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**Creative Entrepreneur**

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## The Benefits of Third Party Logistics (3PL) Outsourcing



### Introduction

Did you know that outsourcing is becoming one of the most significant business trends of this decade?

In fact, recent research indicates that 83% of Australia's BRW Fast 100 Companies have outsourced at least one function of their business to third party service providers. One of these functions includes third party logistics (3PL) outsourcing.<sup>1</sup>

Better still, 93% of the BRW Fast 100 companies that have outsourced say it has improved their business overall!<sup>2</sup>

SME's are always looking for creative ways to accomplish more of their business goals for less money. One strategy that can help you save time, money and frustration as you start and build your business is to outsource as much work as possible to skilled, but cost-effective, external service providers.



### What is Outsourcing ?

Outsourcing in a business is the delegation of certain non-core operations to other external entities that specialise in those operations. In other words, outsourcing means giving away certain tasks which though imperative to the actual business, can be better managed by a third party firm which specialises in that task.

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<sup>1</sup> Franchise Council of Australia

<sup>2</sup> Franchise Council of Australia



## Why Outsource ?

There are plenty of benefits of outsourcing, especially for SME's:

- *Focus on your core business:*

Outsourcing can help your business shift its focus from peripheral activities towards core competencies. Management can therefore concentrate their efforts on providing better quality products and services to the customer. Even if the quality does not improve, the reduced costs allow for greater overall productivity.

Another key advantage is that it allows the development of superior quality products without having to employ additional staff. In small businesses there's only a limited access to resources and ideas. Outsourcing allows the business to also foster new ideas and innovations.

- *Control Capital & Labour Costs:*

A key driver for outsourcing is the ability to cut costs by reducing overheads.

Essentially, outsourcing converts fixed costs into variable costs, releasing capital for investment in other areas of your business. It also allows businesses avoid large expenditures in the early stages of the business. For larger Companies, employee expenses account for up to 70% of a company's overall revenue, which can be effectively reduced through outsourcing.

Outsourcing can also make your Company significantly more attractive to outside investors, as you are feeding additional capital into revenue-producing activities.

- *Reduce Risks:*

All businesses carry a level of risk depending on the amount of investment made. As markets fluctuate, competition, government regulations, financial conditions, and technologies change, Companies are constantly faced with the ongoing challenge of managing their risk. In most cases, third party providers will assume and manage this risk, as they are in a better position to decide how to avoid this risk in their areas of expertise.



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- *Increase Efficiency:*

Companies that choose to do everything themselves carry much larger marketing, research and development, and distribution expenses, all of which must be passed on to their client base. An outside provider's cost structure and economy of scale provides your business with a major competitive advantage.

- *Start new projects quickly:*

A well appointed outsourcing firm has the resources to start a project right away. Handling the equivalent project internally could take weeks, or months to hire the right people, train them, and provide the support they need. If a business development opportunity requires a major capital investment, such as renting or buying a larger logistics warehouse, the start-up process can be even more complex.

Thus, instead of being hamstrung by available resources and handling the Company's affairs in a substandard manner, they can employ professionals to carry out the process efficiently and effectively with minimal amount of time.

- *Access to Latest Technologies:*

As organizations begin to outsource various functions, it will receive the added benefit of access to the latest technologies for that function. For example, major department stores like *Myer*, *David Jones*, and *Target* all require Electronic Data Interchange (EDI) technology which requires a range of equipment for scan-pack processing. These technologies add a significant level of complexity to the pick-and-pack process for any business, as well as increasing general operating costs.



### **How to Choose an Outsource Company**

When you hire an outsourcing company, you are essentially choosing a partner for your business. The third party firm should work in harmony with your business and have the same type of work ethic and dedication to success.

As more Companies warm up to considering 3PL outsourcing as part of their best methods of operation, they discover that the path to finding just the right provider can actually be very challenging and time consuming.



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For this reason, *Creative Entrepreneur* has carefully appointed a number of preferred third party providers to help ease the outsourcing process.



### **How can *Creative Entrepreneur* help you ?**

*Creative Entrepreneur* offers an extensive range of business development solutions tailored for your business, including helping your business outsource your warehouse and logistics operations.

We can assist your business through the total warehousing and logistics outsourcing process. This includes assessing your Company's needs, finding the right outsource partner, to producing necessary documentation and managing the whole tendering process, involving selection and preparation of contract documents all the way up to final implementation.

As independent professional business specialists, we can make sure you receive the services you require from the providers who specialise in your industry sector. Our cost effective solution enables you to achieve immediate results with minimal investment.

For further information, please visit our website ([www.creativeentrepreneur.com.au](http://www.creativeentrepreneur.com.au)), or contact Federico Re on 1300 255 313.