The third and fourth party logistics (3PL and 4PL™) industry have been growing and maturing in practice in recent years; however, academic research is in the incipient stage and is lagging behind industry practices. Research has indicated that both shippers and logistics providers are becoming increasingly sophisticated in their requirements and, with the proliferation of third and fourth party logistics providers, shippers can demand increasing value at lower costs. To best serve these industry practitioners, as well as to augment research in the logistical outsourcing field, academic researchers must respond with more advanced methodologies and analyses.

Based on the 26th Annual State of Logistics Report, US logistics increased from 3.1% to $1.45 trillion from 2014 to 2015, indicting one of the best years in the logistics industry in over 70 years. Through effective network management, logistics managers have increased efficiencies to keep costs at a historically low percentage (8.3%) of gross domestic product (GDP), despite an increase in freight costs and tight capacity. These efficiencies and increased shipment tonnage have continued to fuel US economic growth despite rate hikes.

Trucking represents the largest portion of freight transportation costs, and we are seeing loads that are heavier and moving at or near full capacity. Driver turnover remains high. Rail transportation costs rose, as did rail traffic. Rails responded with more capacity. Costs and traffic for water transportation rose significantly, the second highest growth sector last year. Work strikes at US west coast ports resulted in increased traffic at US east coast ports. The only shrinking mode was airfreight, due to shippers utilising more expedited ground shipments. Overall, capacity problems continue to worsen. A shortage of carriers has allowed them to be selective about with whom they do business. Consumer spending is expected to plateau, and meanwhile, the relative strength of the US dollar is increasing the cost of exports, thus shippers should expect to pay more.

To meet expanding customer needs and requirements, shippers are increasingly turning to 3PLs and 4PLs. A 2013 study of Fortune 500 manufacturers found that more than 86% use some form of 3PL service. The 2016 20th Annual Third Party Logistics Study shows continued collaborative and positive relationships between shippers and 3PLs, with both parties becoming more proficient, thus improving their relationships. Collaboration with other companies to achieve reduced costs and increased service is critical, and there are some areas in which relationships between shippers and 3PLs could improve. Important relationship management requires trust, cooperation, transparency, and effective communications between logistics parties. Regular communication between 3PLs and shippers includes the ability for customers to instantaneously access 3PL information, processes, and key individuals via technology. Parties must also be willing to accommodate changes based on future business needs and challenges. Furthermore, shippers need to align management structures and supply chains, paying attention to the strategic and operational alignment between 3PLs and customers.

The most frequently outsourced activities continue to be functional and repetitive transactions; while activities that are strategic, IT-intensive, and customer-facing tend to be less outsourced. This is logical given the strategic nature of core competencies and keeping talent in-house; however, IT-intensive services are increasingly becoming a necessary core competency of 3PL providers.

The 3PL sector is also expanding internationally. Despite the variance in global economic conditions, overall moderate growth in logistics and logistics outsourcing continues, and economic conditions are improving. Armstrong & Associates reported aggregate global revenues for the 3PL sector grew by 6.5% from 2013 to 2014. Improvement in the global economy has increased, highlighting that improving economic conditions have impacted total logistics outsourcing as a percentage of total logistics spend. Since logistics spend accounts for such a large percentage of overall company costs, reduction in logistical costs and improved performance can have a significant impact on the bottom line. Organisations need to assess their individual capabilities and ensure they are in alignment with the strategic and operational strategy. Those capabilities that are not in alignment with competitive priorities should be considered for outsourcing. Researchers can assist by providing more advanced studies on the factors that contribute to successful logistics outsourcing.