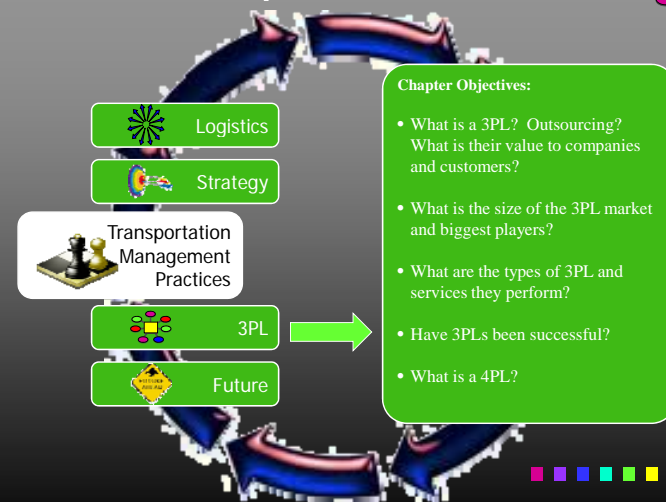


# Shipper Strategies & Third Party Services

## Chapter 12



## Road Map to Success



## Definition of Third Party Services

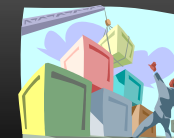


- any form of transportation that is offered to a shipper or receiver as part of a total package of logistics services in which transportation is one component
- use of a for-hire firm to perform all or part of a company's supply/distribution functions

## Third Party Services a.k.a.



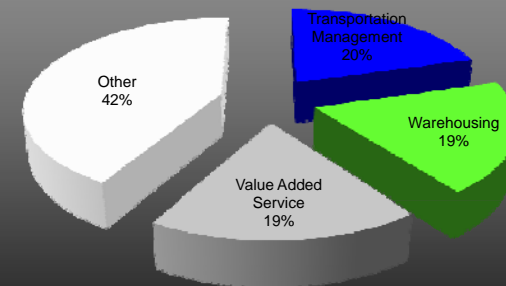
- logistics
- Value-added logistics
- Partnership logistics
- Integrated logistics services



## Services Offered by Third Parties

- Transportation
  - freight forwarding
  - freight brokerage
  - dedicated carriage
  - traffic management
  - intermodal service
  - consolidation
  - freight bill auditing
  - carrier selection
  - rate negotiation
  - international service
- Logistics
  - warehousing
  - inventory control
  - information systems
  - network design
  - facility location
  - order processing
  - customer service
  - assembly, packing
  - product return/repair
  - supply chain mgt

## Logistics Services Provided By 3PL's



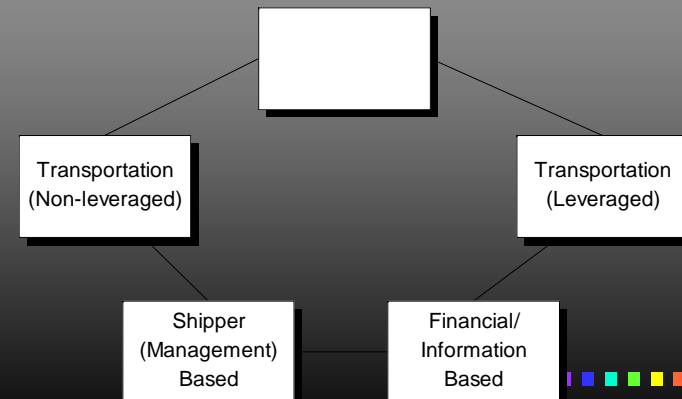
Source: [http://www.3plogistics.com/PR\\_3PL\\_Customers-2006.htm](http://www.3plogistics.com/PR_3PL_Customers-2006.htm)

## Key Third Party Providers

- Transportation firms
  - motor, rail, air, and ocean carriers
- Transportation intermediaries
  - forwarders, brokers, IMCs, agents
- Warehousing companies
  - public, contract, dedicated
- Consulting firms
- Financial institutions
- Computer companies
- Manufacturers



