



3PLs Help Shippers Create a Dynamic Supply Chain

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A dynamic supply chain is one that makes the most of market opportunities and minimizes the impact of seasonal bottlenecks, downward swings, increased tariffs, transportation delays, weather events and all the other things that keep supply chain managers up at night. At the heart of that is flexibility.

“If you don’t have it, you’re going to be stuck in the same flow, regardless of what changes,” said John Joyce, Project Manager, Solutions Design & Implementation, at ArcBest. “If you’re buying warehouses and setting up full-blown DCs, that may be good for the short term, but it might not be what’s needed five years down the road.”

Keeping the supply chain dynamic in the 21st century involves an approach similar to crowd-sourcing, or what’s known as the “Uber Effect,” said Joyce. The basic proposition of third-party logistics services has been attractive for decades — pay only for the assets, space, staff and services you need. It’s just that technology has made that value proposition far more available.

Shippers with rapidly shifting supply chain needs used to be stuck in a situation equivalent to trying to flag down a Yellow Cab in Downtown Manhattan on a wet Friday night. Now, there are not only more drivers available; there are smarter ways of deploying that capacity exactly where it’s needed. The same goes for supply chain technology and the flexibility it affords. “It gives you the ability to say: I don’t want the entire warehouse, I just need a portion for now, and I need to be able to scale up and down as quickly as possible,” Joyce said. This

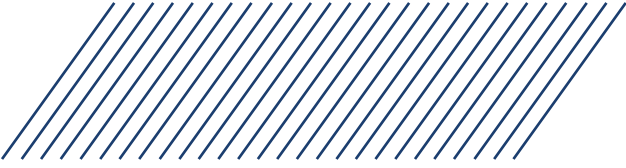
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approach helps improve velocity and performance, and gives businesses a better chance of quickly removing any supply chain bottlenecks.

Take a scenario where a shipper imports goods to the Port of Long Beach and places goods in a dedicated warehouse that serves their large West Coast customer base. Now imagine that sales are fluctuating, and their customers are increasing in the Southeastern U.S. and on the East Coast. Instead of buying another warehouse to better serve this new market, that importer can rely on a 3PL such as ArcBest to provide them with a convenient consolidation site on the East Coast. That way, they can take advantage of truckload (TL) freight rates, avoid the capital investment in a new DC, and still be responsive to customer demand.

“Instead of shipping traditionally through a network, handling each shipment going from the West Coast to the East Coast one at a time, they get the efficiencies of TL and deliver on-time to the market. The consolidation center could be used several times a week, or once a week, or not at all, depending on what’s happening with their supply chain,” Joyce explained.

“The economy is evolving, and all the technological enhancements and consumer buying trends are so different from day to day,” said Alycia Haggard, Corporate Accounts Analyst at ArcBest. “Without flexibility, companies don’t have the reaction time they need. It all comes down to capacity levers and knowing which ones to create, when to pull them, and how they’ll impact costs. This dynamic capability enables quick execution and often results in business success.”



Shippers often struggle to create and use those levers, Haggard said. Perhaps they don't have the right people or technology, or simply the time. "If they don't have levers in place, they can't react well to supply or demand going up or down," she said. 3PLs have a firm foot in the future, anticipating seasonal and other volume fluctuations. "Sometimes, we make plans and shelve them. Maybe it's going to be the fourth quarter before they're actually needed, but we create them in the first quarter, using data from the year before. Then we can flip those levers on when they're needed. Dynamic supply chain capabilities can be very similar to contingency plans; they're designed to be taken advantage of when they're needed."

Offering flexible capacity is one thing, but a 3PL partner should also be nimble in helping a client switch freight modes, depending on customer demand and freight market shifts —from LTL to TL, from TL to intermodal. "There's also this element of being dynamic and helping the supply chain operate at its optimal best, both from a cost and service standpoint," said Joyce. A 3PL uses this, among other tools, to trim costs and boost profitability while keeping end-customers happy.

The advantage of working with a 3PL partner is that it's their job to keep an eye on multiple transportation and distribution factors constantly, figuring out when and where to shift modes, trade lanes and DC facilities, while the shipper concentrates on core business functions such as sales and customer service. "We may have a variety of clients with freight going in the same direction, so then you can put that freight together at one time," said Joyce.

Everything is data-driven. We look at what the supply chain is telling us through the data, and we take the widest view possible.

“Someone has to be watching that to decide when to bring a TL into the DC. Instead of sticking to a static routing guide that says: Ship this way, every time, you make a determination on a day-to-day basis to get things moving.”

Joyce said a good 3PL partner will work hard to reduce shippers’ fixed costs as far as possible, but it’s not just about that. “Remember, there’s also the opportunity cost. If you can’t get that hot product to market, you’re leaving dollars sitting on the docks because the product isn’t on the shelves. That affects sales.”

There’s a longer-term business benefit when a shipper gains a reputation for being responsive and flexible, Joyce added. “You want to become known as innovative, out-of-the-box thinkers — the individuals and the company that can really make it happen for your customers, as opposed to the guys who are just doing it the same way they have for years. That all goes toward profitability,” said Joyce.

An agile 3PL partner can really drive innovation for a shipper. “Our clients are asking us how they do things different than what’s traditionally been done. Many times, when opportunities arise, clients will ask us if they’re doing it right, or if they could be handling that opportunity better. The answer is: First, let’s look at the data. We’ll give you honest feedback, and see if you have the opportunity to improve the flexibility of your supply chain by introducing some of those dynamic pieces that might be absent.”

“Everything is data-driven,” said Joyce. “We look at what the supply chain is telling us through the data, and we take the widest view possible. We don’t just look at solutions on a weekly or daily basis. We take a step back to understand the supply chain and develop a dynamic way to operate it based on what we know.”

A third-party logistics provider should use their experience and knowledge of what’s happened in the past, across multiple industries and supply chain partners, to make accurate predictions about the future. “When you’re working with a logistics provider, you’re accessing a pool of knowledge across multiple industries and multiple clients that have worked in multiple ways,” said Joyce. “We can take that exposure and bring it to a client who is wondering if they can do something differently. In the case of a company that only works in one industry, it might be used to things being done one way. But a 3PL has worked with multiple industries, and also offers perspectives from carriers and suppliers on what will and won’t work.”

“We try to be that trusted advisor who can see into the future, and determine what we can do to make a client’s supply chain scalable or dynamic, or whatever it needs to be for their specific business model,” said Haggard.

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