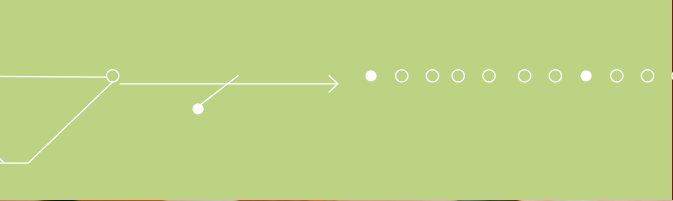
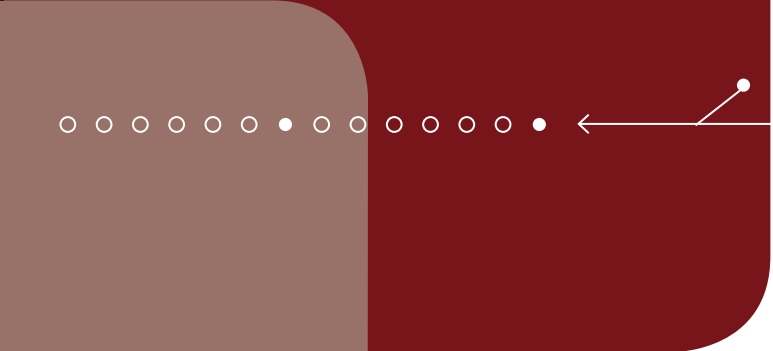


Whitepaper



Four Ways 3PLs Can  
Harness Technology to

# Attract Customers & Drive Profitability



## Four Ways 3PLs Can Harness Technology to Attract Customers & Drive Profitability

***“92 percent of US third party logistics providers felt that providing better IT solutions was key to new growth opportunities.”***

– Eyefortransport  
North American 3PL Market Report, 2007.

### Turning a Profit in a Cost-Conscious Industry

Customers turn to logistics services providers (LSPs)/third party logistics (3PL) companies because they expect that you will be able to run their warehousing and transportation operations more efficiently and cheaply than they can run it themselves. Tall order! That means you need to run as lean an operation as possible, while at the same time making sure you're getting paid for each and every service you provide. This brings up a number of questions:

- How can you attract new business? How quickly are you able to on-board new customers?
- Are you sure you're able to accurately bill for every service you're providing to your customers? Or might you be leaving money on the table?
- How can you provide superior customer service so each customer feels as if they are your only one?
- How do you evolve to offer more services that the industry is demanding?

The pressure is on. All you need to do is deliver cheaper warehousing, exceptional inventory visibility, seamless freight management and timely and accurate billing.

### Your Four-Point Action Plan

Read on to learn how you can refine and recharge your 3PL business by leveraging technology and best practices in your logistics offerings. You'll learn how to:

- Onboard new customers more quickly
- Bill more easily and accurately
- Track inventory attributes by customer
- Provide value-added services



## 1 Show Me the Money – Adopt Better Billing Practices

Billing is a tricky business for 3PL companies. Your customers are cost sensitive and are especially concerned with “cost creep.” They watch invoices carefully and expect details for questionable charges. If you are like many 3PLs and are still using a manual billing system, this is a nearly impossible task. Manual systems usually include many people tallying transactions, and the system has all the conventional trappings of working with paper. The manual system can be error prone, inflexible and time-consuming. If a customer questions a charge, it is often more costly to jump through the hoops to find the back-up data than it is to simply credit the amount in question.

An automated billing system reduces the chance of leaving money on the table. Charges are generated automatically each time a warehouse worker performs a task. Billing can be done using time-based or activity-based methods, and all customers will have their own separate billing attributes. So the next time your customer questions a charge, you can drill down to the specific item level to find out your agreed upon charge for the service and the exact dates and times the service was provided. A billing system that reliably captures the charge for every service you perform can really add up on the bottom line. Say you bill \$100,000 in services for one month. Even if you lose only 2-4 percent of those transactions due to manual errors, you're missing out on \$2,000 to \$4,000 that month. Do you think you could find ways to spend that money if you had it?

