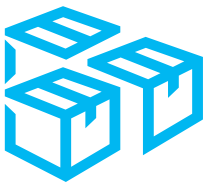


# Third Party Logistics

Redefining the model for innovation



# Why should you spend 10-15 minutes reading this?

The 3PL industry has gone through tremendous transformation over the past 30 years. The shifts in manufacturing and retail business models along with innovative advances in technologies have created significant opportunities for the 3PL industry, as shown in Figure 1. On the other hand, commoditization, mega consolidations, workforce shortage, rising omni-channel expectations, and aggressive expansion of products and services influenced by Amazon and Alibaba are more than enough reasons for 3PL to shift their service model, build new capabilities that protect and differentiate their businesses, and begin their own digitization journey. This industry guide provides some insights to the transformations happening in the industry and also how JDA provides a joint go-to market framework with the 3PL industry to grow the market together.

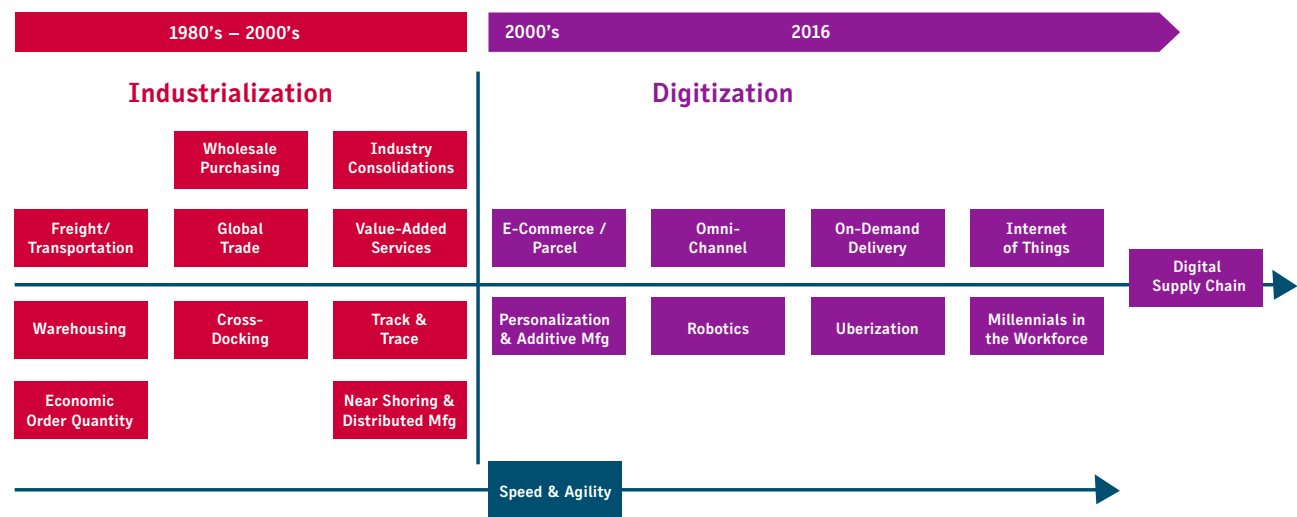


Figure 1

## Commoditization is surprisingly still the biggest challenge for 3PLs

According to the 2017 EFT Report on “How to Thrive in a World of Commoditized Logistics,” almost 48 percent of shippers say they are looking for new ideas and solutions from their 3PL providers, as shown in Figure 2. Growing needs to support e-commerce, online fulfillment, personalization, and omni-channel expectations require innovation that can help turnaround orders quickly and cost-efficiently. Leading 3PLs differentiate themselves by diversifying their services and becoming full-service logistics providers for their shippers beyond the traditional warehousing and transportation services, as shown in Figure 3.

In addition, as we discuss “commoditization,” there is a large market opportunity for 3PLs that is not tapped yet. According to Armstrong & Associates Report (2016), the global 3PL market revenue reached approximately \$721B with roughly 4% growth year over year. Contrast this to the global logistics spend that hovers around \$7.9T – there is a \$7T market that if addressed properly using the right best practices and tools for the respective industries, can be the ideal source of growth for 3PLs.



