

Innovation in Shipper-3PL Relationships Benchmark Study

Full Data Set

In what region are you headquartered?	
Answer Options	Response Percent
North America	64.0%
South/Latin America	4.9%
Europe	11.6%
Middle East	2.4%
Asia Pac	14.6%
Africa	2.4%

What best describes your company/organization?	
Answer Options	Response Percent
Shipper/3PL Client	41.0%
3PL/Logistics Service Provider	43.4%
Other (Academic, Technology Provider, Consultant, etc.)	15.6%

Shipper Data Section

Approximately what size are the revenues of the relevant company or business unit?

Answer Options	Response Percent
Under \$100 million	28.1%
\$101 - \$500 million	18.8%
\$501 million to \$1 billion	14.1%
Over \$1 billion but less than \$10 billion	21.9%
Over \$10 billion	17.2%

5. How would you describe your company in terms of use of 3PLs versus total logistics activity/spend?

Answer Options	Response Percent
Heavy user	46.9%
Moderate User	35.9%
Light User	14.1%
Not a 3PL User	3.1%

6. What is the trend?

Answer Options	Response Percent
We are largely already outsourced	35.3%
We are outsourcing more	39.2%
Outsourcing level about flat	23.5%
We are outsourcing less	2.0%

7. In general, how important is innovation by 3PLs in your relationship(s) with them?

Answer Options	Response Percent
Very important	68.6%
Somewhat important	29.4%
Not very important	0.0%
Varies by relationship	2.0%
Comment on 3PL Innovation	

Comments

they are challenged to provide quarterly input in what they do to improve our supply chain
Very important to us as a customer, but I am not seeing innovation in the 3PL space - in particular 3PL DC's
3PL innovation which enhances the service to our customers is a big plus when looking at renewing our contract with the 3PL or changing to a different provider.
Its very important but there is not incentive for 3PL providers. This happen because the 3pl providers want to grown selling more no less. Usually innovation means reduce costs then reduce the sales for 3pl providers,
Growing need for help with online fulfillment, kitting / multipacks, and other customization.
Just when I think about all these years of been into continues browsing on the IoT, thanks to the Elders of the Communities.
Mon existent amongst 3PL players in the Saudi Arabian market
3PL's need to be at the edge of technology and future supply chain trends in order to keep up with the each businesses needs.
3PL's need to anticipate where the market and logistics trends will be and work to develop services and innovative solutions around those trends, that are sustainable and replicable.
innovation is important if it is needed. NO need to make changes for change itself.
We look to 3PL to handle pick, pack, ship and complexity better than we do but our needs are pretty vanilla.
innovation is important, but operational excellence must be established first
e-commerce response and turnaround needs
Looking for 3PL to be the expert, know all the latest trends, and be looking to what is coming in the future and how it will improve logistics.
We are considered medium-sized company and would welcome backward introduction of technology and innovation to us in order to serve our supply chain needs better.

The main advantage of a well-established 3PL is that, with a large customer base, they can suggest "best practices" that they see at other firms (KPIs, carriers, etc.) that may be applicable to our organization.

Do you think differently about the importance of 3PL innovation based on the types of relationship you have with them (strategic, transactional, or something in between)?

Answer Options	Response Percent
Yes, we expect more innovation from our strategic 3PLs	62.7%
No, we expect innovation across all our 3PLs	27.5%
No, we don't expect much innovation from our 3PLs	7.8%
Not sure	2.0%

What best describes your relationship with 3PLs in terms of innovation?

Answer Options	Response Percent
We focus on goals and allow the 3PL to determine the best approach to achieve them	23.5%
We are fairly prescriptive in terms of how we want 3PLs to run our business for us	39.2%
Hybrid - varies by specific relationship	37.3%
Other (please specify)	

We currently are prescriptive but want to focus only on goals, however the 3PL is not allows using the best approach

We do expect 3PL's to work with EDI and be able to transact with our system.

so they learn and understand our business; then we seek out suggestions to improve/innovate.

What is your company's perspective on gainsharing arrangements with 3PLs?

Answer Options	Response Percent
We don't use it	41.2%
Limited use	31.4%
Modest use	19.6%
Extensive use	7.8%
Please add your comments on this topic	

Comments

Great idea, but upper management is not in favorite of it.

I would be open to using it, but haven't received any good proposals from our 3PL's like the idea

Plenty compliance on ideology.

Not interested in this type of opportunity as usually adds additional layer of expense that is difficult to track and often lies in the eyes of the provider. Think this reduces creativity and innovation instead of encourages.

Very difficult to set up measures that are focused on 3pl services and are not affected by other factors beyond the control of the 3pL.

