



Outsourcing Transportation And Logistics

If you want to go bigger and focus on core competencies, outsourcing logistics is the way to go.

DISTRIBUTION is one of the biggest issues faced by growers – and a business in which many growers have been forced to operate in to be effective. From the very first day you opened your doors, you grew beautiful material – but at some point you had to get that material to your customer. As you grew, so did your “trucking business,” and the expenses and headaches that came with it. Owning a “trucking business” was not by choice but came through necessity.

Adam Smith, the famous Scottish economist of the mid 1700s, is well known for a simple yet effective concept known as the “division of labor.” I guarantee you use it every day in your business. The basic concept is simple, people are more effective and efficient if given one task and taught to do it well. For example, Ford does not make cars by having one person make the entire car. They divide the car-making process into distinct phases, put an assembly line together and have each person responsible for “their” task. It is fast, efficient and minimizes production problems.

As a grower, you use Adam Smith’s concept daily. You have specific people perform specific jobs because they get good at what they do and you have clear lines of delineation between responsibilities.

You can accomplish these efficiencies by outsourcing, also. To some extent, you already do this. You probably don’t make your own pots or boxes – you “outsource” the task to a company that can make so many of them they can drive the unit cost down and let you focus on your core competency. Another common task you outsource

is payroll checks. It is cheaper to have a third party like ADP process pay checks and pass the appropriate tax monies to the IRS for your staff than to do it yourself.

Partnering For Profit

So, what does all this have to do with transportation, distribution and logistics? Everything. Let’s look at a few facts:

- Distribution is one of your largest cost items.
- Efficiencies with distribution comes from one thing – volume.
- Trucking is very different from growing.
- Expanding your geographical market or selling to big box stores means you need to ship faster and further.

The best way to accomplish more efficient and lower-cost shipping is to choose a partner in logistics and distribution. And, I do not use the word “partner” lightly. By choosing a true partner that has expertise in shipping nursery stock and one with a vested interest in seeing you succeed, you will find you will save money and be able to focus on growing and selling – the two things that will help you grow your business.

So, how do you find such a partner and what should you look for? First, you need to find a partner with these attributes. If any are missing, keep looking:

- Experience with plant material

and what the loads entail. Many trucking companies haul general commodities. Shipping plants is much different from shipping microwave ovens.

• The ability for you, your clients and any merchandisers to track and trace their loads/orders online. If you want to compete against the big boys you need to look like one. We live in an online world.

• Have the seasonal capacity available when you need it. You make most

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of your profits in two or three months. Don’t be without the trucks to ship your material. A true third-party logistics company (3PL) is key to this, as no asset-based carrier will ever have enough trucks to fill your needs.

• Have other growers as clients so small orders can be shipped together to save money. Why not share a truck and reduce your costs? Makes sense right?

• A partner that can optimize and route your loads. If they don’t have the software to optimize and route your loads, keep looking. We find savings are common of 11 percent in overall costs if done correctly.

Finding such a partner isn’t easy

DISTRIBUTION & LOGISTICS

THIRD-PARTY SUPPLIERS

because many trucking companies, logistics companies and brokers do not have the skills to represent you in the best light. Remember, to your customer, the truck that conducts the delivery is you. So, the first place to look for an "outsource partner" is your exist-

ing vendor base, perhaps one of these trucking companies or 3PLs already possesses the skills needed. If not, you need to "interview" logistics companies to find a fit and then work them into your business in the off-season so they can be ready when you really need them.

3PL Versus Asset-Based Partners

The difference between a 3PL and an asset-based partner is important to

define at this juncture. Large corporations never outsource logistics operations to asset-based carriers. This is because when an asset-based carrier runs out of trucks, you are out of luck (and out of business). The last thing you want to hear is "all my trucks are in X, Y and Z states and I can't find loads back to ship your material." However, a true 3PL never runs out of trucks (or "capacity" as we call it). They have an endless supply of trucks that they partner up with and cycle through their systems as the trucks become empty and available. This means, with the right 3PL partner, you will never be without a truck.

Outsourcing may seem scary at first, but if you want to get bigger and if you want to focus on your core competency, then outsourcing logistics is the way to go. This is not a new concept and has been successfully indoctrinated into the business practices of every Fortune 1000 company to some degree.

Outsourcing Services

Moreover, many leading growers and retailers already outsource this function – so you won't be the first. A recent 2007 study conducted by Northeastern and Accenture indicates that the services most frequently outsourced to a 3PL are:

- Direct transportation services (67 percent)
- Customs brokerage (58 percent)
- Freight payment services (54 percent)
- Freight forwarding (46 percent)
- Warehouse management (46 percent)
- Shipment consolidation (42 percent)

At some point, you must decide if some or all of your distribution can be efficiently outsourced. You don't need to give up control. You just need to decide how you will manage your partner. Making the right choices up front is the key to success. You will also be able to let go of the expense and hassle of owning your own equipment – something most growers are happy to give up. **GG**

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