

GUEST COLUMN | BY BRETT FRANKENBERG

When 3PL Makes Sense for Beverage Companies

The question of whether it makes sense for beverage companies to use third party logistics (3PLs) gets raised from time to time. When should 3PLs be used? For what purpose should they be used? For how long? How are the deals set up? And the answers are as varied and unique as the situations each company faces and the problems they are trying to solve.

3PL companies are able to provide scalable capabilities and capacity in short set up times. They can provide warehousing on demand, perform assemble and kitting operations, store inventory for short to long periods of time and provide warehousing and transportation expertise. The use of their services depends on the needs of the organization.

For example, dairy companies can store ice cream in dedicat-

ed frozen warehouses for months as they optimize manufacturing capacity to meet sales demand in peak periods. Soft drink companies can ship multiple SKUs from different manufacturing sites (both internal and toll fillers) to a 3PL warehouse that serves as a consolidation warehouse. This allows the customers of the beverage company to order many more SKUs from one point of source or point of supply. For SKUs of varying velocity where direct truckloads are not feasible, this can be a significant customer service requirement. 3PLs also can provide specialized services and expertise to handle projects such as creating variety packs or unique packaging.

3PLs are generally very good at process management in the space they are asked to operate. Though there are many business models for 3PL providers, many contingency providers



tend to operate in a similar format. For pallet handling and storage, an in and out fee is generally assessed at the point in time when a pallet of product enters the 3PL warehouse. From there, dwell times are assessed (generally on a semi-monthly or monthly basis) for the time the pallets are under the 3PLs' responsibility. For these fees, the 3PLs manage the inventory, track the pallets and load out the product as to the process you have set up with them in advance.

Other 3PL models exist where they provide all of the warehousing support for an operation and/or transportation services. So the services 3PLs can provide can vary widely. And, of course, there are many companies that operate in this space.

The 3PL you choose, the model you pick and the deal you structure needs to accomplish the goals of your project or initiative. And depending on the size of your organization, there are many stakeholders in your organization who may have a point of view and have specific needs to be addressed. The movement, transactions and tracking of inventory require the diligence associated with asset management. For public companies, this requires process definition including Risk Management, Quality Assurance and Financial Controls, to name a few. Most of the issues in these areas can be addressed very well, but experience has shown it's best to include these in the initial structure of the contract with the 3PL.



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But in the end, the decision to use a 3PL is not a difficult one. The needs tend to present themselves clearly. And with a solid structure to the deal, level set expect-

tations with the vendor, processes to manage and report performance, the choice to a 3PL will leave you with no regrets. **BW**



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