## Where do LSPs most often come up short? (according to shippers)

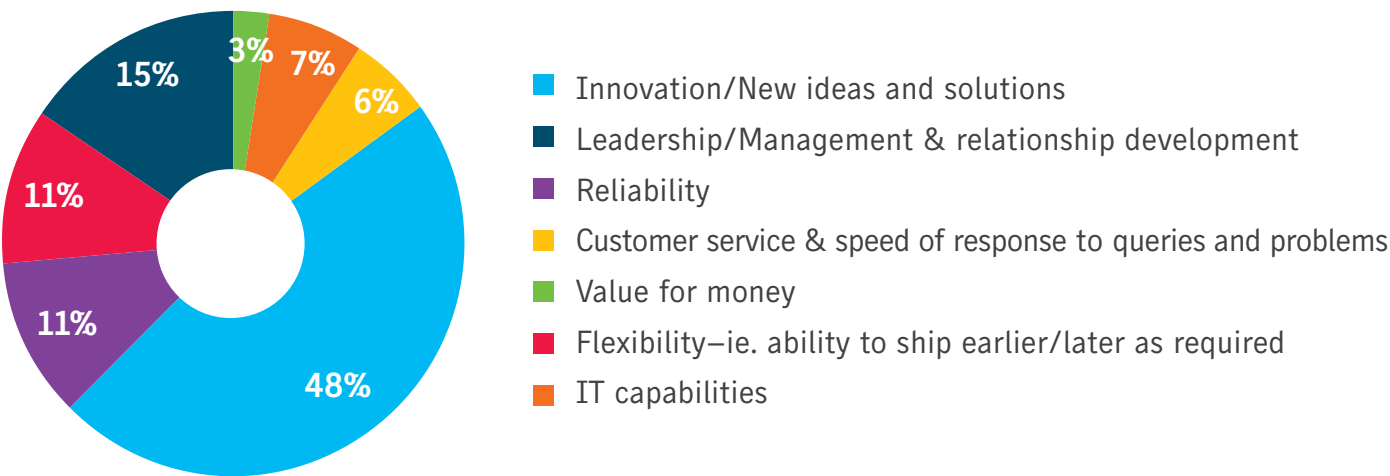


Figure 2  
Source: 2017 SC Digest Shippers & 3PL Benchmark Study

## How important is it for your solution provider to be ‘Full-service’ ie. a one-stop shop for all your logistics needs?

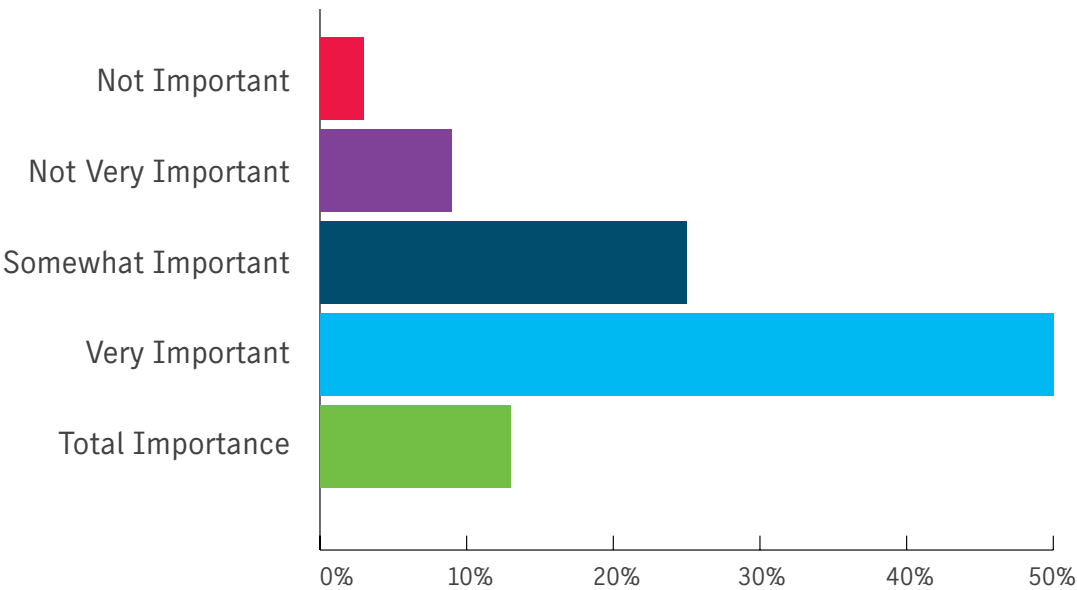


Figure 3  
Source: 2017 EFT Global Logistics Report

The perception gap

Most 3PLs agree that innovation is important to retain and grow their market share, many have invested heavily in process and technology capabilities to redefine their value propositions. In the 2017 SC Digest Shippers & 3PL Benchmark Study, however, there is an obvious gap in the shippers' perception about 3PL's capabilities (Figure 4) versus what 3PLs believed they are capable to deliver (Figure 5).

Overall, how would you rate the 3PL sector in terms of process innovation capabilities?

Overall, how would you rate your ability to deliver process innovation to clients?

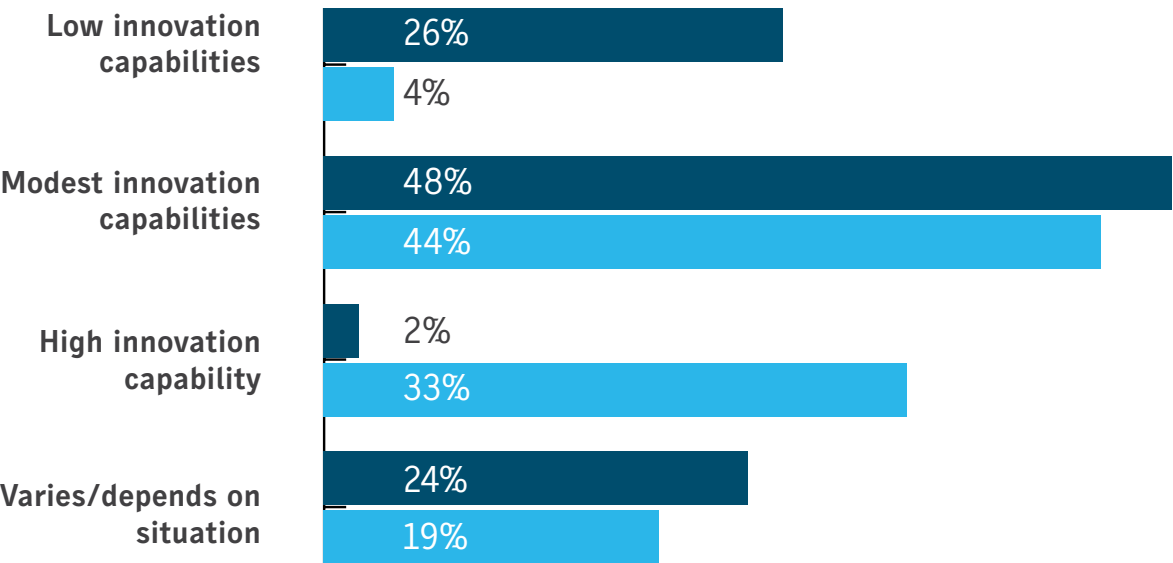


Figure 4  
Source: 3PLs Are Buzzing with Innovation: Bridging the Gap Between 3PLs and Shippers

Overall, how would you rate the 3PL sector in terms of technology innovation capabilities?

