

Considerations when selecting a 3PL

When selecting your 3PL, there are many factors to consider.

First, are they a fit.

- ❑ **Size does matter:** The size of the 3PL and their offerings can make a difference on what 3PL you choose to work with. A lot of 3PLs specialize in one or multiple different niche products and industries. As a shipper, your needs might require a niche 3PL and those can vary in size and offerings. The annual logistics spend you will be giving them should make you a medium to large customer of the 3PL you are considering.
- ❑ **Strategy:** What is your 3PL's strategy? Do you want a low-cost provider, industry innovator or customer-first minded? No company can be the best at all three. Is their strategy the right fit for your company?

Second, what are your requirements. Do you simply need a truck and that's it or do you require more than that? Regardless, it is important to consider the following when selecting a provider:

- ❑ **Financial stability / years in business:** Inquire how many years they have been in business and what their credit score is and average days to pay their carriers? Reputable 3PLs can easily provide you with that information.
- ❑ **Scalability:** As your company grows, so should they. Are they committed and capable of continually investing in their people, technology, facilities, etc., so they can grow with yours?
- ❑ **Claim resolution:** No one likes to talk about it but claims do happen, to both the largest and smallest 3PLs. How do they resolve them? Are they able to offer you the support and guidance you will need? If a large claim is filed and subrogation against the carrier is not an option (it does happen) how will the 3PL handle it?
- ❑ **Commodity/industry knowledge:** How familiar is the 3PL in handling your commodity or working in your industry? Like a doctor or lawyer, sometimes a general practitioner will do but if your company is unique in what they require (and most are) having a specialist could save you a lot of heartache and money in the long run.
- ❑ **Industry references:** Ask for at least 3 references and then follow up and talk to them. Ask what they like about the 3PL and what they would like the 3PL to do that they are not

currently doing? 3PL's with strong customer relationships will have no issue in providing them to you.

- **How many 3PLs do you need:** Every company should have a primary 3PL and then a few backups that they can rely on for emergencies. With that said, having dozens is problematic as well. Depending on your needs, generally speaking, having agreements with 3 to 4 3PLs should suffice.
- **Customer service / ease of doing business:** How will your team interact with theirs on a daily basis? Will you have a dedicated rep or will your calls and emails be routed to a stranger in call center? (same town or halfway around the world) How do they handle after hours and weekend request and issues? As a shipper, you have experienced frustrations with transportation providers. Ask the 3PL candidate how they might minimize these frustrations.
- **Integrated solutions:** What types of services do they offer? Some offer strictly TL or LTL services. Others offer warehousing, fulfillment and other value-added solutions as well. Depending on your needs, now and in the future, this could be very important to help increase efficiencies.
- **Reporting/KPI capabilities:** What kinds of reports can they offer you to help you better analyze and streamline your logistics operations? What KPI's will be used to determine if they are keeping up their end of the bargain. Ask them to see examples of what they currently provide to other customers. Are they capable of custom reporting to fit your needs?
- **Vetting process:** 3PLs outsource their transportation needs to motor carriers. Without controlling or requiring a certain vetting process, how do they determine who will actually be hauling your freight? Once again, reputable 3PLs will have SOPs and contracts in place with their carriers.
- **Technology:** What type of TMS and CRM are they using? How easy is it to integrate their systems with yours? How will information flow back and forth between your operations? There is a lot of advancement within the logistics industry; are they keeping up with the latest and greatest?
- **Cost:** While cost should not be the determining factor it is obviously important. How does their cost compare with the market? You get what you pay for and if their cost is way low, you might not get the service levels you require. If their costs seem higher, what added value are they bringing to the relationship? However, you should still expect competitive pricing.

- **Insurance and bond:** Inquire as to what types of insurance they carry. Do they meet federal minimums and your needs? Do your needs exceed federal requirements? Make sure your 3PL can provide a clear understanding of the coverage they can provide. Also, federal law requires all 3PLs to have a bond in case their company becomes insolvent. The minimum required is \$75,000, but many 3PLs offer more, be sure to ask for a copy of their bond and coverage amount.
- **Certification:** Inquire if your account rep is certified in any way. Associations such as the Transportation Intermediaries Association (TIA) offers a Certified Transportation Broker (CTB) program. While not required by law, certification shows the commitment that the individual and the company takes in their profession.
- **Trade Associations:** There are many trade associations that 3PLs can belong to. Does the 3PL belong to and participate in any associations? The Transportation Intermediaries Association (TIA) is the voice of the 3PL industry and recognized within the logistics industry.

Finally, visit them.

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- **Culture matters too:** Reputable 3PLs are very proud to have customers visit them and welcome the opportunity. During your visit, notice the culture and how they interact with one another. Does this align with your company? Does it appear they are reinvesting profits back into the business? Make sure you meet directly with the account rep or team that will be responsible for your account as well. Talk to them and confirm that what the salesperson is promising they plan on delivering.

In the end, following these simple guidelines will help you choose the right 3PL for your company and ensure many years of success.

Protect your business, the next time you look to hire a 3PL to manage your transportation needs, ask if they are a TIA member.