

How can 3PLs meet the challenge of changing markets?

Third party logistics providers are facing rapidly changing markets as a result of the development of multi-channel in retailing and the globalisation of supply chains. The challenge is to align service offerings to these developments. And that was the question facing a team of third party logisticians in our round table sponsored by Vocollect, part of Honeywell International Inc.

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Third party providers are used to being the behind-the-scenes operators whose reward for a job well done is often to go unnoticed, but in this new age of increased service levels, with an ever increasing pace of change, how can 3PLs be sure of offering the best value added services? And how can they best communicate that value to their customers?

Looking at the question of how logistics providers package and sell their own services, Angus Hind, of Europa Worldwide said that the customer and their demands and expectations have been the driving forces behind changes to the way sales are made.

"The customer has become more aware of the market and what offering others of you around this table can give, and because of that we've had to adapt ourselves to be able to offer the customer what they need. And I look at my sales guys now, and they need more nurturing. Implementation has become key to our customers to get them on line."

Neil Weightman of iForce interjected that there is a need to look at what the consumer wants, and then also as a distinct but still important factor, what their customer wants. "Both consumers' demand has got more complicated," said Weightman, pinpointing speed and flexibility as keys.

To illustrate, he gave the example of a customer's customer who placed an order for a £7,000 home cinema system from a mobile communication tool at 11.20 on a Monday night. Contrast that with the procedure a few years ago which would have involved a 9-5 call centre to process a credit card payment and you can see how these new channels affect so many different layers of a business.

And he said that that fluidity in terms of omni-channel ordering has influenced the way firms operate and make decisions. Whereas engaging retailers used to be a less complicated sell with one or two key decision makers, the need to comply with a global solution means more

people will be involved with any logistics provision.

There was resounding agreement that 3PLs are facing a more consultative sales process, and John Malpass, supply chain services director of Wincanton said: "Previously you were talking to the logistics department, now you're talking to the category departments to start understanding what the customer's customer's proposition is, so you can start adapting to that."

"That's driving a skillset change as well, so it's not just about people who understand how sheds work, its understanding how the entire supply chain works, and that's why I've been brought into Wincanton because of my experience in previous lives," said Malpass, referring to his previous roles at various retailers.

And there was agreement that integrated services have a significant role, not just for customer solutions but, as Malpass said, "also involving warehouse management, transport planning, all those things end to end and potentially up stream as well so you can start managing the flow of product, to drive availability for the customer. It's the whole proposition that you're taking to market."

"It's driving changes around service and cost models, and it's changed the whole landscape for me. I've only been in the role for six months but even in that time I've seen it changing, and that pace of change rising."

But predicting what that change may be was identified as being a significant issue for a market place where there is a real commercial advantage to staying ahead of the curve.

Mark Catley, head of ecommerce development at Norbert Dentressangle said the problem with such predictions is the variety of "unknowns", and that's driving requirements for inbuilt flexibility.

"It's about being able to deliver at a cost effective basis what they want today while having a flexible enough solution for the future to be able to say 'if your business doesn't grow by 25 per cent but by 125 per cent' as lots of them do, how do you deal with that?"

Meet the panelists



Angus Hind, air, sea & logistics director, Europa Worldwide



Luke Myring, business development executive, Unipart



Matt Gregory, business development manager, Vocollect



Anita Donohoe, retail operations director, CEVA Logistics



John Malpass, supply chain services director, Wincanton



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"They are looking to us for solutions to a problem that they don't really understand themselves, much of the time," he said.

"I would agree. I think the problems that our customers have are much more complex now," said Ceva's Anita Donohoe, who pointed out that she has recently "jumped the fence" into logistics from a purer retail role.

She continued: "They're not looking for just that transactional partnership anymore which is just about trucks and sheds; they're looking for us to bring some intellectual gravity to problem solving, which means that we have to bring different skills into the organisation."

Luke Myring of Unipart concurred with this notion of the customer focus moving away from a transactional approach, towards performance related aims. "Whereas they'd have said 'give me the rate to move and store this much product', now it's 'give me a solution for this, and actually, I only want to pay if you improve my business... I don't just want to pay you to move a box'. It's making the process a hell of a lot longer and there are so many people involved. It's very much a partnership approach now."

Allan Blakeley of FedEx agreed that there is, in a sense, a partnership approach where the customer wants and indeed demands a slice of any efficiencies. "Gainshare is still alive and well, and bonuses are only really for giving extra performance."

Donohoe developed the idea "For me the way we're going to have to work with our customers as we move forward is being more collaborative, because I honestly don't believe that one 3PL has the total solution."

Running with the idea of collaboration, Vocollect's Matt Gregory posed the intriguing question of if and when we will see the current increase in use of shared user facilities transform into a collaborative approach to e-commerce hubs.

While the very notion may seem controversial and a stretch of the imagination, some participants around the table confessed a lingering hope or belief that steps towards such an approach will happen eventually.

Weightman said that he has already had talks with a retail client that has seen the light, and that delivering to the same houses as its competitors was "just nonsensical".

"At one stage I almost thought they were going to make a phone call to one of their competitors."

But he said that crucially, the attitudes and faith in the concept are just not ready.

"It's a logical solution, it should work.

They want to reduce their cost to serve, but when it comes to it, stepping over that line, they won't do it.

"We've got some people that won't even let you use their site for a small third party client. They'll tell you 'I've got some spare space while I ramp up my volumes can you help me with my cost to serve?' and you say right, I'll bring two or three other clients in there then, and they go 'No! They're competitors... I don't want to be seen to be collaborating with these people'."

