is hard to find the talent they need to effectively scale as they grow. When a transportation or logistics manager is embedded more deeply in the core focus of the business, it helps drive profitability with less resources.

11. **Reduced headcount as the company grows, creating scale**: Speaking of less resources….we want to make this very clear. This is not about firing someone. It’s about making sure you are fully utilizing your resources, and as you grow, instead of adding more resources to transportation, which is a cost, you can deploy those resources to more value-producing type activities.

12. **Better Analysis for driving down more costs through technology**: Like the first benefit of making better decisions through data, when you use technology like a transportation management system, you can work with the 3PL who provided reports around all the transportation management services they provide, analyze it and create more and more strategies to drive down over all costs.

Once the decision is made to proceed with transportation management services provider, the next decision becomes which one? Clearly there are many benefits in outsourcing to a 3PL provider who offers transportation management services. However, as a shipper, you must determine what are your pain points and match those to the capabilities of the 3PL. We are the first to say that the most important thing is not for us to acquire customers, but long term partners as our shipper customers where we create value and long term savings and a long term relationship.
9 Benefits of Effective Reverse Logistics Process Management & 5 Advantages of Partnering with a 3PL

While conventional logistics optimizes the flow of goods from producer to consumer, reverse logistics manages the processes for inverting that flow to deal with returned parts, materials and products from the consumer back to the producer. Most often, this includes warranty recovery, value recovery, repair, redistribution, product recalls, used parts and replacement materials for refurbishment, service or product contract returns, and end-of-life recycling.

With the purpose of optimizing supply chain efficiency and asset recovery rates, reverse logistics process management has increasingly become a tool that positively impacts profitability as well as assisting an organization in meeting sustainability goals. With the growth of sustainability initiatives, more companies have adopted the use of recycled materials in production and have developed procedures for the responsible disposal of products that cannot be recycled or reused. For instance, a growing number of cell phone manufacturers have established procedures in place for consumers who wish to return an older model and ensure that the device is refurbished or recycled rather than dumped into the local landfill.

Thus, reverse logistics process management has developed into a discipline that produces cost reductions, adds efficiencies and improves the consumer experience. Producers have discovered value within returned assets and the benefits of streamlining repair, return and product reallocation processes.
With the advent of sophisticated management systems, organizations have discovered the logic of prioritizing reverse logistics process management, which has led to the development of advanced technology that supports the process. Much of this development derived from the electronics, automotive aftermarket sector, and remanufacturing, in which product lifecycles are significantly shorter, global service networks are increasingly intricate, sustainability processes are mandated and consumer customization is becoming the norm.

However, for many organizations, the returns management process has remained a cost center with low visibility that contains products to be restocked, repaired, recycled, repackaged or disposed of appropriately. Conventional logistics service providers had very few alternatives for reversing the channel; however, as the technology has progressed, companies using robust, proficient reverse logistics process management have benefited from:

- Reduced administrative, transportation and aftermarket support costs.
- Increased velocity.
- Increased service market share.
- Higher achievement of sustainability goals.
- Greater customer service and higher retention levels.

With the right technology in place for reverse logistics process management beyond simply having a reverse logistics process in place, shippers gain more efficient benefits to include:

- Improved reverse supply chain visibility, increased productivity, and greater responsiveness to customers.
- A synchronized supply chain to now include forward traditional logistics, inbound logistics, and reverse logistics.
- Transparency in supply chain operations across your network.
- Automatic consolidation of data from partners and systems.

Advantages of Partnering with 3PL for Reverse Logistics Process Management

Organizations that partner with a sophisticated third-party logistics service provider (3PL) benefit from greater controls over the entire supply chain resulting in improved inventory management, increased visibility, reduced costs and enhanced risk management. Specifically, the benefits of utilizing the expertise of a 3PL for reverse logistics process management produces greater controls over inspecting, recovering, testing and disposing of returned products.
The nature of reverse logistics process management includes higher uncertainty and threats than forward logistics. Companies find it difficult to predict which products may have higher than normal fail or return rates. In addition, products may come back in unrecoverable conditions. The complexity of the reverse system grows as manufacturers may have specific procedures for literally thousands of unique SKUs.

Thus, a comprehensive solution from a 3PL for reverse logistics process management, which includes a holistic approach to all logistics procedures, offers a wide array of technical, operational and strategic capabilities such as:

- Scalability and flexibility.
- Deep industry and regional knowledge and expertise.
- Transparency into the entire product life-cycle.
- Distribution and refurbishment center management.
- Data integration and web-based technology.

Moreover, a 3PL's integrated approach to logistics services includes proactive account management. The delivery of consistency, predictability and transparency throughout the reverse supply chain through a combination of skilled talent, innovation, technology and a solutions-oriented methodology, will fast track customer satisfaction and profitability goals.

Increasingly, effectively managing reverse logistics process management brings about cost savings and greater asset recovery rates realized through the use of a robust logistics network. In today’s environment, maintaining the competitive edge includes partnering with a trusted 3PL to navigate the product life cycle from production to disposition.
What’s the ROI Of Transport and Logistics Providers & A TMS?

