

Warehousing & Distribution



Value-Added Services from 3PLs and Public Warehouses

What To Look For

by William Atkinson

When it comes to looking for a new public warehouse or 3PL partner, you may find that not a lot has changed over the last few years for many of them. "A lot of warehouses are still just offering traditional services—putting away and picking," explains Evan Armstrong, vice president of Armstrong & Associates, Inc., which provides strategic consulting services to shippers, 3PLs and carriers and also publishes *Who's Who in Logistics*. They are located in Stoughton, Wis.

Still, though, while many providers remain in the "stone age," most are moving forward with new value-added services. "With the advent of the very time-sensitive supply chain model, there is a move away from traditional warehousing with shelves and racks for storage to more of a flow-through operation, such as cross-docking, plus some light manufacturing or assembly and kitting," notes Adrian Gonzalez, senior analyst with ARC Advisory Group of Dedham, Mass.

Responsiveness

One of the first and most critical components has little to do with advanced technology. Rather, it has to do with a "21st Century culture" that thrives on close relationships. "We have

found that many public warehouses can do a lot more to foster stronger relationships and become more valuable to shippers," suggests John Harold, president of Business Logistics of Scotts Valley, Calif., which customizes transportation and logistics solutions for clients (primarily shippers). Part of this involves assessing the value-added services offered by the public warehouses that the clients use or are thinking about using. "In fact, we find that few public warehouses are doing enough to integrate their operations with those of the companies that use their services," he says.

"We hear all kinds of horror stories," Harold states. "They never deliver what we want. They don't deliver on time. There is all kinds of damage. When we work back to the source—the warehouse level, we find in many cases that the warehouses have been doing a pretty good job of not revealing the problems." Public warehouses need to "strengthen their grip on the handshake" and be more active in working with clients, according to Harold.

Visibility

One of the most important considerations among shippers these days when dealing with 3PLs and public warehouses is visibility. "Look for

a provider with a decent warehouse management system that can track your inventory and allows you to have some lot control that integrates with radio frequency scanners in order to ensure continuous inventory updates, proper cycle counting, etc.," suggests Armstrong.

Clifford F. Lynch agrees. "One thing clients are demanding of 3PLs and public warehouses is real-time visibility of orders and inventory," says Lynch, principal with C.F. Lynch & Associates of Memphis, Tenn. "Clients used to be satisfied with monthly inventory cycle counts and after-the-fact shipping reports," he continues. "These days, they want the capability of going into an electronic system to get an updated order status or product in storage."

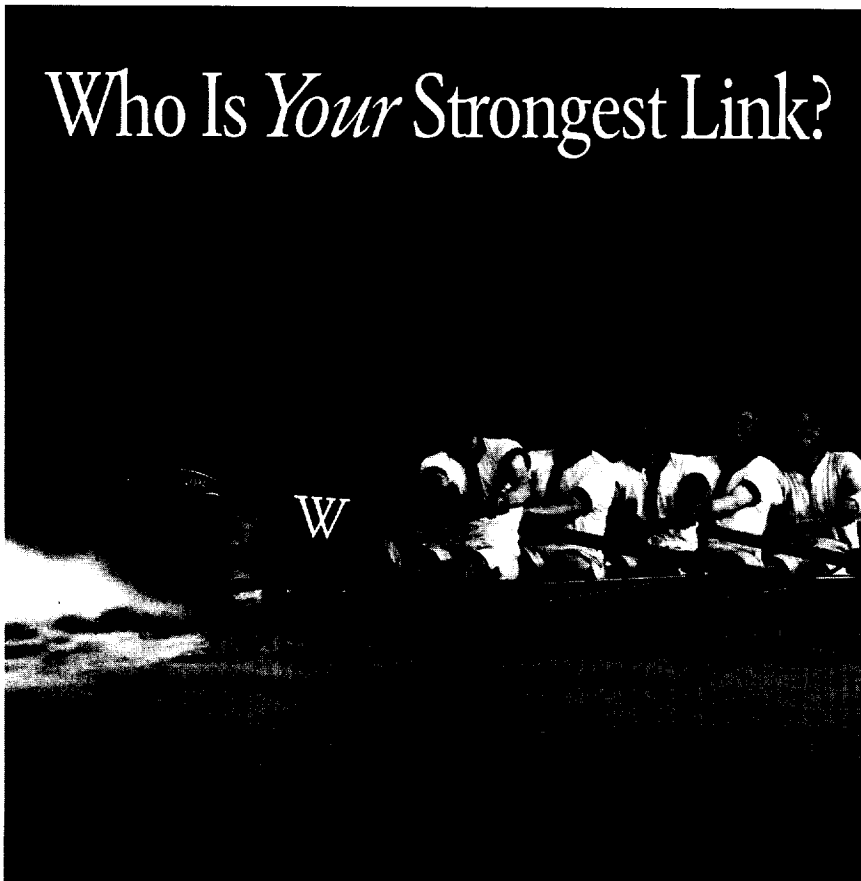
Many providers have been making significant efforts to meet customer needs. "We are finding that customers are becoming much more interested in inventory visibility," says Chuck Lounsbury, senior vice president for electronic, high tech, telecommunications, consumer package goods, and e-channel businesses for Ryder Integrated Logistics of Miami, Fla. "In almost all of the operations we run, we create a fully-integrated technology platform that consists of an order management system, a transportation optimization system, and a distribution management system."

