

5 Key Benefits of Third-Party Logistics For Supply Chain Operations

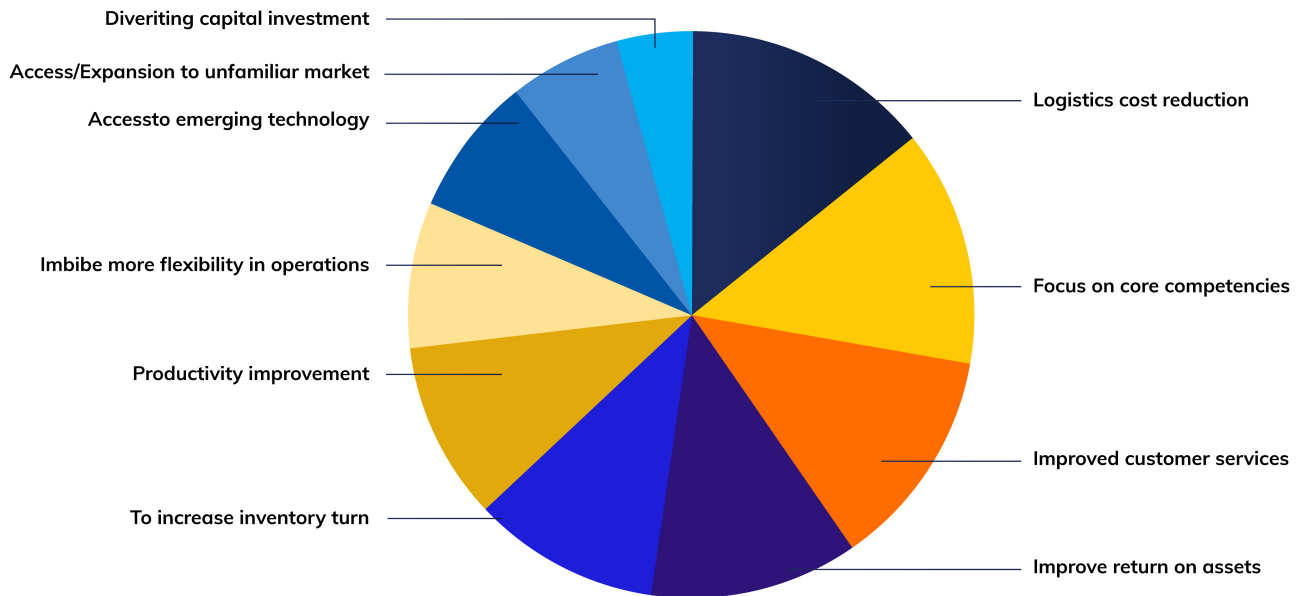


LOGISTICS

29 MAR, 2022 . 6 MINUTES READ

Third Party Logistics services (3PL) allow companies to outsource the entire range of operational logistics from warehousing to delivery. Simply put, it is a business service that takes care of a company's supply chain and logistics operations enabling it to focus on the core of its business. 3PL service providers specialise in integrated operations of warehousing and transportation that can be tailored according to the varying needs of customers.

Benefits for Outsourcing Logistics Activities



With the changing manufacturing and customer demands as well as technological advancements, 3PL Logistic Companies in India are constantly evolving their services to support customers. E-commerce, digitisation, and infrastructure modernisation are the main growth drivers for the 3PL sector in India. In 2019, the Asia-Pacific (APAC) region claimed the majority share in the global 3PL market. Within this region, India's 3PL market continues to show promise, with sectors like fast-moving consumer goods (FMCG), manufacturing, retail and e-commerce, driving growth. These sectors demand specialised logistics support and complex solutions for better management of their supply chain processes.

Following are some of the advantages/benefits of using 3PL Services -

5 key benefits of 3PL in supply chain management:

1. Reduction in Cost and Time

Outsourcing logistics support not only brings down conventional costs but also helps to build-in operational competencies in industry-specific activities. Third-party logistics services in India help customers save costs by eliminating the investment in infrastructure, fleet vehicles, warehouse space, transportation and technologies, allowing them to focus their energies and resources on other core competencies. Customers save significantly as they don't have to spend on annual rent or lease payments, equipment preparation and maintenance, hiring and training of employees, and extra taxes. Investments in these facilities require considerable upfront expenses, which may divert the resources and capital of the customer where

they might not be needed at all. Additionally, 3PL providers can leverage better rates than individual companies with carriers, given the volume and frequency of their orders. This further helps companies to reduce risks and increase returns from higher productivity.

