

## Choosing a 3PL for Food Product Distribution: 5 Critical Areas to Evaluate

You know the perils of food logistics. Let your guard down, and a truckload of perishables turns into an unsellable mess. Or you get stuck with racks full of canned goods nearing their sell-by date. Maybe your company lands in the news, tied to a product recall. Or even worse, tied to an outbreak of salmonella.

The right 3PL can help you avoid those pitfalls, while cutting your costs and keeping you compliant with relevant government regulations. How do you know which 3PL to trust with your food shipments? Here are five essential questions every food shipper should ask.



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## 1. Can the 3PL monitor and maintain temperature integrity throughout the supply chain?

For temperature-sensitive products, a few degrees might spell the difference between a trip to market and a trip to the landfill. Candy melts, lettuce freezes, milk goes sour, fish starts to rot – suddenly, you're writing off thousands of dollars worth of product. Even worse, contamination might set in with no outward signs, and then you're forced to conduct a product recall.

A 3PL that understands food will deploy technology to monitor the environment through all phases of the supply chain – in the warehouse, on the dock and on the road. Any time the temperature slips above or below the ideal range, the system sends an alert, and an expert steps in to correct the problem.

In its 3PL warehouses that require temperature controls, Batory Foods, a distributor of food and beverage ingredients based in Des Plaines, Ill., requires that the monitoring systems keep logs and provide access to recorded data on request, says Nancy Newbourne, Batory's director of logistics and a member of the board of directors of Food Shippers of America. "That way, if a customer ever claims that our product is compromised, we can go back to the facility and check the records."

The 3PL for a national vitamin store chain provides automated temperature logs and response triggers. If temperatures fall out of the programmed range, the system sends text messages to multiple supervisors. Those temperatures also appear on an internet site, where staff at the retailer can check them at any time.



## How do you tell if a 3PL really has what it takes to maintain correct temperatures?

1. Tour the warehouse. Temperature monitors should be visible in all locations, with separate units at the top and bottom of multi-level racking.
2. Ask to see logs that show temperature readings over time.
3. Ask how reefer trailers are monitored. At the very least, they should carry digital thermostats that are easily visible to the driver.
4. What's the backup plan? If the cooling or heating system goes down, how will the company maintain the right temperature in each zone until it's repaired?

## 2. Can the 3PL meet all your customers' requirements for code date compliance, FIFO and other picking rules?

While all your customers want to maximize product shelf life, each of them has different ideas about how to achieve that goal. Code date, expiration date, best used by date, FIFO, FEFO, LIFO – any of them might apply to a specific customer. And the rules might be different for different SKUs. Get the details wrong, and you could get stuck with product your customers refuse to take.

Look for a 3PL with a sophisticated WMS that supports a broad range of picking methodologies. The system should be able to produce snapshots of remaining shelf life for any products in your warehouse, alert you to product that's within 30 days of its expiration date, tell you which product has the oldest code dates, and more. Your 3PL should be able to parse out shelf life requirements that are unique to specific consignees or SKUs, gracefully dealing with any curveball a customer throws your way.

You probably have your own special requirements, too. One company, for example, asks its 3PL to produce a report any time a product in the warehouse gets down to less than 180 days of shelf life. As soon as that report comes through, the 3PL removes the product from the pickline and changes its status in the WMS, indicating that it's time to move that item through a value channel. Of course, that's a strategy of last resort. Ideally, the product will turn over fast enough to beat the 180-day deadline.



### How do you tell if a 3PL really has what it takes to comply with complex picking rules?

1. Ask how many of the 3PL's customers require picking by FIFO, FEFO and other principles.
2. Ask which ones have varying rules based on consignee, export requirements or other needs.
3. Call some of those customers and ask how well the 3PL meets their criteria for picking.
4. Ask to see sample orders that demonstrate how the WMS tracks particular code dates or other indicators.

### 3. Can the 3PL help you reduce supply chain costs?

Marketing food products is a low-margin business. To maximize profit, you need to minimize costs, and that means making your operation as lean and efficient as possible. Unproductive employees, sub-optimized transportation routes, refrigeration systems that draw too much power – all put further strain on an already low profit margin.

The ultimate measure of supply chain efficiency is the cost of moving each case of product to your customer. Your 3PL should demonstrate how it keeps that per-case cost as low as possible with smooth, efficient warehouse and transportation operations. Aside from the basics, here are examples of proactive practices you can look for:

- **Multi-vendor consolidation.** 3PLs with many grocery product customers can combine your freight with other companies to reduce retail delivery costs.
- **Integrated storage and delivery.** Time is money in the supply chain, and 3PLs that combine warehousing services with their own delivery fleet avoid the time and cost of coordinating with outside carriers.
- **Intermodal service.** A switch from truck to rail can cut freight costs 15%–40%. Look for 3PLs that have experience coordinating intermodal strategies.

