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Outsourcing of Logistics Continues to Grow By Mark Sotir, Director of Customer Relations

Globally, and certainly here at home, companies continue to rely on 3rd party logistics providers to perform core services. In North America, the 3rd party industry is realizing an annual growth rate of 20%. It is estimated that approximately 20% of all logistics activity in the U.S. is provided by 3PL'S, which is up from only 10% in 1992. Companies are moving towards outsourcing for a variety of reasons, including:

- Reduced operating cost
- Increased customer satisfaction
- Reduced IT spending
- Release of capital

Manufacturers want to concentrate on their core competencies, and outsource warehousing and distribution functions to the experts in that field. Merchandisers can better utilize their talents developing, selling and marketing their products. Retailers and wholesalers that rely heavily on seasonal sales can also realize substantial cost savings by not having to cover the cost of physical assets and people on a year round basis.

As 3rd party industry services become broader and more sophisticated, companies will place greater reliance on distribution professionals and improve their competitive edge.

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