SYNOPSIS

Logistics outsourcing can make a significant contribution to the competitive advantage and profitability of a company through its role in reducing costs and improving customer service. In a country such as South Africa, where companies are under increasing pressure from both customers and shareholders to improve performance, and where the growth strategy is aimed at exports, logistics outsourcing can have an important impact. However, if not undertaken properly it can result in failure with negative and far-reaching implications for a company.

The main purpose of this study has therefore been to investigate logistics outsourcing practices, trends and issues within the manufacturing sector in South Africa; including a comparison with logistics outsourcing in the United States (US), as an example of a developed country.

In order to fulfil this purpose, the study covers the following aspects:

- The role of logistics, outsourcing and logistics outsourcing in a company
- Best practice logistics outsourcing in the US including a discussion of:
  - The growth and extent of outsourcing
  - Reasons for, and for NOT, outsourcing
  - The number of providers used and the agreement/relationship type with the providers
  - The logistics outsourcing process including managerial involvement
  - Areas of concern with current relationships and general opinions
- Logistics outsourcing service provision
- Logistics outsourcing practices and trends of South African manufacturers
- Impact of company size and supply chain position on logistics outsourcing
- Logistics outsourcing in South Africa by successful outsourcing companies
- Comparisons between US and South African logistics outsourcing

The study includes detailed discussions of outsourcing options and arrangements, and their advantages, opportunities, pitfalls, and impacts.
The activities most frequently outsourced are identified, as well as the levels of satisfaction estimated with respect to the South African manufacturing sector. Some of the problems experienced with regard to the outsourcing of logistics activities are identified and the levels of success and general opinions of South African manufacturing companies provided. Relationships, or the lack thereof, are also established with regard to the logistics outsourcing practices of South African manufacturing companies and their characteristics in terms of position in the supply chain, and size as determined by their number of employees. The relationship between logistics outsourcing success and the general practices of South African manufacturing companies is also established. Finally, a comparison is provided of South African experiences as opposed to international practices and trends gleaned from literature reviewed, mainly with regard to the US.

Based on the above, a number of conclusions about, and recommendations for, logistics outsourcing by South African companies in the manufacturing sector are made, a summary of which is provided by the following headings:

(i) **Recommendations for logistics service users**

- Companies need to recognise the role and importance of logistics
- Companies need to identify their core competencies and non-core activities
- Companies must consult and involve all functions impacted by logistics
- Companies must decide upon the most appropriate outsourcing relationship
- Companies must undertake the steps necessary in the outsourcing process
- Companies must facilitate and manage the transitioning of resources

(ii) **Recommendations for logistics service providers**

- Companies must understand the market
- Companies need to grow and strengthen their service provision
- Companies need to build excellent relationships with their clients
- Companies need to consider collaborating with other providers