

BEHIND THE 3PL EVOLUTION

EBOOK



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Warehouse Management Systems

By Ahearn & Soper Inc.

HOW IT ALL BEGAN

The Motor carriers act of 1980 resulted in an increase in the number of trucking carriers in the USA. Companies that used to provide warehousing services exclusively started to expand their footprint in the whole supply chain and emerged as freight movers.

The number of companies providing both storage and transportation, and the advent of information technology created the space for third-party logistics companies (3PLs).

Third-party logistics took the heavy lifting out of the supply chain for several industries. The increase in the number of companies and industries that use 3PLs correlates directly with the rise in the number of trucking carriers. For example, in the USA during the 1980s there were roughly 20,000 trucking carriers, today there are 1.2 million.

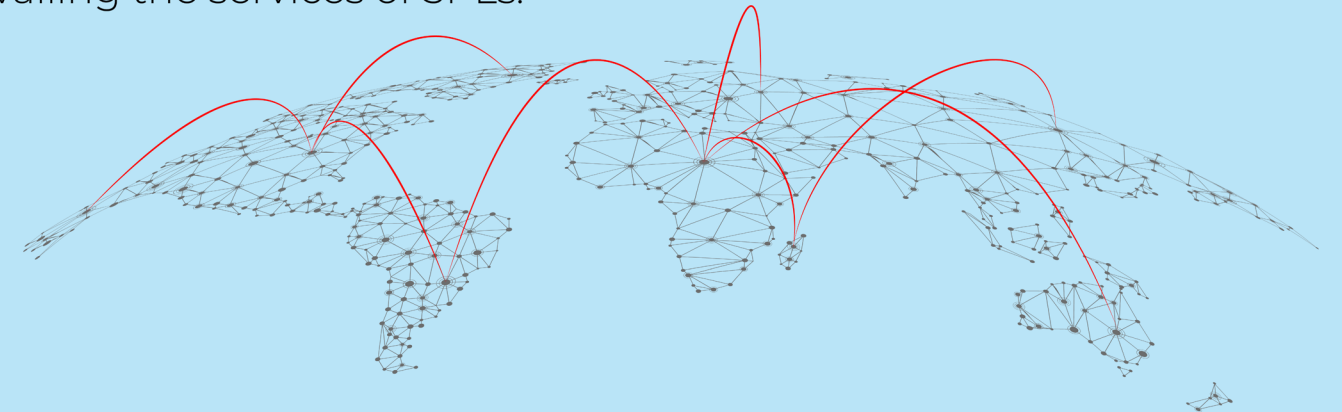
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GLOBALIZATION

2012 brought a huge boom in globalization, trade volume, and a resurgence of the global economy creating a very competitive business environment in almost all industries, from food & beverage to healthcare, to consumer goods and retail. Using 3PL providers gave their companies a competitive advantage over others.

The global 3PL market is valued at well over US\$ 600 Billion and is set to grow at a 4.47% CAGR thanks to a few drivers. One of the most paramount of which is the cost reduction achieved by shippers by availing the services of 3PLs.



OUT OF SIGHT OUT MINED

Before the Covid 19 pandemic, many people took the supply chain for granted. Most people didn't think about the supply chain at all. Today, manufacturers, warehouses, transportation providers, distribution centers, and retailers are all topics of mainstream media. Times are changing and so is the supply chain.

Now that the logistics industry has your attention. What does 2023 and beyond have in store for third-party logistics businesses, warehouses, and their partners?

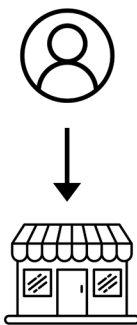
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GIVE RISE TO OMNICHANNEL FULFILLMENT

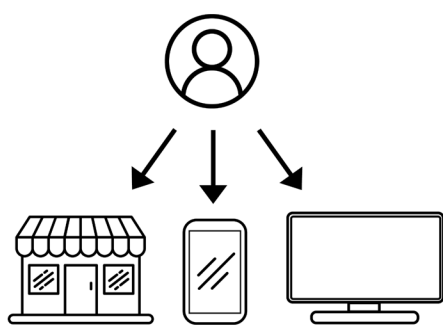
The biggest buzzword in supply chain in 2021 was omnichannel fulfillment. Pre-pandemic 3PL warehouses were focused on diversifying fulfillment for e-commerce, especially business-to-business (B2B) providers looking to capitalize on the rise of online shoppers. This surge is expected to continue through 2023 with e-commerce revenue predicted to reach 502.5 billion.

3PLs who want to increase their sales and profitability should consider multi-channels to remain competitive. Omnichannel fulfillment is the largest opportunity for 3PLs looking to grow their business and scale.

