

Challenges in Collaborating from both 3PL & Customers' point of view

The unique experience of mine on being both sides of the table put me in a unique position to write this piece. I wonder that as a customer while evaluating/selecting 3PL, some very important parameters take a back seat & as a 3PL while doing go/no go to a tender, it is largely based on revenue & growth consideration while compatibility with customer's organisation is ignored. Here the seed of discontent in the future relationship is sown.

Cultural differences between the two organisations joining hands can create conflicts making collaboration less effective & thus 3PL operations do not reflect extended arm feeling for the customer. 3PL employees don't live the value system of the customer & right so because they are not trained for that & it does affect ownership feeling in the operations.

Scalability is another challenge where dynamic logistics needs of the customer over a period becomes way beyond the capability of 3PL in terms of technology, skill set because majority of 3PL does not invest into people & technology because of cost reasons. Available space also falls short because growth projections prove wrong & then the scatter operation does not remain efficient.

If I go one level down to be more specific,

then from the customer's point of view Cost is another challenge. Although 3PL services are considered to be cheap as compared to self-run operations by the customer, but sometimes it proves more costly because of inefficiencies of 3PL operations, hidden charges & tendency of 3PL to seek additional revenue generation activities. This results in higher cost of operations & undesirable service levels. Loss of Control by sharing a part of the supply chain with a third party also results in less control over operations as operations are driven by agreed KPIs and 3PL does not like interference in day-to-day affairs.

From the 3PL point of view, **Under Selling** to win business in cutthroat competition is the most dire problem where 3PL business development teams acquire business at unsustainable price & then cost management becomes problematic. 3PLs under cost pressure cuts even essential costs which results in operational issues & customer dissatisfaction. Another challenge is **Acceptance of Unachievable KPI threshold** by 3PLs with much thinking to acquire the business. Non-achievement of KPIs results in financial penalties & relationship issues with principal companies which results in lowering the management attention of 3PLs & motivation of operational staff of 3PL.

There is a need to work on strategies from



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both the sides to overcome challenges & make the partnership a win-win situation for both the parties because both need each other as the logistics outsourcing is the only way forward for effective & efficient supply chains. Some of the suggestions I would recommend 3PLs to work on are: Stay in line with technology to quickly adjust & adapt with ever changing industry demands, invest in technology because growing complexities of operations cannot be managed in traditional ways. Fostering a **collaborative culture** brings a lot of transparency & trust, providing customers transparent & real time communication as pushing issues under the carpet are detrimental to the strong partnership bond. **SMART SLA Management** is key to the strong partnership as they leave nothing to subjective interpretation & give a clear understanding of the deliverables. **Continuous Evolvement** by adding value by way of looking for cost savings solutions without compromising on service quality like better routing of vehicles, consolidation of shipments, pooling etc. **Demonstrate Competence** to gain trust, reliability, develop new services that meet customer needs, create differentiators as unique selling propositions. Ensure Business **Continuity** and share disaster recovery plans, do through risk assessment and share probable mitigation strategies with customers to give them confidence that their operations are in safe hands.

Demonstrate Resilience of your processes and ways to keep customers data safe, ensure privacy of the customer information is addressed through IT security measures, invest in data integration tools.



To conclude, I would say that 3PL & customer collaboration is like a marriage which demands fair play, setting right expectations, right commitment, logical terms & commercials are necessary for successful partnership. After all 3PL are extended arms of customers in the customer delivery supply chain. Many clients at XRE ask me for right definitions & measures for 3PL, Customer Supply Chain KPIs to support them drafting fair contracts with logistics & supply chain partners so that it culminates in to long term stress free & responsive partnerships and I suggest them to follow strategies stipulated above. 📩

(Disclaimer: All views are personal and do not necessarily reflect those of Logistics Insider.)