

# Outsourcing Logistics – New Market Tendencies

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In recent years, organized schemes for providing efficient relationships between retailers and producers or distributors have been developing very fast. When they were first choosing their logistics schemes, retailers made their choice from a range of very different logistics solutions, from totally integrated in-house logistics to fully outsourced solutions to third-party providers. This choice was initially motivated by strategy, as well as by the availability of solutions on the market, for which space was limited.

With the last crisis more or less over, it has become essential for all parties to start the process of optimizing their logistics schemes, driven by the desire for cost reduction as well as for differentiation in an increasingly competitive environment.

In such a challenging environment, logistics providers have had no other choice than to offer more and more tailor-made solutions, bringing in concepts already tested in mature markets.

For some companies, for example, already well-organized domestic Russian groupage distribution schemes that were adapted to deliver to retailers in the regions have been constantly improving since their startup in 2006. Specific Russian document-flow issues have therefore been included in the process, allowing more than 400 producers to have their goods delivered regularly to over 40 cities on a regular basis.

Issues related to geography are developing as fast as issues related to service. With time, the much more advanced “pooling” solution has come on offer, which allows producers to agree on joint deliveries to retailers. This allows subsequent improvements in reliability, as well as decreasing shelf and storage issues, in an approach that is less harmful to the environment.

Retailers and producers who had chosen to integrate their logistics entirely now feel the limits of these solutions’ lack of flexibility. Some have started the process of outsourcing their

warehousing logistics at least partly. There is an increasing demand for outsourced cross-docking solutions, where the provider's levels of quality and experience are key elements in choosing a provider. Providers are researching the best way to be as close as possible to the shops or data centers of the retailers they provide for, which is a challenge in the extreme climatic and geographical conditions of Russia.

Being closer allows shorter reaction times and limits cases of empty shelves. Third-person logistics providers are the last point before final delivery to the retailer, and so multicustomer warehouses have to be located as close to the retailer as possible. This is also the perfect place to provide added value services. This is the challenge facing logistics companies that have been present in Russia for 15 years: to keep their advantage of providing added value solutions while developing new solutions, to stay ever closer and closer to market demand.

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