MINE OR YOURS?

Should You Use Your Own WMS or
Your 3PL's When You Outsource?

A good warehouse management system is an essential component of a company's distribution strategy, especially in the increasingly complex world of omnichannel fulfillment. Efficiently planning, waving, and optimizing orders to be processed in a day or shift reduces cost per unit and drives high levels of customer service. While all but the smallest players require such capabilities today, the question of whether companies need to own the WMS or use that of a logistics services provider confronts most 3PL customers at some point. A good 3PL will recognize the criticality of this decision and help prospective customers work through the WMS decision early in the sales process.

Ideally, a company will want to manage all of its information within a single WMS platform, so it has the same system, processes, and inventory visibility, regardless of whether it owns the warehouse management system or relies on a 3PL's. Some companies choose to stay with their own packaged or proprietary system out of consideration for integration costs and control, says Jim Stephens, chief information officer at Port Logistics Group, a 3PL that specializes in serving the retail industry. "They may not want to invest the time and IT resources to integrate with a new WMS, or fear that they will lose control of how the system is updated and upgraded over time."

"These are legitimate concerns," Stephens says, "and a 3PL should be prepared to work with clients no matter which avenue they decide to take, since the new processes and procedures may result in higher costs for a 3PL, at least for some time. Moreover, the customer retains responsibility for up-time, maintenance and user administration."

When a customer does decide to retain its own system, a 3PL must have the trained staff and expertise to accurately and efficiently execute operations as if they were an extension of the customer's supply chain network.

One of Port Logistics Group's accounts, a national retailer of women's specialty clothing lines, opted to use its PkMS warehouse management software at all of its facilities and to require each of its 3PL partners to use it as well. "They wanted to have complete inventory visibility in one system," says Stephens. "They wanted a very specific quality control process built in to their warehouse processing, and they decided it would be beneficial to implement their own system at all facilities. When they dropped that system into our dedicated warehouse, we brought in our trained PkMS experts and the result was a very seamless integration and a facility that looks and operates just like every other in their network."

Implementing a customer system in a 3PL's warehouse does, however, have its drawbacks. Customers in many industry verticals experience spikes in volume, and retail is certainly no different. The retail environment often sees very high quarter-end demand in volume. Using the 3PL's WMS ensures that the provider can rapidly move staff from account to account, a fact that weighs in favor of using the 3PL's WMS.

When a logistics services provider uses a single, consistent WMS across customers and facilities, it increases flexibility to move labor around on its customers' behalf. "Change is a constant in retail, and not only in volume. For example, fashions and tastes dictate new product introductions and discontinuations of older lines. System modifications have to keep in step, but changes can be costly," says Dennis Tenorio, Port Logistics Group's director of supply chain applications. The customer that retains its own WMS foots that bill whereas the 3PL pays when its system is used. Of course, there are fees involved when using the provider's system, but they should be much lower when that investment is outsourced to the 3PL,

as the costs are spread across multiple customers.

"Every customer is different," says Tenorio, so a logistics services provider must be flexible. In Port Logistics Group's case, he says, "We can integrate with any customer's ERP system. Over time, we've become specialists in converting customer data and moving it into our system." In the end, there are three major advantages to relying on the system of a chosen provider – faster implementations, more flexibility in choosing or changing locations in the future, and relief from the burden of maintaining and updating a WMS. In Tenorio's view, Port Logistics Group brings a fourth advantage: "No one implements quicker than us."

Of course, ease and length of implementation turns on a number of factors, not least being the complexity of a customer's needs. Another vitally important factor is the competence of the client's IT staff. "I like to say, I can only move as fast as my slowest-moving partner," Tenorio says. Implementation can be as quick as 30 days if the customer's IT team is good, but even complex scenarios rarely take longer than 90 days, he maintains.

Flexibility is key in every facet of a 3PL-customer relationship, says Sarah Drazetic, chief people and process officer at Port Logistics Group. A client that gives all of its business to a provider, for instance, is advised to align itself with that 3PL's WMS. Not only is it a low-cost solution for them from an annual maintenance standpoint but it allows for customization designed specifically to meet the client's needs. Moreover, it more easily permits system changes as those needs evolve. For example, a retailer that changes its business model to do more ecommerce will require a different approach to picking. A flexible 3PL that can accommodate those

changes quickly is indispensable.

A customer may insist on using its own system because it wants uniformity in reporting when it has multiple warehouses and works with several logistics services partners. "Perry Ellis International, an international sportswear and casual clothing company, exemplified that initially," says Drazetic. "They use warehouses on the U.S. East and West Coasts, in Toronto and in Mexico City, and wanted the same system throughout their operations. However, several years ago they decided to lower their internal cost base and integrate with Port Logistics Group's WMS."

Every organization manages its supply chain differently, and some operators contend that there is loss of control when they utilize the warehouse management system of their logistics provider. "Not so," says Joseph Roisman, executive vice president of Perry Ellis International. While his company used its own solution when it began working with 3PLs, the process became too cumbersome, he says. Perry Ellis continues to send flat files of incoming product to providers, who process orders, print labels, create bills of lading, and ship the product.

Clearly, one of the advantages to such an arrangement is that the 3PL has to manage the production and priority of things, not Perry Ellis. "My core competency is selling clothes, their core competency is managing production in the warehouse," Roisman says.

But what about control? "You don't set it and forget it," Roisman says. "You send the documents, then you have to make sure they have the right process in place, what has been picked and packed and routed for shipment. It's not like we wait to see what happens. We monitor on a daily basis." Roisman continues, "You never get a second chance to do things right the first time. You have to do due diligence to see that the 3PL is capable of doing what they are promising and that they have a robust IT department that can deal with anything."

Roisman agrees with Port Logistics Group's Jim Stephens: issues are identified and addressed when a relationship is first contemplated. Says Roisman, "You've got to make sure that we speak the same language, and you do that before you pull the trigger."

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