What is a 3PL?
Forward-thinking companies are increasingly turning to third-party logistics (3PL) providers as supply chain management partners to take the strain and pain out of moving goods through their supply chain from raw material suppliers to end customers.

What does a company look for when selecting a 3PL? When gathering information about 3PLs, companies should interview only the most experienced, reputable providers who best complement their business and seek to understand their business goals.

A Quick Guide to 3PL Models
How can you know whether a broker, freight forwarder, warehouse service provider or enterprise 3PL is the best choice as a partner for your company? Does putting your products and information into someone else’s hands mean losing control of your business? To help you decide, here’s a quick guide to the basic 3PL models in the marketplace:

- **Broker:** Brokers operate strictly on a transactional model, sourcing a carrier to move a shipment upon request by acquiring rates from carriers and reselling them to shippers at a slightly higher rate. The margin brokers make from these transactions is how they are compensated. Brokers handle transactional business across a variety of modes, including Less-than-Truckload (LTL), Full Truckload and others.

- **Freight Forwarder:** These 3PLs consolidate shipments and perform distribution functions (or arrange for these functions to be completed). The defining characteristic of a freight forwarder is that they modify the mode in which the shipment originally moved into another mode to meet the customer’s needs. Ocean freight forwarders arrange transportation to and from overseas markets, handling all related paperwork and documents. If these firms move cargo to and from the United States, they must be licensed by the Federal Maritime Commission.

- **Warehouse 3PLs:** The service offering of these companies ranges from the leasing of warehouse space, to managing a warehouse on a company’s behalf, to deploying Warehouse Management Systems (WMS) technology for companies to utilize in their own warehouse space or leased warehouse space. Many of these companies will offer services such as pick and pack, small package fulfillment, sub-assembly, reverse logistics, labeling, pool distribution, consolidation/deconsolidation, cross-docking, inventory management, vendor management, customer order management, purchase order management and lot control. On occasion, these providers will arrange transactional transportation services for their clients.

- **Enterprise 3PLs:** These companies provide logistics solutions that positively impact the entire enterprise. They are experts in areas across the logistics spectrum, including carrier sourcing and procurement, contract management, web-based Transportation Management Systems (TMS) technology, data management, daily transportation management, freight payment and settlement solutions, and business intelligence reporting. Many companies in this space also offer the ability to arrange for ocean transport without owning the required assets.

The Co-managed Enterprise 3PL
The distinctive element of the co-managed approach is the fact that shippers always maintain the amount of control they prefer. While the services and capabilities that other 3PLs bring are valuable in general, many times the traditional 3PL business relationships can result in loss of decision-making control by the shipper.

Instead, in the co-managed model, the 3PL is a consultative strategic partner whose performance is directly tied to client success while the shipper retains the power to decide. A 3PL like Transportation Insight teaches and advises its clients while providing cutting-edge technology and valuable business insight. We encourage clients to leverage our tools, expertise and experience to produce winning results. We see ourselves as intimately involved in clients’ logistics operations, but collaboratively involved. We’re here whether clients utilize our core services such as carrier sourcing strategy, TMS technology, freight audit and payment solutions and business intelligence, or if they need access to transactional or outsourced execution services. The client decides the level of control they want to have.

When you’re matching your logistics needs to a logistics provider, be sure that the 3PL is a cultural fit and is completely aligned with your company’s definition of success.