## Types of Third Party Contract Logistics Suppliers



## Classification of Providers

- Asset based vs. non-asset based
  - CTI vs. Caliber Logistics Services
- Operations vs. management services
  - Caterpillar Logistics Services vs. Cass Logistics
- Integrated services vs. individual services
  - Federal Express vs. Schneider National
- Functional vs. strategic
  - Exel Logistics vs. A.T. Kearney

## Third Party Logistics Size Estimates for the 1990's

- Rapidly growing market in U.S.
- Opportunity for smart managers

(\$ Billions)	1992	1996	2000
Relevant Services	374	421	474
Penetration Rate	2.7%	6.0%	10.0%
Market Size	10	25	47-50

Source: Robert V. Delaney, Case Logistics, Inc.

## 2008 Top 10 3PLs

Rank	Company	Rev (mil)
1		\$39,900
2		\$20,220
3	DB Schenker Logistics	\$12,503
4	Geodis	\$9,700
5	CEVA Logistics	\$9,523
6	Panalpina	\$8,394
7	Logista	\$8,190
8	CH Robinson Worldwide	\$7,130
9	Agility Logistics	\$6,316
10	UPS Supply Chain Solutions	\$6,293

Source: 3PLWire

## Fortune 500 Companies with Multiple 3PL Providers

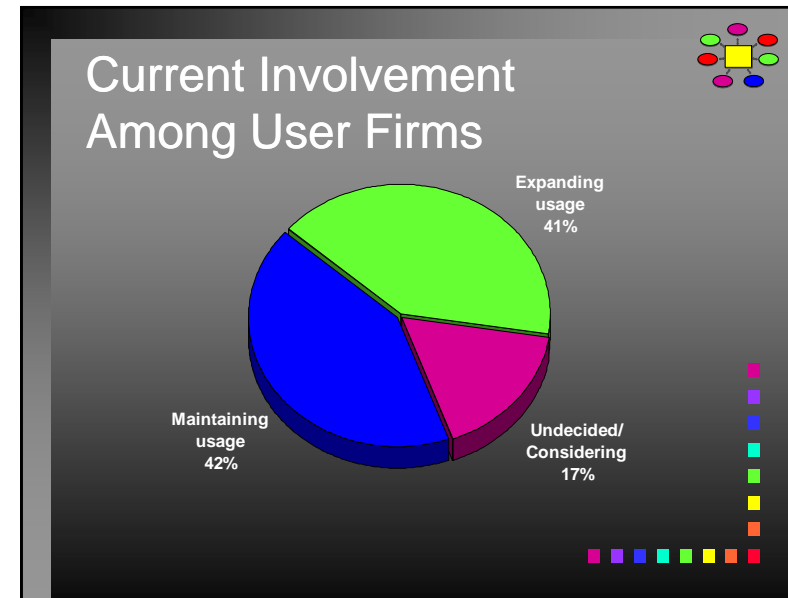
Number of 3pl's	Company
43	
36	
32	Wal-Mart
31	
30	
27	Hewlett-Packard, Proctor & Gamble
25	Pepsi
24	Unilever
21	BMW, GE, Home Depot, Sears
19	Nestle, Toyota
15	IBM
14	Coke, International Paper
12	Target, Dell
11	John Deere, Exxon, Sara Lee, Samsung

Source: Armstrong and Associates; www.supplychainbrain.com

### Reasons for Third Party Usage



- Return to core competencies
- Preservation of capital
- Reduction in headcount
- Provide operational flexibility
- Provide economies of scale
- Need for improved customer service
- Increased awareness of L&T value
- Trigger event
  - capacity constraints
  - organizational change