You'll also want a proactive partner that is constantly looking for creative ways to cut costs. One shipper was running refrigeration units 24/7 for product that needed to remain below 65 degrees. The units kept the product at a constant 60-65 degrees. But since the local utility charged lower rates at night, the shipper's 3PL suggested a way to take advantage. It would run the refrigeration units at night to drop the temperature to the low end of the target range. During the day, it would simply run circulating fans.

### Leveraging intermodal strategies for food distribution



With this solution, temperatures came up during the day, but never above 65 degrees, and the customer was able to realize a significant cost reduction of about 0.5%.

### How do you tell if a 3PL really has what it takes to keep per-case costs down?

1. Investigate the WMS. A full-featured system does a better job of managing productivity.
2. Ask what investments the company has made to lower energy costs.
3. Ask how the company measures labor productivity. If there are no metrics in place, that's a bad sign.
4. Ask for a list of five proactive steps the company has taken to drive down the cost-per-case for its customers.

### 4. Can the 3PL meet government requirements for tracing food shipments?

From the FDA to the USDA to the SEC, federal agencies have enacted a mass of regulations that describe how vendors of food for humans and pets must perform during a product recall. Even if nothing ever goes wrong with your product, you must be able to prove that you can track and trace any item by lot number. Companies that don't meet government mandates can suffer significant penalties.

A sophisticated WMS provides the capabilities a 3PL needs to trace products once they leave the warehouse. The 3PL should have written SOPs for performing a recall, and it should conduct mock recalls periodically, not only when a customer asks for one. It should document the results of those exercises and make the records available for inspection.

A top-notch 3PL will also call in independent professionals to help bullet-proof its compliance capabilities. Some firms, such as Weber Logistics, hire companies to audit their operations on a regular basis, including their ability to trace food products.

### **How do you tell if a 3PL really can meet all track and trace requirements?**

1. Ask to see records of mock recalls.
2. Ask to see records of inspections by a professional auditing firm.
3. Get references from food companies for whom the 3PL has performed mock recalls. Find out what company officials thought of the results.

### **5. Does the 3PL have plenty of solid experience handling food-grade products?**

Any 3PL can claim to have experience with food-grade products, but how many transactions has the company handled, and for how many years? How many satisfied customers does it serve in the food industry? How many different kinds of food has it managed?

Inexperience comes with a cost. Consider the case of a 3PL that received four trailer loads of meat, packaged for retail, on a Friday afternoon. The operations manager decided that the warehouse would receive the load on Monday morning. In the meantime, the crew would leave the truck engines running, and the onboard refrigeration units would keep the meat at a constant 32 degrees. Unfortunately, someone forgot to monitor the trucks over the weekend. They ran out of fuel, spoiling more than half a million dollars worth of meat.

An experienced 3PL not only safeguards all food-grade products in its care, but also knows enough to alert you of potential issues further down the supply chain. It might send representatives to visit your customers, looking for problems such as food shelved beneath bottles of bleach, or products stored at the wrong temperature. Or a carrier

who has just dropped off a load might bring back stories of perishables left in a consignee's warm back room. A 3PL that focuses only on its own job might not notice these things. But a food-savvy partner will go out of its way to alert you to problems outside its own four walls.

### **How do you tell if a 3PL really has the experience required to handle food?**

1. Tour the warehouse. Does everything look well-maintained? Or do you see danger signs, such as poor seals around refrigerator doors, or doors left open?
2. Is the facility spotless? Are there written procedures to ensure proper sanitation?
3. Does the 3PL have a system to ensure that it never commingles products in ways that could cause cross-contamination?
4. Ask to see sample reports that demonstrate the power and flexibility of the WMS and other IT systems.
5. Ask for documentation of their auditing or inspection program, including written reports.

Food distribution may entail many risks, but an experienced, well-qualified 3PL will help you keep your operation profitable, compliant and safe. To find the right partner, make sure you ask the right questions.

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*Founded in 1924, Weber Logistics is a third party logistics company that provides warehousing, transportation, and port logistics services in California and the western U.S. With distribution centers throughout the region and a fleet of trucks for dry and temperature-controlled deliveries, Weber gives growing companies flexible, scalable distribution solutions for their west region customers.*