Equally, Richard Adams of Vocollect asked about the viability of a retail platform, offering fulfilment as a standardised service to any retailers, specifically smaller operators who will have no capability for this themselves.

And Catley concurred with Weightman that while it is certainly an attractive proposition for 3PLs and no doubt retailers too, the value of differentiation is just too deeply



Mark Catley, head of ecommerce development, Norbert Dentressangle Logistics UK



Allan Blakeley, managing director, FedEx SupplyChain Europe



Richard Adams, VP sales EMEA, Vocollect



Neil Weightman, commercial director, iForce

ingrained in the retailing mind-set.

"Everyone wants their own and they don't want to share. You offer them the proposition and they say 'Fantastic – but we want exclusivity on it' Bam! Just like that. Because they don't want to give up that extra five per cent they'll get for the next six months because they're the first to market," said Catley. "Being first to market is so critical in e-commerce."

Collaboration is of course a hot topic that everyone agrees is a good idea, and most believe that it could well reap rewards beyond that crucial five per cent reward for being first to market. But it requires "pioneers" who will have to establish new relationships, and that means sharing specific systems and data with each other.

Donohoe identified IT as something that will be key to any collaboration project, but also as something that generally could benefit from better integration and collaboration within businesses, across departments and divisions.

This is especially pertinent for logistics operators, as when a contract has been won, although the process to get there may be slow, the pace of operations develops very quickly, and so all systems that help add value and keep efficiency up will have to be explored.

For example, Catley referred to voice systems such as Vocollect's[®] as being an important part of any operator's toolkit. "Anything that helps to make things quicker, more accurate and work better is obviously of benefit, and that's why voice technology is more used within the marketplace now... There are obvious areas where it works really well."

And Weightman pointed to it as particularly significant in managing the huge spikes in demand that the industry is beholden to, with Christmas peaks getting later and steeper, and timed sales and flash sales as well



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as the speed of new fashions and trends adding to the pressure.

"We bring in hundreds or thousands of extra staff for peak, and then we expect them to deliver the same standard as before, and these are people who may not have worked for a year or two!" said Weightman.

Catley agreed. "If you've got massive influxes of labour, how much does that cost? That adds to the training cycle..."

Regarding voice technology in particular, Catley raised the point that the initial training does have to be implemented for each and every member of the workforce, and of course staff are not necessarily loyal to any particular warehouse so that's not necessarily a one-time cost. Although he also adds the corollary that the pool of staff will be pretty stable in any one area, and probably return in cycles.

"If you can get the core used to the tech... the more a technology like voice technology becomes familiar, the better, easier and cheaper uptake will be."

Coupled with driving that efficiency and the overall focus on delivering business benefit, and taking a longer term view – in many cases five years – Malpass said that the requirements of 3PLs to deliver flexible long term value adding solutions are being driven way beyond a standard logistics remit.

"We're talking in terms of the wider business, where they want to be in terms of their customers' proposition, and that starts to drive that strategy. A lot of companies are developing those propositions in terms of e-commerce, convenience and we're helping them to visualise that... coming round to more the front end."

But Richard Adams of Vocollect questioned whether the customer really appreciates the developments and value that third party logistics providers now offer.

The sheer volume of challenges currently being foisted onto 3PLs is something that the group agreed makes communicating the value proposition difficult. Anticipating the pertinent solution for any particular customer is no easy task, and a one size approach simply won't do.

Neil Weightman of iForce pointed out that the solutions clients are looking for will be in response to any number, or combination, of catalysts from a new IT implementation or starting to sell into new territories abroad, to the shift to omni-channel, and the demand for returns processing.

"There are so many variables, and that depends on your product," Weightman said. "A lot of our clients want us to do the messy stuff because they're not geared up to do it, and if that's where we add value, we shouldn't shy away from it."

"If it's easy anyone can do it. You have to soak up the mess and come up with a solution, and I think that's easy rather than daunting."

However Hind pointed out an important caveat, that caveat that the customer has to buy into that process. And Donohoe said that the omni-channel proposition is such a challenge for retailers, that the front-end processes are the key concern. "In creating this seamless end to end journey for the customer, they haven't got the capacity to think about how the logistics will work."

And she underlined the significance of the point with the statistic that the cost to serve for two man home delivery can be 27 per cent, compared to just ten per cent for in-store sales. "That's quite an incredible change in model."

Winning contracts often rests on a 3PL's capability to fit around customers' established methods and legacy systems. But there was side agreement that it is also incumbent on every 3PL to win over clients to new methods of working, and to get them to trust new systems.

The answers to how to do that will vary from firm to firm, but there was also agreement that to some extent, a customer will not care how a 3PL operates, as long as it delivers, or exceeds, on the KPIs agreed upon.

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Vocollect understands warehouse and distribution centre operations. In challenging times, it's a balancing act to drive profitable growth and streamline existing processes to reduce costs and make an efficient business run even better. Our voice-enabled technology can dramatically increase performance, which in turn helps you to improve business efficiency and reduce operating costs, with worker productivity boosts of up to 35 per cent.

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Vocollect solutions purposely do not include screens or keyboards because voice is able to more efficiently confirm steps in a workflow process than a keyboard, and voice enables workers to operate with both hands-free. It makes no sense to force a worker to carry a large device with them all day, when 95 per cent of a worker's tasks can be performed with voice and scanning.

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