

Connect. Communicate. Collaborate.

MICA(P) 189/01/2013 | JANUARY/FEBRUARY 2014

# SUPPLY CHAIN ASIA

The Magazine for Supply Chain & Logistics Professionals in Asia

## A DISTRIBUTION

### CENTRE

LIKE NO OTHER

pg49

## SUPPLY CHAIN OF THE FUTURE

pg26



# MALAYSIA

pg20

YEAR

LEAPS INTO THE NEW

WELCOME TO

# 2014

## SUPPLY CHAIN ASIA

# AWARDS

## HIGHLIGHTS

pg 62

ISSN 1793 5377

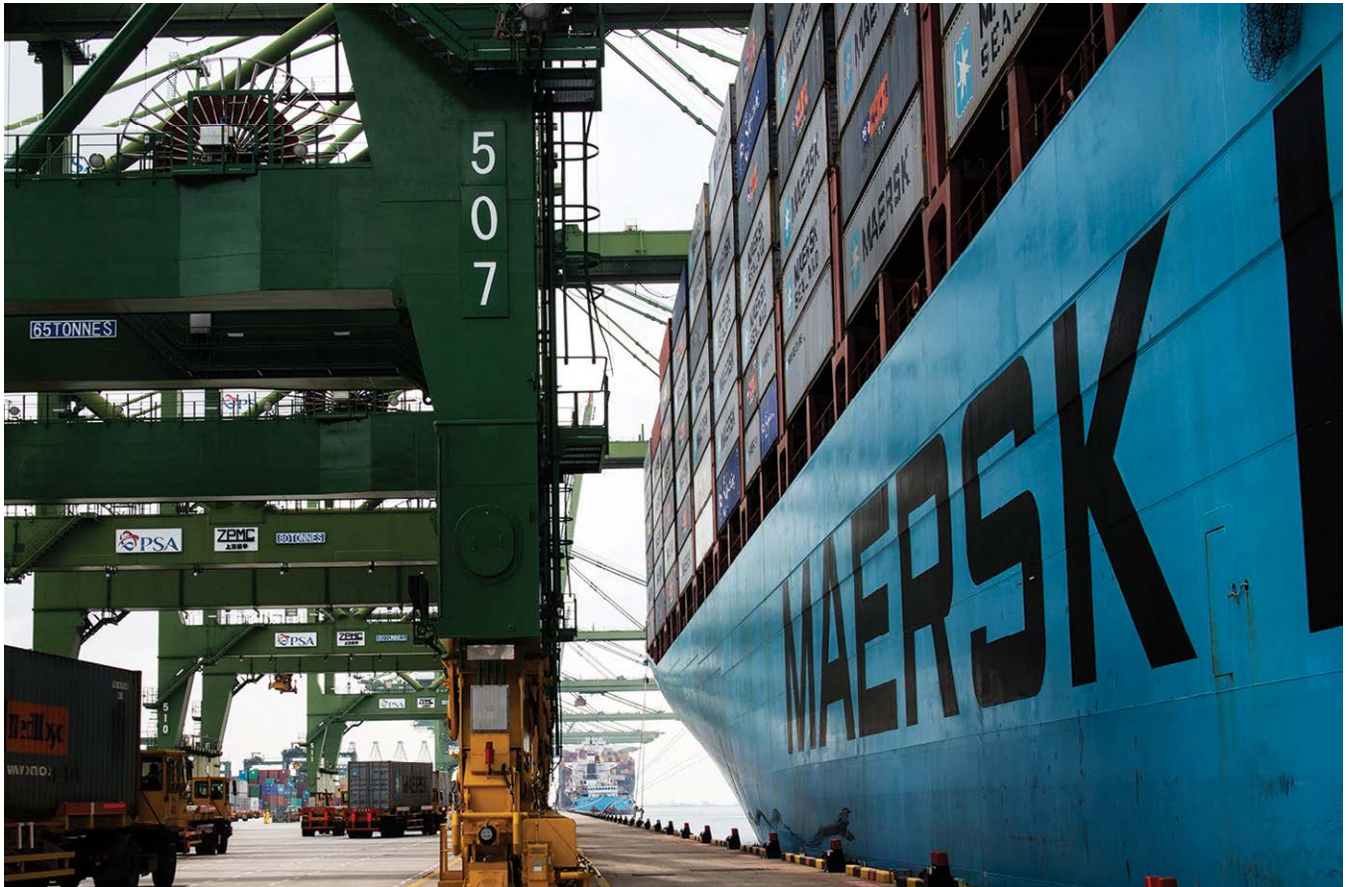
1 793537 700008

f in YouTube iOS

www.supplychainasia.org

## 3PLs are the Secret Weapons in the e-Fulfilment Arms Race

Contributed by Lonny E. Warner, Vice President of Operations, Technology and Electronics Services, Menlo Worldwide Logistics



In his 1997 book *The Innovator's Dilemma*, Harvard Business Professor Clayton Christensen introduced the term “Disruptive Innovation,” which describes how certain novel products or technologies can enter a market sector, defy market norms, and ultimately unseat well-established market leaders.