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***“One thing is certain: the dynamics of the logistics service provider industry are changing, and logistics service providers must develop new business models and become more nimble and responsive if they want to remain profitable and competitive.”***

– Adrian Gonzalez,  
2008 ARC Advisory Group Report.

### How refreshing – cost clarity

In addition to getting paid for all the services you perform, a robust billing solution gives you full visibility into costs with comparison to what was invoiced so you can forecast more accurately, and easily assign rates and specials at both the customer and the warehouse level. You'll have an aggregated view of billing and cost data by customer, warehouse and enterprise, with the ability to drill down into the details to review, edit or delete.

### A secret weapon for your sales team

Better billing technology can be a great tool for your sales team, as well. Sometimes your sales people need to get creative in order to land new business. Say your prospect is a clothing manufacturer and wants you to store sweaters. To service them profitably you need to add a 20-cent up-charge to handle the extra large size sweaters because they take up more space. So

the sales person sets up the billing structure for the new customer specifying the multiple handling rates. If you are using a manual billing system, this creates a huge headache on the back end when the billing department tries to match up the special instances with the different charges. With an automated billing solution, you can preset billing rules at a very granular level, so your sales folks can get as creative as they want without creating a hassle for the billing department.

## 2 Speed the On-Boarding of New Customers

It's the proverbial Catch-22. You have a prospect that wants a specific capability that you don't quite have yet. And you don't want to purchase the new technology or go through the hassle of setting up the new capabilities until you actually have the customer. The moment the company becomes a customer, they want your service right away and you still have a lot of work to do to set up their account before you're ready to start bringing their goods in.

The process of taking on a new customer doesn't need to be so intimidating. A key part of robust technology is the ability to rapidly on-board customers with a configuration wizard that can make it easy to configure the data elements for your new customer. Workflows can be very different for different industries and customers, but a best in class solution can apply preset rules by industry, plus the rules that are unique to the customer so that your customer is on-boarded in days, not months.

***“65 percent of 3PLs in a recent study ranked smooth integration of IT systems and data management as the biggest challenge when acquiring a new customer.”***

– Eyefortransport  
North American 3PL Market Report, 2007.

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### 3 Simplify Management of a Multitude of Customers

In a typical 3PL warehouse with multiple customers, you need to perform different tasks based on specific industries, products and customers. Your retail customer might want you to capture style, color, and size item attributes. Your food customer might want to know lot number, best before dates, and expiration dates. In order to continually satisfy customers and win new business, you need a solution that will easily adapt to customers' needs, instead of asking customers to adapt their businesses to meet the constraints of your software. To do this well, you need a flexible architecture that allows for a rules-based approach to different workflows. The solution should offer dynamic item configuration on a customer-by-customer basis.

In addition to your direct customers, each customer has their own customers and suppliers, as well. Say you are handling a customer's computers, and then you are sending the computers on to retail distribution centers. Each of those retailers has their own rules. So you have multiple customers who have multiple vendors and multiple suppliers; and everyone has multiple items and separate sets of rules. To manage this data effectively, you need technology that enables rules to be granular to the customer, their customers and suppliers level. A multi-tenant architecture with a business process configuration tool will help you enforce the exact supply chain preferences each of your customers require.

### 4 Evolve to Offer Value-Added Services

Back in the day, third party logistics was basically a commodity business. You sold rack space to store someone else's goods and received a monthly storage charge as a result. The industry has evolved dramatically, and 3PL providers are finding that they need to expand their offerings to attract new customers. Many 3PL providers are not prepared to profitably take on new customers, partially because outdated and inflexible IT systems won't allow it.

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***“88 percent of 3PLs in a recent study ranked consistently delivering cutting edge technology to customers as a main challenge.”***

– Eyefortransport  
North American 3PL Market Report, 2007.

