

# Providing 3PL Services to the Military

By Kim Biggar

**The government seeks the same balance [as commercial clients], but is challenged by the addition to the equation of political interests.**

**MENLO WORLDWIDE LOGISTICS**, a 3PL provider headquartered in San Francisco with 70 facilities in North America and operations in 20 countries, has been providing logistics services to the U.S. military since 2007. While the company has offered distribution, transportation- and logistics-management, and value-added services to its clients since it was established in 1990, it took on a new set of challenges when it signed a contract with the government.

Andy Dyer, VP, government services at Menlo, notes that the differences between dealing with commercial clients and the government are apparent as early as the bidding process. Putting together a bid on a government project, he says, is a significant effort. “The government acquisition process is much more rigorously defined and rigorously executed to the defined procedures,” says Dyer. There is tremendous responsibility, he continues, for both parties to a government contract; the spending of public funds such a contract involves requires absolute accountability.

Because the government has an incentive, Dyer says, to plan programs – and prepare requests for services – that the logistics industry is capable of meeting and that will interest 3PL providers, it reaches out with information about coming bids in order to garner feedback about pricing and service levels. In doing so, the government, in effect, notifies the industry of at least some of the requirements of impending RFPs. Companies that plan to submit bids for 3PL projects should, says Dyer, begin to develop a plan to deliver services before the actual RFP is released, based on the information they gather about the project from the government in this pre-bid process. “If they wait to develop a plan when the bid is released,” he says, “they will already be late.”

Menlo puts considerable work into developing the plans behind its proposals for government contracts. To be successful, points out Dyer, a bidder must demonstrate to the government that it has the capability to do the job, if awarded.

Stringent requirements of government contracts include meeting quite-demanding audit and financial-diligence specifications, and upholding the policies and procedures identified in the Federal Acquisition Regulation (FAR). These define, says Dyer, how the company must interact with the government and with its own employees. Because it promotes such programs as equal opportunity and affirmative action, Dyer notes, inclusion of FAR in government contracts limits prospective bidders to those companies that are in compliance or that choose to make changes to achieve compliance. The cost involved in reaching the HR-focused objectives of such programs is likely prohibitive for some players in the industry. (Read more information on government contracting in the article by Kevin Phillips and Eric Meyers on page 11 of this issue.)

Often, the scope of government 3PL projects is broader than for projects with commercial clients. A company might, for example, be contracted to

provide not only typical 3PL services such as transportation and inventory stocking; it might also be required to source and purchase approved products and manage orders of those products. It would thus operate like a manufacturer or retailer, forecasting demand and purchasing to that level.

## ■ Working with the Military

Through its current contract with the military, Menlo handles everything from the day-to-day products needed by military personnel to parts for specialized defense equipment and vehicles. It does not deal with arms, ammunition, explosives or other sensitive items. For this reason, the security process for employees is not particularly onerous, says Dyer; modest background checks are generally all that's required for most workers involved in on-site handling of product for the military. For drivers delivering to military facilities, the requirements are about

the same as for drivers making deliveries to any large commercial facility, except that they may be required to be U.S. citizens.

While all military bases are governed by common defense regulations, each base commander has latitude, Dyer notes, to make site-specific requirements related, for example, to delivery procedures. "Variability," he says, "enhances security, but also creates challenges for service providers." The challenges are minimized, however, through documentation and communication of specifications by the government to its service providers.

Perhaps the most-difficult task for an experienced 3PL in taking on a project with the military is sufficiently securing data. "Data security is a big deal," says Dyer. "Menlo has put significant effort and rigor into hardening our IT." All clients require secure data, but, for the military, the need is more extensive.

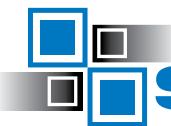
Access by the "bad guys" to aggregated data is the potential danger.

Dyer provides an example: "The movement of a generator, in and of itself, is not a very telling thing, and many people know about it in order to make it happen. However, if the bad guys get information about overall movements by the military, they may be able to draw inferences about what the government is planning." Another concern is the possibility that, in connecting to government data systems, a service provider without adequate safeguards might allow others in "through the back door."

A shift in thinking may also be necessary to appreciate the complexities of working with the military or other government departments. Commercial clients, notes Dyer, seek a balance between efficiency and effectiveness in their operations and those of their service providers. The government seeks the same balance, but is challenged by the addition to the equation of political interests. "Competing priorities can shape how optimal a network can be," Dyer says, citing this example: Perhaps a base should be closed for various reasons to optimize efficiency, but no senator would want to take that message to his or her constituents in the area.

The base stays open because that's the solution that works for the big picture. For the most part, the government will look to its 3PL providers to move cargo, to perform; being aware of the varied pressures and constraints under which the government operates will give 3PLs a better understanding of the context for why things happen as they do sometimes when efficiency might dictate a different approach.

Menlo, says Dyer, has been very fortunate in its experience providing service to the military. The relationship between Menlo staff and their government counterparts has been collaborative, open and team-focused. The company is actively bidding on other government projects; clearly the rewards have compensated for the extra effort required to manage its military contract.



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