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Why the Rise of the 4PL Is Good News for Your Business

November 06, 2017 | Jon Slangerup

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On-demand delivery, trade uncertainties, siloed information... for today's supply chain managers, the list of concerns is long.

Current industry and geopolitical trends are complicating matters further. Companies are juggling more products and suppliers, leaving supply chains increasingly vulnerable to disruption.

In the grocery industry alone, the average number of SKUs skyrocketed from 9,000 in the 1970s to 39,500 in 2015. Amazon has made two-day delivery the new normal, with retailers racing to build fulfillment operations that can meet customer service demands. Meanwhile, potential tariff increases on exports from China and other foreign entities have global businesses worried about the impact to their supply chain operations.

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To keep up in this evolving environment, many businesses seek outside expertise. But while outsourcing shipping, packing, and other functions to 3PLs is nothing new, some find that model doesn't go far enough.

Unifying internal and outsourced teams remains a challenge, making it difficult to gain a complete picture of the supply chain. Businesses are also collecting vast amounts of supply chain data throughout the organization, but don't have the infrastructure or expertise to mine it for insights.

Enter the 4PL.

Saddle Creek
LOGISTICS SERVICES

90% of shoppers expect a cross-channel experience.

Can your OMS perform?

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Also known as supply-chain-as-a-service (SCaaS), 4PLs act as a true extension of the business by assuming responsibility for all supply chain-related activities. By combining technology, processes, transportation, and more under one roof, a 4PL can help drive new levels of visibility and productivity as businesses face increasing supply chain pressures.

THE 3PL-4PL DIFFERENCE

While definitions of both terms differ, 4PLs typically go beyond the traditional outsourced 3PL arrangement to oversee all supply chain operations, no matter who's actually moving your cargo. For example, if you use multiple partners for your shipments, a 4PL manages the logistics services it provides as well as services from other providers.

From customs compliance and purchase order management to carrier allocation and warehousing, 4PLs provide a single point of contact, management, and accountability to simplify your operations. They're also typically non-asset-based, giving them the flexibility to connect you with the carriers and solutions best for your business.

Technology plays a key role in the 4PL relationship. Many 3PLs offer their own proprietary systems, but may not offer visibility across multiple providers, modes, and steps in the supply chain.

4PLs implement holistic solutions that drive efficient communication between factories, employees, carriers, and other stakeholders, so businesses can respond to changing conditions and improve operations. In a 2015 McKinsey study, companies that reported having agile supply chains had service levels that were seven points higher and held 23 fewer days of inventory than businesses whose supply chain practices needed fine-tuning.

MAKE 4PLS WORK FOR YOU

Do you know which of your warehouses are the most cost-efficient? Can you see each shipment from procurement to fulfillment? Working with a partner with a full understanding of your supply chain can help you:

- Gain end-to-end visibility.** Getting a true picture of the supply chain is a top priority for organizations, but many current platforms can't deliver. More than half of recently surveyed supply chain executives planned to invest more than \$1 million in new technology. A 4PL can help you design and implement a cloud-based solution that pulls data from all internal and external sources, giving insight into each step of the process—regardless of who handles the shipment.
- Optimize operations.** Leveraging a broad set of capabilities and industry relationships, 4PLs customize full-service solutions based on what success looks like for each business. For one electronics manufacturer, that meant implementing a solution that would improve supply chain efficiency and visibility while still pushing data into its legacy ERP system. The company's supply chain partner purpose-built a system that integrated seamlessly with the original platform, while creating new efficiencies through intelligent alerts to internal teams and retail stores.
- Get data-driven insights and analytics.** By acting as the keeper for all supply chain information, a 4PL can help you turn data into business intelligence. Customizable KPIs and reporting offer insights on staffing costs, service levels, and more, helping you drive value throughout the supply chain. With cybersecurity threats like the WannaCry ransomware threatening businesses constantly, a 4PL that continually invests in its technology platform can also ensure your data stays secure.
- Deliver value.** Between economies of scale and multifunctional expertise, 4PLs help businesses find new ways to lower landed costs and minimize supply chain risks. The right supply chain partner takes full accountability for meeting your business rules and requirements, freeing you to focus on more high-value tasks.

When selecting a 4PL, consider how well they know your industry, their core capabilities, and how they'll service your business day-to-day. A successful relationship combines powerful technology, full-service logistics, and a keen eye for identifying and implementing processes that give you a competitive advantage.

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