

## Outsourcing and platform logistic role

In business, outsourcing is "an agreement in which one company contracts-out a part of their existing internal activity to another company". It involves the contracting out of a business process (e.g. payroll processing, claims processing) and operational, and/or non-core functions (e.g. manufacturing) to another party.

Outsourcing includes both foreign and domestic contracting and sometimes includes offshoring (relocating a business function to a distant country) or nearshoring (transferring a business process to a nearby country). Outsourcing is often confused with offshoring, however, they can be distinguished: a company can outsource (work with a service provider) and not offshore to a distant country.

In contrast, insourcing entails bringing processes handled by third-party firms in-house, and is sometimes accomplished via vertical integration. However, a business can provide a contract service to another organization without necessarily insourcing that business process.

Companies primarily outsource to reduce certain costs, which may include peripheral or "non-core" business expenses, high taxes, high energy costs, excessive government regulation or mandates, and production or labor costs.

According to the Chartered Institute of Logistics and Transport, the outsourcing of logistics services has become much more popular in recent years and that popularity looks set to rise in the coming years. There are many sound **economic benefits of outsourcing logistics**, including the following:

- 1) **A massive network of unbeatable resources**: a quality 3PL provider will always have a huge network of resources that is far superior to most in-house supply chains. Utilizing the resource network of a 3PL can mean that each step in the supply chain is executed more efficiently and more economically. 3PLs can use their existing relationships to speed up the service and take advantage of volume discounts, which can be passed on the company, lowering overheads and saving a lot of money in the long run.
- 2) **Enormous savings**: using a 3PL provider will save company' time and money in so many ways, eliminating the need to invest in, for example, warehouse space, transportation, technology and expert staff, trained in logistics.
- 3) **Decreased risk**: trusting in the expertise of an experienced 3PL provider can prevent the company from making expensive mistakes, allowing it to build up a worldwide logistical network with much less risk involved and a much higher return on investment of the company.
- 4) **Decreased responsibility**: as well as massive financial savings, 3PLs can take away the headache of so many tasks, freeing the company up to get on with the important work of driving the business forward. A 3PL can take care of practically all of the company admin work, including general paperwork, all kinds of billing and auditing, as well as training, staffing and optimization needs, making sure the products get where they need to go as quickly and efficiently as possible.
- 5) **Industry expertise**: a good 3PL provider is very well aware of industry best practices and is completely up to date with all of the very latest developments in logistics, including technology and manufacturing. Dedicated 3PL software enables inventory management, advanced reporting and online monitoring of the entire process. When the company hire 3PL experts, it is securing peace of mind in the knowledge that all of logistics issues are being taken care of, leaving the company to focus on its aims.

6) **Scalability**: using the right 3PL provider can make it much easier for the company to scale the business, in terms of space, staffing and transportation. Allowing it the possibility to utilize more space and other resources when needed can enable the company to take advantage of seasonal adjustments within the industry. A 3PL can help the company grow business into new regions, supporting growth into new markets as the company expand.

7) **Constant optimization**: a good 3PL provider has all of the resources at hand to make the necessary improvements and adjustments to each link of the supply chain. They will make sure that the company needs are met and they will use methods that are the most efficient and cost-effective, eliminating inefficiencies and streamlining the supply chain.