Look Who's Talking!

The credit crunch has caused retailers to find new ways to further streamline operational overheads and optimise cash flow. They expect their supply chain to adopt system improvements to help them minimise stock holdings, improve despatch times, avoid delivery errors, and improve invoicing and cash collection cycles.

We look at how technology suppliers need to help the supply chain by providing sustainable products that can be flexed quickly, to meet rapidly changing business requirements and provide high quality services that maximise uptime.

3PL's Need to Process in Real Time

In order to speed the conversion of stock into cash, retailers expect their suppliers to process sales orders in real time, keep excess 'safety stock' (stock kept above predicted stock levels kept to ensure customers 'do not walk') to a minimum, despatch with speed and accuracy, and maintain flexible and responsive processes that allow them to confirm delivery and issue invoices promptly, avoiding payment disputes and minimising back office processing costs.

3PL's also need to accommodate seasonal variations, and must have the capability to increase throughput at peak times. Otherwise they run the risk of loosing orders to competitors, or giving up profit margin, by operating inefficiently.

3PL's Need to Adapt to Changing the Rules

While customers overhaul their stocking procedures, they look to minimise their own costs and speed the order cycle. Therefore they tend to rely on their 3PL to adopt new procedures that align them with process changes. For example, placing the onus on 3PL's to assemble whole pallets which have to be pre-labelled with sub components, then despatched to separate branches via regional centres – necessitates that 3PL's rapidly need to modify their IT systems – else they may be in danger of losing the contract.

The Opportunity

3PL's Can Become a Strategic Service Partner

The current 3PL market is fundamentally price driven therefore differentiating a 3PL service can be difficult. This challenges the 3PL to meet the ever tightening demands at a competitive price, whilst minimising their own costs in order to prevent erosion of margin.

By improving their capabilities, up to the point where they can provide a unique service, 3PL's can begin to become more strategic and better placed to rebuff competitive efforts to steal their customer.

The Role of the I.T. Provider

I.T. providers need to supply a range of products and integration propositions in order to deliver systems that can be flexed quickly to meet changing requirements, and place their 3PL customer 'ahead of the pack'. Their products must drive real-time 'end to end' processing of orders to the point of cash collection, while minimising errors and wastage.

Development processes must support the cost effective, rapid delivery of system changes while technology platforms should be robust and stable, demonstrating negligible downtime risk. Good helpdesk processes and system recovery service options should be in evidence to maximise productivity and return on investment, and ensure business continuity.