Overall, how would you rate your ability to deliver technology?

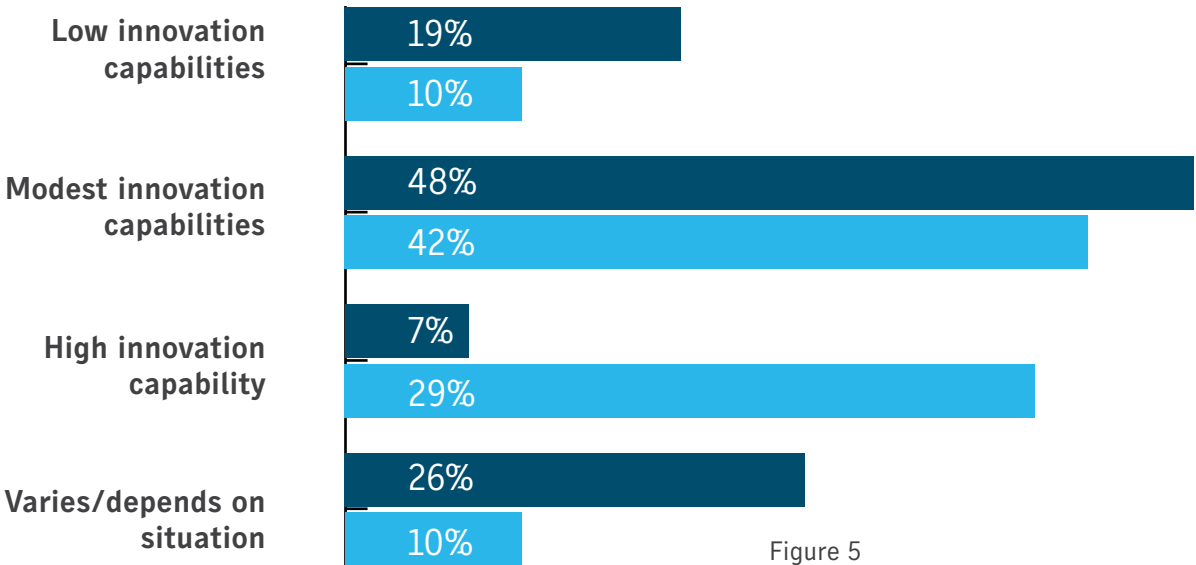


Figure 5  
Source: 2017 SC Digest Shippers & 3PL Benchmark Study

The shipper’s voice

In the same study, a collective response from the shippers suggests that they have high expectations from their 3PL providers to offer new ideas, best practices and innovations to help them grow their businesses. It pays off, **the 3PLs that are innovative tend to be considered more strategic, may win more business and awarded longer-term contract**, as seen in Figure 6.