Much talk about sales, automation and improved processes dominate the conversation when considering outsourcing logistics processes to a transport and logistics providers or using a 3PL-based transportation management system (TMS). Often, the transport and logistics providers' reps claim initial returns may be as high as 25 percent, if not greater. In reality, the actual savings and return tend to be closer to 10 percent, reports Inbound Logistics. However, 10 percent represents much more than a small bottom line, and you need to understand why.

What Does 10 Percent Buy?

There are many benefits that accompany the use of transport and logistics providers and their TMS systems. According to Supply Chain Digest, a TMS can be leveraged to improve freight consolidation efforts, enable intermodal shipping, improve reverse logistics processes or work to reduce delays and inefficiencies in less-than-truckload (LTL) shipments. However, the 10 percent buys power in the supply chain by addressing three pain points of not using a TMS, which depend

• Immediate upgrades to existing transportation technology systems.
• Increased freight consolidation opportunities.
• Improved centralization of all shipping processes.

Are Shippers “Jumping the Transport and Logistics Providers and TMS Ship?”

You might be inclined to say, “Yes.” But, although the savings do not sound like much initially, the findings from Inbound Logistics are based on assumption and data capture from across the whole industry. In other words, these savings may be an average or due to underreporting. Meanwhile, a recent report, published by ARC Advisory Group, found similar trends. In fact, some respondents in the report indicated a possible increase in savings if returning to the TMS-predecessor were to occur. As a result, ARC sought to dig deeper into the details of why some organizations felt this way.
Why Do Savings Appear to Only Amount to 10 Percent?

Savings analyses may be gathered by assessing a single portion of LTL shipping. This results in the appearance of minimal savings in that particular part of the TMS and transport and logistics providers benefits. However, LTL shipping includes “at least six distinct forms of routing that may have different levels of savings.” Consequently, the only true savings are found when assessing all the components of the TMS, transport and logistics providers and shipping partner together. Essentially, this negates the concept of minimal savings from using a dedicated TMS.

Another reason for incorrect savings estimates revolves around total savings versus “bucket” savings. Bucket savings are savings achieved by similar processes. For example, LTL would comprise one bucket. However, different spend levels associated with each type of bucket can dramatically change how cumulative savings appear. As a result, the 10 percent reflects more of an average of basic, biased figures associated with particular 3PL-based TMS systems. In reality, the savings and return on investment (ROI) may be much higher than meets the eye.

Where Does a TMS Produce Cost Savings for Shippers?

The dedicated TMS is not a system exclusive to printing of labels or processing of individual shipments. It includes use of communication tools as part of customer satisfaction processes, warehouse inventory management and assessment, new delivery capabilities, forecasting for accurate inventory management and improvements in overall cash flow.

In the ARC report, services and ability to manage work flows only deteriorated for 2.1 percent of all TMS users. But, this inherently means 98 percent of all users saw some sort of improvement in overall service and processes. For some shippers, specifically 34 percent, service levels remained the same. However, this does not take economic instability and stress on the industry into account. Therefore, some may assume these businesses or shippers would have other failed should the TMS have never been implemented.

Moreover, respondents in the report indicated the use of a software-as-a-service TMS system would be critical to preventing a loss of profits if traditional processes were restored to use in an organization, further strengthening the argument for the use of a dedicated TMS and outsourcing provider. Ultimately, a TMS is widely accepted as the go-to solution for today’s shippers by 40 percent of shippers using a TMS for current operations, reports Supply Chain 24/7.
Can You Push Cost Savings Higher?

YES.

Your organization is not limited to the savings touted by transport and logistics providers. If you know what to look for in a TMS and transport and logistics providers, you can proactive manage and boost the cost savings and return on investment. This includes the use of key performance indicators and metrics to track the system’s efficiency and improvements to current operations. Furthermore, a TMS will ideally track these KPIs and measurements for you, reducing your workload and increasing the resolve for a long-term ROI.

Of course, there are times when the ROI can produce positive results faster. For example, shippers who have not updated technology or processes over long time periods, specifically decades, the simple introduction of a TMS can potentially produce cost savings as high as 33 percent within six months.

Putting It Together for Future Sustainability and Returns.

TMS systems are transforming. The dedicated TMS is starting to take on new roles and responsibilities as an end-to-end supply chain solution for all supply chain management needs as a product lifecycle management (PLM) solution. In a sense, the Cerasis Rater has already made this leap, creating a more productive and lucrative work environment for shippers using the system.