2. Increased Flexibility and Scalability

3rd party logistics services offer their customers the ease and flexibility to utilise resources based on their needs and transition between industry fluctuations. This helps the customers to prevent unnecessary investments and unutilised resources when sales are plummeting and upscale when sales are increasing by investing in labour, transportation, inventory and infrastructure without any risks. Outsourcing of logistics function is a business dynamic of growing importance all over the world. A growing awareness that competitive advantage comes from the delivery process as much as from the product has been instrumental in upgrading logistics from its traditional backroom function to a strategic boardroom function.

3. Greater Access to Expertise and Experience

As opposed to 1PL and 2PL services, third-party logistics companies have a vast network of resources, experience and expertise that can help their customers venture into new markets, deal with international compliance and economic regulations, and leverage technology. 3PL providers with the right expertise and experience can also help companies. 3PL companies not only specialise in handling different logistical functions but are also aware of the latest trends and developments in the industry, which they use to support their customers and streamline and improve processes.

4. Risk Mitigation

No business is risk-free. Delays and unforeseen events are common in the world of supply chains. In these situations, 3PL companies are responsible for looking for alternatives. Given their experience and network, third-party logistics providers are trained and equipped to deal with unprecedented changes. Moreover, these companies also minimise risks by double-checking all logistics aspects, which may not be provided by 1PL and 2PL providers.

5. Improve Customer Experience for Companies

3PL companies provide their customers with benefits like improved services, faster response time and deliveries and reliability. Tech-enabled 3PL companies also provide real-time tracking facilities to their customers, so they are aware of the whereabouts of their orders at the click of a button. Combined with an efficient and established network system, these services are bound to make deliveries hassle-free, improving customer satisfaction and experience for companies that rely on third-party logistics services. This further ensures that companies can maintain higher customer retention rates with fewer exchanges and returns.

Impact of 3PL Services on Businesses

From small business owners to medium-sized businesses to large MNCs - all use 3rd party logistics services for different

purposes. Small businesses often use the services of 3PL service providers to fulfil their orders and suggest new ways to reduce shipping costs. Third-party logistics service providers support medium-sized businesses to scale their business. When a medium-sized business begins to grow, it requires more space and storage to scale up. In situations, 3PL companies support these businesses in forecasting demand, strategically planning and splitting inventory, and reaching customers faster and more affordably. Large MNCs usually require the services of 3PL to track inventory across multiple locations and channels.

Choosing reliable and trustworthy partners like Varuna Group, one of the leading 3PL Companies in India, can assist companies with their logistics and **Warehousing services**. The company supports more than 500 companies and can provide a robust framework for improved return on assets and reduced landed costs. With over 5 Lacs sq. ft. automation enabled multi-user facilities and up to 30% space for flexible use, Varuna Group provides its customers with a range of flexible options depending on their preferences and allows them to pay only for the space they use.

Impact of 3PL services



Increased
customer satisfaction



Improved logistics
system performance



Reduction in capital
investment in facilities



Reduction in capital
investment in equipment



Reduction in investment
in information technology



Impact on
employee morale



Reduction in
manpower cost



Improvement on specific
logistics function parameters



Improvement in
inventory turnover rates



Improvement in
on-time delivery

Conclusion

Third-party logistics providers are proving to be game-changers in the supply chain industry, supporting their customers to focus on their core business while managing their transportation, freight operations, warehousing and more. This is helping companies to save costs, expand their businesses and improve their operations. With increased digitisation and modernisation along with a need for companies to rely on 3PL services, **3PL companies in India** are growing exponentially. A report by Technavio[1] further reiterates how the 3PL market in India shows promise with increasing technological penetration and fast-evolving infrastructure; India stands at the crossroads – facing enormous opportunities

for growth in the sector to equal global growth trends.

FAQ's

1. What is 3PL (Third-Party Logistics)?

2. What are the key advantages of 3PL?

3. Why is 3PL crucial, and when should you consider it?

4. How to choose the right 3rd party logistics partner?

5. Can small businesses benefit from 3PL services?

6. How does 3PL support scaling operations during peak seasons?

7. What services does a 3PL provider typically offer?