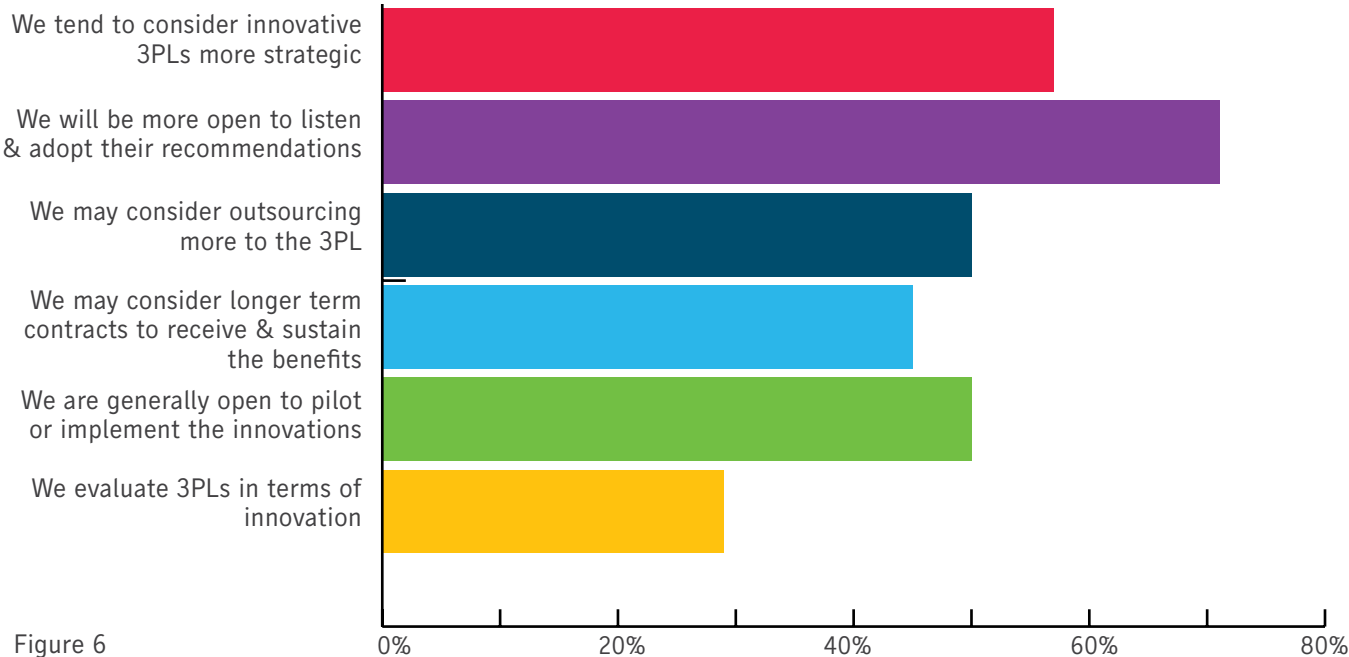


Figure 6  
Source: 2017 SC Digest Shippers & 3PL Benchmark Study

Segmenting based on your customers’ needs

On the other hand, innovation may not be a compelling factor for all shippers. As shown in Figure 7, nearly 12 percent of shippers rarely or never consider 3PLs based on their innovation ability. Leading 3PLs must innovate, but also in some ways able to apply some segmented approach that differentiate how they engage with their shippers.

When considering a new 3PL provider, do you evaluate their ability to innovate in some way?

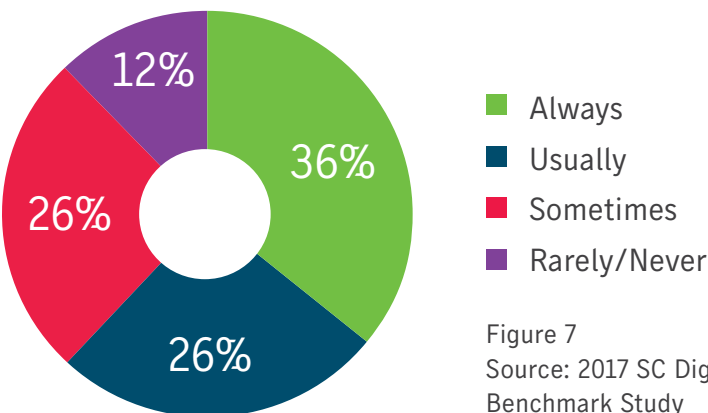


Figure 7  
Source: 2017 SC Digest Shippers & 3PL Benchmark Study

Leading 3PLs gradually bridge this perception gap by becoming a subject matter expert in the space where the shippers operate, offer thought-leadership, and continuously engage in strategic alignment with the shippers to understand and meet their goals and challenges.

The 3PL industry is facing capacity and cost pressures

The global logistics industry is facing an unprecedented warehouse and workforce shortage. New warehouse construction is not keeping up with demand, and the aging workforce population is retiring at faster rate than the younger workforce entering the industry, as shown in Figure 8. In some regions, the warehouse rental and labor costs have increased by double-digits, as shown in Figure 9. These trends continue to drive costs higher while productivity improvements are relatively mild. Leading 3PLs find ways to optimize operational efficiency in order to offset the rise and volatility of costs, deliver value to the shippers and protect margins.

