THIRD-PARTY WAREHOUSING SELECTION: A COMPARISON OF NATIONAL AND REGIONAL FIRMS

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ABSTRACT

The size of the logistics outsourcing market has increased from $25 billion in 1996 to an estimated $50 billion in 2000 (Lieb and Randall, 1996). According to a recent study, warehousing continues to be the most frequently outsourced logistics activity, with 63.3% of respondents from several industries reporting use of third party providers for their warehousing needs (Langley, 2001). Based on the increased use of third party logistics providers overall and the large number of firms outsourcing the warehousing function specifically, one would expect that the logistics literature would contain numerous research studies focusing on third party warehousing. However, research on this topic is scarce. To address this deficiency in the literature, a survey was developed and distributed to current and potential third-party warehousing customers. This exploratory study had two main research questions. First, what criteria are most important to warehousing customers when selecting third party providers? Second, how effective are the typical national and regional third party warehousing firms at meeting the needs of warehousing customers on each of the examined criteria?

Method and Results

Because of the scarcity of research on the third party warehousing selection process, in-depth phone interviews were conducted with twelve warehousing experts representing various supply chain roles. Based on these interviews, a warehouse selection process survey was developed for warehousing customers. The survey was distributed to 1,460 manufacturers, wholesalers, and retailers in several industries. After eliminating returned surveys, the response rate was 11.4% (155/1,363).

The managers that responded in this study had an average of 18.02 years of warehousing/logistics experience and represented the highest levels of management in their firms, with 16.8 percent holding the title of corporate officer, 34.8% in director positions, and 45.8% in manager positions. The average annual global sales of firms in this research was 6.274 billion dollars, with 64.5% of the firms in the grocery/food/beverage industry and 22.6% in the consumer goods industry. Manufacturing firms accounted for 74.2% of the respondents, while 12.9% of the respondents were wholesalers and 11.6% were retailers. 75.48% of the firms in the sample reported the use of at least one third party warehouse provider in their network. When asked to provide the approximate percentage of national, regional, and local third party providers in their network, respondents reported that 40.13% of their third party business was handled by national third party firms, 32.50% by regional firms, and 21.93% by local firms.