

Chapter 10

Does the Outsourcing of Logistics Services Keep its Promise of Increased Efficiency? The Case of Colgate–Palmolive, Greece

Aliona Grigorencu

Perrotis College, American Farm School, Thessaloniki, Greece

Philippos Papadopoulos

Perrotis College, American Farm School, Thessaloniki, Greece

Konstantinos Rotsios

Perrotis College, American Farm School, Thessaloniki, Greece

ABSTRACT

The aim of this chapter is to evaluate the efficiency of third party logistics (3PL) and the importance of outsourcing logistics services from the client's perspective. The research focuses on current practices related to the extent of use, predictive value outsourcing and performance measures system of Colgate-Palmolive Company in Greece. The study examines the efficiency of the logistics service providers, and its impact on the overall client performance, evaluated through interviews with the 3PL Coordinator, the Logistics Manager, and the Manufacturing Director. The key findings of the work are that logistics outsourcing takes responsibility for non-core business functions, brings reductions of stocks and costs as well as order-to-delivery lead-time, accelerates capital turnover and capitalizes on synergies to achieve efficiency. Overall, its contribution is evaluated by the client as satisfactory and of medium significance, with room for improvements.

INTRODUCTION

Faced with persistent competitive pressures connected with the growth of globalization and innovations in an increasingly global marketplace, firms have reacted with a diversity of business strategies designed to attract customer value. One of these strategies is outsourcing logistics services to 3PL suppliers.

This paper is focused on the impact of the activities outsourced to third-party logistics providers in order to achieve the potential economies of scale and flexibility needed to compete in increasingly uncertain environments, by taking into consideration the risk related to outsourcing.

In particular, the study has the following primary objectives:

- Identify customer needs and how well 3PL providers are responding to those needs.
- Examine the risk factors which negatively affect the logistics outsourcing.
- Critically present the performance measurement system of Colgate-Palmolive Company regarding 3PL providers and its satisfaction with their performance.

In this analysis particular emphasis is placed on the various roles of a logistics service provider and the interaction with the outsourcing company. This research is designed to apply existing literature regarding logistics outsourcing in a Greek context. The paper attempts to analyze the efficiency of outsourcing of logistics services through a case study approach which allows a deeper understanding of the issues involved and is not very common in this field.

The paper begins with a review of previous studies of 3PL's role in firms' efficiency and why customers elect to outsource logistics services. The findings are discussed in relation to the approach of manufacturing and trading firms such Colgate-Palmolive. Then it continues with a constellation

of the risks and challenges that affect the balance of economic sustainability of the customers. After this it describes Colgate-Palmolive Company's history, products and performance around the world and in Greece. This is followed by a description of the research methodology adopted for this study. Then the research results are presented along with the managerial implications from the current research and a discussion regarding the interview questions. Finally, the paper presents future research developments on the efficiency of the outsourcing logistics services and draws some final conclusions.

Despite the fact that the phrase outsourcing of logistics services is widely used, different definitions and different evaluations are associated with the same term.

Most authors refer to outsourcing as the "use of external companies to perform logistics functions which have traditionally been performed within an organization" (Bourlakis & Malewar, 2010, p. 302). The functions of outsourcing are performed by 3PL (third party logistics) firms that are defined as "trade organizations, which provide services in the fields of logistics, execution of separate operations or complex logistics functions (warehoused stock, transportation, order management, physical distribution, etc. and accomplishment of integrated management of logistics chains of the client-organization" (Parashkevova, 2007).

These organizations can cover the entire logistics process or selective activities within that process (Figure 1).

LITERATURE REVIEW

The Setting

Outsourcing of logistics services is a topic that has been given considerable and growing worldwide interest among consultants, academics and researchers in the last decade. This is indicated by

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