

Outsourcing of Logistics Activities

Mihai FELEA
Academy of Economic Studies, Bucharest

Abstract

Every business faces the question of whether to produce some products or service internally or to source it from an outside supply chain partner. Organizations are most successful when they focus on core competencies that differentiate from competitors and peripheral areas where they are less competent are best handled by others, specialized organizations. World-class logistics organizations also partner with strategic providers of various logistics services, including transportation management, transportation services, freight forwarding, customs brokerage, warehousing, logistics information systems, logistics exchanges, logistics application service providers, benchmarking, logistics consulting, and logistics professional education.

Outsourced logistics or third-party logistics (3PL) has the benefits of lower fixed costs, expert services, combined work giving economies of scale, matching capacity to demand, ability to deal with changing demand, increasing geographical coverage and guaranteed service levels. This paper shows that today's trend toward outsourcing will continue to gather steam and that, in the future, companies will outsource even more heavily in an attempt to transition as many fixed costs to variable costs as possible. This means that effective collaboration will be even more critical to success. Companies will need to be highly skilled at evaluating their prospective partners and identifying those with whom a relationship will result in the maximum economic value for each party. Logistics service providers and manufacturing outsourcers will expand their skill sets, helping their customers increase efficiencies while reducing labor requirements.

Key words: Outsourcing, Core Competencies, Strategic Providers, Third-party Logistics (3PL)