Only time will tell how much more TMS systems evolve and become better-suited to the specific needs of each and every shipper using them. However, the current outlook is bright, and according to Inbound Logistics, cycle times will only get shorter and shorter, promoting the immediate implementation of a TMS as soon as possible for shippers who have not yet made the switch.
4PLs: Collaboration Among Logistics Service Providers
Creating More Value for Shippers

Collaboration has always been seen as the stepchild at the logistics dinner table. It's nice to have around, but no one really wants to think about what collaboration means for the company. After all, how can two competitors collaborate without compromising the information and structure of each company? Collaboration is driving an entire new way in the realm of logistics lending towards the rise of 4PLs. Collaboration is going to be the only way today's logistics service providers can continue to improve their profits and improve efficiency. Essentially, collaboration comes down to three basic fundamentals: value-added services, expansion of services, and the future of an organization.

Value-Added Services and Collaboration Rising to More 4PLs

Value added services are not necessarily reminiscent of logistics service providers. For example, value-added service may include perks when shipping a large quantity of products on a recurring basis. Other value-added services may include industry expertise and training programs for partners within the given network. As explained by Joseph O’Reilly of Inbound Logistics, value-added services are actually also known as fourth-party logistics providers or 4PLs.

Fourth-party logistics providers (4PLs) do all of the typical functions of a third-party logistics provider (3PL), while adding something more to the table. In other words, 4PLs enable an organization to work smarter, more efficiently, all the while without the increased cost of purchasing such services from another consultant. As a result, the participating organizations increase their competitive advantage without risking the reputations or information of stakeholders. However, collaboration holds many promises for the projections of a given company.
The Present State and Benefits of Collaboration

Collaboration is the brainchild of reason, and companies that work together can pool resources to ensure everything is completed on time, at the right time, and accurately. For shippers, the obvious benefit of logistics providers as 4PLs and collaboration is addressing the demand for reduced costs of shipping, concerns over the driver shortage, and the need to improve existing fleet and compliance measures to meet changes in regulatory requirements. According to MH&L News, 29 percent of shippers report using 4PLs for the purpose of accessing more capacity.

In a sense, collaboration gives rise to greater data-capture points, aggregation, analysis, and change within an organization. All of this seems difficult, organizations that participate in collaboration with logistics service providers see enhanced probability and savings almost immediately. For both small- to medium-sized and enterprise organizations, the benefits of a partnership with 4PLs are even more pronounced. 4PLs can give small- to medium-sized & enterprise businesses access to advanced analytics capabilities, better shipping rates, and a wider range of resources to use to improve efficiency in the shipping process.
Cost-Savings and Future Planning

The third fundamental of collaboration in logistics trends focuses on how collaboration contributes to the livelihood of a company over an extended duration. In fact, a team of researchers at the University of Tennessee further defined this relationship. "Vested outsourcing tries to break down the walls of the typical relationship between a 3PLs/4PLs and a buyer, moving away from the transactional approach to look at the bigger picture, then determine how to work together to take cost out of the network," reports Merrill Douglas of Inbound Logistics.

Furthermore, logistics service providers or 4PLs are continuing to seek out relationships with organizations that will last beyond the typical, 3-year contract. Essentially, each time a contract is renewed, the terms of the contract can change dramatically, and often, these terms do not favor the organization in need. As a result, the cost of operating increases with each renewal of a collaborative effort between logistics service providers and shippers. However, collaboration measures should be seen as memberships.

The duration of a contract with a logistics service provider can actually indicate the stability of the respective company and how well the company will do over time. Therefore, stakeholders can make a more informed decision about how future projections and cost savings for a company will benefit from collaborative relationships in the supply chain.

Collaboration between 4PLs and shippers also helps to safeguard against uncertainties in the industry. As with the driver shortage, labor shortages can occur without warning. This is going to become increasingly true as a more shippers turn towards advanced technologies, such as robotics and augmented reality, to improve efficiency. For the workers in shippers who do not have current collaborative relationships with large-scale logistics service providers serving as 4PLs, the potential investment requirements could easily bankrupt a company. In other words, big businesses that invest more heavily into their current systems will lead to a greater demand for skilled workers in new positions (and with the skills gap is increasingly more difficult). Consequently, shippers will need to have access to a larger amount of resources in order to survive.

What Does It All Mean?

Agile systems, lean production, big data, the Internet of things, and the driver shortage make up some of the latest, most discussed topics on value-adding 4PLs. However, few organizations take the time to truly think about how logistics service providers could improve collaboration, which will result in better rates and efficiency for all partners over an extended time. Collaboration is poised to be one of the biggest, if not the biggest, trend for logistics service providers to focus on in 2016.
The 8 Very Significant Benefits of Utilizing a Transportation Management Provider

Once upon a time, there were fewer manufacturing entities in the world, and shipping companies clamored for relationships with each and every business. During this long-ago time, your business may have thrived in an appease-the-business-no-matter-the-size world. However, global manufacturing and supply chain processes have undergone a significant shift: the number of manufacturers and businesses in need of shipping has grown beyond shippers’ maximum threshold. Fortunately, Third-Party Logistics Service Providers (3PLs) offer a solution to this problem to help in gaining efficiency in transportation management. In fact, 3PLs restore many of the benefits that existed in the shipping world of yesteryear. If your business has considered outsourcing or you are new to the idea, we at Cerasis, a 3PL or more aptly, a transportation management provider, will show you how a 3pL can provide significant benefits you in these 8 key ways.