Not enough information, sounds interesting.

Open to it, but hard to define the metrics for payout. What is truly differential vs. service we should expect.

We do not mind exploring this if the indicators/metrics can be determined and easily measured.

11. What is your company's perspective on use of so-called "vested outsourcing" with 3PLs?

Answer Options	Response Percent
We don't use it	54.9%
Limited use	33.3%
Modest use	5.9%
Extensive use	5.9%

Comments

Just proactive in and outcomes.

I'm aware of the concept, have read Kate Vitasek's book.

I am very intrigued by it, but haven't gone there yet.

We are open to explore as this will help to bind each other in terms of performance and deliverables and we value 3PL who also value and share our objectives.

Do you view gainsharing and vested outsourcing as basically the same thing?.

Answer Options	Response Percent
Yes	16.7%
No	35.7%
Not sure	47.6%

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

Answer Options	Response Percent
Low innovation capabilities	26.2%
Modest innovation capabilities	47.6%
High innovation capabilities	2.4%
Varies dramatically depending on 3PL/situation	23.8%
Please add your comments on this question	

Comments

One example - we have asked about the use of warehouse automation (full pallet handling or materials handling, not picking) to drive savings that could be reasonably shared (depending on who made investment and what productivity increase/other savings are) and we are not getting back any excitement or information. I would think that 3PLs would be on point for understanding these new technologies and presenting them as options. We'll need to press harder. Many 3PL's are constantly innovating their processes which helps all of us improve.

Many 3PLs are US\$50B+ global companies with large R&D budgets, but many are small, niche players. Both can bring innovation to the our supply chain, but we expect more from our strategic partners.

Not enough information yet.

Although we're 14 months into our relationship, I find that, many times, I have to "lead the horse to water - AND make him drink"; what I'm noticing is that the operational lessons / SOPs that I've instituted have not really sunken in to my 3PL Team's daily operations flow.

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

Answer Options	Response Percent
Low innovation capabilities	19.0%
Modest innovation capabilities	47.6%
High innovation capabilities	7.1%
Varies dramatically based on 3PL/situation	26.2%
Please add your comments on this question	

Comment

Really need 3PL's to innovate on technology to lower the transactional cost of fulfillment activities.

\$4-5 per order to process seems like a typical cost, and seems way too high for us.

To often they sell technology they have developed whether or not it fits the business needs of the customer.

3PL typically have lower profit margins and invest in R&D at a lower rate than manufacturers. But many are larger organizations than shippers.

Not enough information yet.

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

Answer Options	Response Percent
Always	35.7%
Usually	26.2%
Sometimes	26.2%
Rarely/Never	11.9%

How do you try to assess a 3PL's innovation capabilities?

regular business review

Ask for a demonstration of recent innovation and data to support that it is an actual improvement rather than just a change. Need to correct for current market forces that may inflate or deflate the projected savings.

Through quarterly KPI's

Benchmarking against their competition, as well as staying connected with other importers and understanding what they have done to improve their supply chain

Basic overview of the fleet size, daily operations and service quality.

system and software

We do not yet have a strategy but will develop one as we have some upcoming contracts.

Making sure that our goals are being met.

Having the 3PL come up with solutions and foreseeing issues rather than me as the client

Past successful experiences, technology capabilities, flexibility with WMS&TMS, proposals for gainsharing

Visibility and predictive tools

Review recent innovations, assess capacity, and also discuss future plans with them.

Current system functions

Demonstrated case studies

Referrals

Demonstrated capabilities

An articulated plan that looks beyond the current market and seeks to distinguish as best in class, but demonstrates that innovation in the industry changes with the needs of the supply chain.

In initial discussions .. requesting that they provide examples relevant to our business and goals (which we present).

It would be hard to evaluate a new 3PL on innovation. However, we do compare the innovations, cost savings, and process improvements brought by our current 3PLs and include that in sourcing decisions.

through their current customer base.

reputation

Not that far along in our journey.

Look at technology R&D history and IT CAPEX spend. Look at their processes vs like industry. Look at their Value proposition and what diversified offerings they have.

Subjective basis creative solutions they bring to the table

3PL site visits and comparing to ourselves and other industry site visits

Ask them to share how they have improved their processes, what technology is used, what type of data analyze and CI culture do they have.

Organise annual sessions with strategic 3PL partners to discuss innovation ideas, concepts.

I would look at their offered solutions and see if there are any sector defining capabilities in there.

Have their solutions been stagnant over the last 3-5 years? Are they able to share and help us to move towards a more efficient and effective system?

Throw out a business scenario from left field, and ask for a thoughtful, measured response as to how the 3PL would handle it.