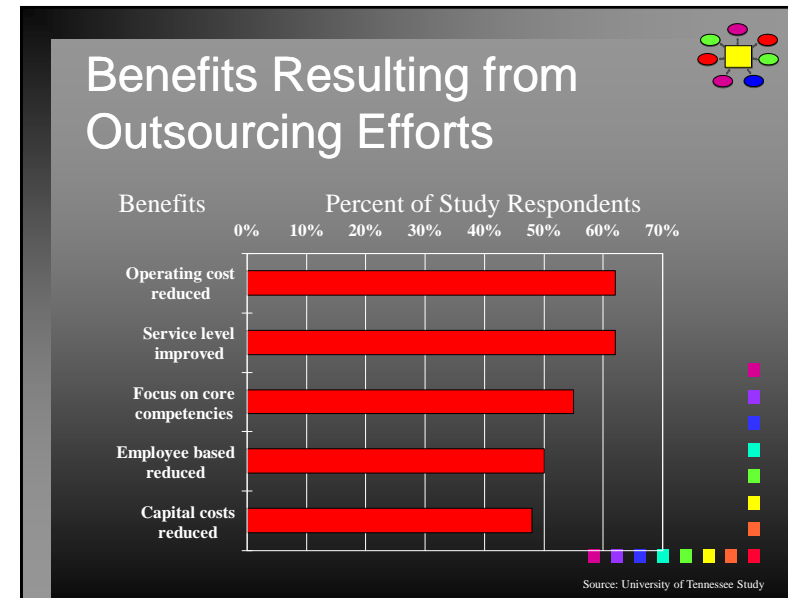
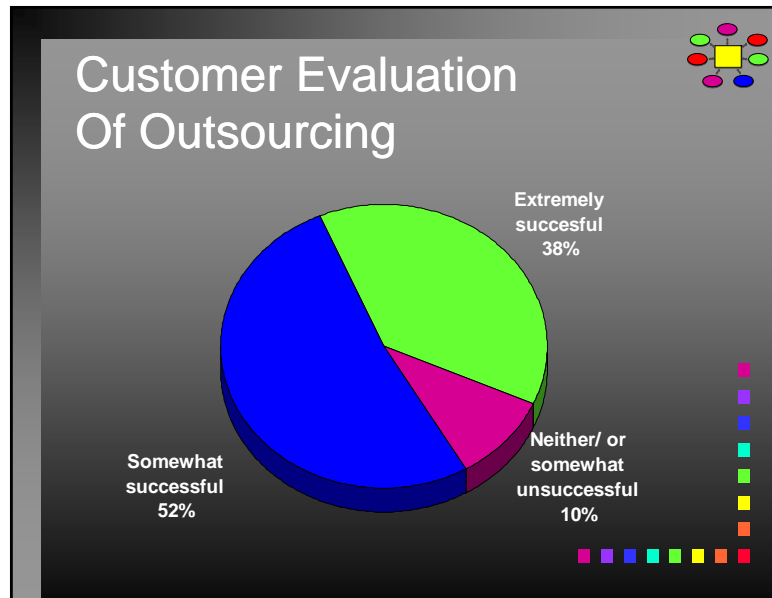


### Services Outsourced Most Frequently

<u>Logistics Activity</u>	<u>Percent of Firms</u>
Freight Bill	60.8%
Auditing/Payment	59.7
Inbound Transportation	48.1
Freight Consolidation/Distribution	32.0
Product Marking, Labeling, Packaging	29.8

### Services Outsourced Least Frequently

<u>Logistics Activity</u>	<u>Percent of Firms</u>
Customer Service	4.4%
Order Entry / Order Processing	6.6%
Product Assembly / Installation	8.3%
Inventory Management	9.9%

