

## **CVCR Spring 2009 Symposium**

### **BREAKOUT SESSION**

#### **How can third-party logistics companies (3PLs) facilitate collaborative relationships?**

Moderated by Dr. Nada Sanders  
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- The facilitation of collaborative relationships by 3PLs is a timely and important subject. Members of the breakout group collectively decided that it is a much more complex topic than appears at first glance. A call was made to see future discussion on the topic.
- 3PLs have evolved over the past two decades from providing transportation and logistics services to facilitating collaborative relationships. The result has been that 3PLs have to provide superior transportation and logistics services, and compete on other dimensions such as providing bundles of services. Excellence in transportation and logistics has become an expectation and order qualifier in the industry. Mere transactional relationships have been replaced by fostering collaborative relationships.
- There are two types of collaborations that 3PLs can foster: 1) 3PL collaboration can occur between 3PLs themselves; 2) 3PLs can foster collaborative relationships between customers and other members of the supply chain.
- Collaboration between 3PL firms can occur in order to share network services to reduce costs and improve customer service. However, it can dilute the control the 3PL has, especially for smaller-sized 3PLs as they collaborate with larger 3PLs. Collaboration and sharing of network services requires a certain degree of joint decision making for shared resources. The decision to collaborate with other 3PLs, and the degree of collaboration, is an important strategic decision that must consider the tradeoffs in the gains in network resources versus loss of control. Certain regional and geographic constraints may require collaboration between 3PLs due to limited route access, such as in Northern Europe.

- Factors identified that affect and facilitate collaboration include the following:
  - **Technology**; a unifying technology facilitates communication and collaboration; it must be able to address multi-supplier needs.
  - **Information flow** that is facilitated through organizational structures and communication networks within the organization and across organizations.
  - **Network type**; this includes the *size of the companies* and their *homogeneity*; the more homogenous, or similar, the network clients the easier the collaboration. Also, small 3PLs are more vulnerable given their size.
  - **Customer expectations**; the more shared the expectations among customers the easier the collaboration.
  - **Culture**; the more common the organizational culture between the customers and the 3PL the easier the collaboration.
  - **Performance Metrics**; KPI alignment between customers and the 3PL is an important factor.
  - **Risk**; there is a risk that comes with collaboration; transparency is needed and the decision regarding what information to share and what *not* do share.
  - **Value Added**; 3PL must offer value added through its service and the collaboration process for it to be effective.
  - **Optimization versus sub-optimization**; Collaboration enables the 3PL to optimize the supply network versus each entity optimizing their own activity, resulting in an overall sub-optimization.