1-Tangible results already achieved (track record)

2-Attitude and approach

3-Means/Resources

Outside of traditional distribution and transportation management functions, which other logistics/supply chain processes do you find potentially attractive to outsource?

Answer Options	We outsource this now	Somewhat Attractive	Very Attractive
Vendor managed inventory	19.5%	31.7%	4.9%
Supply chain network planning/design	10.0%	62.5%	7.5%
Transportation procurement	19.0%	33.3%	11.9%
Demand planning/forecasting	2.4%	36.6%	7.3%
Multi-echelon inventory optimization	0.0%	39.5%	2.6%
Category management	0.0%	29.3%	0.0%
E-commerce fulfillment	12.2%	34.1%	24.4%
Supply chain visibility	9.5%	40.5%	33.3%

For strategic 3PL relationships, how important are each of the following capabilities/attributes?

Answer Options	Not important	Important	Very important
Strategic alignment with us	0.0%	31.7%	56.1%
Supply chain expertise	0.0%	35.7%	61.9%
Support for business case analysis	4.9%	48.8%	36.6%
Operational flexibility	0.0%	36.6%	56.1%
Development of strategic initiatives roadmap	2.4%	53.7%	26.8%
IT/technology capabilities, knowledge and expertise	0.0%	34.1%	48.8%

Comments

The highest priority is cost. Then we evaluate existing relationships and strategic alignment with our organization. We will not include partners in the business case analysis. Getting to know our business as well our staff is very important for our 3PL to be able to respond the way our internal customers expect.

3PLs say they cannot afford to invest much in DC automation because of the short term nature of contracts with shippers. What best describes your position on this issue?

Answer Options	Response Percent
We are unlikely to ever go with longer contracts that could support more automation	26.2%
We might possibly go with longer contracts if the 3PL will invest	42.9%
We have or would consider longer contracts that would support investment in automation	31.0%

Comments

However are rates our so competitive, longer would not buy us anything. what would buy us more automation is more customers in their facility with similar requirements and are non-competitive
 If there is justification for investment in automation, we are likely to make the investment directly, but include the 3PL to help design and operate the system
 We are currently long-term relationship with our current 3PLs, but due to cost relationship, the 3PL could never afford automation, regardless of length of contract.
 Long term contracts are "scary" in a volatile marketplace like ours.
 We don't use a 3PL in connection with our DC operations.

Many 3PLs say they already invest a lot in innovation. How much do you agree with the following statements?

Answer Options	Do not agree	Highly agree
We don't really see the innovations	4.8%	19.0%
We think the innovation messages are too much marketing	7.1%	42.9%
We are generally not interested in our 3PLs' innovation (not aligned)	61.9%	0.0%
We don't think their innovations are robust enough (incomplete vision or execution)	14.3%	11.9%
We can't justify the business case or ROI for most 3PL proposed innovations	14.3%	16.7%

Comments

We have required ROI and payback periods for capital investments. These are similar to our contract periods. We evaluate many automation options (some generate by 3PL, some by internal engineering teams, and some from MHE suppliers) but rarely find projects that meet our ROI requirements. In many cases, the 3PL will propose innovation that one of their other customers have implemented in their supply chain and claim that as their own ideas. In many cases, these projects are not relevant to our supply chain. We usually just need the basics, like blocking and tackling in football. Our innovation interests are more product focused than 3PL focused.

21. Please rate each of the following in terms of barriers to innovation by 3PLs.

Answer Options	Low barrier	Important barrier	Very high barrier
Our culture	11.9%	40.5%	4.8%
The typical 3PL culture	12.2%	41.5%	7.3%
Nature of the contracts	4.8%	38.1%	14.3%
3PL technology capabilities	9.8%	46.3%	14.6%
Relationships are not strategic	7.3%	41.5%	22.0%

Comments

It is extremely difficult to set up a relationship between two companies to foster innovation. There is always a question of resources and gain share. We have funded 3PL resources dedicated to innovation to ensure daily operations do not take away from innovation.

22. What is your perspective on 3PLs bringing advanced new technologies (robotics, smart glasses, 3D printing, etc.) to their service offerings/capabilities?

Answer Options	Response Percent
Wish they would do more of that	23.8%
We do not expect our 3PLs to be early adopters of advanced technologies	26.2%
Just depends on how it impacts costs/service	50.0%

Comments

We would like our 3PLs to be leading adopters of new warehouse technologies. They operate more facilities than we do, so we expect them to be evaluating and implementing new technologies first. Before we implement in our operations, there has to be strong ROI. This is suitable for contract logistics, but not in many other areas.

Interesting and sometimes exciting from a certain point of view but the bottom line is the bottom line.