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A solution with an adaptable architecture will allow you to provide new offerings and workflows inherent with value-added services. Any time you can move up the chain and offer more complex processes you can attract more customers and make more margin. A best in class supply chain solution will enable you to meet stringent manufacturing requirements for quality, safety and traceability/genealogy.

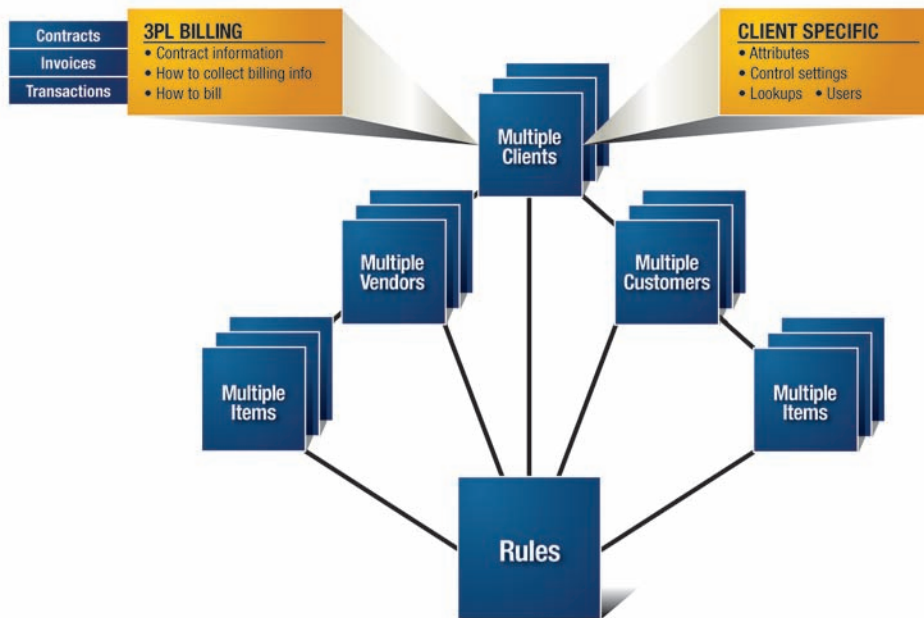
#### **Amp up inventory visibility for your customers**

Your customers want to have access to up-to-the-minute information about their inventory status. Did those cartons of snow shovels destined for Minnesota already ship, or can we redirect them to New York? You need to provide real-time views into inventory, orders and even billing, and the best way to do that is through a Web-portal solution. A secure Web portal provides the basis for real-time information sharing and improved inventory visibility. This enables collaboration throughout the supply chain, giving your customers the most accurate and timely view into their inventory and order status. Customers can make knowledgeable decisions with the real-time visibility into demand, order status and potential exceptions. So when the radar shows that the snowstorm has shifted to the northeast and your customer wants a last-minute change of shipment location, you can access the up-to-the-minute information to know whether you are able to accommodate that request.

Providing visibility is a must, but hand-in-hand with that goes data security. Since most 3PLs have multiple customers, data security can be a real challenge. You need the architecture in place to provide the ability to limit access to data and avoid the liability of data security. A true, multitenant architecture will easily allow for data dependent security controls, so you can grant access to any employee or customer through role-based security features.

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### 3PL Data Structure (Many to Many)



### How to unleash these technologies in your 3PL business

Third party logistics providers are in the same boat as most companies. It seems that everyone needs to sharpen their pencil to be more productive, spend less, step-up offerings, and essentially do more with less. So, is now the right time to sit back and say, "Well, at least I'm in good company"? Or is now the time to take a closer look at your operation and do something different to improve your odds and regain the competitive edge? A more flexible supply chain management solution can help you attract new customers, on-board them more quickly, provide new value-added services and run your operations more effectively. And that's going to make potential customers see you in a new – even better – light.