Saving Money

Face the fact: money is the heart and soul of your business. While you may have a goal or mission statement, your business cannot operate without an influx of money, and some of this money should be spent with caution. By outsourcing to a transportation management provider, you can reduce your in-house expenses on shipping processes.

A Transportation Management Provider Have the Bargaining Chips

Remember our mention of shippers trying to vie for all the businesses? Well, most carriers focus their attention on the entities capable of bringing in the most business, and some may have actually terminated contracts with smaller businesses who did not bring enough capital. A transportation management provider operates at the request of hundreds, if not thousands, of smaller businesses, organizations, and co-ops. This gives 3PLs the same bargaining power, if not more, than the largest companies on the planet, such as Amazon or Walmart.
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Flexibility in Business Processes

Outsourcing your shipping processes to a transportation management provider gives you increased flexibility in overseeing your daily operations. You have standards for completing aspects of manufacturing and order fulfillment, and these operations hang on the satisfaction of your customers. When an issue arises, your customers suffer, and you need to know someone else will back you up with a viable, expert-level solution. By taking care of potential issues, you can adjust your business output at your own pace.
Transparency

Modern civilization demands business transparency, especially with continuing growth and hype of government tax breaks and assistance remaining a primary voter concern. 3PLs have processes in place to handle this concern as many of their operations have no bearing on or possess the potential to disrupt proprietary processes or information of your business, so huge amounts of information about their activities can be released to the public. This completely eliminates the risk to your business while showing you have nothing to hide, except your innovative formula for a new, eco-friendly cleaning product or piece of technology.

Improved Employee Satisfaction

Some might argue outsourcing leads to employee frustrations, thoughts of “mutiny,” distrust among employees, and lost jobs; however, outsourcing a process like transportation to a transportation management provider does not result in the termination of your employees. Instead, it allows your employees to return to the processes and duties that were defined in their basic job description. Consider how an employee might react when he or she discovers he or she must also oversee data entry during the order fulfillment process. Will the employee feel appreciated? No. Will the employee grow to resent his or her employer? Probably. By eliminating the need to expand your employees’ duties to include shipping processes, you can use outsourcing to improve employee morale.

Analysis of Big Data

Since a transportation management provider has a strong amount of leverage against shipping carriers, they control how quickly your product arrives to your customers. This occurs through the analysis of big data, collected via transportation management systems, identification of inefficiencies in the order fulfillment processes, and the integration of the TMS into other logistics systems and databases. Ultimately, a transportation management provider exists as a macrocosm of something you may have already completed: your implementation of a new ERP system.
Access to Technology

Speaking of technology....Technology is changing rapidly. And using software that doesn’t keep up with the latest innovations can put your company behind its competitors. Implementing new product updates can be costly—and sometimes they do not fit your needs. You could hope that you hire the right development team or purchase an off-the-shelf TMS that doesn't come with services as well, but realistically, you are quite challenged to find that unique talent as that takes time, training, and more money. When a transportation management provider has an army of developers who are continually improving technology (like we did at Cerasis when we launched our LTL e-commerce solution or the soon to be widely available reverse logistics application within our TMS, the Cerasis Rater), you as the shipper are the benefit of years of experience matched with technological expertise who are taking the biggest issues the marketplace is facing and applying innovative solutions.

Focus on the Core of the Business

If you were asked to define your business, what would you want to include first? Would you speak about how you send your merchandise to customers, or would you want to say what you produce? Obviously, you would want to speak about your product or services, not how your business gets it to customers. Your products and services are what your customer wants. The shipping side of business is an extraneous fact that comes with business processes and several relationships to maintain, and as such, you do not have to be concerned with it. You should be focusing on developing new products or improving existing products to increase your own return on investment. Outsourcing your shipping needs to a transportation management provider restores your focus. It gives you the time and energy to focus on your products. It also frees up employee duties in other shipping-related aspects of your company to focus on what your company is about: your products!

What is your goal for your business? Growth and success, right? Expanding your business and achieving a stronger hold of your market means you will need to please more customers, produce more products, and ensure you meet any possible government regulations or public criticisms. A transportation management provider enables you to achieve lasting, expansive results, and Cerasis holds the key to your business’s future success. Can you really afford to continue worrying about shipping concerns yourself?
Chapter Three

The Future and Potential Trends for 3PLs
A Not So Distant Look at how the Industrial Internet of Things Could Change the Services Provided by 3PLs

As manufacturing, transportation, and every aspect of humanity evolves in modernity, reliance upon the Internet of Things (IoT) continues to grow and impact every facet of civilization. Another term, as it more relates to manufacturing, distribution, transportation, and logistics that has also been thrown around is the Industrial Internet of Things (IIoT). ThomasNet wrote an article, "Are Manufacturers Ready for the Industrial Internet?" and states:

Manufacturers’ business models and competencies will have to evolve to take advantage of the Industrial Internet. The rewards promise to offer tremendous value to those companies that can adapt and produce machinery and equipment for it.