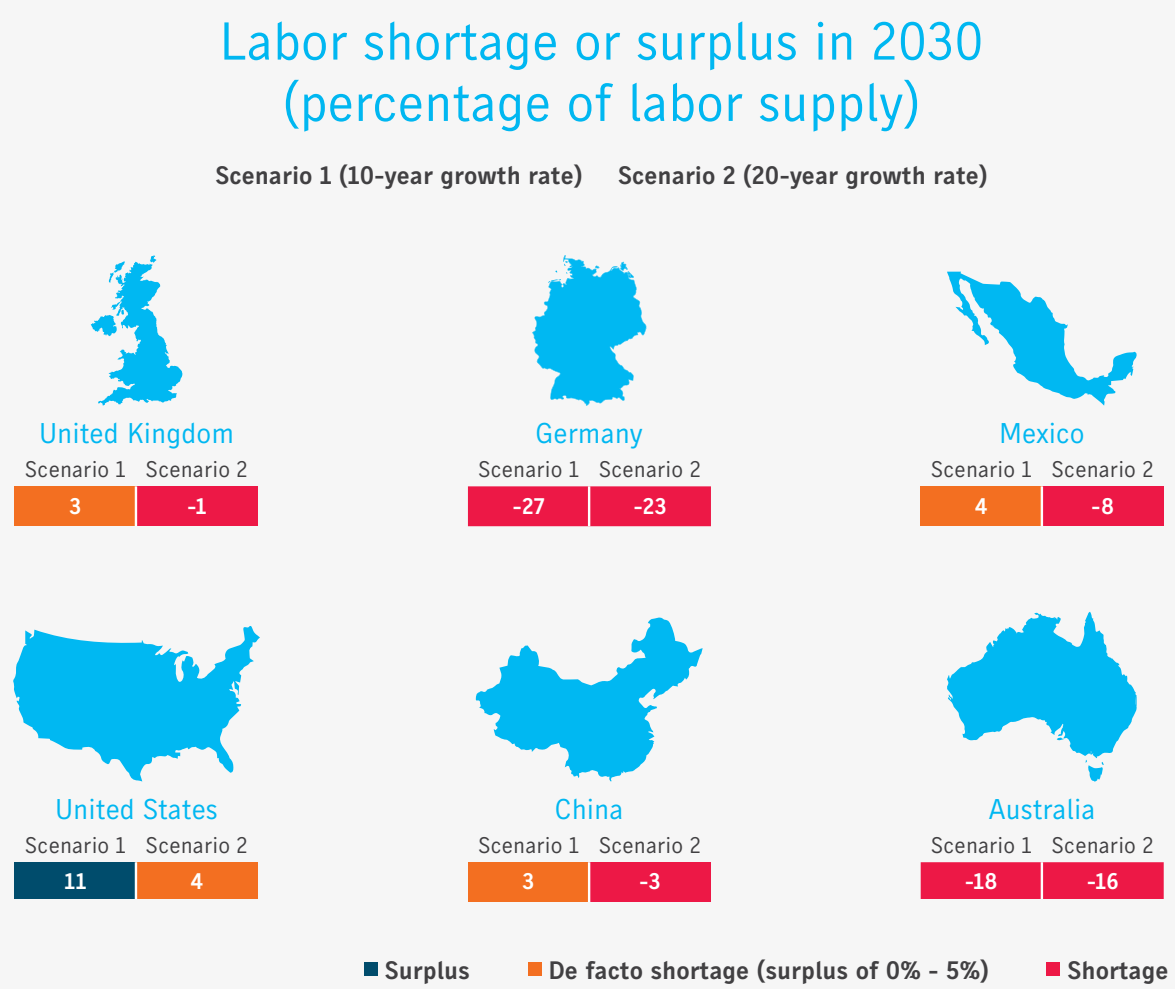


Figure 8  
Source: Wholesale-Distribution: Redefining the model for success

## Global Markets with Fastest Warehouse Rent Growth in 2015

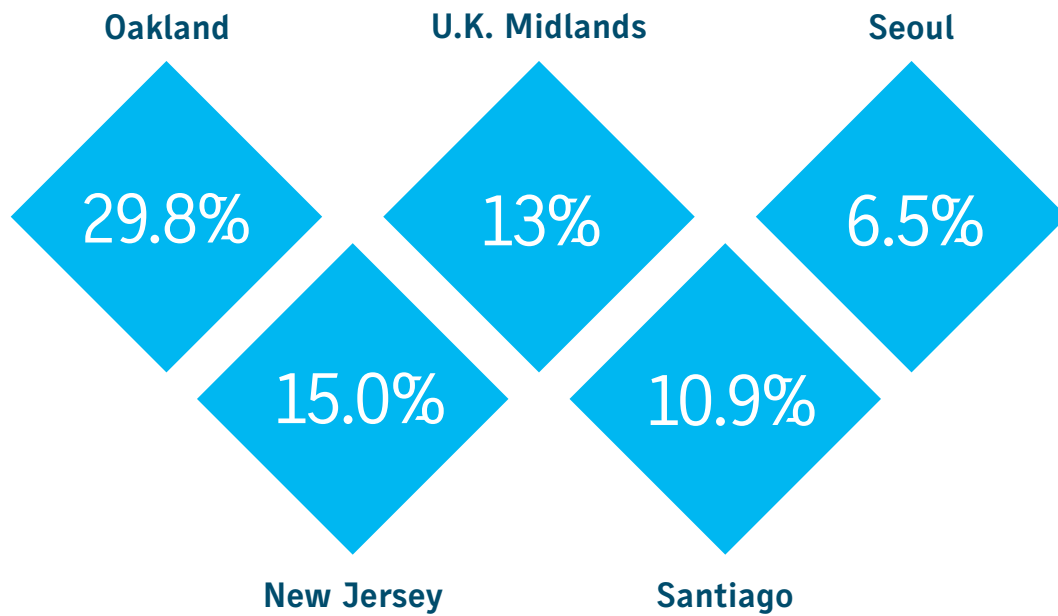


Figure 9

Source: Wholesale-Distribution: Redefining the model for success





## JDA Customer Success



One of the largest family-owned and privately held 3PL providers,

**Kenco**, converted operations from a home-grown, legacy system to JDA's Warehouse Management solution to increase agility and efficiency within a healthcare customer's warehouse facilities. By leveraging JDA's WMS, the customer's replenishment processes have been enhanced by a new level of automation that has increased productivity.

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The world's largest express and logistics provider,

**DHL**, uses JDA Warehouse Management Solution, JDA Warehouse Labor Management, JDA Transportation Modeler, and JDA Supply Chain Strategist to provide efficient logistics services, maximize labor productivity, and optimize transportation and warehouse costs for their customers' supply chain.

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A full-service, 3PL and business process that outsources business unit,

**Owens & Minor HealthCare Logistics**, provides end-to-end supply chain solutions for the medical device and pharmaceutical industries, chose JDA's Intelligent Fulfillment solutions for forecasting, replenishment, inventory optimization, warehouse management and warehouse labor management to establish best-of-breed 3PL capabilities that would address healthcare manufacturers' toughest supply chain challenges. .

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A leading 3PL formed through the acquisition of GENCO,

**FedEx Supply Chain** uses JDA Warehouse Management solution to provide integrated supply chain and value-added warehousing as well as transportation services in multiple industries. Many businesses have turned to FedEx Supply Chain to help them manage their end-to-end product lifecycle including managing returns, recycles and recommerce.

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A global leading logistics provider,

**HAVI Global Solutions**, provides full supply chain services for many brand companies around the world. The company offers value propositions beyond the traditional warehousing and transportation services – their services include forecasting, inventory management, and replenishment that extend all the way to the consumer.



Taking your 3PL business to the next stage

When it's time to take your 3PL business to the next stage, the following strategies can be useful to help guide where and how 3PLs should create their roadmaps and invest.

