Logistics Strategy and Operations Primer for 2019

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Initiatives: Logistics Strategy and Operations

Growing focus on digital business strategies and escalating customer expectations puts logistics capabilities front and center in achieving a competitive advantage. Supply chain leaders can use Gartner’s 2019 logistics research to develop new strategies and ensure best operational practices.

Scope

Logistics, strategy and operations research spans the roles, capabilities and processes required to design, develop, execute and continuously improve the logistics function across a global network.

The topics covered by logistics strategy and operations include:

- **Logistics strategy and maturity**: Tools to develop strategic logistics roadmaps to progress capability maturity.

- **Best practices in logistics ops, cost optimization and performance management**: Helping to continuously improve operations to optimize costs while improving service.

- **Selecting and managing external logistics partners**: Leveraging outsourced logistics service providers to their full potential.

- **Logistics futures, trends and innovations**: Help identifying trends, predicting disruptions and exploiting new technologies.

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Analysis

Logistics Strategy and Operations Overview
For many companies and their supply chain leaders striving to capitalize on the burgeoning customer-centric delivery services, logistics capabilities have become a critical enabler and value differentiator. While companies and their customers are all too ready to make service demands, logistics leaders are still pressured to optimize the cost of providing those services to their customers. And that’s not getting any easier! Global network complexity is still proliferating; capacity is more constrained than ever causing rates to increase; energy prices remain highly variable; and talent, capabilities and expertise have become difficult to find in a growing economic environment. Larger volumes of smaller shipments with shorter lead times create additional complexities across the entire supply chain, but also put a lot of pressure on logistics to execute. Nevertheless, leading companies are compelled to enhance their logistics capabilities and extend their networks to support an increasingly competitive marketplace driven by a modern, more demanding customer — one who is more digital (i.e., connected, informed and mobile) than ever before.

To keep ahead of these evolving demands, logistics leaders must develop a network that provides consistent and reliable delivery service, while keeping their CFOs happy with profitable cost-optimization techniques. Higher performing companies, such as those in the Gartner Top 25, also realize that flexibility is needed to accommodate purpose-built process variations to serve specific
customer segments, integrate with suppliers and customers, mitigate risk and expand into new markets.

The best companies are on a continuous journey to mature their logistics capabilities, especially as supply chains continue to evolve with demand for higher performance pouring in and disruptive digital innovations demanding attention. These same leading companies create operating models that allow them to effectively change the tires while the car is in motion. Logistics leaders expand their strategies to include enabling capabilities, such as bimodal development, culture and organization change, incentive alignment and digital technologies, to optimally deliver better and better outcomes. Some of the most common logistics initiatives support corporatewide capabilities for network visibility, well-designed processes, aligned metrics, logistics provider partnerships and logistics outsourcing governance. Of course, let's not forget what's at stake. All companies know it's imperative to continually perform and improve the necessary operational execution of warehousing and distribution, transportation and international logistics.

**Topics**

Supply chain leaders in logistics must design and manage a logistics organization that offers consistent and reliable delivery services, yet can adapt to provide segmented customer requirements. They must also maximize and innovate the performance of their logistics operations, while continuously improving operating efficiency. However, efficiency alone does not guarantee a competitive advantage for today’s logistics networks. A logistician's perpetual quest to save money is a noble one, yet today’s logistics leaders must also create value for customers through an aligned set of service options. Everyone knows same-day delivery is not as affordable as slower modes of service. But in some competitive environments, customers might demand that convenience. Smart logistics leaders might offer multiple service options, but apply advantage by understanding the ramifications to the bottom line through data and analytics.

Our research centers on the following topics:

**Best Practices in Logistics Ops, Cost Optimization and Performance Management**

International logistics, warehousing and distribution, and transportation-related processes are the fundamental elements of the logistics function. These enable the organization to move, store and distribute materials, goods and products from point-to-point, domestically and internationally. Most logistics leaders are focused on initiatives to increase service, foster consistency, drive efficiency and achieve cost-effectiveness. Often, that is empowered by technology and systems for automation and optimization.

**Questions Your Peers Are Asking**

- What are the best practices across logistics operations?
- What are the best practices for achieving cost optimization in logistics?
- What are the best practices for measuring and improving logistics performance?
Recommended Content

- “How to Optimize Your Transportation Procurement” (https://www.gartner.com/document/3891590)
- “Gartner’s Supply Chain Cost Optimization Playbook for Logistics and Fulfillment” (https://www.gartner.com/document/3893877)

Logistics Futures, Trends and Innovations

Global logistics operations are becoming even more complex because of new business models, such as digital business and multichannel commerce. Most organizations are generally competent at managing operations within the enterprise, but the increasing virtualization of business operations and processes is challenging their skills. Gartner's research is intended to help supply chain leaders develop models for processing and evaluating these new innovative methods and business models. Our goal is to separate hype from reality, and provide some sense into decision making and timing for investing in next-generation logistics.