Reverse Logistics

Another popular demand these days from shippers is for an array of services that fall under the label of reverse logistics. "This is an area that will see an increased demand in the future," explains Gonzalez. "This involves the disposition of products on the way back, such as being designated for repair, restocking, redistribution, or even auctioning of products that have become obsolete."

UPS Supply Chain Solutions based in Atlanta not only does returns management, but provides "triage services" related to returns management, according to Lynnette McIntire, a spokesperson with the company. "If the products can be

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repackaged and resold, we can perform cosmetic repairs and then repackage the product," she says. "If a product must be disposed of, we arrange for disposal, including handling disposal of hazardous goods. We also do repair of certain equipment and return it to

the customer within 24 to 48 hours."

Cost Management

Another service that is seen with more and more appeal by shippers these days is the ability of 3PLs and public warehouses to work coop-

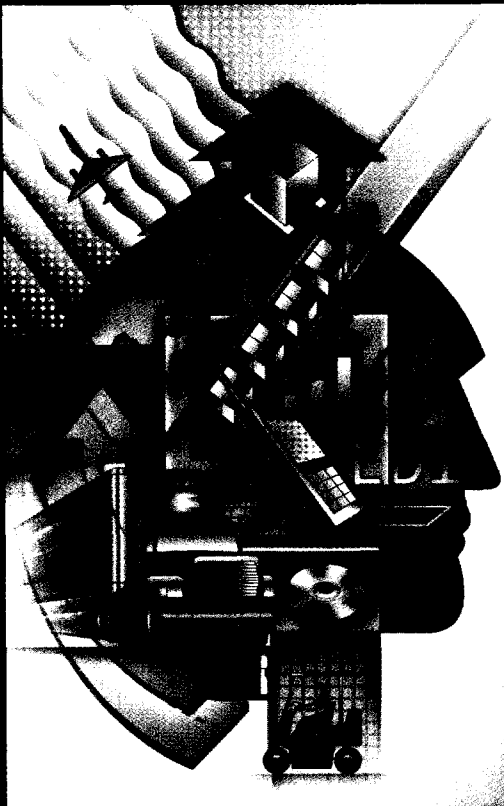
eratively to reduce costs, with a special emphasis on inventory reduction. "In the past, service was the most important factor," reports Harold. "Today, service is still important, but companies are placing a significant amount of effort on reducing costs. In fact, cost is becoming overwhelming for a lot of companies. As such, I think a lot of 'value-added' is going to come from how well warehouses help their client companies reduce or keep a lid on costs."

Perspective

"Into the future, we see an increasing need for customers to simplify their supply chain management services and all the different links and activities along the way," says McIntire. "As such, more and more of our customers are looking for a one-stop kind of arrangement where we act as a 'general contractor' for all of the different vendors and carriers that are involved from the point of supply to the end customer and then back again on the post-sale cycle." The goal here is not to push inventory back on the various participants, but find ways to eliminate the need for inventory at various steps of the way. By eliminating inventory at each step, the result is reduced cost for the end customer, she notes.

Lounsbury probably sums up best what the role of value-added 3PL and public warehousing services should be in today's environment: "What we really do is allow customers to substitute information for inventory." ■

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