



# Happy New Year, 3PLs!

## A resolution for third-party logistics providers

Resolutions are as much a part of a new year as buying a calendar. Here is a resolution—with a legal twist and focusing on competitive advantage, risk management and corporate governance—that providers of third-party logistics can use to start 2011 off right.

### Whereas:

- 3PLs wish to minimize their risks and costs, as well as fulfill service requirements to their customers through consolidation and other policies. Collaboration and integration with their global partners is important, as is a business model that includes the use of information technology; and
- it's in the best interest of 3PLs to focus on creating a seamless supply chain, which will help them get competitive advantage;
- volatility in the global economy, uncertainty and the recession have created significant challenges for 3PLs; and
- several other factors have led to fundamental changes in the logistics industry, including deregulation, the increased use of the internet, more sophisticated and demanding customers, a new and increasingly complex playing field, and a highly litigious business environment. This has exposed 3PLs to liability risks which, if not addressed effectively, may lead to serious consequences;
- in the new year, 3PLs should commit themselves to achieving their goals while complying with applicable laws and operating in a fiscally prudent, profitable, and efficient manner.

### BE IT RESOLVED THAT:

#### Competitive Advantage

- 3PLs will identify and analyze the forces that affect supply chain management and their business relationships;
- they will set realistic forecasts; and
- they will meet their customers' demands for customized solutions and better service levels.

Some strategies for achieving this include:

- offering enhanced logistics services, coordination and the reorganization of activities to bring about supply chain integration;
- developing a better inventory management strategy for their customers;
- developing strategic plans to strengthen relationships with stakeholders;
- 3PLs should look to developing collaborative and durable business models that help them reduce costs, improve the reliability of their services, expand to new markets, improve their offerings, and restructure to boost their financial performance;
- 3PLs should push for better cost-cutting measures, IT integration, forecasting and inventory management.

They should also improve their revenue growth projections through:

- expansion of select services;
- hiring talented managers and operational staff;
- exploring ways to take advantage of market growth in outsourcing opportunities; and
- avoiding unintended legal consequences by effectively managing operations and risk.

#### Risk Management

Third-party logistics providers should get professional advice when it comes to decreasing the costs and risks of claims for:

- copyright, trademark, and unauthorized use of confidential information;
- delay claims for late shipment delivery;
- hazardous material;
- insurance coverage; and
- negligent hiring or oversight brought by customers claiming to have suffered losses caused by service providers hired or overseen by a 3PL.

Third-party logistics providers can better manage operational risks by:

- developing an excellent management team;
- building more comprehensive networks with a greater capital base from which to launch the business.

Companies can better control risk by:

- transferring some of that risk to insurance companies;
- self-insuring other risk;
- using provisions in their contracts; and
- avoiding or limiting some service offerings to customers.

#### Corporate Governance

A greater focus on effective corporate governance should include:

- preparing company mission statements and strategic plans;
- striving for transparency and open communication;
- making clear the duties and responsibilities of boards of directors;
- proper human resource management; and
- looking at assessment and control systems. These include accounting and bookkeeping records, complaint procedures, compliance audits and performance evaluations of members of the board of directors.

The undersigned, being all of the directors of third-party logistics providers, pass the foregoing resolution.

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