Questions Your Peers Are Asking

- What are the digital impacts and implications in logistics?
- What are the emerging trends and innovations in logistics operations and management?

Recommended Content


Logistics Strategy and Maturity

Logistics must be responsive to changing business and customer requirements. The nature of those changes depends on the particular business model used and/or industry of the enterprise. Regardless, logistics leaders must map their strategy to the company’s business objectives in
alignment with the supply chain strategy. Gartner research shows that many heads of logistics do not sufficiently understand how to assess, align and optimize the interconnected strategic, functional and operational capabilities required to run a modern, global logistics operation. Logistics leaders often focus on tactical improvement initiatives for warehousing, transport and international logistics operations. While necessary, solely using this approach limits the potential of the overall logistics function.

Questions Your Peers Are Asking

- How do I assess my logistics maturity and develop a strategy for improving logistics capabilities?
- How do I align and integrate my logistics capability with the greater supply chain?
- What are the best practices in the formation and management of a global logistics organization?

Recommended Content

- “Supply Chain Guide to Developing a Global Logistics Strategy”  
- “Strategic Roadmap for Logistics Excellence: Integrating Logistics With the Internal Supply Chain (Stage 2 to 3 Maturity)” (https://www.gartner.com/document/3834267)
- “How to Ensure a Successful Logistics Center of Excellence”  

Selecting and Managing External Logistics Partners

The first step in any logistics outsourcing process is to define exactly what should be outsourced. That might be stating the obvious. However, when it comes to managing an entire portfolio of providers for different services, in different regions, the process is not that simple. Determining whether to outsource a warehouse might be simple because it is a physical location that represents a tangible activity controlled by the logistics function. But determining an overall global outsourcing strategy can be challenging.

Questions Your Peers Are Asking

- What are the best practices for developing a logistics outsourcing strategy?
- What are the best practices for identifying, selecting and contracting with logistics outsourcing providers?
- What are the best practices in managing the ongoing performance of my logistics outsourcing provider portfolio?
How are the logistics outsourcing markets and the providers evolving, and who are the top providers of logistics services in different regions?

**Recommended Content**


**Planned Research**

- Best practices and case studies to learn how the best logistics organizations have made the transition from stage to stage and the value they delivered along their logistics journey.
- Additional maturity model research to extend the framework to support digital logistics strategies and capabilities.
- Best practice research for global logistics organization development essentials.
- An exploration of the required capabilities for logistics leaders in the decade ahead.
- Best practices and case studies on managing carriers, procuring transportation services and tackling transportation challenges.
- Learning from the leaders series that offers case studies on how the best organizations tackle today’s logistics operational challenges and achieve cost-optimization objectives.
- Best practice research on how to model, design and implement optimal distribution networks to achieve the right balance between cost and service objectives.
- Exploration of new control tower capabilities and automating and optimizing processes by using technologies and systems.
- Expanding on the framework for reverse logistics practices introduced in 2018.
- Best practice research and tools for specifying the essential elements of a CSR program for logistics, including trade-off considerations and how they constrain the design of the network.
Impact analysis and response to Brexit and the changing trade relationship between the U.K. and the European Union and the evolving U.S. trade environment

Best practices for attaining continuous improvement with 3PLs

Best practices and case studies showing innovative ways to set up commercial agreements and negotiating toolkits

3PL Magic Quadrants and regional and specialty 3PL Market Guides to keep logistics leaders on top of the ever-changing logistics market and to know “who's who” across the industry

Best practices for risk and reward programs to drive desired outcomes

Best practices on how to transition logistics in-house or to move from provider to provider

Hype Cycles for supply chain strategy and supply chain execution

A state of logistics report — preparing for the new decade

Maturity model framework for developing digital logistics roadmaps

Impact analysis of digital machines/robots in automating tomorrow’s warehouse

Impact analysis on the coming of age of digital freight brokerages

Impact analysis on the evolving viability of autonomous trucking as a solution for transportation capacity supply-demand imbalance

Suggested First Steps

Work with managers throughout the business and logistics organization to take inventory of skills, practices and systems supporting current-state logistics.

