

A Key Link in the Supply Chain

As U.S. export activity picks up, companies are turning to third-party logistics providers to gain a cost advantage.



After a \$159 billion drop in the second half of 2009, business inventories soared \$41 billion in the first quarter of 2010. These figures, courtesy of the U.S. Bureau of Economic Analysis, are accompanied by others that show a 22% jump in U.S. exports in last year's fourth quarter, followed by an 11% increase in the 2010 first quarter. All this is good news, but it comes with a challenge: Manufacturers need to find shippers who can move all this merchandise.

Solving this conundrum is putting the spotlight on supply chain firms that specialize in third-party logistics. Known as 3PLs, they typically provide integrated services—from transportation and packaging to warehousing and inventory management—for corporate clients that need to get their products to market. But there's more to it than that. According to Nari Viswanathan, principal analyst for supply chain management at Aberdeen Group, a Boston-based industry research firm, 3PLs bring real value to the table when they're equipped to help clients crunch numbers and run scenarios that lead to cost-saving efficiencies.

Services of this type didn't matter as much when the economy was humming and margins were wider. But in today's dicey marketplace, firms with goods to ship need smart analysis as well as reliable delivery. "Customers are looking for more proactive involvement from their 3PLs to help improve their businesses," says Viswanathan. "The 3PLs who have better capability in business intelligence, and are proactively sharing that knowledge with their clients, are the ones that are going to do well in this environment."

One firm that fits the description—Greatwide Logistics Services, which does business with six out of the top 10 grocery retailers and wholesalers in the U.S.—is currently seeing a surge in

freight orders from the automotive, steel, and retail industries. Its analysts study customers' shipping histories in order to make projections that include seasonal dips and spikes. They then craft models that let clients utilize capacity across Greatwide's nationally centralized system, which uses satellites to track the locations of 5,000 tractors and more than 10,000 trailers.

"The question is not just what it costs to move from point

A to point B," says Vincent Gulisano, chief customer officer for Greatwide. "It's also whether or not you should be moving goods from point A to point B, or if there are points in between that you should be using to make their supply chain more efficient."

Greatwide customers are benefiting from a network that was built in the early 2000s, when private equity investors acquired nine regional 3PLs and brought them together as Greatwide. This billion-dollar enterprise now moves cargo for such big names as Wal-Mart, Tyson, Nordstrom, and Sysco. Sometimes shipments piggyback on another Greatwide customer's shipment, or use trucks on the return leg of a regular run.

At times, Greatwide analysts devise routes that customers hadn't even considered—and consequently cut costs by 5%, 10%, or even 20%. In the case of one private-label spice manu-

facturer, Greatwide manages the client's vendor relationships through its Managed Transportation Services program. Result: efficient coordination of vendor delivery dates and a 21% reduction in the manufacturer's transportation costs.

To be sure, clients still want big rigs that will bring their goods to market, intact and on time. But from now on, according to supply chain experts, they'll be looking for 3PLs that have brains to go with their brawn. ●





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