Does a 3PL's ability to deliver meaningful and effective innovation change your relationship with the 3PL (check all that apply)?

Answer Options	Response Percent
We tend to consider innovative 3PLs more strategic	57.1%
We will be more open to listen and adopt their recommendations	71.4%
We may consider outsourcing more to the 3PL	50.0%
We may consider longer term contracts to receive and sustain the benefits	45.2%
We are generally open to pilot or implement the innovations	50.0%
We evaluate 3PLs in terms of innovation	28.6%

3PL Data Section

24. What are your company's approximate annual revenues?

Answer Options	Response Percent
Under \$10 million	17.3%
\$10 million to \$50 million	32.7%
\$51 million to \$100 million	1.9%
\$101 million to \$500 million	17.3%
\$501 million to \$1 billion	9.6%
Over \$1 billion	21.2%

Which services do you currently offer and plan to offer within next three years?

Answer Options	2016
Traditional distribution center management	87.4%
Transportation management	98.0%
Brokerage	85.7%
Crossdocking	90.5%
Kitting/assembly	85.3%
Vendor managed inventory	64.7%
Transportation procurement	92.7%
Network design/planning	80.0%
eCommerce fulfillment	80.0%
Demand planning/forecasting	44.8%
Replenishment planning	57.1%
Supply chain visibility	76.9%
Business case analysis	64.9%
Supply chain analytics	75.0%

In general, how important to clients is your ability to deliver innovation?

Answer Options	Response Percent
Very important	51.9%
Somewhat important	38.5%
Not very important	1.9%
Varies by relationship	7.7%

Comments

Clients want year-over-year cost downs with the perception that improvements are driven by innovation instead of efficiencies

Execution seems more important than innovation

Most want innovation, but are still figuring out what that means to them specifically.

Specially our ecommerce clients expect us to be more innovative everyday, I suppose because there is too much competition.

As a nimble, niche regional its our lifeblood

Typically, it is very important to deliver innovation. However, in a softer market that we've seen in 2016, customers shift importance to finding low cost carriers and place less importance on innovation.

Our customers expect us to continue process improvements and reduce costs on-going.

Depends on the service. Domestic Brokerage customers do not usually care about innovation.

Transportation Management customers care a great deal.

Some customers what "everything" while others could care less.

Typically the larger companies want it more than small ones. Retail & tech companies want it more than manufacturing/industrial ones. There's no single answer here. One thing is certain: the intensity is building and it's not a trend. It's the new way.

Customers expect proactive engagement for continual improvement.

It is the only things that can set you apart form the others

Trending towards very, but not there yet.

Innovation is important provided the investment yields proportionate on-going savings for the client.

Most clients request innovative strategies as a means of lower their costs rather than improving their overall supply chain operations

In general, how important would you say your ability to deliver innovation is to your overall success in the market?

Answer Options	Response Percent
Very important	71.2%
Somewhat important	26.9%
Not very important	1.9%
Varies by relationship	0.0%

Comments

The days of undercutting price to gain business are long gone (diminishing returns) so innovation is the only way to create efficiencies and lower costs.

Increasing but not the main driver

Have to keep up with the changing market or be left behind.

Innovation leads to growth in revenue and margin expansion.
 Currently an area differentiation for us
 Just created a new INNOVATION department with an experienced data scientist at the director position
 Freight is largely commoditized. Technology is becoming more equalized and less of a differentiator. Innovation is immune from this. It creates economic value that can be bundled into a TCO discussion with a customer.
 We strive to stay 18 months ahead of the curve on the software we provide.
 Our "IT in a Box" innovation was well received by those wishing a quick DC startup.
 It is critical if you plan to grow.
 Innovation needs to translate to tangible value - i.e. lower rates, improved visibility, lower overall cost, etc.
 innovation, reliability and quality together with competitive prices

What is the trend overall?

Answer Options	Response Percent
Clients are expecting more innovation	78.8%
Expectations for innovation aren't changing much	19.2%
Clients are showing less interest in innovation from 3PLs	1.9%
Please add your comments on this topic	

In my opinion, clients still only care about price. It just takes innovation on our end to deliver it.
 Increasing but not a divorce topic
 Many clients struggle recognizing the opportunities that exist or are stuck in silos
 Innovation could be interchanged with the "value add." However, customers wanting that added value requires the 3PL / Service provider to be innovative.
 Customers in Mexico at this moment are looking for efficiencies by existig services and not demanding innovation as internal processes to improve and control current operations are their priority.
 Customers demand innovative ideas continually.
 The best customers are the ones requesting more from 3PLs
 It's not that they "expect" more, it's that their growth & profitability are DEPENDENT on it. It's mission critical for many customers.

