## Logistics Outsourcing Trends

The results presented in the ninth annual study, conducted by the Georgia Institute of Technology, FedEx and CapGemini, “The Trends in Logistics Outsourcing” are quite impressive. It is the first time that data regarding Europe, Asia and Latin America are also presented.

For the tenth consecutive year the tendency of Logistics Outsourcing (1996 - 2004) remains ascending.

It is worth mentioning that in the U.S.A. the percentage of assigning Logistics activities to 3PL companies in 2004 rose to 79%, from 71% in 1996. For the same year the percentage in Europe was 80%. It is worth noticing that in Asia an amazing increase is taking place from 58% in 2003 to 84 % in 2004.

According to data from the report the tendency for assigning Logistics activities to third parties within the next years and up to 2009 is expected to continue to be increasing with percentages ranging from 5% to 13 %. The largest increase will be in Asia, estimated at 13%, followed by Europe at 7% and America with 5%.

For another year it is noticed the phenomenon of large scale Outsourcing activities that are of the operational nature, with warehousing and transportation being in the first places with a percentage over 80%, while activities that are in direct relation with the customers (customer service, order entry etc.) or of strategic importance are kept in house in higher percentages.

Nevertheless, it is estimated that in the future there will be an increase of the percentage of companies demanding from 3PL Providers to provide additional Logistics services which add value to their supply chain and have the capability to provide integrated services with the philosophy of one stop shopping.

Despite high percentages of logistics outsourcing in a global scale, there is still a small percent, in the range of 30%, of companies who avoid cooperation with 3PL firms. Approximately 20% to 25% of the respondents in America and in Europe contended that the main reason for not using a 3PL firm is the fact that they consider logistics too important to follow such a policy. They feel that:

- The total cost will not be reduced,
- Control of competencies will diminish,
- Expected levels of service will not be achieved and customers’ complaints will increase, etc.

This tendency seems to be prevalent in the U.S.A. An explanation for the above fact is that businesses in the U.S.A. have higher demands from 3PL companies in comparison of those in Europe or Asia. Finally, 20% of the respondents contended that one of the reasons for not practicing such a policy is because they believe that they execute Logistics activities better than 3PL providers do.

It is also interesting the viewpoint of those globally using services rendered by 3PL providers, regarding the sectors were 3PL providers can improve themselves, by evaluating the sectors where the users have noticed high frequency of problems. The level of rendered services is the main sector of problems, where the percentage of discontent is as high as 71% in Asia, 64% in America and 48% in Europe, and requires immediate improvement. Another sector where improvement is required is cost and prices that the 3PL charge, which after the commencement of the arrangement are constantly rising.

The new element of the study regarding the involvement of consultants in the selection of 3PL provider is of special interest. According to responds, 32% of businesses consider the contribution of a consultant very important in defining the Logistics activities that must be assigned to a third party, 35% used a consultant for developing the Implementation Plan and 60% for implementation and integration of technology systems. Even though percentages seem low at first, we must point out that the survey, regarding this issue, is based on data from the recent years and percentages show and increase of 7% annually.