However, this represents a frightening, yet exciting and profitable, prospect: how will transportation management services, warehouse management systems, and other aspects of third-party logistics (3PL) benefit themselves by using the industrial internet of things in the future? Rather than leave you to your imagination for how this will work, let us take you on a journey into the world of tomorrow, where the IIoT rests within the heart and soul of every 3PL service.

Creation of Smart Containers

Smart containers will have Radio Frequency Identification (RFID) sensors that improve the transparency and accuracy with which a product is transported. In the past, identification of shipping container materials relied on human input to answer any questions about a given product, which includes what, how many, why, where an item needs to go.
Furthermore, shipping containers may or may not be susceptible to damage from the elements; therefore, merchandise would arrive in poor condition, and a return on investment would be lost.

Using the Industrial Internet of Things, RFID sensors will provide a detailed account of all items within any given container and identify times when the environmental conditions of a given container pose a threat to the products. For example, sensitive equipment may be damaged by dramatic changes in atmospheric pressure. The sensor will provide an alert to drivers or other employees working within the shipping company. However, the IIoT will progress to a point where human action for addressing potential problems. The Industrial Internet of Things will have the ability to recall or redirect a vehicle, and computerized loading equipment can select the appropriate shipments for removal and redirection. In another scenario, the IIoT can ensure any such sensitive items are placed within an "indestructible" shipping container, which would eliminate the need for concern over environmental concerns. However, the end result of any logistics system is to improve efficiency and drive customer satisfaction through rapid, reliable service.

Smart Vehicles

Most think of trucks as the primary means of transportation; however, the IoT's impact on shipping includes planes, trains, ocean-carriers, and the eventual use of drones. Smart vehicles gather data and determine which, if any, factors affect a given product's shipping path. For example, all US vehicles manufactured after 2004 require the installation of a Tire Pressure Monitoring System. Since low tire pressure results in poor gas mileage, the parent company incurs an additional cost of shipping. The use of multiple monitoring systems in vehicles, or other means of transportation, reduces the chances of vehicle problems impacting services.

Tomorrow, the Industrial Internet of Things will use this information to identify potential problems before they exacerbate into a shipping failure or delay. Furthermore, the IIoT will identify periods of inefficiency during transport and make recommendations for future transports. The IIoT will also reach into another key aspect of shipping, infrastructure.
The Industrial Internet of Things and Infrastructure

America boasts one of the greatest infrastructures in the world, and America's roads are no exception. However, the most up-to-date 3PL services still have to worry about the actions of other people, such as drivers on roads, throughout the course of business. The IIoT can be seen today in the use of advanced safety technologies in newer vehicles, such as the ability to detect problems. Tomorrow's IIoT will detect erratic behavior of other drivers and produce an alert to other drivers. The Industrial Internet of Things will grow to alert local police departments of potential problems of other drivers, and eventually, IIoT technologies within the roads will disable these dangerous vehicles. In another futuristic scene, the IIoT will shut-down lanes or redirect traffic towards a safer, alternative path. Imagine a time when the road identifies approaching dangerous conditions miles before coming onto the scene of an accident. (Maybe this will decrease regulations which drive up shipping rates.)

Increasing Security and Responsiveness

In close relation to alerting authorities about erratic drivers, the IIoT will have the ability to reduce shrink associated with unexpected opening of shipping containers. Furthermore, the Industrial Internet of Things will identify which items have been moved inappropriately, such as when a corrupt worker tries to steal merchandise. As a result, the IIoT may lock a driver out of the vehicle, alert authorities, or even initiate other security protocols, including an electronically controlled door lock.

Although some argue the Industrial Internet of Things and IoT, in general, will invade privacy and reduce employee satisfaction, it serves as a means of increasing 3PL provider efficiency by reducing human error and extraneous factors. Whether it's avoiding poor weather conditions, determining alternative routes, or increasing company responsiveness to problems, the Industrial Internet of Things will make the world a happier, safer place. Today, we track things. Tomorrow, we rest while the IIoT maximizes vertical integration of systems and prevents problems before they occur.
The third party logistics (3PL) landscape has altered significantly in the last decade and is tipped to experience further growth and change as mobile technologies and ‘smart’ working practices develop. With growth in third party logistics markets forecast to be as high as 15 percent, the demand to service these markets in 2020 will generate fierce competition.

A greater consumer demand for 24/7 services and reduced costs means efficiency and accuracy will be crucial for the future of a successful 3PL providers. Businesses will remain focused on the goal to drive down their own operational and labor costs by outsourcing logistics to 3PLs but success will hinge on their willingness and ability to adopt new technologies.

The following are the first 5 in a two part series on the 10 predictions we will see in the next 7 years which will be common among most third party logistics companies and trends and practices shippers and supply chain managers should come to expect from their providers.

