

## **Lecture 13. Outsourcing of logistics activities in the supply chains of foreign trade goods.**

**The goal of lecture:** to consider outsourcing of logistics activities in the supply chains of foreign trade goods

**The main objectives of the lecture:**

- 1.Modern supply chains
- 2.Multifunctional logistics services
- 3.Correct calculation of logistics costs
- 4.Modern solutions and applications in practice

### **1.Modern supply chains**

Modern supply chains have evolved from simple, linear connections between businesses and suppliers to an interconnected network spanning continents, departments and functions.

It consists of several elements and functions ranging from product development, operations and marketing to finance, distribution networks and customer service. Managing and optimizing these different elements and functions requires skill, expertise and access to best-in-class resources.

Since supply chains are so critical to the success and continuity of all businesses, optimizing them will result in faster production cycles and reduced costs. The key to an optimized supply chain is effective supply chain management (SCM) and a great way to achieve such optimization is by outsourcing SCM to the right experts.

What is the role of outsourcing in supply chain management?

A Deloitte study shows that 79% of businesses with highly efficient supply chains enjoy greater than average revenues compared to others in their industries. Also, businesses with such optimal supply chains enjoy 3x faster cash-to-cash cycles and have 15% lower supply chain costs while keeping only 50% of the inventory holdings compared to their counterparts with sub-optimal supply chains.

Evidently, these businesses are enjoying the benefits of superior SCM management.

Businesses that poorly manage their supply chains are usually overwhelmed by supply chain issues. These issues arise from several areas including unprecedented growth in inventory, uptick in customers' orders, evolving consumer demands, logistics last-mile delivery problems and inefficient replenishment, among others.

This makes it difficult for such businesses to focus on core functions, increase their customer base and market share and grow revenues. All this stems from inefficient SCM.

From inventory management and replenishment to order fulfillment and last-mile delivery, each stage of the supply chain is a strategic tool that can be used to further business objectives.

Done right, supply chain management results in smooth business operations and happy customers. This is because SCM is essential to maintaining healthy inventory levels, ensuring fast and reliable delivery of customers' orders and healthy profit margins for businesses.

Thanks to the services offered by supply chain management firms, companies can now focus exclusively on their core competencies rather than expending time and assets on logistics management.

## **2. Multifunctional logistics services**

Savvy companies outsource supply chain management to professionals to gain several important advantages and thus, better position themselves for business success. Reliable third-party logistics providers take over the hassle of managing your supply chain network, allowing you to:

- Build better products/services
- Develop new ideas
- Market and strengthen customer relationships
- Ideate and implement future growth strategies

What's more — outsourcing to the right service provider not only frees your company to focus on long-term success, but you also enjoy the competitive advantage that comes with hiring supply chain management professionals. This includes access to their resources, skills, capabilities, technologies and business networks.

## **3. Correct calculation of logistics costs**

Effective SCM can reduce costs, increase profitability and improve customer satisfaction. However, mismanaging a single link can negatively affect the rest of the supply chain, costing businesses money and customer satisfaction. Given the risks of ineffective supply chain management, many companies choose to outsource various steps in the supply chain to third-party providers with years of experience in this vertical.

### **1. Strategic positioning**

Companies can outsource their supply chain to facilitate efficient service and business growth. Getting entangled with the strategic and tactical details involved in SCM can sidetrack businesses from their core competencies. Outsourcing supply chain processes enables companies to focus their time, energy and resources on what they do best — developing better products and services for their customer base.

### **2. Increased value**

External supply chain partners bring capabilities, solutions and expertise that will take companies several years and significant capital outlay to develop in-house. The expertise they bring to the table can be extremely valuable, especially if they specialize in your region, industry and vertical. They also leverage operational excellence tools that help to boost efficiency and productivity in your business operations.

### **3. Reduced operational cost**

Supply chain activities come with a lot of infrastructure, overhead and staffing costs. Such operating and capital expenses can quickly add up and significantly impact a company's profitability...if not handled properly. It's often more cost-effective to

outsource supply chain activities to a reliable third-party than to handle it in-house. The savings may be greater if the supply chain is outsourced to an overseas partner.

#### 4. Improved ability to meet customer demand

Customer satisfaction is key to any sustainable, long-term business enterprise, and this can only be achieved when supply chains are operating optimally. Outsourcing such functions to an expert partner helps to reduce the chance of an inefficient supply chain, which can seriously damage customer relationships and profitability. Third-party suppliers are better equipped with the human resources, technology and effective processes to ensure all supply chain processes flow smoothly and efficiently.

