

A Guide to Third Party Logistics:

What is a 3PL, Considerations
for Hiring, & How to Select &
Implement a 3PL

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PORTCITY
LOGISTICS

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What is a 3PL?



What is a 3PL?

A 3PL (third-party logistics) is a provider of outsourced logistics services. Logistic services encompass anything that involves management of the way resources are moved to the areas where they are required.

Not everyone has the same definition of a third party logistics or 3PL because there are various kinds of 3PL services out there.

Further, with as many types of 3PL that are out there, you not only have to understand the definition and the various types of 3PL, but you also have to understand how to position yourself as a shipper in order to consider working with a 3PL.

After you've made considerations, you then have to make a selection of working with one or perhaps several 3PLs. It's not an easy task for any shipper.



This is one of the trucks we use to transport products from our warehouses.

*Opportunity is everywhere.
Go and get it!*

The various definitions of 3PL

- Third party supply of logistics related operations between traders by an independent organization. – Eyefortransport
- Party Logistics (3PL) is the function by which the owner of goods (The Client Company) outsources various elements of the supply chain to one 3PL company that can perform the management function of the clients inbound freight, customs, warehousing, order fulfilment, distribution, and outbound freight to the clients customers. - Maxwell
- A third-party logistics provider (abbreviated 3PL, or sometimes TPL) is a firm that provides a one stop shop service to its customers of outsourced (or “third party”) logistics services for part, or all of their supply chain management functions. - Wikipedia

What we do at Port City Logistics

- We manage container drayage, warehouse stripping and stuffing, and over the road transportation.
- We offer: FTL (Full truck load) and LTL (Less than truckload)
- We utilize our fleet of drivers, owner operators and complete brokerage services that allow you to make one set of transportation reservations for local, regional, or national services.
- Our services extend as far north as Canada and as far south as Mexico.



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*What should you
consider when hiring
a 3PL?*

What should you consider when hiring a 3PL?

Third Party Logistics providers (3PLs) have grown tremendously in recent years as the dynamic of getting goods to market has evolved. In days past, entering a market meant making a significant investment in facilities and infrastructure to ensure the effective delivery of your product.

No more. Today, 3PLs can handle every step of the process for you, liberating your time and resources to focus on selling your product.

Should you be utilizing a Third Party Logistics Company or Not? The answer of course, is that it all depends . It depends on a multitude of factors, not the least of which include the stage your business is in.

While it doesn't make sense in every situation, the benefits of using a third party logistics company can be staggering.

What are the benefits of hiring a 3PL?

Here are 5 quick benefits you can realize from using a third party logistics company:

- **Expertise:** A third party logistics company handles logistics for a living...as an entire business model. That's all they do.
- **Efficiency:** Not only does a third party logistics company have the expertise, they also have the infrastructure and technology to be really good at what they do. This translates to higher service levels to your customers and very likely, a cost savings to you. Higher quality. Lower cost.
- **Technology:** Since 3PLs usually have the latest technology, this gives you the benefits without having to make the capital investment.

What are the benefits of hiring a 3PL? Continued...

- **Core Competency:** Utilizing the resources of an expert frees up your time and financial resources to focus on what you do best.
- **Scalability:** 3PLs are almost infinitely scalable. If your business triples in 18 months you don't have to rush to secure new facilities, buy new equipment or hire and train staff. It simply takes one phone call to reach out to the third party logistics company to secure new rates as you open up more shipping lanes or add another login to the transportation management system as you bring on new locations.



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*How to go about
selecting a 3PL?*

How to go about selecting a 3PL?

Follow the 5Cs Principle:

- Charter - The corporate mission & the authoritative requirement for the need to contract external 3rd party logistics services, with support & drive from the highest management echelon to all operations globally.
- Collaboration - Engaged co-operation across multiple functional divisions and/or business units in managing a seamless end-to-end supply chain up until fulfillment & delivery to the customer.
- Communication - Essential cross-management of info-data across multiple functional divisions and/or business units to inculcate maximized costs efficiency in the supply chain & associated OPEX (operating expense) involved in efficient fulfillment.

5Cs Principle Continued...

Follow the 5Cs Principle:

- Commitment - To be precise, with consistent quality results from the supply chain processes and methods - achieving fulfillment & delivery par excellence, cross-borders and globally.
- Customer - Solid & ethical commercial partnerships with the channels and/or distributors, and/or the global end-consumers alike.

The 5Cs Principle provides that confidence you need when trying to comfortably fit the puzzle in the massive and intricate labyrinth of how, who, when, where, and why you should source and to engage an exponentially capable 3rd party logistics vendors for your organization's supply chain.

Checklist For Choosing and Qualifying a 3PL Company

#1 Location for Warehousing

- Size of building
- Number of bay doors (enough to ship and receive x amount of containers or trailers per day)
- Close to ports, airports, railways
- Close to major highways
- Available space
- Available space for busy / heavy shipping periods
- Available space for expansion
- Product mix: Complementary to yours? Same busy seasons, or alternating busy seasons?

Checklist For Choosing and Qualifying a 3PL Company

#2 Equipment

- Pallet racks
- Conveyors
- Flow rack (for pick and pack)
- Scanning stations
- Packing tables
- Types of Forklifts-Preventive Maintenance (PM) Program
- Value-added department – specialized equipment for your product
- Assessorial activities: taping, banding, labeling, assembly work, etc.