5 of 10 Predictions for Third Party Logistics in 2020

1. More Collaboration Between Shippers and Third Party Logistics Companies

Third party logistics companies will rely heavily on technology to collaborate, connect, and engage with customers. Electronic data exchange will be critical, not only for the performance and integrity of the data, but the flexibility and speed of change. Vendor managed inventory, where the supply chain vendor monitors the buyers inventory and makes periodic resupply decisions, will be common in even the smallest 3PL via web-based portals and access to the systems of the 3PL.
2. The Rise of Mobile Applications

Paper records in warehouses will be a distant memory, and everything in 2020 will be focused around agility through mobility. Mobile devices will be commonplace and used right across the board at all third party logistics firms. With the potential for RFID enabled devices to hold data so that the items carry information with them, for example, product and providence for identification and traceability. Customers will be able to order and process freight shipments anytime, anywhere, 24/7.

3. Smarter and More Dedicated Technology from Third Party Logistics

Third party logistics providers will see the benefits of investing in smarter IT and software systems which can deliver rapid ROI. Software, such as Transportation Management Systems (TMS), will drive cost and time saving, decreasing inefficiencies. Voice prompts and commands will be standard in the supply chain process, such as stock inquiries or freight tracking. Improved speech recognition software will also allow workers to communicate directly with their Warehouse Management System (WMS) to improve stock recording, speed up order turn-rounds and shorten staff training periods.

4. The Harnessing of Big Data and Information Sharing

Cloud-based technology will be used by the majority of third party logistics companies as they embrace the new age of ‘Big Data’. 3PLs will recognize the need to allow clients access to their own systems to improve efficiency in areas linked to seasonal trends and the demands of flexible operations. Shared data will also allow the traceability of an item in the supply chain.

5. The Globalization of the Economy

In 2020 the world economy will be more integrated and 3PLs will be expected to work on a larger scale with a distinctly global outlook. Distribution will expand globally with more opportunities opening up in other parts of the world creating an even more complex supply chain, varying costs, increased process and therefore an increase in expert third party logistics.
6. Increased visibility for Manufacturers and Shippers into the Supply Chain

Methods such as continuous replenishment and inventory management will be commonplace. A more holistic approach to the entire supply chain will be typical from third party logistics providers, with more emphasis given to external visibility. Collaboration with manufacturers will assist with visibility of production schedules with supplier and ensure raw material availability, but also with sales channels so that demand is connected with availability.

7. Workflow automation Technology will Continue to Increase

Information previously generated by people will increasingly be automated and system-generated, and data will flow out of increasingly sophisticated stock sensors. Inventory will count itself, and containers will be able to detect their own contents. GPS technology will allow pallets to report in if they end up in the wrong location allowing delivery errors to be put right while still in transit.

8. Diversification of Third Party Logistics Providers Services

Outsourcing to third party logistics providers has seen fierce rivalry between businesses and only those which are able to add value to the services they offer, with differentiators, will survive. Those who make it will have morphed from commodity distribution services to more complex organizations offering online ordering, returns processing, product assembly and kitting, documentation and inventory management. Integrating customers with a broader range of solutions will become a way for third party logistics providers to form longer lasting partnerships and become more profitable in the future.
9. Better Management Offered to 3PL Customers

While commercial success will largely depend on staff, an all-encompassing transportation management system will encourage better employee management through super user access and management within the system. Staff will be more accurately measured against KPIs from time per task, which carriers they chose, and how efficient are they are making sure invoices are accurate and freight claims management are handled.

10. Sustainability for the Environment

As businesses identify new ways of working to decrease inefficiencies, sustainability will be key. This will impact on the buildings and equipment used or procured by the third party logistics providers, which will look to green-friendly technology to deliver efficiency savings in areas such as energy consumption and transport costs. Expect companies, even direct competitors, to share transport in order to reduce overheads, including fuel and maintenance costs.

In Conclusion

Technology will continue to be vital to the sector, mobile devices and business intelligence solutions playing a big part in streamlining the industry. Those firms that are the most agile and are quicker to invest in new technologies and adopting smarter ways of working, will be the 3PL companies leading the field in 2020.
The Future of Logistics: Are 3PL Companies Ready to Adopt these 4 Emerging Technologies?

This first post is part one of a two-part series on the future of logistics. In today's post, we will cover the four emerging technologies which 3PLs must consider as a part of their service offerings. In the least, 3PLs must understand these emerging technologies so that one day they may integrate into logistics service providers' company practices to better serve customers.

The logistic industry is going through a time of rapid and unprecedented transformation. The future of logistics is paved with innovation and technology. It was not long ago that ideas like 3D printing, the Internet of Things (IoT), drone delivery, and augmented reality were things of science fiction. Today, the industry is cautiously adopting these technologies to provide faster, cheaper, more reliable and sustainable delivery. At the same time, their customers - primarily the manufacturers and retailers - are wasting no time urging their 3PL logistic providers to integrate these technologies into their service.

