

Should You Use Your Own or the 3PL's Warehouse Management System when Outsourcing Distribution?

Pros and Cons on Both Sides; Hershey Foods wanted to Maintain Control, Miesemer Says

SCDigest Editorial Staff

With the continued growth in logistics outsourcing, an increasing number of companies are faced with this decision: should they own and use their own Warehouse Management System (WMS) for the outsourced operation, or use technology provided by the 3PL operator?

There is no one right answer, and the analysis itself can depend on several factors. For example, if a company has a modern WMS and is simply turning over the operation of an existing facility to a third party, asking them to use the existing WMS would in most cases be the logical and smart choice. There should be no additional software license costs, little or no changes to the software required, and associates are already familiar and trained with that system.

On the other hand, when going into a new facility, 3PLs often prefer to use their own WMS technology. Why? In most cases, they can charge an additional fee for use of the software. They may have dedicated IT staff that supports the software, and each additional customer using it helps leverage those costs. They may be very familiar with the capabilities of that WMS, and therefore feel more comfortable in the overall operation of the facility – and what their cost basis will be.

While sole 3PLs continue to use home grown WMS solutions, the majority have moved in recent years to one – or more – of the leading commercial packages.

For a new facility/operation, the positives from using the company's own WMS system include the following:

The Hershey team decided to source its own WMS, and looked for 3PLs that had experience using the package at other facilities.

- Reduced integration – same interface to ERP/order management/TMS, etc. across facilities, versus integrating multiple 3PL systems
- Right technology – company can use/select the WMS that is most appropriate for its needs
- More control and flexibility – maintaining control of the WMS may make it easier to switch 3PLs down the road as needed.
- Development leverage – the company can make enhancements/upgrades that will improve its operations (even if run by a 3PL), and can leverage those across all facilities
- Better opportunity for developing consistent processes and metrics

Potential negatives from using the company's own WMS might include the following:

- May be higher cost, especially if a new license has to be purchased; depends in part on what the 3PL will charge for use of its WMS technology
- More internal support staff and costs required
- May lead to some conflicts/disagreements with the 3PL over the source of issues with perform-

Should You Use Your Own or the 3PL's Warehouse Management System when Outsourcing Distribution? (Con't)

- ance/productivity
- Another piece to manage

The pros and cons for using the 3PL WMS would basically be the opposite of each of these lists.

Hershey Decided to Retain WMS Control

In his popular book, "**Starting Up a World Class DC**," **Ken Miesemer**, former Director of Distribution and International Logistics for Hershey Foods, says Hershey considered using the 3PL's WMS, but in the end decided maintaining its own technology destiny was the right choice.

Hershey team members "were hesitant to allow use of proprietary systems in the new facility because of limited control over the on-going system development process, potentially less robust functionality and support, different solu-

tions and processes at different facilities, and the difficulty in changing operators," Miesemer wrote.

The Hershey team decided to source its own WMS, and looked for 3PLs that had experience using the package at other facilities.

This is among the many topics discussed in SCDigest's **Best Practices in Distribution Center Design, Operations, and Management Fall Workshops**, featuring instructor Ken Miesemer. The events will be held in late October in Philadelphia and Atlanta. For more information or to register, go to: [Best Practices in DC Management workshops](#).



Ken Miesemer