Many shippers are asking for "innovative solutions" without clear expectations of what they should be. Oftentimes shippers interpret "innovation" as another way to ask suppliers for cost reductions. Depends on the client. Some clients strive to limit the degree of value-added services from 3PLs so that either they themselves control the technology or to commoditize the service offering to improve their bargaining ability.

Which of the following do you have in place? Check all that apply	
Answer Options	Response Percent
Dedicated innovation budget	34.6%
Staff focused on developing innovation	82.7%
Innovation roadmap	42.3%

What best describes your relationship with shippers/clients in terms of innovation?	
Answer Options	Response Percent
Client focuses on goals and allows us to determine the best approach to achieve them	23.1%
Most are fairly prescriptive in terms of how they want 3PLs to run the business for them	13.5%
Hybrid - varies by specific relationship	63.5%

Comments

Fulfillment and Distribution are pretty much prescribed. "Get it out the door accurately and fast". Logistics and transportation management are more open to innovative approaches driven by us. As said before, this varies by service. Transactional service customers are not as interested in innovation as contractual service customers.

Most customers are prescriptive, and most providers only know how to respond to customers who are. In other words, when given the freedom to choose the means, 3PL's are paralyzed in indecision.

Many shippers now use "innovation" as the latest buzz word, without specific knowledge of the areas they are looking to improve, and no expectations to pay for any additional short term services, even if there is a long term cost reduction/service improvement involved.

customers are focused on goals and expect us to achieve them the way using our expertise and know how. They trust us

Client Relationships vary greatly, but the trend is for more collaborative relationships in both procurement and supply-chain strategy.

Overall, how would you rate your ability to deliver process innovation to clients?	
Answer Options	Response Percent
Low innovation capability	3.8%
Modest innovation capability	44.2%
High innovation capability	32.7%
Really depends on client/situation	19.2%
Please add your comments on this question	
Comments	
Very high in cases where we get the chance.	
Internal procedures for discussing and approving new services is too long	
Modest but growing	
This is a core competency of ours.	
Many of our process innovation strategies are provided on a "consulting" basis, which most clients resist.	
It really depends on the size of the "sandbox" we are allowed to play in. Many clients still want basic transactional services. No one wants innovation for innovation's sake. There needs to be tangible value. It is very difficult to get clients to change their processes.	
we always work to improve efficiency in physical flows based on technology and flexibility to adapt operations to customers' businesses.	
Modest Capabilities but ability to deliver largely relies on customers openness to change and ability to effectively manage change	

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

Answer Options	Response Percent
Low innovation capability	9.6%
Modest innovation capability	42.3%
High innovation capability	38.5%
Really depends on client/situation	9.6%
Add your comments to this question	

Comments:

We could deliver more were they not so rudimentary with their own tech or prescriptive.
IT department is completely focused on internal customer service and not to developing tools to enhance our business
Working on several key technology projects
We are not creating new technology as much as we're adding functionality to what we have. As a 3PL, this is typical.
As a 3PL it is very difficult to provide technology-based innovation solutions to customers in a broad range of industries. Cloud technology offers some opportunities in this area.

we use open source systems to develop our ERP and WMS fully adapted to our customers needs
Modest Capabilities but ability to delivery largely relies on customers openness to change and ability to effectively manage change and ability to provide Technology resources

What percent of your shipper/client relationships would you characterize as strategic?

Answer Options	Response Percent
0-20%	13.0%
21-40%	43.5%
41-60%	23.9%
61-80%	17.4%
81-100%	2.2%

What percent of your shipper/client relationships do you believe should be strategic?

Answer Options	Response Percent
0-20%	0.0%
21-40%	13.0%
41-60%	32.6%
61-80%	34.8%
81-100%	19.6%

Please rate each of the following in terms of barriers to innovation by your company for your clients.

Answer Options	Low barrier	Important barrier	Very high barrier
The typical shipper culture	11.1%	35.6%	13.3%
Our culture	39.1%	26.1%	2.2%
Nature of the contracts	19.6%	37.0%	15.2%
Our technology capabilities	26.1%	28.3%	10.9%
Relationships are not strategic	20.0%	35.6%	15.6%

Comments

Resistance to Change
 Our Vendor limitations too!
 Lack of relationship with governmental institutions
 Resistance to change
 Legacy procurement mindset and predatory contracting are the MOST important barriers.
 Globalization trends

Depends on the level of internal influence we have with our primary customer contacts. When the relationship is with higher-level client managers, we have the opportunity to be strategic. short term focus instead of long term and strategic partnership collaborative work.

