OUTSOURCING TRANSPORTATION: 8 Key Benefits

Transportation has become increasingly difficult to manage. The industry is challenged by a significant lack of drivers, increasing safety regulations, volatile fuel costs, the list goes on. Because of this, shippers are giving more weight to outsourcing either a portion or all their transportation activities.

Outsourcing involves a great deal of trust between shippers and their transportation providers. Hence, managers want to ensure they've found a 3PL team that will handle the company's transportation spend as their own.

Keep in mind that a 3PL, unlike a broker, will deliver cost savings not just by lower rates but by making improvements in your supply chain processes.

1 SAVE MONEY

This is the obvious reason and usually the most compelling. Outsourcing the transportation function can increase efficiency, which leads to smarter spending. This rings especially true for companies who use manual processes instead of a transportation management system (TMS) for logistics planning. An ARC Advisory Group study found, on average, shippers who switched from manual to a TMS saved between 5 and 10 percent on their freight spend, with roughly 25% saving 10% or more.

A 3PL keeps in close communication with their clients to report on the cost savings and mutually decide on the next steps for action each month.

2 GAIN EXPERTISE

By working with a 3PL like Wavepoint, you can gain valuable insights into transportation - related to overall supply chain management. For example, your current transportation strategy may be suffering from your distribution centers' locations or an unacceptable tender reject rate from a core carrier. For international businesses, working with a 3PL can alleviate the stress of complying with international shipping regulations and crowded ports.

3 STAY FLUID

A 3PL like Wavepoint can scale quickly to increases and decreases in demand. If your company is experiencing a downturn in productivity, you won't have to reduce your internal workforce for logistics planning. On the other hand, a spike in shipping demands can be more easily handled by a 3PL.

4 COMPLETE TRANSPARENCY

Shippers who manage their logistics manually severely limit their visibility into cost-savings opportunities. Make sure your new 3PL has a TMS that can automate load planning and tendering to save time and provide analytics reporting to identify financial problem areas in the supply chain such as carrier rates, pick-up frequency, empty miles, and lane optimization, and on-time delivery.

5 SUPPLY CHAIN OPTIMIZATION

Analytics provided by 3PL technology can help identify areas of the supply chain that can be optimized. Freight consolidation is a key area where transportation costs can be reduced. Logistics professionals can identify opportunities to move smaller orders onto full truckloads. Inventory pooling increases the amount of product picked up at a location to decrease the number of stops. These are just a few areas to be considered; there are a lot of consolidation opportunities the 3PL data can produce.

6 PROCESS IMPROVEMENT

One of the first areas a 3PL will dive into is process improvement. This includes evaluating a company's transportation SOP, routing guides, forecasting, and accessorial management, to name a few. One simple area to save money is to establish guidelines with carriers to improve on-time performance, utilization and reduce detention costs. Other areas include TMS and business process flow, a shipper's internal processes, and carrier engagement.

7 TARGETED PROCUREMENT

A 3PL will have more established relationships with carriers than one shipper will on its own. By leveraging benchmarking data from the TMS, logistics professionals will evaluate how much money a company is paying the carrier for their lanes. If the amount is outside of current benchmarks, then a procurement event will be organized to establish a new routing guide.

8 SHIPPER COLLABORATION

On their own, a shipper may find it difficult to collaborate with other shippers outside their business. This becomes easier for an MTS provider through their relationships with multiple shippers and visibility into both supply chains. If a company's dedicated fleet has capacity for products, and another company has a less-than-truckload load to be planned, a 3PL provider may provide visibility into that potential solution for shipper collaboration, benefiting both companies.

Call Wavepoint 3PL to see how our Transportation Management Team can help streamline your business and save you time and money:

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