

## Chapter 25

# The Effects of the Financial Crisis on 3PL Enterprises: A Focus in the Greek Market

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### ABSTRACT

*This research examines the various ways in which Third Party Logistics service providers (3PLs) are being affected by the current market turmoil, also known as the financial crisis of 2008-2010 (which still rages on). Furthermore, the research locates and analyses the countermeasures 3PLs apply in order to respond to the recession. The main focus is in the Greek market; however a global overview of the industry was considered vital in order to conceptualize the entire subject in a clear and comprehensible way. The main aspects of the logistics industry have been described, and the significance and role of 3PLs are stated appropriately. A deep research on past growth of such enterprises, combined with the effects and impacts previous crises had, and the extracted information utilized by the conducted research, has led to unquestionable results - in terms of affection and selected countermeasures - which are representative for the 3PL providers throughout the Greek market.*

### INTRODUCTION

In this chapter, a detailed description of the problem is presented. The effects of the financial crisis of 2008-2010 on 3PLs are multiple and complex.

Furthermore, no relative academic research exists so far, thus this paper is a first step on enlightening the aspects of the specific issue, which leads to an in-depth understanding towards the current situation of 3PL enterprises. In order to achieve that, a comparison has been made with industry researches and market reports.

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## **Definition of the Problem**

Nowadays, the world markets are experiencing large in scale diversifications due to the financial crisis of 2008-2010. Multiple fluctuations are changing the so far relatively static and to an extent predictable landscape of advanced countries' economies. Third Party Logistics service providers struggle to consolidate their position despite the fact that until now the industry has met exceptional ongoing evolution.

Academic research provides significant clues leading to the conclusion that the Third Party Logistics industry has been heavily affected by the meltdown of 2008-2010. However references on the Greek 3PL industry do not exist on academic level. In order to understand the impact the crisis had – and is still having – on them, a research was conducted including sufficient number of Greek 3PL enterprises.

The recession threatens the industry in various ways. Since the impact in productivity is sound, 3PL users may no longer consider Third Part Logistics Providers necessary. Ballou (2004) states that a company sacrifices financial flexibility when contracting with a 3PL. That occurs because companies want to meet their special requirements for service. Additionally, Lambert et al (1998) pointed some advantages that firms have when contracting with a 3PL, such as relieving the burden of watching over an extreme number of shipments. However, if the production volumes of companies are reduced as a result of the crisis, their logistics sector is becoming too small and less complex. Apparently, the supply chain could be controllable by the firms themselves, thus handle efficiently without facing significant difficulties. The occurrence of the problem is beginning at this point, since the 3PL firms are no longer necessary to the same extend as in the pre-crisis period.

Moreover, another way that 3PL industry is affected is the constant increase of oil price (Feldstein, 2008) which is triggered by the global financial crisis. Matcham (2009) predicted con-

stant rise in fuel costs. Schutt (1982) stated that the increased logistics costs, due to oil prices, may not be as terrifying as managers would be expecting, however considering the costs on a global scale it is definitely a great amount of capital.

Research undertaken allowed the deeper understanding of issues concerning the impact of economic crisis to the 3PLs. Research have been conducted based on academic sources in order to fully understand the relevant to the topic aspects. This amount of job carried out, allowed the capturing of factors that affect the Third Party Logistics industry operating in Greece.

Additionally, this paper studies the ways in which 3PL firms operating in Greece have undertaken in order to respond to the crisis. A variety of countermeasures can be applied in order to enhance operations and competitiveness through crisis. Such actions are studied and compared in order to reach in conclusions concerning the countermeasures' efficiency.

The third party logistics enterprises operating in Greece have been examined in such ways so that the outcome provides adequate answers in terms of:

- Impact; what was the impact of the financial crisis on them, and what types of 3PLs have been affected most.
- Causes; what were the causes for 3PL companies that made crisis' affection so sound.
- Growth; what was the growth of the companies in terms of orders prior to the emergence of the crisis in fall 2008 and what is the current growth.
- Investments; what assets the companies used to invest for Information Technology infrastructure and advertisement, and what nowadays.
- Countermeasures taken towards the negative affects;
- How will the 3PL industry in Greece be affected and for how long it is expected the recession to continue.

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