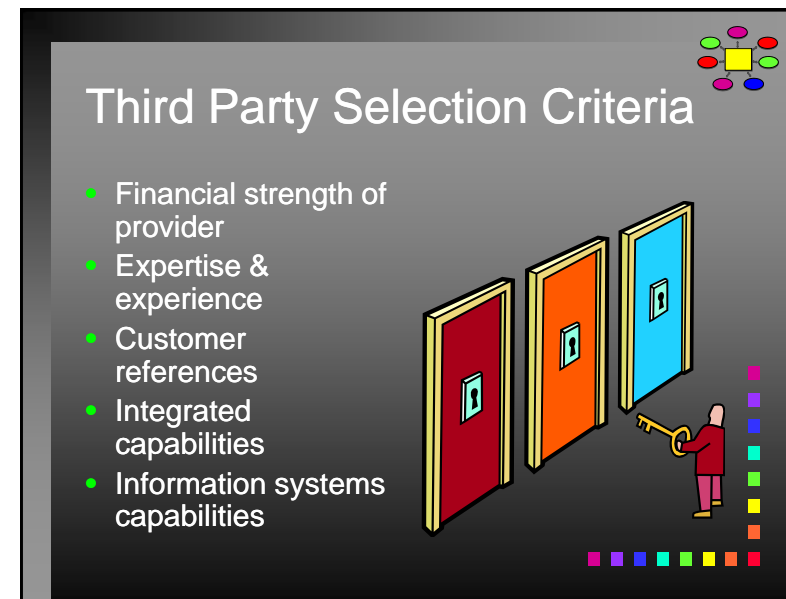
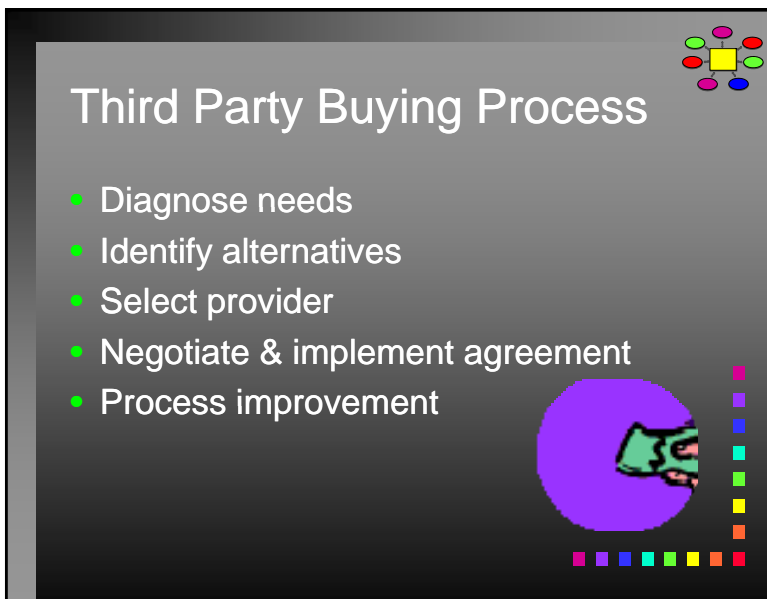
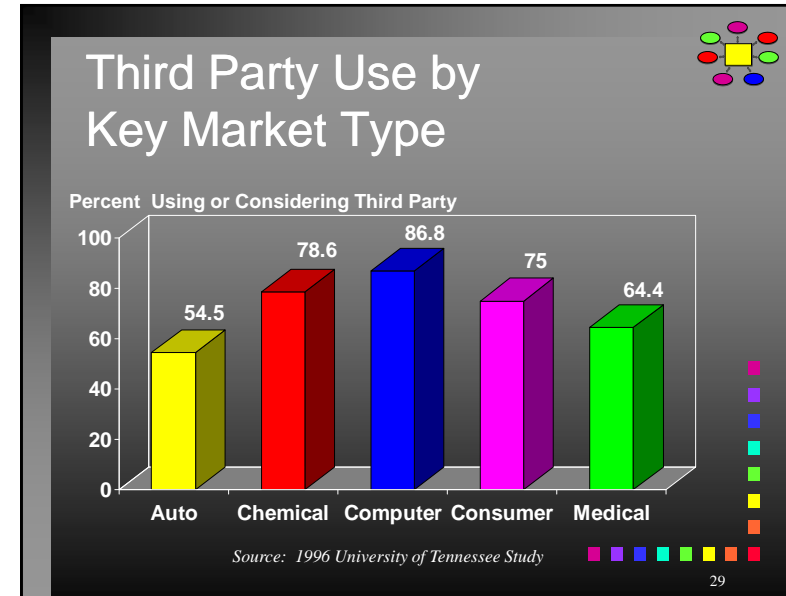
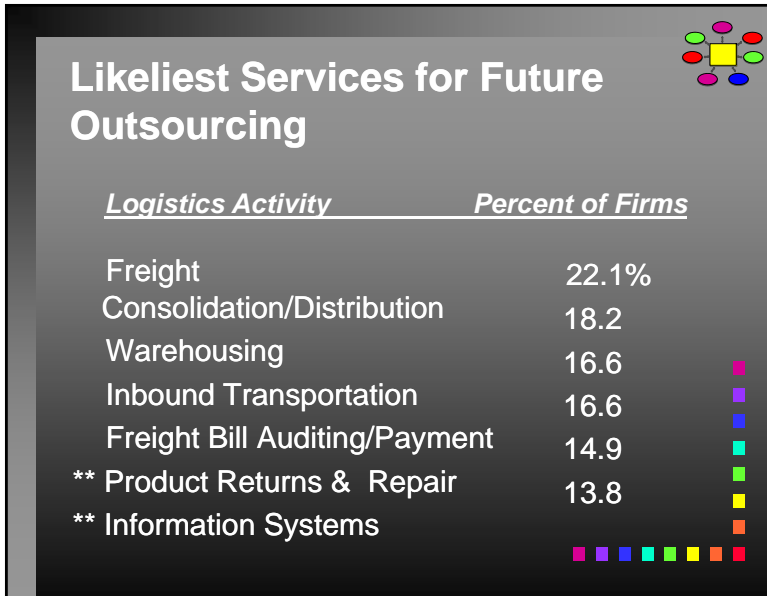