How do you perceive clients view the potential for 3PLs to bring advanced new technologies (robotics, smart glasses, 3D printing, etc.) to their offerings?

Answer Options	Response Percent
Clients don't expect/want those advanced technologies from 3PLs	6.5%
Most clients don't expect/want those advanced technologies from 3PLs, but a few do	26.1%
A growing number expect/want those advanced technologies from 3PLs	45.7%
It is too early to tell	21.7%

Clients want an outcome - As high level of service that they can get at the best price. They don't want technology or innovation for its own sake. If technology or process innovation reduces their cost, or improves service, or improves their ability to serve their customers, then there's an interest. However I believe the situation will be way different in three years. As CEOs see the impact of successes from their competitors, the rush will be on. Shippers probably want it, but don't want to pay for it. Many clients ask 3PLs to provide these services as cost-avoidance strategies

Clients are supportive of advanced new technologies provided their fees are significantly reduced.

37. Please rate the importance of potential sources of innovation for your company.

Answer Options	Not important	Important	Very important
Senior executives provide vision and direction	2.2%	21.7%	65.2%
Sales and business development team as they listen to customers' feedback	2.2%	47.8%	41.3%
A dedicated team gathers requirements and explore new solutions	0.0%	39.1%	37.0%
Operations team often develop solutions in the field	4.3%	47.8%	19.6%
Shippers provide prescriptive solutions to be executed	10.9%	47.8%	8.7%

Comments

Innovation starts with a culture of change engaging everyone to identify areas where process and technology can be used to take out cost. Shippers generally want "a faster horse". We have to bring the ideas to the market.

What is your company's perspective on gainsharing arrangement with shippers?

Answer Options	Response Percent
We/they don't use it	15.2%
Limited use	52.2%
Modest use	23.9%
Extensive use	8.7%

What is your company's perspective on use of so-called "vested outsourcing" relationships with shippers/clients?

Answer Options	Response Percent
We/they don't use it	21.7%
Limited use	43.5%
Modest use	28.3%
Extensive use	6.5%

With regard to gainsharing/vested relationships with shippers/clients:

Answer Options	Response Percent
We would like to greatly increase number of those relationships	30.4%
We would like to modestly increase number of those relationships	50.0%
We are not much interested in those relationships/not appropriate for our business	6.5%
We are happy with our current levels of those relationships	13.0%

What statement best applies?

Answer Options	Response Percent
We are using just a small percentage of our potential innovation capabilities with clients	26.1%
We are using a modest percentage of our potential innovation capabilities with clients	56.5%
We are using a significant percentage of our potential innovation capabilities with clients	15.2%
Not applicable	2.2%

"Other" Respondent Data

What statement do you most agree with?

Answer Options	Response Percent
3PLs do too little innovation	76.5%
3PLS try to do too much innovation	2.9%
3PL innovation is about right	20.6%
Other (please specify)	

Comments

3PL commitment to innovation varies greatly by company, they all talk about innovation but actual success varies a lot by 3PL and also varies by customer. It is difficult to put all of them into the one of the 3 categories above.

My perception is the major, global 3PLs conduct innovation and have good ideas, but because of either business or contractual constraints the rate of introduction / adoption is far too slow. Many innovations have a compelling business case, so it is frustrating the rate of adoption is slow. 3PL innovation is focused on their own efficiency so as to provide consistent, but not breakthrough, service while maintaining their margins or avoiding rate increases to provide overall shipper satisfaction over the term of the relationship.

3PLs need to work on automation and IT systems

Recently, Wong, Soh, & Goh (2015) have revealed the innovation level among the 3PL by first highlighting that "high performers on productivity are not necessarily innovators" and, second, "innovation is still lacking among the 3PL in Malaysia".

Reference:

Wong, W. P., Soh, K. L., & Goh, M. (2015). Innovation and productivity: insights from Malaysia's logistics industry. International Journal of Logistics Research and Applications, 1-14.

3PLs should be ready to digitally collaborate with manufacturers. This provides end to end visibility and transparency in the storage, fulfillment & transport of goods. The payments process will also be simplified. 3PLs should look to licensing a cloud based platform to cover these supply chain technology needs. Old software solutions should be avoided.

3PL's do what is required to earn the business. Very few actually are leaders in the R&D approach. The traditional business model between buyers and 3PLs is transactional - which creates perverse incentives for 3PLs to drive innovation.

Little seems to have changed in the field of innovation between 3PLs & shippers during the last 10-15 years. A remark I have recently had confirmed by prominent European University research.

