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Annual 3PL Study Again Finds Plans for Increased Outsourcing not Being Realized

Is Dissatisfaction with 3PL IT a Key Factor? Overall 3PL Satisfaction Levels Glass Half-Empty or Half Full?

SCDigest Editorial Staff

The annual "**State of Logistics Outsourcing**" study, generally referred to in the industry as "The 3PL Report," was released a few weeks ago at the CSCMP conference in Denver, under the leadership of **Dr. John Langley** from Georgia Tech.
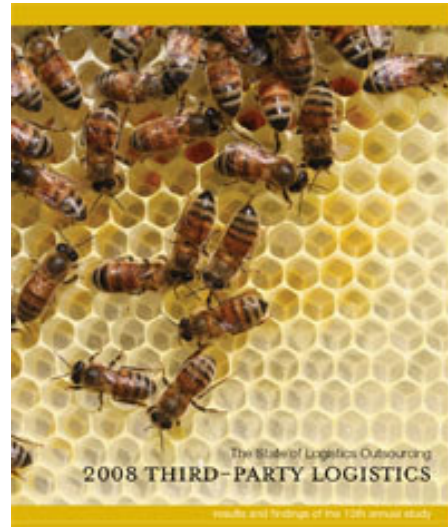
This week, we'll summarize key findings from the survey section of the report; next week, we'll explore some of the overarching themes.

The report was based on survey results obtained from over 1600 logistics professionals from across the globe, and supplemented as always with a meeting with shippers and 3PLs at CapGemini's Automated Solutions Environment (ASE) facility to provide additional insight and context. The full report is available for free download at **2008 State of Logistics Outsourcing**.

Shippers reported a variety of benefits from choosing to outsource logistics processes, including cost savings in the range of 12-15%. A key driver of outsourcing as always is the potential to reduce supply chain assets. The report notes that "an average of 76% of respondents to the 2008 survey agree that the ability to accommodate significant variations in demand with fewer fixed assets represents a key benefit of 3PL use."

How satisfied are 3PL users? It is a bit of a glass half empty/half full. In North America, for example, 86% of respondents are either extremely or somewhat satisfied with their outsourcing relationships; however, of that, just 25% are in the "extremely satisfied" category, versus 61% that are just "somewhat satisfied.

Is that where it should be? SCDigest Contributing

The State of Logistics Outsourcing
2008 THIRD-PARTY LOGISTICS
results and findings of the 12th annual study

Editor **Gene Tyndall**, a former 3PL executive, says No.

"We shouldn't be happy with those levels of satisfaction," he said during SCDigest's daily CSCMP 2008 video reviews.

One interesting finding was that the larger the 3PL, the more that provider tended to cite the importance of carefully crafted contracts to overall success in the relationship. However, as in past, the report notes the fine line between having an adequately detailed contract and having the overall relationship overly defined and governed by that contract on a continuous basis.

Intentions Don't Match Results for Outsourcing Plans?

In North America, respondents reported that they outsource on average about 49% of total logistics spend, versus 61% in Europe and 57% of respon-

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dents in Asia.

As in the past several years, respondents also said they planned to increase the percentage of logistics spend that they outsource over the next few years. For example, North American respondents say they plan to increase outsource expenditures from 49% to 56% over the next 3-5 years.

However, the report observes that similar plans were identified in past studies but do not appear to have been achieved, as the percentage of outsourced spend has remained basically flat.

"Interestingly, a look back at results from this question for the past few years reveals there does not appear to be any measurable growth from year to year in the percentages of overall logistics expenditures for 3PL services," the authors say.

The IT Gap

The annual report has consistently found that there is a large gap between shipper expectations for 3PL technology capabilities versus the satisfaction with those capabilities (see illustration).

Where are the issues? The report notes that "The most prominent IT-based service problems are the inability to provide sufficient order/

FIGURE 8: IT EXPECTATION/PERFORMANCE GAP 2002-2008 (ALL REGIONS)
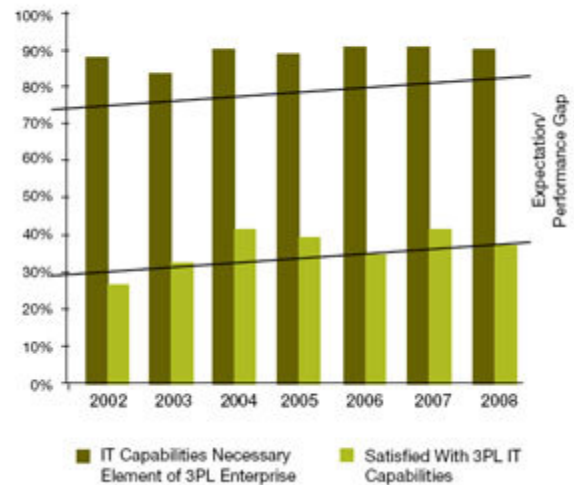
shipment/ inventory visibility and a lack of integration among internal 3PL systems. The need for more visibility is a high priority expressed by ASE participants."

The authors also speculate that the continued lack of satisfaction with 3PL IT is perhaps a key factor in why expressed plans for increased levels of outsourcing have not materialized over the past several years.

Next week, we will look in more detail at results around this year's key themes: integrated logistics, supply chain security, and the Green supply chain.
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