### Did You Get What You Paid For? (Answer = Yes)

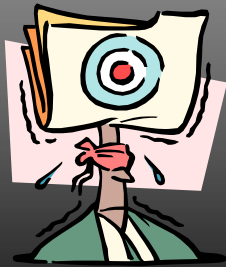
<u>Business Objective</u>	<u>Percent Experiencing Improvement</u>
	96.0%
	89.8
Expand Geographic Coverage	87.8
Risk Reduction	84.4
Cost Reduction	83.6
Specialized Services	83.3

### Did You Get What You Paid For? (Answer = Not as Much)

<u>Business Objective</u>	<u>Percent Experiencing Improvement</u>
Improved Information Systems	45.3%
Move from "Push" to "Pull"	51.4
Faster Implementation	58.5



## Potential Limitations to Third Party Industry Success



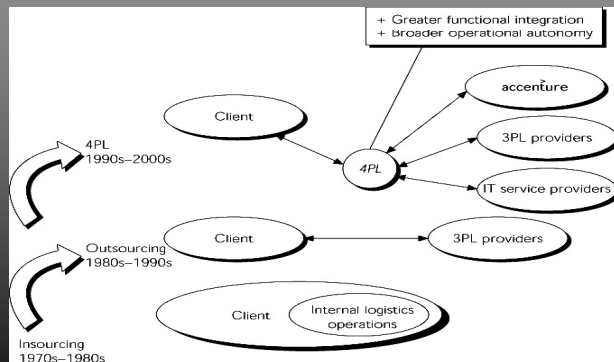
- Fear of losing control
- Fear of losing internal skills
- Managers do not want to lose their power
- Reliance on outside firms can be dangerous
- Gains may be short lived

## Fourth-Party Logistics (4PL): The Next Evolution?



- Thought of as supply chain integrator, a firm that “assembles and manages the resources, capabilities, and technology of its own organization with those of complementary service providers to deliver a comprehensive supply chain solution.”<sup>12</sup>
- 4PLs manage and direct the activities of multiple 3PLs, serving as an integrator.

## Fourth-Party Logistics (Registered Trademark of Accenture, Inc.)



## Trends / Issues / Concerns

- Potential shakeout of supplier base
- Success stories will breed interest
- Focus of outsourcing will be on labor intensive functions rather than strategic planning & control
- Shortage of qualified managers at 3PL firms
- Best LIT career opportunities