Segmentation

Given that customers don't all have the same needs for innovation, 3PLs need to determine which customers to target for innovation. Remember that not all customers will pay for innovation—and that can be okay. Think about who your future customers will be, because the ones you have today may not be the same ones in the future as their businesses, customers, and markets change as well.

Strategic engagement

Don't just show it, help your customer make sense of it! Strategic engagement should not just come up during contract renewal time; make it an on-going engagement that is initiated, aligned, measured, and executed by all the right players in both companies. Figure 10 shows the typical stages of strategic engagement between shippers and 3PLs. As engagement becomes more mature, in this case toward the visionary stage, the 3PL function grows beyond the traditional warehousing and transportation service providers. This includes providing services such as forecasting, distribution, production, and allocation planning to deliver high-impact results – like improved service levels, increased inventory turns, and reduced working capitals – to the shipper's bottom line.

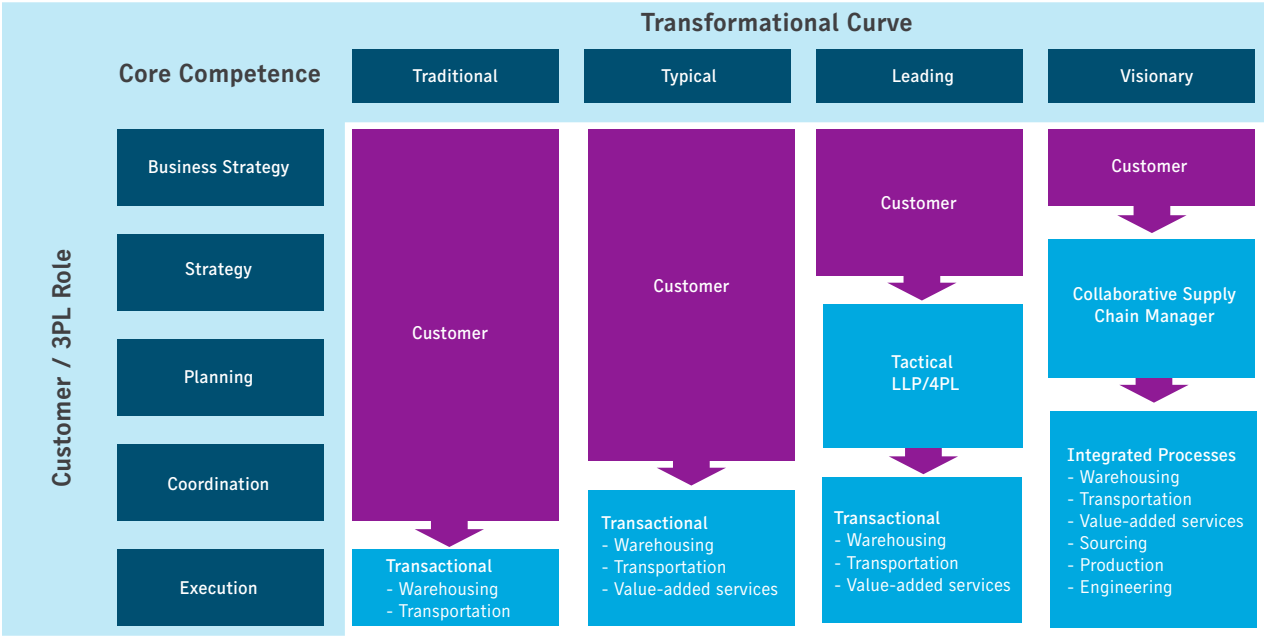


Figure 10

### Innovation center of excellence

True innovation is not intended to show just short-term benefits. It is important to demonstrate a credible long-term vision to your shippers. Creating an innovation center of excellence can help do that. This is the focal point for understanding your current competencies and developing a vision for your future competencies. Some 3PLs may not have the full-time resources and capabilities to maintain an innovation center of excellence—this is where a partnership with JDA, and leveraging the capabilities available in the JDA Labs, can help 3PLs achieve their innovation goals.

### Standardization

As 3PLs expand their services and competency to become a supply chain manager for their shippers, standardization has become an important strategy. Leading 3PLs have become very agile and efficient in the way they deploy and maintain capabilities to service their shippers' needs, as shown in Figure 11. This requires a platform that can grow and promote agility to respond to dynamic changes in the market. JDA Intelligent Fulfillment is an innovation platform that connects seamless execution capabilities involving warehouse and transportation management, makes them iterative and constraints-aware, and extends these capabilities to an open range of other capabilities that shippers need such as forecasting, inventory management, distribution/ allocation, and supply chain analytics.