Today, third-party logistics providers (3PLs) are participating in the disruptive innovation of a whole category: the one-stop shop. In the '90s and early 2000s, one popular big-box retailer took a strong hold of this market sector by using cutting-edge logistics to gain an advantage in selection and pricing; however, the only place they didn't apply their logistical prowess was their online division. With a bricks-and-mortar presence in virtually every US zip code, it did not seem necessary. And in the early days of online shopping, consumers were wary of using credit card numbers online, web stores were skeletal, and shipping took forever.

But now, secure sites are the norm, product lines are endless, and delivery times are faster than ever. As a result, online-only retailers are now vying to become the ultimate one-stop shops — and the bricks-and-mortar mainstays have taken notice. As this particular retailer and others struggle to catch up, the veterans of the e-fulfilment space are focused on leading in a few areas they know to be crucial: speed of product to market, on-time delivery to the customer, reliability, and scalability. Their secret weapon: the 3PL.

*“e-fulfilment retailers who choose to partner with a 3PL can launch a product months ahead of the competition, gaining access to valuable untapped pools of potential consumers.”*

## Speed to Market

When an e-fulfilment retailer needs to launch a new product intended for a fleeting trend or a season, delays translate to lost opportunity and lower profit margins. Relying solely on in-house resources, it can take an e-fulfilment retailer nine, ten, or even twelve months to procure space, implement systems and technology, staff a new warehouse, receive product, and begin servicing a new product line.

A 3PL, on the other hand, can help an e-fulfilment retailer fully stand up an operation or logistics center and begin shipping product in a fraction of that time — often in as few as 60 days. Because 3PLs bring on-demand access to sophisticated logistical systems and technology, scalable warehouse space, and the guidance of the leading experts in worldwide logistics, e-fulfilment retailers who choose to partner with a 3PL can launch a product months ahead of the competition, gaining access to valuable untapped pools of potential consumers.

## Speed to the Customer

Today, e-fulfilment storefronts compete heavily with their bricks-and-mortar counterparts for the sale of ordinary, everyday goods. For example, while a consumer has the option of driving to their local store to pick up, say, dog food or a rake, they may have little interest in making the drive or battling the weekend crowds at their nearest shopping centre. So if an e-fulfilment company can promise that shopper a package on their doorstep within 48 hours, they might be willing to say, “Okay, that’s not too big of a deal — I can wait a couple of days.” However, if the delivery time is two weeks, they will probably get in the car.

Unless the product cannot be found elsewhere, that one- to two-day delivery window tips the scale like no other factor. For an e-fulfilment retailer, it makes sense to partner with a 3PL, gaining access to their operational resources and the physical assets necessary to promise a two-day turnaround.

## Scalability, Agility, and Leadership — the Keys to Long-term Success

Since reliable delivery times are at the core of an e-fulfilment company’s value proposition, a lot rides on the ability of any 3PL entering this space to deliver both with scale and dependability, and without eroding service or quality.

So before entering this space, it is crucial for a 3PL to have the management and operational depth to ensure a flawless implementation and ongoing operations solution. To achieve this, they need to bring the right technology, assets, and people. The 3PL’s capability to scale material handling equipment, IT infrastructure, warehouse space, and other operational assets is critical to the enablement of a successful operation. Coupled with temporary labour provider relationships, the 3PL can bring a fully staffed and operational DC quickly into the fold.

Most importantly, 3PLs in this space need to bring a strong consultative influence, including the introduction of proven infrastructures, operational resources, and Lean principles. It’s not warehouses or trucks, but rather the ability to replicate processes across an entire network — and quickly — that singularly qualify 3PLs to smoothly scale these operations up or down. And when they do it well, they cement their place alongside the e-fulfilment customer, pivoting to outpace each new shift in the ever-changing marketplace. ↻



### About the Writer

Lonny E. Warner, is Vice President of Operations, Technology and Electronics Logistics Services, at Menlo Worldwide Logistics. Warner has been with Menlo Worldwide Logistics and its parent company Con-way Inc. for more than 20 years in both operations and sales capacities. In his current position, Warner is responsible for the continuing growth and management of Menlo as a leader in managing hi-tech company supply chains. He previously served as vice president of sales and marketing responsible for all aspects of the company’s sales and marketing activities. He had served as director of global business development since 1997.

*This article was originally published in Logistics Viewpoints, a blog focused on emerging logistics trends, technologies, and services ([www.logisticsviewpoints.com](http://www.logisticsviewpoints.com)).*