

What is Third Party Logistics

Third-party logistics - (abbreviated 3PL) describes businesses that provide one or many of a variety of logistics-related services. Types of services would include public warehousing, contract warehousing, transportation management, distribution management, and freight consolidation. A 3PL provider may take over all receiving, storage, value added, shipping, and transportation responsibilities for a client and conduct them in the 3PL's warehouse using the 3PL's equipment and employees, or may manage one or all of these functions in the client's facility using the client's equipment, or any combination of the above.

Third party logistics providers typically specialize in integrated operation, warehousing and transportation services that can be scaled and customized to customers' needs based on market conditions and the demands and delivery service requirements for their products and materials.

Hertz and Alfredsson (2003) describe four categories of 3PL providers:

- *Standard 3PL provider*: this is the most basic form of a 3PL provider. They would perform activities such as, pick and pack, warehousing, and distribution (business) – the most basic functions of logistics. For a majority of these firms, the 3PL function is not their main activity.
- *Service developer*: this type of 3PL provider will offer their customers advanced value-added services such as: tracking and tracing, cross-docking, specific packaging, or providing a unique security system. A solid IT foundation and a focus on economies of scale and scope will enable this type of 3PL provider to perform these types of tasks.
- *The customer adapter*: this type of 3PL provider comes in at the request of the customer and essentially takes over complete control of the company's logistics activities. The 3PL provider improves the logistics dramatically, but do not develop a new service. The customer base for this type of 3PL provider is typically quite small.
- *The customer developer*: this is the highest level that a 3PL provider can attain with respect to its processes and activities. This occurs when the 3PL provider integrates itself with the customer and takes over their entire logistics function. These providers will have few customers, but will perform extensive and detailed tasks for them.
- *For more details* : <http://www.div-ent.com> .