Here is a look at the cutting-edge technologies that are likely to have a lasting impact on the future of logistics and supply chain management, and what they mean to 3PL companies and their customers.

4 Emerging Technologies Shaping the Future of Logistics

3D Printing

3D printing as an idea is not new; it has been floating around for many years. However, it was only in recent years that the idea became a reality. This technology makes it possible for manufacturers, businesses and individuals to print exact working replicas of parts and products using metals, plastic, composite materials, and even human tissue.
According to 3PL Selection and Contracting Survey conducted by EFT, over 40% of the manufacturers and retailers questioned expect their 3PL providers to have some knowledge/expertise on 3D printing. But what do people who run 3PL companies think about the technology? The EFT study revealed that 19.2% of manufacturers and retailers are already using 3D printing in their businesses. However, only 1.5% can provide expertise knowledge and services. Only 2.6% of those surveyed have comprehensive knowledge and know-how and plan to provide the services, 1.5% have complete knowledge, 12% have some knowledge and 7.5% plan to have knowledge and provide services.

The Internet of Things (IoT)

This revolutionary technology allows devices to communicate with each other within an existing internet infrastructure without human intervention. Its application in the future of logistics is expected to increase speed, decrease waste and reduce overall costs.

The study found out that 26.25% of 3PL companies are currently using machine-to-machine (M2M) technology and 46.62% plan to deploy them in the future. When asked about the impact of IoT on logistics and supply chain management, 47% said they believe it will have a tremendous impact while 49% said that it would have some impact. Only 3% said that it would have no impact.

Drone Delivery

Amazon caught a lot of attention when it announced its plan to use drones to deliver products to customers. Since then, many companies have announced their plan or are considering the idea. But skepticism is still widespread as this use of a new transportation mode in the future of logistics. The study found that a whopping 27.31% of people believed that the chance of drone delivery as a reality in the next 5 - 10 years is very slim. 5.88% think that drone delivery will never happen.
However, not everyone in the study by EFT is so skeptical of drone delivery. 27.31% of survey respondents believe drone application in shipping will occur only in highly specialized areas, such as delivering drugs to remote locations. 36% of respondents believe that there will be some form of drone delivery in 5 - 10 years and 6.3% believe that it will be commonplace in 10 years.

Without a doubt, drone delivery faces many challenges just as every new technology in its infancy does. A significant number of respondents (35.71%) believe that regulatory issues will be the main difficulty while 23.95% believe that it will be safety issues. 11.334% of respondents think that the cost of creating a network will be the biggest challenge, 10.92% believe that it will be reliability issues, 10.08% think it will be weight and size limitations and 2.94% think it will be technology issues.

Thirty-one percent of manufacturers and retailers want to see logistics companies use drones for product delivery. But are the 3PL companies ready to adopt the technology? The study found that only 1.5% of the companies can provide expertise, knowledge and service while 1.5% of businesses have comprehensive knowledge and know-how, and plan to provide the service.

**Driverless Vehicles**

Google's vision of driverless electric vehicles has had a lot of people predicting that the future belongs to self-driving vehicles. Such a vehicle is equipped with electronic eyes and ears and capable of navigating without human input. Its application in logistics can make an enormous reduction in costs. But are 3PL companies ready for this cutting-edge technology?

The study found that 42% of manufacturers and retailers would like 3PLs to have some knowledge and expertise of driverless vehicles. However, 0.75% of the 3PL companies can provide expert knowledge and service while 1.5% of them have comprehensive knowledge and expertise and plan to provide the service. On the bright side, 12.78% said they have some knowledge, and 6.02% said they planned to have knowledge and services.
Where Do We Go From Here? Taking a Look at the 2016 State of Logistics Report

2015 was a different year for the logistics industry. For the first time in more than 10 years, the Federal Reserve took the initiative to slightly increase interest rates, but the hopes for a robust start to 2016 were quickly dashed. The prices of fuel continued to drop, and growth in the logistics industry slowed to a painstaking crawl of less than 2 percent. So, let’s take a closer look at what findings were released within the 2016 State of Logistics (SOL) report and how they impact current and future logistics processes.

**Slow Growth Rate and Low Percentage of GDP.**

The logistics industry had become accustomed to a steady compounded annual growth rate (CAGR) of approximately 4.6 percent annually between 2010 and 2014. Yet, the CAGR of 2015 fell by 2 percent. As a result, logistics in the U.S. made up only 7.85 percent of the gross domestic product (GDP) of 2015.

This decline was not solely indicative of problems within the industry. Instead, annual transportation costs rose continued to rise by 5.5 percent. In other words, the industry would have grown by 12.1 percent if inflation had not significantly impacted expenses. In fact, logistics costs were only $1.48 trillion in 2015, compared to $2.15 trillion in 2014. As a result, more logistics operations will be more carefully monitoring their expenditures in the coming months to further the trend.

