Executive Summary: The market for third-party logistics (3PL) providers continues to grow, driven by the myriad of services they offer that can help companies of all sizes manage increasingly complex and global supply chains. Several 3PL organizations are based in or have significant operations within the state of Florida.
The U.S. third-party logistics market is expected to grow from about $150 billion in 2016 to $200 billion by 2022, while the global market will top $1 trillion by 2022, Global Market Insights reports. “The industry is certainly growing, and in a combination of ways,” says Joe Puleo, chief commercial officer, North America, with DHL Supply Chain. Puleo says his firm is seeing a significant increase in first-time outliers, as well as growth from existing customers.

“Outsourcing logistics operations enables companies to focus on their core competencies while reducing capex, managing inventory, and mitigating risk.”

– Arun Hegde, Head of Global Business Development, Global Market Insights

Among the services third-party logistics (3PL) providers can offer are multi-mode transportation and/or transportation management, warehousing, freight consolidation, order fulfillment, and other value-added services, like secondary packaging, says Cliff Otto, chief executive officer with Saddle Creek Logistics Services, based in Lakeland, Fla. Asset-based providers use their own trucks and warehouses, while providers that are non-asset based contract with third-parties to offer services. “A good 3PL should really be able to handle any and all portions of the supply chain, from purchasing to final delivery,” Otto says.

This is key, as many shippers and manufacturers are looking to simplify and minimize the complexity inherent in extended, global supply chains, says Robert Doyle, president of Doyle Distribution and a board member of the International Warehouse Logistics Association. 3PLs that offer a range of services can help their clients remove cost and boost the efficiency of their supply chains.

What’s more, “companies of all sizes can be good candidates for logistics outsourcing,” Otto says. Smaller companies can let the 3PL handle logistics while they focus on marketing, product and channel development, and business expansion. Larger companies can use a 3PL to integrate services and focus on continuous improvement, he adds.

3PL Benefits
One of the primary drivers behind the 3PL market is a “growing awareness of the financial and performance benefits of working with a 3PL,” says Arun Hegde, head of global business development with Global Market Insights, a Delaware-based research firm. “By outsourcing these operations, companies can manage higher order volumes more economically and ensure increased streamlining.”

The resources 3PLs can offer, such as strategically located facilities, state-of-the-art technology, and industry expertise, enable them to provide “overall logistics cost reductions and service improvements,” says Kerry Byrne, president of Total Quality Logistics (TQL), which operates seven Florida offices. A company with a single warehouse can spread the costs of a warehouse management system, forklifts, and material handling equipment only over its own customer base. A 3PL that makes the same investment can spread the costs over multiple customers.

The expertise residing within many 3PLs can help shippers reduce costs and streamline processes. For instance, Miami-based Ryder System, Inc. has worked with customers to cut in half the time required to bring loads into the United States from Mexico. “The time savings come primarily from a well-managed process and secure supply chain,” says Gene Sevilla, vice president of international supply chain solutions. The 3PL can leverage programs available through U.S. and Mexican Customs. These include the Customs-Trade Partnership Against Terrorism (C-TPAT) and Nuevo Esquema de Empresas Certificadas, (NEEC), Mexico’s equivalent of C-TPAT.

Once the load clears U.S. Customs, a carrier is waiting to move it to its final destination. Absent a well-planned and efficiently executed process, a shipper’s goods may wait anywhere from several hours to a couple of days on either side of the border.

Third-party logistics providers also can help companies ensure compliance with the continued proliferation of regulations, such as the requirement, effective December 2017, that most truckers use electronic logging devices. “The regulations may be secondary to the shipper, but they’re primary for us,” says Patrick O’Malley, vice president and chief commercial officer with Landstar, a provider of integrated transportation management solutions headquartered in Jacksonville, Fla.

Organizations can turn to 3PLs to assist their ecommerce operations. “To compete with the likes of Amazon, companies need to find ways to deliver quickly, cost-effectively and seamlessly. 3PLs can be a valuable resource in this regard,” Otto says. They can offer the supply chain visibility, automation, and distribution networks required to provide seamless service across all channels, he adds. For instance, the software used to manage omni-channel distribution must be able to handle orders ranging from full pallets going to businesses, as well as individual SKU’s destined for consumers.
When Considering a Third-Party Logistics Provider:

Organizations considering third-party logistics (3PL) providers will want to evaluate potential providers. The following criteria offer a starting point:

1. **Financial stability**: The company should have the resources to remain in operation and invest in its business. One way to determine this: ask for banking references.