#### 5. Flexibility

Since third-party suppliers are better equipped with the tools and technologies for managing supply chains, they are in a better position to adapt to changing market conditions and consumer preferences. Their resources and expertise are particularly invaluable when companies need to scale production in line with fluctuating customer demands.

#### 6. Increased working resources

When you partner with third-party supply chain companies, you gain access to their working resources and industry expertise. Leveraged correctly, these resources can help you gain an edge over larger players in your industry.

#### 7. Risk mitigation

Working with 3rd party supply chain partners can help you achieve better visibility, security, and control into areas like compliance, quality, lead times and inventory levels. This enhanced visibility allows you to identify areas of risk and take proactive steps to mitigate the impact. You can work with your supply chain partner to reduce lead times, prepare for audits, secure back-up suppliers and optimize safety stock.

### **4.Modern solutions and applications in practice**

Today, it's no longer a question of whether you should outsource. Most business leaders are well past considering the pros and cons of supply chain outsourcing. Instead, they are looking to see how much of their supply chain activities can and should be outsourced.

Eighty percent of respondents to a Gartner study are planning to significantly increase their logistics outsourcing budget in 2020, while 42% are looking to leverage 4PL services.

Outsourced SCM will help you focus on your core competencies

Once you have outsourced supply and distribution to a third party, it becomes easier to spend more time on building the business and focusing on the future strategy. SCM can eat up precious time that would have been spent developing new ideas, marketing, and strengthening customer relationships: factors that are crucial for long-term success.

Outsourcing SCM gives competitive advantage (efficiency)

When you outsource, you get access to facilities, knowledge, and capabilities that were initially inaccessible or unaffordable. You then get the chance to leverage on these resources to help you stay ahead of your competitors.

Reduce your overhead and risks

Outsourcing a company's logistical needs reduces labor risks and the financial risk of an investment in equipment, property, and transportation in case the company downsizes.

Effective SCM is vital to business success. Outsourcing this aspect of your operations can help you achieve operational maturity, healthy inventory levels, and better meet customer demands. Not only will you benefit from the increased customer satisfaction that supply chain companies deliver, but you also will reduce operational costs and improve your company's bottom line.

### **Questions for self-control:**

1. Tell about Modern supply chains
2. Explain Multifunctional logistics services
3. What is Correct calculation of logistics costs
4. Tell about Modern solutions and applications in practice
5. Your thoughts on this topic

### **Literature:**

1. Gadzhinsky, A.M. Logistics: a textbook for higher educational institutions in the field of training "Economics" / A.M. Gadzhinsky. - M.: Dashkov and Co., 2013. - 420 p.
2. Kiladze, A. B. Logistics in customs. Textbook / A. B. Kiladze. - M.: Prospekt, 2016. - 144 p.
3. Kiladze A. B. Theory and practice of customs: history, problems, prospects. Moscow; Yaroslavl: IPK Litera, 2012. 80 p.
4. Parfenov, A. V. Innovations and infrastructure restrictions in customs logistics. Strategies for the development of commercial tools. SPb: SPbGUEF, 2010, 215 p.

### **Internet resources:**

1. Makhovikova G. A. Customs business: a textbook for bachelors/ G. A. Makhovikova, E. E. Pavlova-2nd ed. and additional M.: Uwrite Publishing House, 2016. URL: <http://www.biblioonline.ru/>
2. Gokinaeva, I. A. Fundamentals of customs affairs. Part 1. Customs procedures: a textbook / I. A. Gokinaeva. - St. Petersburg : ITMO University, 2015. URL: <http://www.iprbookshop.ru/67502.html>
1. 3. Gokinaeva, I. A. Fundamentals of customs affairs. Part 2. Customs operations : a textbook / I. A. Gokinaeva. - St. Petersburg : ITMO University, 2016. - 84 p. URL: <http://www.iprbookshop.ru/67503.html>
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5. "Customs Code of the Eurasian Economic Union" (as amended on 29.05.2019) (appendix No. 1 to the Agreement on the Customs Code of the Eurasian Economic Union). Available at: [https://online.zakon.kz/Document/?doc\\_id=36041210](https://online.zakon.kz/Document/?doc_id=36041210)