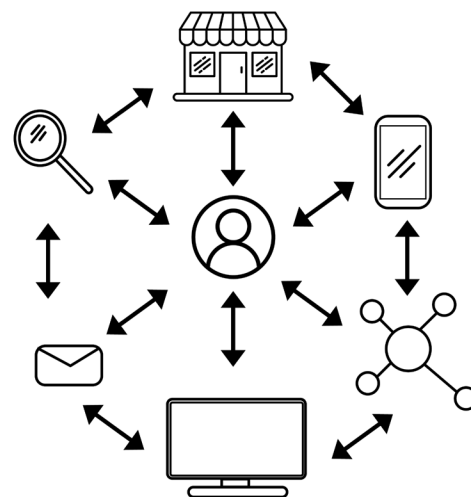
Omnichannel fulfillment means having a unified approach to managing inventory and order processing from a variety of sales channels.



Single Channel



Multi-Channel



Omni-Channel

When using a unified approach, 3PL warehouses can streamline their fulfillment processes and distribution from multiple selling channels for any of their customers, wherever or however they sell. Many warehouses have spent time ramping up efforts for e-commerce, which plays a crucial role in omnichannel distribution.

The question, is that enough to remain relevant in today's marketplace? Especially if you work with retailers and omnichannel customers. As the evolution of 3PL warehousing continues, 3PLs need not only be ready to meet customer concerns, but also end-consumer demands.

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WHAT CONSUMER VALUE IN OMNICHANNEL RETAIL

- Scope of product selection
- Value for the money
- Delivery cost and speed
- Control over delivery
- Product Quality
- Good return policy
- Product availability
- Return to store

Source – McKinsey Digital Consumer Survey

3PL warehouses looking to position themselves as partners for customers omni marketplace strategies will need to prepare to meet these demands head-on. This will be the most important asset for businesses looking to implement an omnichannel fulfillment strategy, increasing 3PL services at a steady pace.

HOW CAN 3PLS HELP CUSTOMERS WITH OMNICHANNEL FULFILLMENT?

- **Delivery Choices:**
Same-day delivery is expected to reach 29.36 billion by 2027. 3PLS needs to be able to accommodate this, as well as a variety of other delivery options, including buying online and picking up at the store, drop shipping, and more. Utilizing a 3PLs multitude of delivery options is imperative for warehouse customers who require fast, efficient, accurate, and cost-effective last-mile logistics.
- **Omnichannel Connectivity:**
Tech matters. 3PL customers are looking to their warehouses for expertise with electronic data interchange (EDI) for compliance issues and chargebacks, inventory management tracking management systems (OMS) shopping cart integrations, and warehouse management system (WMS) software to automate processes and workflows. By using optimized warehouse automation and connectivity, you offer transparency, the ability to reduce errors, and the ability to collaborate with your customers and their supply chain partners.
- **Reverse Logistics:**
3PLs who offer a complete omnichannel fulfillment strategy will include e-commerce, which will not only drive large order volumes but also produces returns. 3PLs needs to have smooth reverse logistics processes to help return items whenever and wherever customers received them. Today customers are looking for easy returns, and warehouse customers are looking to reduce costs. A 3PL should be squarely positioned to help deliver on customer demands, offer consistency, and improve the overall experience.

THE EVOLUTION OF 3PL SERVICES

In a shifting marketplace, many companies are finding it increasingly difficult to navigate the intricacies of the supply chain. This has led many businesses to outsource their logistics needs to third-party logistics (3PL) warehouses and transportation providers.

The users of 3PL services reported that 40% of their total logistics expenditures were related to outsourcing. Much of this growth is directly correlated to the rise of e-commerce.

“There’s no surprise that as the marketplace continues to grow and develop, so does the evolution of 3PLs, serving as arbiters of efficiency to their customers. With expertise and access to real-time supply chain data for fulfillment specialization, 3PLs are the perfect logistics partner”.

Source – McKinsey Digital Consumer Survey

3PLs that seek to build networks for their customers must develop a services pipeline that ranges from warehousing to storage to inventory management, picking, packing, and shipping to technology and IT to meet the riding needs. These are important for small and mid-size customers looking for help with logistical operations. As 3PL providers evolve, so do their customers’ businesses.

THE FUTURE OF 3PLS

Many 3PLs recognize the importance of continuing to increase value to their customers, whether it's by further investment in technology, automation, building best-practice services, or focusing on key industry sectors, such as e-commerce, cold chain, or pharma. The future of the 3PL industry is bright whatever route they decide to take. The growth of e-commerce and higher consumer consumption means organizations must keep scaling up their logistics offering. To do that, most need a 3PL. In turn, 3PLs need to make use of new technology and innovative solutions to keep evolving, becoming more sophisticated, and adapting quickly, to meet their customers' needs.

CONCLUSIONS

Logistics has always been essential to the supply chain. Once a hidden industry of service, it's now a topic of notable news stories from package delays, to congested ports. Yet as the heart of the supply chain, logistics is transforming the industry with 3PL warehouses at the epicenter.

As the lifeline for many of their customers' businesses, 3PLs keep the flow of the supply chain running. They help businesses through disruptions and give light to new selling channels. 3PLs are transforming the way consumers receive goods. For 3PL warehouses looking to drive innovation, build a profitable business, and accelerate change, the time is now. With a rapidly shifting marketplace, 3PLs have the opportunity to make 2023 their most inventive year.



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