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A recent survey of shippers served by third-party logistics providers (3PLs) shows the extent to which 3PLs have needed to adjust their operations during the COVID-19 pandemic to deal with ongoing disruption in containerized supply chains.

According to a recent survey supported by the Council of Supply Chain Management Professionals (CSCMP) — the 2022 Third-Party Logistics Study — 83 percent of 3PL clients (shippers) experienced disruption in the supply of key materials as a result of the COVID-19 transportation restrictions and subsequent spikes in demand. The demand surge, coupled with shipper tactical shifts to alternative supply sources, transportation routes, distribution channels, and modes of transportation, negatively affected the response of some unprepared 3PLs, which led to significant capacity shortages, increased costs, and performance failures.

Few 3PLs were fully prepared for the supply chain disruptions prior to the pandemic. According to the CSCMP survey, only 24 percent of 3PLs were fully prepared with a readiness plan in place prior to COVID-19. Consequently, 96 percent of 3PLs are enhancing their readiness and continuity planning, and 50 percent are improving their data analysis and visibility capabilities.

To be resilient, successful 3PLs should adopt measures for maximum flexibility, agility, responsiveness, innovation, and close collaboration with stakeholders. Example considerations are provided below.

First, 3PLs need to increase their digitalization of data where possible along the supply chain (e.g., transactional data, invoicing, PODs, etc.) to enable methods and technologies such as end-to-end visibility and predictive analytics, to detect or predict anomalies or disruptions and quickly respond with corrective measures (enact alternative plans, re-routing, expediting, etc.).

Third-party logistics providers also should develop and implement supply chain risk management and business continuity strategies and training to identify and proactively respond to potentially disruptive events. This means quantifying the probability and severity of occurrence and implementing mitigation measures such as contingency plans, multiple sourcing, supplier monitoring, dynamic routing, redundancy, safety stocks, expediting, visibility systems, increasing capacities, channel diversification, and alternative ports of entry, etc.

They should also encourage increased adoption of stakeholder systems integration (e.g., computer-to-computer exchange of data, EDI [electronic data interchange], API [application program interface], and related systems) to facilitate better partner and client interconnectivity and increase accuracy, speed, visibility, transparency, coordination, and responsiveness to dynamic market conditions (e.g., inventory levels, delivery status, event management, etc.).

Along with the increased use of information technologies, companies should ensure adequate cybersecurity and data protection plans are in place to secure data integrity, such as information

security management systems (e.g., ISO 27001), to proactively protect, respond, and recover from adverse events.

Multi-carrier/supplier relationships key

Third-party logistics providers should also:

Maximize use of computerized supply chain management systems, including, as appropriate, warehouse management systems (WMS), and lower-cost software as a service (SaaS) or cloud-based applications which could be accessed remotely (e.g., by home-based workers) to maximize efficiency and integration with stakeholder systems. A recent survey of 3PL WMS users by 3PL Central (2021 Third-Party Logistics Warehouse Benchmark Report) found that 81 percent had implemented the system for real-time inventory tracking and management, 39 percent were integrated with EDI systems, and 23 percent had leveraged the technology to grow order volume 50 percent or more.

Establish multi-carrier and multi-supplier relationships for volume surges and contingency flexibility. Pre-approve alternative carriers and suppliers to quickly respond to disruption or capacity shortfalls.

Establish overflow storage, processing, and yard capacity and vehicle and equipment availability arrangements to support demand surges or offset carrier shortfalls and bottlenecks (e.g., on-demand equipment leasing capacity, mobile trailer storage, regional equipment storage yards, etc.).

Establish formal collaborative relationships and protocols with customers and partners to improve communications, address common issues, and gainshare, such as flexible contracts based on jointly defined objectives, including contingency planning and visibility and early-warning mechanisms to identify potential vulnerabilities to quickly respond to disruption.

Investigate capabilities to support a growing e-commerce market, with increased home delivery, business-to-consumer (B2C), business-to-business (B2B), and omnichannel distribution, including scalable and adaptable, integrated transportation and distribution center capabilities to dynamically shift resources to areas of greater market demand.

Investigate supply chain automation measures (e.g., robotic process automation, office, warehouse, autonomous vehicle, artificial intelligence [AI], internet of things [IoT], etc.) to improve speed, efficiency, and scalability and offset labor shortages, supply chain disruption, and volatile demand swings. Productivity-enhancing technologies can provide for rapid, flexible increases in processing and storage capacity and improved asset utilization.

Strategic and operational risk assessment and planning on the part of 3PLs can improve the ability to quickly and efficiently respond to volatile conditions and exception management. Companies implementing such systems consistently achieve top performance and continued customer satisfaction.

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