

Warehousing & Fulfillment

Logistics Outsourcing and 3PL Challenges

In this article we will discuss logistics outsourcing and some of the 3PL challenges that are faced.



By Lauren Green, October 26, 2022

Key points:

- Logistics outsourcing refers to working with external party providers to manage the activities of your supply chain
- You can use a logistics provider for warehousing, deliveries, inventory management, packing, assembling, and many more
- A 3PL can also manage your IT, account, and customer support operations

Outsourcing your logistics operations can give you a competitive advantage over others. Learn more about the pros and cons of Logistics outsourcing in this guide below.

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What is Logistics Outsourcing?

When a business collaborates with a third-party logistics provider to handle its various supply chain functions, this is known as Logistics Outsourcing.

Usually, this happens when the business lacks the necessary resources or expertise to carry out these activities, so they outsource logistics services to an external party.

In turn, the [third-party logistics company](#) (3PL) provides customers with shipping, storage, packing, and delivery services.

Commonly outsourced logistics operations include distribution and warehousing, orders fulfillment, delivery, warehouse management, and customer support.

Advantages of Logistics Outsourcing

Logistics outsourcing is growing rapidly. More and more businesses are stepping up their use of 3PLs to handle their supply chain activities. With this increasing number, it is important to know why 3PLs are important.

Below, you can find the advantages of logistics outsourcing and how it can benefit your business.

**Costs Saving:** Using a 3PL will help cut logistics and inventory costs. Most 3PLs have an extensive network of couriers and carriers, allowing them to choose the best and most affordable service for each order. In addition, since they provide efficient order fulfillment and respond quickly to customer orders, they increase cash flow to businesses.

**Leveraging Freight Buying Power:** 3PLs can leverage their combined freight budget to negotiate significant savings with carriers. As a result, they can achieve substantially lower operating costs per load.

**Access to Experience:** An outsourcing logistics company has more experience and expertise than a business regarding logistics. They have the skills and technical know-how to manage the supply chain effectively. They also provide professional assistance and guidance to businesses on how best to fulfill their orders. By outsourcing to a third-party logistics company, you will enjoy the services of experienced personnel.

**Scalability:** Outsourced logistics can easily scale up or down logistical demands without incurring extra expenditures for infrastructures or personnel. For instance, when expanding to new regions, you need to rent warehouses or get physical stores where you intend to sell your items. But with an external logistics company, you don't need to do all of these. 3PL will help you manage all aspects of your supply chain without much stress.

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Disadvantages of Logistics Outsourcing

**Unavoidable Costs:** For companies who have spent a lot of resources building an internal logistic team, outsourcing logistics services might be a waste of funds.

**Loss of Control:** Since your provider will be in charge of your supply chain, they will undoubtedly be the ones to interact primarily with your customers. Thus, any fault from their side will affect your business reputation, not the provider's.

Related post: [Outsourcing Order Fulfillment Benefits](#)

What Are The Biggest 3PL Challenges?

3PL are faced with several challenges they must overcome to thrive in the modern economy. In this article, we will examine four significant challenges of 3PL.

- Warehouse Capacity:** Warehouse capacity is one of the significant challenges faced by third-party logistics companies. The industry is evolving rapidly, resulting in a [shortage of space in warehouses](#). In addition, the price hikes in real estate make it difficult for distribution centers to expand
- Workers:** Another issue faced by 3PL is a shortage of staff. Many 3PLs are faced with the issue of recruiting, training and hiring qualified workers for their company, as most candidates lack the experience for the job. This inadequate workforce leads to increased labor costs and reduced company growth
- Government Regulations:** Most 3PL companies ship items to different cities, states, and foreign countries with varying legislation. For their business to function effectively, they must abide by the laws and ordinances that apply to each location. This can be challenging because many 3PLs lack access to qualified human resources who can handle these different rules
- Safety:** Employee safety is another concern for 3PL companies. Employees commonly record warehouse accidents while using conveyors, forklifts, and other equipment. In extreme cases, these accidents result in severe injuries or loss of lives. This leads to reduced productivity, compensation fees for lost lives, payment of fines to OSHA, and many more



What Does 3PL Mean?

3PL is an acronym for third-party logistics, which refers to an order fulfillment company.

Third-party logistics (3PL) refers to outsourcing your order management and fulfillment to an external party.

A 3PL company will manage your warehousing, picking and packaging, transportation, and delivery of your goods so that you can focus on your business needs. It is a type of leverage that enables you to devote more time to critical issues like brand building and reduce the likelihood of in-house fulfillment errors.

Here is an example of a 3PL provider in action:

A snack-producing company makes several cartons of the snacks every day but doesn't wish to handle the consumer ordering or shipping. So, the manufacturer uses a third-party company to process the online orders and ship the items to the customers.

Make Easyship Your 3PL Provider

Easyship can assist you if you feel the need to outsource your logistical operations to a third-party company. This will help you focus more on building your business while providing efficient deliveries to your customers.

Easyship is a reputable and reliable 3PL company with a vast network of warehousing partners worldwide. We provide our customers with the tools required to speed up their order fulfillment procedures and automate their shipping processes. Some of our unique features are:

- 250+ shipping solutions
- Global tracking system
- Orders synchronization
- A vast network of warehouses

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