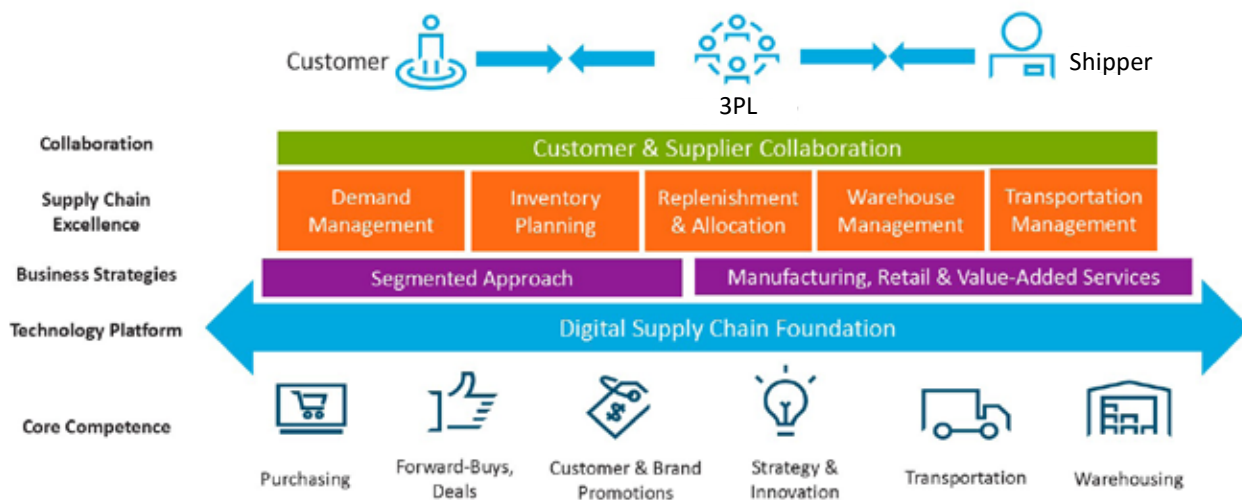


Figure 11

### Continuous Discovery

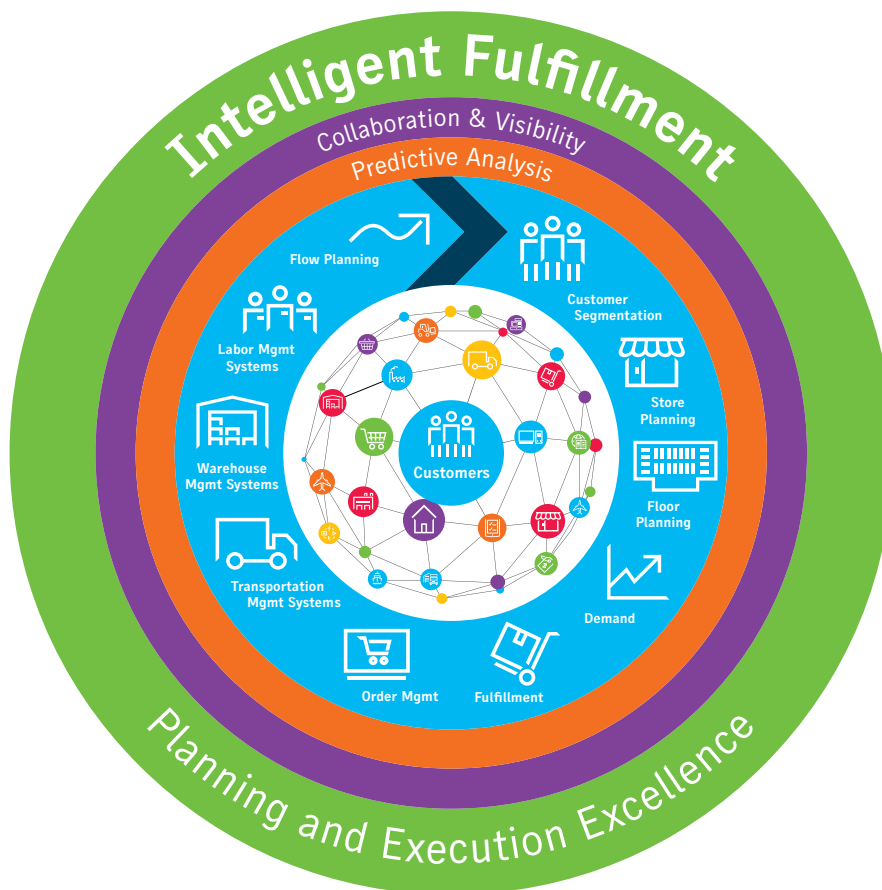
Innovation is an ever-changing cycle. Continuous discovery and technological curiosity is critical for success in this type of environment. What do we mean by that? Put simply, a new business model or disruptive technology can become available anytime, anywhere, and in any form. And, it happens so fast that you must be prepared, or be caught off guard

# Plan to Deliver – Intelligent Fulfillment

JDA Intelligent Fulfillment (IF) helps our 3PL customers thrive in the new fast-paced, high-volume, customer-centric world by providing agility without losing scalability. Achieving this next level of fulfillment efficiency and flexibility provides even greater levels of supply chain profitability by breaking down the barriers between operational silos: sales, purchasing, forecasting, fulfillment, warehouse, transportation and e-commerce fulfillment.

JDA Intelligent Fulfillment leverages real-time visibility into inventory levels, warehouse operations, transportation networks and individual employee performance to turn omni-channel complexity into opportunities to improve delivery speed and save money.

Intelligent Fulfillment seamlessly connects orders to fulfillment, enhances agility and boosts profitability by avoiding or eliminating unnecessary expediting, rescheduling and delaying across transportation and warehouse operations





### Manage your warehouse operations

JDA's Warehouse Management Solution (WMS) provides 3PLs the power to quickly adapt to change, and optimize and execute needed tasks to get the right inventory, at the right location, at the right time. Users are empowered with more flexibility, real-time responsiveness and the ability to easily manage complex warehouse operations. WMS leverages mobility to provide real-time visibility into all activities. It also provides dashboards that enable continuous monitoring and control of costs, productivity and service.



### Optimize your transportation network

Featuring a broad footprint, rich functionality and unparalleled scalability to accommodate even the largest global transportation practices, JDA's comprehensive transportation solution effectively manages the entire closed-loop transportation process — from long-range strategies and operational planning to day-to-day execution.



