

## Proactive Involvement Ensures A Clean 3PL Startup

By Julie Baylin

When applied appropriately, an outsourcing strategy can add strategic advantage to your organization. Whether the value lies in asset efficiency, cost containment, customer service, marketing strength, or technological advantage, many 3PL customers can show measurable improvement in one or more of these areas.

Customers dissatisfied with a 3PL, on the other hand, often cite unrealized service level and technological commitments, cost reduction goals, and lack of strategic improvements as the primary reasons for their discontent.

Typically, outsourcers perceive these failures as a result of a flawed partner selection process. More often, however, these relationships fail because of a mismanaged implementation.

### Getting Off on the Right Foot

The startup phase is a strong determinant of how a 3PL relationship will evolve down the road. Though the 3PL's implementation team is generally responsible for execution, the customer also plays a critical role in the partnership's initial success.

The customer's first responsibility is to commit to the relationship. A 3PL alliance is intended to last. It is a marriage of strengths that benefit each partner, and like any marriage, trust is a fundamental element. During the initiation phase, the customer must show trust by committing to full disclosure of all requested information, and modifying objectives, timelines, and cost expectations as necessary. For its part, the 3PL should assign a dedicated project manager, with implementation management experience, to coordinate tasks and work with the customer's project manager. If the 3PL does not appoint a dedicated person to handle these initiatives, the customer should ask for one.

The customer must also communicate the role of the 3PL and the objectives of the outsourcing decision. The most diligent 3PL implementation team calls on every department, including sales, accounting, IT, human resources, manufacturing, and purchasing, to gather detailed functional requirements. These internal resources must be available and prepared to offer information in order for the implementation to remain on schedule. The customer's staff should similarly be matched with their functional counterparts at the 3PL.

### Establishing Performance Measurements

One of the most critical tasks during the startup phase is developing performance measurements and reporting methods. The customer must take initiative to design measurements that support the company's business goals for the outsourcing strategy. Basic areas to measure include:

- Service costs
- Cost reductions
- Customer satisfaction
- Handling and routing
- On-time delivery
- Systems performance

Depending on what functions of the supply chain are outsourced, companies may also decide to tie 3PL performance to strategic business measurements.

In fairness to the partnership, the customer should fully consider input from the 3PL on realistic targets, penalties, and incentives. These targets and metrics should be specific and clear to both sides so there are no gray areas during performance evaluations. Both sides must allow for appropriate flow of information in order to measure performance.

### **Pilot Test Before Flying Solo**

Before the implementation can be fully operational, the customer must engage in conference room pilots. These sessions are critical to preparing the customer to understand how its partner will handle orders. The customer should bring representatives from all functions so they can learn how the partnership will impact their respective departments. To make the conference room pilot most effective, outsourcers should prepare scenarios that are anomalous to everyday business, and challenge the 3PL to illustrate how they manage these exceptions.

Outsourcing offers companies great advantages in business effectiveness, but it is difficult and sometimes impossible to recover from a messy implementation. For the greatest degree of success, the customer must be active in the implementation plan, trusting of its partner's needs, and aggressive in designing measurements and questioning the readiness of the program before going live.