

Third Party Logistics (3PL)

by

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Introduction:-

Growth may come with opportunity, but it also invariably comes with growing pains. This is true in the process of scaling ecommerce business, particularly when it comes to shipping, logistics and order fulfilment. It's difficult to focus on marketing, product development and relationship building when the owner of the business is devoting all of his/her time to negotiating contracts or putting out fires. That is why 90% of the Fortune 500 (an annual list of the five hundred largest US Industrial corporations, as measured by gross income) companies turn to 3PL providers to help. As the ecommerce market has grown exponentially, so too has the 3PL market, which is forecast to reach \$1.75 Trillion by the year 2026.

A 3PL (Third-Party Logistics) is a partner or a service that helps ecommerce merchants manage their supply chain. E.g., courier companies, transportation and logistics companies, freight forwarders. These include Delhivery, Ekart (service provided by Flipkart), Ecom Express, FedEx, XPO Logistics, etc.

Objective:-

Third Party Logistics help companies to focus on their core competencies, thus fostering business growth, market expansion and innovation.

Methodology:-

A 3PL is a vital link between the manufacturing operations of any firm and their respective customers. It's not an exaggeration to say that excellent fulfilment is the key to success for ecommerce companies. This is exactly where these 3PL companies come in to provide that master card of excellence to open the lock of success. They provide various services such as:-

1. Warehousing: - Warehousing is a term that refers to the facility where goods are stored before being sold or delivered. Warehouses are, essentially, safe and secure storage solutions that allow for extra organisation and celerity. There is also warehouse software

like SAP Business One, that can assist with inventory and warehouse management, finances, item packing, shipping and receiving. The item is shipped directly from the warehouse to the consumer.

2. Inventory Management: - Inventory refers to the products, materials or supplies stored inside a warehouse, shipping or selling. Inventory is an important part of making sales and generating a profit and it should be managed efficiently to ensure an optimal supply chain.

3. Shipping and receiving:- Shippers and receivers send, accept and record the movement of parts, supplies, materials, equipment and stock to and from an establishment. They are employed by retail and wholesale establishments, manufacturing companies, and other commercial or industrial establishments. They perform duties like, determining method of shipment and prepare bills, invoices and other shipping documents, assembling containers and crates, packing goods to be shipped, preparing identifying information and shipping instructions, overseeing loading and unloading of goods from trucks, inspecting and verifying incoming goods against invoices or other documents, recording shortages and rejecting goods, and so on.

4. Picking and Packing: - 'Pick and pack' is a term for warehouse work that involves the selection of correct type and number of items from shelves and packing them for shipping. To succeed with the type of order fulfilment that the ecommerce businesses get, there is the need for a well-organised warehouse, efficiency in picking the right items, efficient packing systems, and talented and attentive workers.

5. Kitting and Customization: - A kitting procedure is bundling or packaging products or components together that are typically sold separately. It is a process where separate components are combined to create a single product. In modern days, customers are used to customizing their products according to their needs. This helps in increasing consumer satisfaction. Customized logistics services are tasked with providing high-quality and efficient transportation solutions to their clientele. This is accomplished by creating specialized and tailor-fit logistic (precisely adapted to the needs of the parties

involved) packages for their needs.

6. Reverse Logistics (Returns):- Reverse logistics is a type of supply chain management that moves goods from customers back to the sellers or manufacturers. Once a customer receives a product, processes such as returns or recycling require reverse logistics.



The Third Party Logistics provide various benefits or advantages. Some of which are listed below:-

1. Lower cost of goods sold: The consumers do not have to buy their products at the retailing price. Instead they can purchase the items at the wholesale price which is much lesser than what the retailers charge.
2. Greater flexibility in product sourcing: Ecommerce businesses rope in products from different manufacturers. All these products are stored in the same warehouse, packed and kitted under the same name. So orders that include products from different suppliers can be shipped in the same box, customized according to consumers' choices and then shipped together. This raises the satisfaction of the consumers as well as reduces shipping costs incurred by the ecom businesses.
3. Greater control over logistics: The companies can choose any order fulfilment partner which will provide the necessary services to the consumers, thus benefiting the company.
4. Faster order fulfilment: The ecom business firms look after the main business

operations, while the 3PL companies take the responsibility of shipping or delivering the produced goods. This makes the delivery faster.

5. Easier returns processing: The 3PL companies entrusted with the shipping of the products manage a return policy in case of any problems with the respective item (suppose, malfunctioning, item broken, incorrect item delivered, etc.).

Worldwide Market Report Scope

Report Attributes	Details
Market Size value in 2022	USD 1,032.93 Billion
Revenue Forecast in 2030	USD 1,998.73 Billion
Growth Rate	CAGR (Compound Annual Growth Rate) of 8.6% from 2022-30
Base year for estimation	2021
Historical data	2017-20
Forecast period	2022-30
Quantitative units	Revenue in USD Billion and CAGR from 2022-30

Improved data-driven decisions are necessary for future success. Big data is going to play a critical role in all aspects of third-party logistics. The 2021 Logistics Industry Report revealed that 81% of shippers and 84% of 3PLs must use Big Data to become more competent with their supply chains.

Benefits and Back locks:-

However there are certain disadvantages or problems that can be caused due to irregularities on the part of 3PLs. Two completely different companies are working towards achieving a common goal, and in a scenario such as this, communication is very important. Since the message must travel from one company to another, complications may arise, which in turn could lead to misinterpretation of facts or complete miscommunication. As a

result, the delivery may become a failure. But these companies are nowadays working hard to avoid these kinds of mishaps.

The growth of Third Party Logistics business has caused many firms from different industries to enter this field. E.g., Ekart which was initially providing logistic services to Flipkart only, has now extended its services to other third party merchants or companies. Even Amazon is starting to do the same. In the development of new strategies, the newly entered firms are shown to be highly influenced by existing businesses and their networks. However, at a later stage these firms became focused on moving into more advanced and complex services (4PL services). But still most ecom firms prefer the 'traditional' 3PL strategy.

Analysis:-

The results of various researches and studies about the 3PL companies revealed an industry which is growing rapidly. While the momentum for third party logistics use was strong, most managers cautioned for the use of an incremental approach to using third party logistics. This permits an easier transition for the using organization and leaves the option open to return logistics in-house if the provider is lacking. The majority of third party providers in this study were not interested in DoD business.

Providers indicated that the perceived difficulty of competing, administering, and renewing a Delivery on Demand (DoD) contract was not worth the income generated. This may be restricting DoDs accessibility to firms providing the best service and a lower cost



Conclusion:-

Studies have identified some important issues regarding the management of the 3PL business strategy. One issue is about the organisation of the 3PL business and its need for neutrality from traditional business. Second one is about internationalisation of the 3PL business and the need for a partly different pattern and network to manage it. And finally, the issue of coping with strategic alliances, mergers and acquisitions seems vital for understanding and developing the business.

According to the Logistics and Transportation Review 29 (4), 355, 1993, there is an increasing demand for these 3PLs for reasons including outsourcing of services, escalating service quality requirements by customers, and new information technology. The strategic issues developed between the shipper and the provider make 3PLs more important today. To realise these strategic developments, there must be mutual involvement and cooperation.