43. Overall, how would you rate the 3PL sector's ability to deliver process innovation to clients?	
Answer Options	Response Percent
Low innovation capability	13.9%
Modest innovation capability	27.8%
High innovation capability	13.9%
Really depends on client/situation	44.4%
Please add your comments on this question	

Comments:

Given the diverse nature of customer attended by a 3PL is very unlikely that process innovation will come up from 3PL world.

Customers not always willing to pay for innovation

Scientifically, low innovation capability in 3PL sector is resulted from lack of strategic alignment, portfolio management, collaboration among internal sub-units, collaboration with external partners, top management commitment and attitudes, and proficiency in realizing the potential process innovation solutions.

the 3PL market is highly competitive so 3PLs are continuously driven to innovate to stay ahead

Good 3PL have a high degree of capability. However, while they have a high ability to innovate - they client must create an environment and use a business model that rewards for innovation.

Generally they are not resourced to be able to deliver this "additional" service

Overall, how would you rate the 3PL sector's ability to deliver technology innovation to clients?	
Answer Options	Response Percent
Low innovation capability	16.7%
Modest innovation capability	47.2%
High innovation capability	16.7%
Really depends on client/situation	19.4%

Comments

For WMS and integration, also some 3PLs offer TM supported by TMS. Innovation depends a lot on what the customer/client brings to the table in the way of accurate data, always difficult and their own commitment to the process. Many companies are resource constrained and/or have little skills and experience with modern distribution technology.

Given technology being the core of 3PL on provide services and limited CAPEX on several organisations, large organizations tend share assets as strategy for CAPEX allocation.

Usually, competitive pricing is the 3PL driver in trying to obtain business. This in itself limits innovation; whereas, if dollars are not such a driving factor, the 3PL industry would be more progressive. As an example, how many 3PL's have invested in any robotics? Only a very few (Genco being one that i know).

Need to do more

The ability to fully deliver technological innovations to client is most likely affected by ineffective non-technological innovation (i.e. strategic innovation including both intra-organizational and inter-organizational) which are practiced among 3PLs.

or better yet the supplier's capability or resources in IT

45. What do you rate the following as barriers to 3PL innovation?

Answer Options	Very low barrier	Important barrier	Very high barrier
The typical shipper culture	11.1%	41.7%	25.0%
Typical 3PL culture	5.6%	47.2%	11.1%
Nature of the contracts	11.4%	31.4%	40.0%
3PL technology capabilities	19.4%	25.0%	13.9%
Relationships are not strategic	5.6%	44.4%	36.1%

Comments

Impact of the New Normal has a significant impact on volatility and instability as well as resources to drive investments required. The lack of the right Talent is another major restricting factor. Need more Smart Growth Talent (re. Korn / Ferry research).

Focus. 3PL should choose few complementary markets to excel in service.

Investment in legacy technology creates inertia against investment in innovation that will make these technologies obsolete.

the challenge of asset management capability under global economic uncertainty

Strategic should be 5 years plus!

46. How do you think clients view the potential for 3PLs to bring advanced new technologies (robotics, smart glasses, 3D printing, etc.) to their offerings?

Answer Options	Response Percent
Clients don't expect/want those advanced technologies from 3PLs	8.3%
Most clients don't expect/want those advanced technologies from 3PLs, but a few do	22.2%
A growing number expect/want those advanced technologies from 3PLs	52.8%
It is too early to tell	16.7%

Comments

Although those new technologies might bring lot of efficiency for 3PLs it's a bit early to say that the clients are also expecting. From innovation point of view they should be demanding but are they really aware of it? I cannot say that.

Provide the technology adds differentiation.

Although the clients don't expect innovation, however the 3PLs has the chance to bundle their products with new technologies. The clients nevertheless are ready to pay the premium provided the new technology provides them value for their money.

Large users will be on board earlier....smaller ones will follow once they figure it out

Generally speaking, clients don't expect because they are not sure about the competency of 3PLs to actualize these technological advances.

Base on my personal experience regarding 3D printing, I have seen the majority of 3PLs in Malaysia are not even familiar with it and have not seen yet, such additive manufacturing technology can be adopt and implement as value added services. This matter may has root in lack of updated operational and strategic capabilities/capacities.

49. Any final comments on 3PLs and innovation?

3PLs should be very proactive especially as they manage logistics/warehousing and see the opportunities. Don't wait for the client to ask about it.

We have a culture of constant process monitoring and improvement. We also invest continuously in equipment and technology. As a result, we are good at what we do, and are successful. It's difficult to separate that from actual "innovation".

The 3PL community is well into advancements on almost every level and clearly they have the drive and objective to keep this momentum moving as it is one of the major differentiators and methods of allowing forward thinking clients to remain on the leading edge while incorporating continuous improvement.

