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**THINGS
YOU MUST CONSIDER
BEFORE SELECTING A
LOGISTICS SERVICE
PROVIDER**

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INTRODUCTION

Selecting and managing logistics service providers is one of the most important roles of any Logistics Manager – particularly those managing outsourced logistics activities such as international freight forwarding, warehousing and domestic transportation.

The number of potential service providers is endless and the cost of these services represents a significant portion of the operating cost for any business that is involved in the distribution of physical products.

As a result, all Logistics Managers should have a robust selection process that ensures they can determine the most suitable service provider for their needs.

Whilst the selection criteria may vary from industry to industry the following are the 5 key things you **MUST** consider before selecting your next logistics service provider.

- 1. Rates**
- 2. Reliability**
- 3. Responsiveness**
- 4. Relationships**
- 5. Gut Feel**

Each of these selection criteria are explained in further detail on the following pages.

1 RATES

Let's cut to the chase, the most important criteria to consider when selecting any logistics service provider will be their rates.

Whilst the lowest cost service provider will not always be chosen, one thing is for sure - it will never be the most expensive.

This is true regardless of how reliable or responsive the service provider has been or how strong any existing relationship that has previously been developed may be.

As a guide, **RATES** are normally assigned a weighting between 40% and 60% when determining the relative importance of the various evaluation criteria.



2

RELIABILITY

Reliability is about the service provider being able to consistently meet the operational requirements and the service level expectations of the customer.

These expectations can be specifically defined by the customer or may simply be what the service provider commits to as part of their normal service offering.

Either way, they are expected to keep their promise.

One of the key roles of all Logistics Managers is to determine a set of key performance indicators (KPI) and to develop a process to measure the performance of their service providers.

As a guide, **RELIABILITY** is normally assigned a weighting between 25% and 30% when determining the relative importance of the various evaluation criteria.



3 RESPONSIVENESS

It's inevitable that your logistics service providers will not always meet your expectations, the key is what they do when the sh#t hits the fan.

What do they do to get things back on track?

When and how do they communicate the issue and the plan to fix the problem?

A responsive service provider is one that is also flexible and can proactively and quickly react to the changing needs of the business as and when it is required.

As a guide, **RESPONSIVENESS** is normally assigned a weighting between 20% and 25% when determining the relative importance of the various evaluation criteria.



4 RELATIONSHIPS

Assuming the rates are competitive, the service provider is reliable and responsive then the development of a strong working relationship with the service provider is paramount.

There are two key success factors in any partnership.

Firstly, the Logistics Manager and the key stakeholders within the service providers business must have a strong rapport that is based on trust and respect for one another.

Secondly, there must be a disciplined process for managing the relationship. This should include a regular schedule of meetings that review current operational performance and identify opportunities to improve processes, service and costs in the future.

As a guide, **RELATIONSHIPS** is normally assigned a weighting between 10% and 15% when determining the relative importance of the various evaluation criteria.



5 GUT FEEL

Sometimes, and particularly when undertaking a formal selection process there will be presentations and visits to the sites of potential new service providers.

This process is an opportunity to get a sense, either good or bad, of whether you might be able to develop a successful relationship with these candidates.

Although it should not be weighted too highly as part of the selection process, the "***power of intuition***" should not be underestimated throughout the decision making process.

As a guide, ***GUT FEEL*** could be assigned a weighting of no more than 5% when determining the relative importance of the various evaluation criteria.



CONCLUSION

Selecting a logistics service provider purely based on **RATES** without considering the **RELIABILITY**, **RESPONSIVENESS**, **RELATIONSHIPS** and **GUT FEEL** factors has potential for **disaster**.

Getting it **wrong** can be detrimental to your business in terms of both cost and time - especially if you need to exit the relationship as a result.

One of the most effective ways to ensure that you are making the **right** decision is to develop an evaluation matrix that can be used to subjectively compare each potential service provider.

The evaluation matrix uses a series of questions to calculate a relative score based on the various evaluation criteria

You can use this score as a guide to determine which logistics service provider is **the most cost effective AND** more importantly **the most suitable for your business**.

To download a **FREE** sample of my **Logistics Service Provider Evaluation Matrix** click on the link below.

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