



# 3PLLINE

by John A. Fitzgerald

## Six Essential Strategies for Selecting a Global 3PL

**T**oday's complex global business environment—with its rapidly advancing technologies, emerging world markets, and vastly extended supply chains—places increasingly critical decision-making demands on logistics professionals.

In a world gone global, the challenges of providing seamless supply chain solutions across geographical and cultural boundaries have increased exponentially. Overall logistical requirements, vendor choices, and other dynamic variables can make the outsourced 3PL decision-making process an exercise fraught with pitfalls if not conducted carefully and correctly.

Compounding the situation is the fact that global third-party logistics, driven by increasing international logistics cost factors, is estimated to be a \$390-billion industry. There is no indication the number of players providing these service offerings will diminish. This makes partnership decisions for shippers even harder to grapple with.

With these caveats in mind, here are six critical essentials of global supply chain strategy you should weigh, analyze, and consider carefully before selecting your 3PL. Keep in mind: the 3PL's price is seldom the only selection criteria; you must also consider total supply chain costs.

**1. Cultural alignment.** The biggest challenges shippers face today are controlling international supply chain visibility, lead times, and total landed costs—including inventory carrying costs, obsolescence costs, and customer service. So, selecting a third-party logistics provider best suited to meeting their specific and unique global distribution needs, both culturally and operationally, is critical.

Every shipper should ask: "Does my company and the 3PL we will work with

share the same values, such as ethics and responsibility; and can we understand and agree upon what the specific nature of the partnership arrangement will entail?" If the two parties cannot agree on these points, the rest of the criteria become moot.

**2. Company infrastructure.** With globalization and new technologies, it is critical that both parties have the physical resources and accessibility to shipment data to meet each other's needs.

In the age of customized one-to-one marketing, supply chain solutions become all about personalized service. If the two partners do not share common capabilities and company resources, a 3PL will not be able to provide proper supply chain visibility, and the shipper will not obtain the necessary capacity and services when delivery of goods is required. If you source from India, for instance, does the 3PL have its own offices in the region to work with your suppliers?

**3. IT capabilities.** IT capabilities work hand-in-glove with company infrastructure. If the shipper and 3PL cannot communicate on the operating platforms they already have in place—whether EDI, XML or the Web—and be responsive to each other's changes in IT structure, it is likely they will not be a good match.

Real-time data sharing and ongoing timely responsiveness is crucial to providing a seamless supply chain. IT compatibility is essential for providing global logistics services such as shipment documentation, purchase order visibility, cross-docking support, and advanced services including forecasting, inventory replenishment, and life cycle management. How fast can the 3PL respond to IT requests?

**4. Ease of doing business.** A supply chain partnership will only be as good as

the skills and cooperation its participants bring to it. How flexible is each partner willing to be on items such as exceptions, scheduling, and services? If the supply chain is to be optimized, it's important that both partners work together to empower all participants.

A third-party logistics provider that is right for you will customize services to meet your specific supply chain needs. But it is essential that shippers work closely with their 3PL to share critical shipment and forecast information that will enhance visibility and help optimize the total value chain process.

**5. Metrics.** Cost is always important, as the success of any supply chain partnership ultimately relates back to customer satisfaction. This means that you and your 3PL partner must establish agreed-upon benchmarks for success, and frequently review measurement data to ascertain if the global logistics process is performing well or needs improvement.

This process can involve measuring on-time performance, damages, cost-per-touch, total landed costs, and other metrics. Your metrics should be the 3PL's metrics.

**6. Partnership intangibles.** Value-added customer service-related items can be further enhanced if both parties are able and willing to jointly invest in their common success. It is vital that each partner fully understand the meaning of "global collaboration."

As global trade and IT capabilities accelerate, and trade complexities increase with new cross-cultural regulations, it becomes even more imperative that you give great care to choosing a global 3PL. Selecting the right supply chain partner for your specific distribution needs will dramatically enhance your worldwide supply chain management results. ■