

3PL 101

How 3PL Services Add Value to Your Supply Chain



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Providing your customers with a great delivery experience is just as important as being able to deliver a high-quality product. A positive customer experience can determine whether buyers will trust your brand.

Managing your supply chain to ensure a great delivery is often an overwhelming task. Whether through business growth, SKU complexity, capacity issues, or supply chain disruptions, organizations often need to look outside for help. This is where a 3PL comes in.

3PLs have become increasingly popular in recent years as a way to outsource your company's logistics and supply chain management needs.

This guide will give you an overview of what a 3PL is, typical 3PL services, and how a 3PL can add value to your business.

Understanding Third-Party Logistics (3PLs)

3PLs are third-party service organizations that provide customer-specific logistics solutions to their clients. In broad terms, these services can include:

- **Transportation**
- **Warehousing**
- **Value-added services (consolidation, pick-pack, kitting, etc.)**
- **eCommerce**
- **Supply chain management**
- **Engineering**

3PLs typically have a portfolio of resources and relationships with other service providers. This gives 3PLs the ability to respond quickly, remain flexible, and scale to the needs of their clients.

In contrast, businesses that choose to self-manage their logistics often need to improve in some capabilities. Because logistics is not their core competency, the capital required to stay on the leading edge is hard fought. They may need to develop or purchase additional resources and relationships, which can be time-consuming and expensive.

Not all 3PL providers have the same operational model. It's common to be weighted toward a vertical market need. Food storage and distribution, eCommerce fulfillment, and international moves, for example, are all geared toward serving niche clients.

In 2020, the global 3PL market was valued at USD 921.49 billion, and it is expected to grow further to USD 1,993.72 billion by 2028.

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Asset-Based vs. Non-Asset-Based 3PL: What Is the Difference?

3PLs are generally classified as asset-based or non-asset-based. Both types of providers have the same objective: to manage their clients' supply chains in a manner that will increase efficiency, reduce costs, produce fewer errors, deliver shipments as promised, which is typically on time and in full.

Asset-based 3PLs own their transportation fleet and warehouses. They provide these logistics services to their clients using their own resources. Non-asset-based 3PLs, on the other hand, don't own their transportation fleet or warehouses. Instead, they manage their customers' logistics using a network of service providers. Let's take a closer look at the differences between asset- and non-asset-based 3PLs.

ASSET-BASED 3PLS

Asset-based 3PLs own parts of the supply chain, such as transportation fleets and warehouses. This ownership gives them more control over the logistics process and offers a more comprehensive solution to their customers. They can also make commitments based on utilizing their equipment, a safety net.

Asset-based 3PLs are typically larger companies that have been in business longer. As a result, they usually have a wider range of services and resources than non-asset-based 3PLs.

NON-ASSET-BASED 3PLS

Non-asset-based 3PLs, on the other hand, don't own their transportation fleet or warehouses. Instead, they manage their customers' logistics using a network of service providers.

Non-asset 3PLs tend to promote themselves as being able to negotiate contracts better, remain flexible at all times, and manage your supply chain at the lowest cost. However, because they don't own their assets, non-asset-based 3PLs have less control over the logistics process. As a result, they also have to carefully manage their relationships with service providers to ensure a high level of service for their customers.



What Are the Benefits of Working With a 3PL?

There are many benefits to outsourcing operations to a 3PL. While different 3PL companies have additional capabilities, in general, they can provide your business with the following:

- ▶ Improved efficiency
- ▶ Greater reach in transportation and inventory location
- ▶ Specialized services
- ▶ Industry expertise
- ▶ Operational coverage
- ▶ Cost savings

Let's take a closer look at each of these benefits in turn.

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Improved Efficiency

Outsourcing your logistics needs to a 3PL can help improve the efficiency of your operations. Sometimes, it may move assets off your books in favor of contracted services.

3PLs know the lay of the land, which includes ways to drive waste out of your supply chain. 3PLs have the resources and expertise to develop efficient solutions for managing inventory, warehousing, and transportation while providing complete supply chain visibility. This can free up your time so you can focus on other aspects of your business.



Greater Reach

3PLs can also help you expand your business by providing access to new markets. They can leverage their relationships with service providers to get your products to new destinations quickly and efficiently.



Specialized Services

Some 3PLs offer specialized services, such as temperature-controlled storage or reverse logistics, and can be very beneficial for businesses with specific shipment requirements. It may also open the door to new markets through omnichannel fulfillment: direct-to-store, direct-to-home, and final mile services.

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A recent Gartner survey on logistics outsourcing trends revealed more than 65% of about 250 logistics leaders claimed they intended to increase outsourcing over the next two years. In addition, nearly 70% of the respondents said that their 3PL service providers positively impacted their competitive advantage.





Industry Expertise

Another benefit of working with a 3PL is tapping into their industry expertise. 3PLs typically have a wealth of knowledge and experience in logistics and supply chain management.

3PLs have a deep understanding of the logistics industry and can offer insights and advice on improving your operations. This can be highly beneficial to businesses that need to gain in-house expertise in these areas.



Cost Savings

Finally, working with a 3PL can also help you save money. 3PLs have the buying power to achieve better rates from their service partners, which they can then pass on to their customers. In addition, 3PLs can often help you streamline your operations to reduce waste and save costs, especially in technology, where clients can tap into their 3PLs WMS and TMS. Finally, from an admin perspective, 3PLs can reduce the headache of hiring qualified workers while reducing invoicing, payment, and auditing.



Operational Coverage

While load and lane coverage is more tactical, this area of the supply chain is exceptionally important in today's logistics. Driver shortage will lead to a capacity shortage, and the last thing you need is a 3PL contract in hand but loads still sitting on your dock.

Be sure to ask can your 3PL leverage equipment, facilities, and technology to ensure your products are picked up and delivered as agreed.

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When Should You Consider Using a 3PL?

3PLs can be an excellent solution for businesses needing help with logistics and supply chain management. However, there are many circumstances when it makes sense to outsource your logistics needs to a 3PL.

You should consider using a 3PL if:

- ▶ You need access to sophisticated logistics technology
- ▶ You need to re-engineer your network
- ▶ You have specific requirements for your shipments
- ▶ You want to save money on shipping and other logistics services
- ▶ You need more in-house expertise in logistics and supply chain management
- ▶ You cannot find staff to manage warehouses, order processing, etc properly

Working with 3PLs can be a great way to improve your logistics and supply chain operations. 3PLs can provide businesses with the resources and expertise they need to streamline their processes and improve their bottom line.

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What makes **Wavepoint 3PL** a better solution?

If you're looking for ways to reduce your shipping and logistics costs, working with a 3PL can be the ideal solution. Choosing the right 3PL provider is essential to ensuring that your supply chain needs are well-handled and that they represent an asset to your business. Ask a supply chain professional at Wavepoint 3PL how our engineered approach to structuring 3PL services will assure your outsourcing success.

Wavepoint 3PL will help you develop a metrics-based analysis of current supply chain operations to evaluate performance as it relates to:

- Bottom-line efficiencies
- Corporate objectives
- KPIs measured against best practices

Our optimization and modeling tools support supply chain evaluations, facility network appraisals, transportation assessments, and warehousing and inventory analysis.

Wavepoint 3PL is your flexible logistic services provider for streamlined solutions from LTL and truckload services through an asset-based fleet; warehouse and inventory management in food grade facilities; and technology-enabled omnichannel fulfillment services, among other value-added offerings.

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Ready for change? Connect with the Wavepoint 3PL team today.

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