Checklist For Choosing and Qualifying a 3PL Company

#3 Staffing

- Union or non-union staff
- Temp agency staff or company workers
- Turnover rate
- Education, language and skill level of administrative support staff
- Education and professional level of middle and senior management
- Probation periods for new employees
- Background checks of new employees
- Disciplinary procedures for employees found making errors

Checklist For Choosing and Qualifying a 3PL Company

#4 Communication

- Who provides what information to whom – both ways?
- What is the time frame for the information provided?
- What is the method of transferring information? (Should always be in written/email form)
- What information does the 3PL require from you?
- What information will they provide you?
- Review and define jargon and terms to be used.
- Conflict resolution: the chain of command to solve problems

Checklist For Choosing and Qualifying a 3PL Company

#5 Qualifications

- How long in business?
- Accreditations?
- Customer comments about the 3PL?
- Core business/commodity specialty
- Do they have experience shipping the same product as your company ships?
- Do they have experience shipping to the same customers/consignees as your company?
- What size customers do they handle?
- What kind (corporate types) of customers do they handle?

Checklist For Choosing and Qualifying a 3PL Company

#6 Compliance

- Who is responsible for routing, packaging, and shipping guidelines?
- Who is responsible for charge-backs? Under what circumstances? What is the 3PL legal limit of liability? What does their insurance and your insurance cover and under what circumstances?
- Who handles RMA: Returned Materials Authorization?
- CSA (Compliance, Safety, Accountability: US Department of Transportation: Federal Motor Carriers Safety Administration) compliance?

Checklist For Choosing and Qualifying a 3PL Company

#7 Finding a true partner

- Do you feel they are honest, trustworthy and sincere?
- Do you feel they have a passion for the business and a commitment to customer service?
- Do they have the experience, education, and professionalism you require?



Great Questions To Ask a 3PL Company

- What is the company's history?
- What data analytics and business process strategy services are being offered?
- What managed IT services are available?
- What predictive analytics are available?
- How does the 3PL meet e-commerce needs?
- How extensive is their network?

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*How to go from
selection to
implementation?*



Implementing a Successful Third Party Logistics Provider

- Document the Processes: To eliminate gaps in understanding and expectations of the third party logistics provider, organizations should develop Standard Operating Procedures for all the processes to be outsourced.
- Analyze SWOT: This SWOT analysis helps to understand the strengths, weaknesses, opportunities and the threats of outsourcing logistics versus in-house solutions. Conducting a Comprehensive Study: The advantages, challenges and cost benefits of outsourcing to the third party logistics provider should be documented.
- Create a Robust Selection Process: Adopt a scientific selection process. Invite eligible third party logistics providers for formal presentations on without giving any requirements. The organization can also hire a third party to help create a short list of service providers.
- Document the Expectations: Set down expectations in clear terms and include current costs. This will help avoid confusion later.

Implementing a Successful Third Party Logistics Provider

- **Do Your Homework:** Making a site visit. Interviewing the third party logistics provider's existing customers. Evaluating responsiveness, ability to meet and exceed the expectations, management team quality, experience, flexibility and other factors important to company.
- **Create Good Legal Documentation:** Document what is agreed and what is disagreed clearly. Address possible friction point
- **Measure and Review Performance:** Use a Logistics Service Level Agreement (SLA) that is negotiated between the customer shipper and third party logistics provider so it is a win-win document. The key performance indicator (KPI) measurement system must be efficient and accurate. Create qualitative measures which focus on effectiveness and quantitative measures which focus resource efficient utilization. Changes to measurements should be ongoing and specify remedies.

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CHAPTER FIVE

All You Need to Know About Implementing A 3PL



Thinking About 3PL BEFORE You Hire A 3PL Company

- Determine customer service requirements
 - Conduct upfront research to identify a select list of preliminary 3PL candidates.
- Create a 3PL Cross-Functional, Internal Company Team to Meet Occasionally
- Have you done the math and know what all of our internal costs are so we can properly judge the 3PLs pricing?
- Visit the Potential Provider's Facilities (Locally first, then the final city at a later date)
- Develop a Project Implementation Plan
- Design Efficient Performance Measurement Systems
 - Establish key performance indicators (KPIs) to manage the 3PL performance along with a service level agreement (SLA) (or Contract as it is sometimes called by the 3PL)

Thank You For Reading!

Thank you for reading our Guide to Third Party Logistics: What is a 3PL, Considerations for Hiring, & How to Select & Implement a 3PL.

We hope you learned more about the 3PL industry than you knew before reading.

When it comes to procuring any outsourced partner for any part of your business, the more you know about what you are buying the better decision you ultimately make for what service, tool, or partner you choose.



About Port City

Port City Logistics is a Third Party Logistics (3PL) company established in 2001. We started the company with one warehouse and have rapidly grown as the Savannah Port has grown. We now have **9 warehouses** and **two million square feet of warehouse space**. We service all aspects of the logistics process beginning with drayage services for import and export from the port. We offer long and short term storage in our warehouses; in addition to distribution services such as pick packing for shipments to major retailers and distribution centers. Our warehouses are customs bonded which allows the long term, cost effective relationships with our customers. We have an owned fleet for fixed routes and regional hauls. We utilize brokerage services for oversized or extended loads.

We utilize a **state of the art** warehouse management system that enables our customers to have real-time access to their inventory. Every incoming item is bar coded and placed in designated bins. As orders are placed for transport, the goods are scanned and the account is immediately updated. Access to inventory data is available **24 hours a day, seven days a week** from our website. Our team is well versed in supply chain management and our processes are streamlined so that everything you need is available from one company. We aim to be an extension of your sales team.

- **Port City Logistics in the Community**

Port City Logistics is committed to providing our customers with the highest quality service and support.

About Port City and Community Involvement

Port City Logistics in the Community

Port City Logistics takes great pride in our commitment to both industry and community involvement. We have partnered with the Savannah Traffic Club and Georgia Southern University to donate \$10,000 in scholarships. The Savannah Port, the logistics industry and Port City Logistics are all growing. We embrace opportunities to raise industry awareness and afford training opportunities to local youth.



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