



## 3PL Selection, Management and KPIs.

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### Lesson 01: In-house Operation Vs 3PL

You. Hey everyone, welcome to this lesson. Well, the very first question that we need to address is why even choose a 3PL? So in this lesson we will be discussing what is the key difference between inhouse operation and a 3PL And why would companies even opt for that? The first step, like I said, is to understand how and why a company would decide to move or explore outsourcing, their warehousing and transportation needs versus keeping it in house. Let's take a look into discussing some of the steps leading to this discovery or discussion. Firstly, it is necessary to identify the business objective which was usually driven by cross functional alignment and includes numerous key participants. It could be your stakeholders ranging from your sales, marketing, finance, manufacturing, IT, supply chain process and functional leaders along with your c suite owners. Well, the business objective should be a unanimous or a collective vision of all the stakeholders and ample time must be taken in coming to a consensus regarding it. These objectives are arrived at after performing detailed analysis on various factors, including but not limited to the futuristic vision of the company, which could include sales projection, any expansion, any acquisition, or a downsizing strategy if necessary. Quite often they may be looking down to cut down their cost and add to the bottom line. Or it may be a strategic decision to expand into an area of expertise that they do not specialize in and are seeking core competencies along with reducing risk. Well, this includes a range of risks like people risk, labor union risk or environmental hazards. Sometimes companies also look forward for seeking global expertise when the firm is deciding on expanding their services globally. There is a lot of paperwork that needs to be diligently prepared. This includes documentation, customs, freight forwarding services, to mention a few companies expect their three pls to take direction and respond rapidly and generate ideas for improvisation. They further expect the three pls to become a strategic partner in efficiency, growing their business. There could be several other key considerations to make this decision which we will cover in the next slide where we discuss the pros and cons of in house versus outsourcing. Well, the second part of this key consideration is the ability to define the KPIs. Enabling this decision can be a very specific to the business in reference. Now let's look at some of the advantages and disadvantages of in house warehouse versus outsourcing to a 3PL. Some of the advantages of in house warehousing includes the following it imbibes stakeholder confidence based on the domain and the level of expertise of the in house personnel. The level of confidence and trust is relatively higher when one opts for in house warehousing as there is not only better visibility and control as to how certain risks can be mitigated, there is also better collaboration and seamless transfer of critical information, as it is us who are in the driver's seat controlling various decisions. For more traditional and familyowned businesses, cultural fit plays a crucial role. Hiring an in house team simply means they'll be working together with the same vision and mission of the company. This creates stronger teamwork for a more cohesive working environment. One of the other advantages is data security and integrity. Quite often, one of the reason why companies stick to the in house operations is that it provides the ability to establish more secure data centered servers and provide for more privacy and confidentiality. Data integrity can be maintained much more easily and can be more standardized for reporting, viewing and drawing valuable insights in certain business cases and needs. Having in house

operations can add to the bottom line savings by projecting savings in the form of operating cost. This is obviously very specific and individualistic to a business and its earnings and revenue numbers. Thorough analysis is conducted to understand the saving on this number, if any. Now let's look at the advantages of outsourcing to a 3PL. One of the primary advantages includes risk mitigation. Now let's be real here. Businesses face ups and downs all the time and sometimes even go out of business more often than one would anticipate. In situations like this, the risk factor associated is much, much lower, as a 3PL space is a shared space and the burden is now split between both as decided and the NDA rather than on just one entity. Partnering with the 3PL provides an opportunity to coexist in multiple locations, thereby not only getting closer to your customer and thus improving service lead time to customers, while also reducing the burden of not owning the assets and buildings, thereby reducing the expensive capital risk associated. While you'll have upfront cost to pay when using a third party shipper, 75% of businesses that use a 3PL reported a reduction in cost while outsourcing your shipping doesn't just avoid the cost of staffing, maintaining fleet and owning warehouses. 3PL businesses use supply chain software to find the most efficient way to ship products, reduce cost without sacrificing shipping quality. Being associated with the 3PL gives access to subject matter, expertise and specialization in more than one domain. This is not limited to valueadded services such as, let's say, kitting, packing, labeling, but also having expert opinion on the latest trend and access to the wider market and expertise. The next obvious advantage includes where a 3PL provider benefits from seeing your business succeed with that in mind, they'll work with your business hand in hand to create an effective long term strategy for shipping. The result of a long term relationship is positive. 91% of 3PL users and 97% of 3PL providers said they had a positive relationship with each other. Third party companies are also well versed in this field and they should have the connections well made. Now, this could mean reduced cost for you when getting materials. While this marks the end of this lesson, I will see you in the next. Thank

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