### Capture, source, and manage customer orders

What if you could create value for your customers by managing and fulfilling their e-commerce orders? Address not just inventory availability and lead times, but how to make profitable fulfillment promises with the Order Management System (OMS). The OMS weighs the lowest cost route to fulfill the order with consideration for factors such as avoiding a ship-from-store if that results in a projected stock-out before the next replenishment cycle. This more complete approach will produce more intelligent and profitable fulfillment decisions.







### Forecast and plan the shipper's supply chain

Increasing number of shippers expect more from their 3PLs to provide supply chain expertise in addition to the traditional warehousing and transportation services. With JDA, you can provide a forecasting, inventory management, and purchase ordering service that meet their service level and working capital goals.



### Generate optimal purchase orders

In addition to forecasting and planning, JDA also offers the ability to create, optimize, and manage inbound purchase orders on behalf of their customers. This provides a significant differentiator that elevates the 3PL role from a service provider to a supply chain manager. With JDA's solutions, 3PLs will be able to consider supplier pricing, ordering rules, distribution constraints, and financial objectives to create the optimal orders that help their customers ensure proper inventory positioning across the network.



### Provide a real-time, executive view of the supply chain

What if you could provide real-time supply chain visibility and analytics to your shippers from their production managers, inventory managers to their supply chain executives, and not to mention, your own operations managers?

JDA's Supply Chain Executive delivers rapid, on-the-go access to the right level of information. Available through the App Store for the iPad, this mobile application combines comprehensive supply chain analytics spanning both planning and execution.

A key part of IF, Supply Chain Executive streamlines processes into a centralized approach, offering prescriptive dashboards and drill-down detail into critical information such as customer service performance, forecast accuracy, inventory value, average days of supply, transportation spend and labor spend — while remaining connected to the heart of the business in the office or across the world.





## Take advantage of JDA 3PL

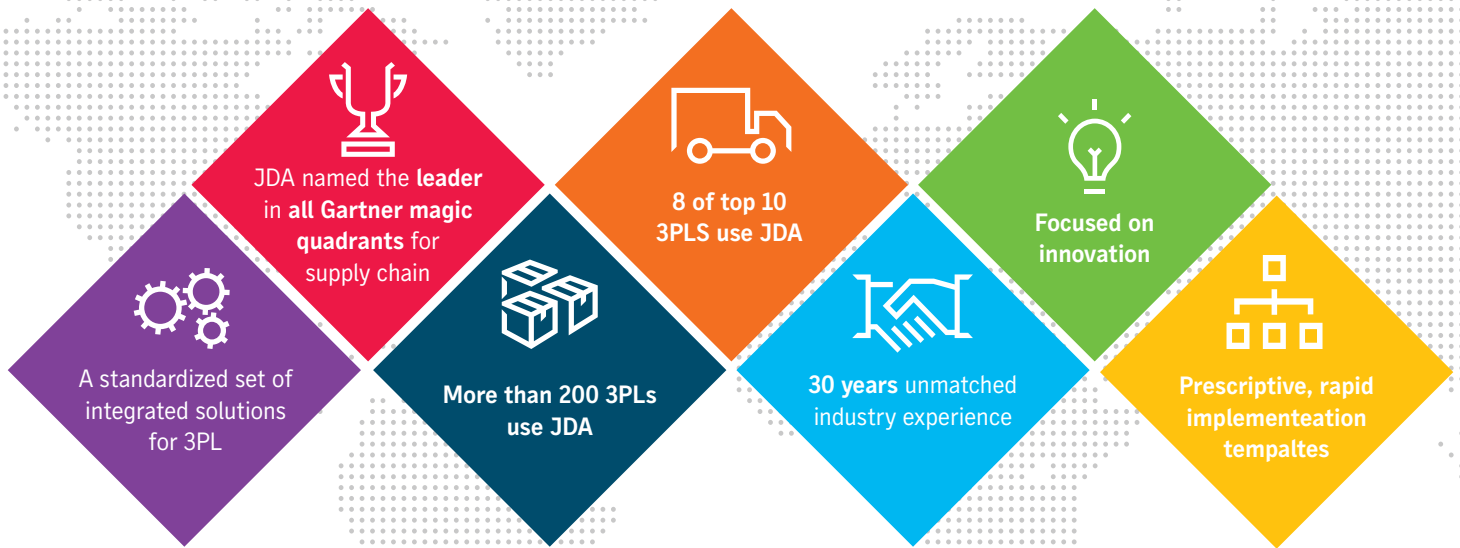
JDA is a leading supply chain solution provider for more than 200 third-party logistics (3PL) providers around the world. Beyond software solutions, our highly experienced and dedicated 3PL team can help you develop the business case and solution that meet your customer's needs.

### Engage with our JDA 3PL team to:

- Assess and identify practical solutions that meet your customers' needs
- Develop ROI analysis that justifies the business values to be delivered to your customers
- Help you identify new business ideas and capabilities that will differentiate and expand your services
- Identify flexible commercial and solution deployment model that meet your customers' expectations
- Develop thought-leaderships, best practices and launch innovations to your customers



## Why JDA

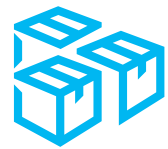


## Our Customers





Using JDA, you can plan to deliver.  
[jda.com](https://jda.com)



[jda.com](https://jda.com) [info@jda.com](mailto:info@jda.com)

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