Good questionnaire and I wish you the best. Continue with the effort !!

Supply chain disruptions are the new norm, therefore execution, options and customer service has become the focus

It is very important for 3PLs to understand how the technology change.

3PL's setting up part(s) of their operation to support fledgling new business segments and Supply Chain (new categories, online, etc.) is a critical need we are looking to source.

I guess most organization will become very vulnerable when they try to change things within the company to be more innovative. Hence they look at innovation as a risk and they do a LOT of planning and engineering around the concept and its taking a long time to implement the ideas. See previous comment. My perception - global shipper and global 3PL relationships are not sufficiently mature to drive more rapid adoption of innovations. The issue is complex and lies with both shippers and the 3PLs to drive innovation adoption more quickly.

They're the owner of the asset so in my opinion they should be the most innovative ones. Especially after having IoT in our lives, they can easily increase the efficiency of the operations way more higher than today and then they can keep on focusing new business models instead of being lost in cost cutting!

This survey, with the exception of the Vested questions focuses largely on technology, where we find a lot of fertile ground in the areas of process development, thought and practice.

Innovation will be swift and very effective, however when that innovation will arrive may not be made apparent and will catch many off guard, likely ending many businesses.

3PLs still have a long way to go to be global player. For large corporations the capability to offer global services is becoming more and more important.

IF companies and 3PL's would work together a lot more could be accomplished. The 3PL is just an extension of the company but usually a big barrier between the two always gets in the way of true innovation and progress; again, mainly to costs.

3PLs should work closely with their technology partners to drive innovation.

It's the future of this business!

Some say that the advent of IoT and related blockchain smart contracts would challenge 3PL's to differentiate themselves or even justify their existence. While physical product flows will stay relatively linear towards the consumer, the blockchain visibility may blow-up traditional consumer expectations and related chain-of-decisions upstream controlled by shippers and 3PL's "in the past".

More Collaboration between 3PL Service Providers can bring Much better value to their customers. Customers send mixed messages - Many fear over-reliance or over-dependence on a given provider, particularly in the contract logistics services. For these reasons, they work hard to keep innovation and technology capabilities in-house, so that service providers won't have leverage with them.

Fundamentally, we all talk innovation, but setting up the contacts and organization to get innovation is really hard.

Clients are focusing on cost savings with limited investment.

I sense that 3PLs and clients often do not see "eye to eye" on innovation -- what it involves, how to pursue it, and how to share in the costs and benefits of innovation.

I totally expect for the demand for new thinking and faster responses from 3PLs will drive INNOVATION to a high level customer expectation as more manufacturers high data scientist for their internal operations.

Finding the right recipe is not easy. Both parties need to abandon legacy thinking and approach opportunities without bias. This takes MANY willing people from both sides, and assembling large teams of like-minded people is next to impossible. Getting a great idea through a decision funnel is often too painful, so it fades into oblivion while its originators wallow in their disappointment.

Thank you.

3PLs has one very good advantage is that they have very good scope to demonstrate innovation commercially, be that using robotics, or smart glasses, etc.

It all depends on the function you are outsourcing.

Typical 3PL agreement seeks out low cost provider and then 3PL is expected to extend itself on behalf of client....these objectives do not synchronize

3PL companies that get ahead through innovative will be the winners 5 years from now.

Innovation is needed to integrate more modes and services into a single platform. Too often a TMS is great for domestic LTL, but offers few solutions for other modes (like ocean or air) or other trade lanes (like exports/import to various markets)

I would like to add that practice and integration of both technical and non-technical innovation culture in logistics service supply chain are required for all stakeholders in the chain, particularly green innovations since global business already faced with environmental issues.

Regards,

Soroush Meozadeh

(LinkedIn)

In our business the 3PL decision is more about improving the bottom line and removing non-core competency activities from our manufacturing facilities. Innovation is a path to an end result. If the 3PL saves me money I will outsource, if not, I will do it myself.

They should all adopt the position of give a little more, get a little more!!

For 3PLs to provide effective innovative solutions, it is essential that shippers acknowledge the strategic value of supply chain management operations.

Everyone wants innovation, but they also want somebody else to pay for it.

Innovation has become a far greater criteria in choosing a 3PL partner. Innovation capabilities will be the differentiator when tendering in future. Supply Chain effectiveness and agility will rely on innovation being a strong capability of a 3PL.

In South America Markets 3PLs are closer to commoditization then innovation
3PLs should improve their innovation capability to achieve higher firm performance.

We have a good relationship with our 3PL. As we're still in the throes of implementation, I'm sure it will only grow and develop with time as we gravitate more from the tactical to the strategic.