Compared to global GDP of countries with immature or novice logistics operations, the growth of logistics costs in the U.S. are significantly less. Although the overall GDP percentage of the U.S. logistics industry is not as much as it once was, it has remained relatively stable within a 1-percent margin over the last 10 years. The following graph from the 2016 SOL reveals how logistics as a percentage of U.S. GDP has changed since 2006.
Transportation and Storage Cost Insights From the 2016 State of Logistics.

Changes in transportation and storage of inventory costs made up significant portion of the 2016 SOL. Overall transportation costs rose by 1.3 percent between all possible modes. However, less-than-truckload shipping revenue rose 7 percent and small package shipping rose by 8 percent. Meanwhile, full truckload (FT) revenue increased by 3 percent, and intermodal revenue rose 2 percent. However, ocean and rail transport saw significant decreases in previous demand, but these modes still managed to see slight growth of 2.1 percent. Unfortunately, the demand for coal fell nearly 12 percent in 2015, pushing overall demand for shipping down and accounting for the low average of growth in transportation costs.

Inventories are a major issue analyzed by the 2016 SOL as well. While inventories had steadily grown since 2005 at 5-percent annually, growth of inventories in 2015 flattened out. Yet, the inventory cost increased in 2015 by 5.1 percent due to a rise of 42 points in weighted average cost of capital. In other words, even though the actual amount of inventory started to decrease, changes how the growth was calculated resulted in the appearance of a growth of inventory on paper. In terms of physical requirements, inventory levels remained the same as 2015.
Small Package and Express Sectors of Logistics.

As explained by the high-than-average growth rates in small package and parcel shipping in 2015, the parcel and express sector of the industry shows the most promise for continued growth throughout 2016. As of now, the parcel and express sector represents approximately $82.2 billion of the logistics industry. Meanwhile, third-party logistics providers have also entered the equation into how the future of the logistics industry will evolve.

3PLs in the 2016 State of Logistics.

The hallmark of 3PLs within the 2016 SOL is technology, efficiency and advancement. Technology from 3PLs now accounts for 11 percent of all U.S. logistics costs at approximately $196 billion. Moreover, information technology (IT) developments by 3PLs are expected to increase steadily through 2018 at an annual rate of 5.6 percent. Yet, actual investments into IT could easily exceed these predictions as newer technologies are developed and deployed throughout the supply chain. For example, blockchain technology may significantly change the amount of revenue spent on IT needs in the next few years.

The 2016 State of Logistics Report revealed many pain points faced by the logistics industry in 2015, but its insights lack value if not applied to your organization. Due to the FAST Act, the logistics industry will receive a sum of approximately $900 throughout 2016 to help combat rising costs through better roads and infrastructure.

Regardless of current shipping and logistics practices, you need to understand what the findings of the report mean for the industry. In other words, you can leverage the information within the report to create a more productive second half of 2016 and prepare for a better way to meet the needs of customers without increasing costs.
CONCLUSION
Thank you for reading this comprehensive part 2 of the Essential Guide to Third Party Logistics. We hope you learned more about the 3PL industry than you knew before reading.

When it comes to procuring any outsourced partner for any part of your business, the more you know about what you are buying the better decision you ultimately make for what service, tool, or partner you choose. When it comes to your freight and your logistics processes, with logistics taking up a large portion of your operating costs and Cost of Good Sold, it’s vital you make the right decision on a 3PL partner.

Cerasis, the author of this educational eBook provides a comprehensive suite of transportation management services to give your company the competitive advantage by getting your products to their final destination in the most reliable and cost effective way. Increasingly, the holistic 3PLs that offer services such as freight rate negotiation, freight auditing, information technology and economies of scale, as provided by the Cerasis transportation management system, the Cerasis Rater, are becoming the strategic partners for success along the supply chain.
About Cerasis

Cerasis, a transportation management company founded in 1997, has always believed in the use of technology to improve process to not only reduce cost but to stay strategic, competitive, and have the ability to use data from technology to continually improve. In fact, one of our core values is just that: continuous improvement of our people process and technology.

We built our Cerasis Rater TMS in 1998, launching it as web-based before Google was even a business. Our (now Army, as our Development Manager, Jerel Byrd calls them) development team are always continually improving the Cerasis TMS, as we know it is vital to have a system that is not only innovative, but sound, secure, and enables those in transportation to do their job all while doing it cost effectively.

Are you using a TMS to help manage your transportation department as a shipper? What are you seeing in the space?

In addition to our transportation management system (TMS), the Cerasis Rater, when you are a Cerasis shipper, you gain access to the following managed services:

• Transportation Accounting to include: Invoice auditing, one weekly invoice no matter how many shipments, and freight payment services
• Comprehensive end to end freight claims management: if your freight is damaged or lost, we will handle the freight claim on your behalf
• Carrier Relations: We will negotiate rates on your behalf and you get better rates thanks to our buying power
• Inbound Freight Management
• Reverse Logistics
• Robust Analytics and Reports
• Small Package/Parcel Auditing
• Small Package/Parcel Contract Negotiation
• Warehousing
• International
• & More!

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