2. **Experience within a specific industry, or with specific types of supply chains**: One manufacturer may need a 3PL that's adept at handling a high volume of a limited number of SKUs, while another will need a partner that's an expert at picking and transporting “eaches” of a range of products.

3. **Security**: This encompasses not just information systems and data, but cargo, Landstar’s O’Malley points out. Part of the due diligence should include learning how the provider safeguards the goods being shipped.

4. **Geographic scope**: A 3PL’s experience in various regions of the globe can facilitate entry to a new market, or help a company rationalize its networks and reduce its supplier base, DHL’s Puleo says.

5. **The 3PL’s shipping network**: This is particularly important if the company aims to expand to new locations in the future, Global Market Insights’ Hegde says.

6. **Technology**: Consider the availability and quality of technical support, cloud-based services, and predictive analytics, as well as order fulfillment and inventory management capabilities. Hegde says. Technologies like transportation management systems (TMS) for route optimization and RFID for shipment tracking also can differentiate one service provider from another.

7. To ensure an effective systems integration process, the 3PL should dedicate expert resources early in the proposal stage and through the launch and start up. That way, it can ensure it meets objectives and provide seamless service, Saddle Creek Logistics Services’ Otto says.

8. **Customization**: To what degree will the 3PL tailor a solution to the business?

9. **Access**: Companies will want to verify their points of contact within the 3PL, and understand the access they’ll have to key decision-makers, as well as the level of after-hours support they can expect.

10. **Flexibility**: The 3PL should be able to scale up or down to accommodate business fluctuations, Total Quality Logistics’ Byrne says. The company should inquire if this flexibility comes at a price.

11. **References**: The provider should offer several references that can speak to the capabilities most important to the company, whether that's global reach, the ability to handle high volume operations, or strong technical support.

Globalization
Along with multinational enterprises, more mid-sized companies are engaging 3PLs, Sevilla says. Globalization plays a role; in 2015, some $147.4 billion in trade flowed through Florida’s airports and seaports, Enterprise Florida reports. As supply chains criss-cross the globe, managing them in-house can become less feasible. A smaller U.S.-based company with operations in Mexico may work with a 3PL to handle warehousing, cross-docking, international transportation and customs clearances, Sevilla says.

“When both parties work hard on the front end to ensure the cultural fit and establish strong relationships, it usually results in the best outcome.”

– Joe Puleo, Chief Commercial Officer, North America, DHL Supply Chain

While Ryder concentrates its services in North America, when a shipper’s transportation requirements extend to other regions of the world, it will contract with local providers to provide transportation management services, Sevilla says. Ryder then oversees and manages the operations.

**Technology**
Most successful 3PLs have invested heavily in technology to meet their clients’ needs for timely information and end-to-end supply chain visibility, Doyle says.

For instance, radio-frequency identification (RFID) allows shippers to track goods down to the item level, Sevilla says. They can hold less in inventory, since they can be confident of the status of goods making their way through the supply chain.
Companies also are turning to 3PLs for predictive analytic solutions, Hegde says. They might deploy this software to identify high volume periods so they can improve routes and delivery schedules. The shifts in the business world propelling the 3PL market—including globalization, advancing technology, proliferating regulations, and growing internet commerce—show no signs of abating. As a result, the services provided by 3PLs likely will become both more important and accessible to a wider range of companies. “If we do our job correctly, we are like a silent partner in that we take the stress and drama out of the supply chain and (shippers) can focus on the design, manufacturing, and sales for their products,” Doyle says.

Along with asking potential 3PL candidates about their resources and expertise, the company should provide a solid, data-driven picture of its business, and a clear definition of objectives, Otto says. For a 3PL to provide an effective, reliable solution, it needs a solid understanding of how the company does business, including order patterns, inventory levels and turnover. “The better the data is provided up front, the better the solution will be,” Otto says.

The provider also needs to understand the company’s growth plans, so it can assemble the human, technological, and physical resources needed to accommodate the growth, Otto says.