“Supply Chain Guide to Designing a Global Logistics Strategy” (https://www.gartner.com/document/code/345758?ref=grbody&refval=3922405) — Take a comprehensive approach to logistics strategy design to achieve the level of service agility, functional efficiency and cost optimization required across the full complement of logistics capabilities. Begin with a self-assessment of the current state, and then use Gartner's frameworks and Toolkits to find the right transition for your organization.

you will have to align metrics with desired behaviors and reward systems that will produce the business outcomes desired.

- “Helping Logistics Leaders Define Their Transactional, Preferred and Strategic 3PL Relationships” (https://www.gartner.com/document/code/324437?ref=grbody&refval=3922405) — Use Gartner's research to help define the right level of relationship. When relying heavily on outsourced external logistics partners, it makes complete sense to develop a mastery in the identification, evaluation, selection, contracting, and ongoing management of these 3PLs.


Essential Reading


- “Achieve a Comprehensive View of Logistics Performance With the Hierarchy of Logistics Metrics” (https://www.gartner.com/document/code/340544?ref=grbody&refval=3922405) — This research shows how to use The Hierarchy of Logistics Metrics to establish an all-encompassing framework that enables supply chain leaders to measure performance.

- “Learning From Logistics Leaders: Using Logistics to Create a Competitive Advantage” (https://www.gartner.com/document/code/343137?ref=grbody&refval=3922405) — This research shows supply chain leaders responsible for logistics how to apply industry best practices to better leverage logistics for competitive advantage.

- “Helping Logistics Leaders Define Their Transactional, Preferred and Strategic 3PL Relationships” (https://www.gartner.com/document/code/324437?ref=grbody&refval=3922405) — This research sets out a relationship framework that encompasses the relationship types and benefits and guides leaders on how to apply it.

- “Supply Chain Guide: 23 Best-Practice Supply Chain Outsourcing MSA Elements” (https://www.gartner.com/document/code/343810?ref=grbody&refval=3922405) — This research is a guide to navigating Gartner's published MSA research when outsourcing supply chain services or BPO.

research roundup can help successfully plan for and implement network design initiatives, including the selection of operating models and technology solutions.

**Tools and Toolkits**

- **“Toolkit: Job Descriptions of Six Must-Have Roles in Every Logistics Organization”**  
  [https://www.gartner.com/document/code/353770?ref=grbody&refval=3922405] — This research can be used to identify the key roles required to deliver a world class logistics function.

- **“Supply Chain Maturity Assessment for Logistics”**  
  [https://www.gartner.com/document/code/341347?ref=grbody&refval=3922405] — This research can be used as the first step in assessing incumbent capabilities, defining a plan for change and supporting the development of their logistics strategy.

- **“Toolkit: 2017 Strategic Roadmap for Logistics Excellence: Achieving Functional Alignment (Moving From Stage 1 to 2 Maturity)”**  
  [https://www.gartner.com/document/code/331914?ref=grbody&refval=3922405] — This research can be used to build a customizable presentation that can be used to design and communicate a tailored development plan and strategic roadmap for achieving Stage 2 of Gartner's Logistics Maturity Model.

- **“Toolkit: 2017 Strategic Roadmap for Logistics Excellence: Integrating Logistics With the Internal Supply Chain (Stage 2 to 3 Maturity)”**  
  [https://www.gartner.com/document/code/344098?ref=grbody&refval=3922405] — This research can be used to build a customizable presentation that can be used to design and communicate a tailored development plan to achieve Stage 3 of Gartner's Logistics Maturity Model.

- **“Toolkit: Choosing the Right Country That Best Fits Your Logistics Needs — EMEA Region”**  
  [https://www.gartner.com/document/code/356220?ref=grbody&refval=3922405] — This research provides a weighting and scoring mechanism to evaluate the benefits and cautions of individual EMEA countries before deciding where to locate their logistics operations.

- **“Toolkit: RFP Evaluation and Selection Scorecard Criteria for 3PL Providers”**  
  [https://www.gartner.com/document/code/360124?ref=grbody&refval=3922405] — This research can be used when developing a scorecard to support the selection of a 3PL that will reinforce and catalyze your key initiatives.

- **“Toolkit: Preparing the Organization for Designing a Digital Logistics Strategy”**  
  [https://www.gartner.com/document/code/353951?ref=grbody&refval=3922405] — This research can be used to explore different logistics technologies, the digital development journey, and the timelines and risks associated with exploring different technologies.

**Document Revision History**
Recommended For You

Develop Your Global Strategy for Logistics Excellence With Gartner's Three-Step Approach

Evaluate These Influencing Factors When Deciding to Outsource Logistics or Keep It In-House

Use These 5 Steps to Prepare for Designing a Digital Logistics Strategy

Logistics Outsourcing Needs Call for the Best Commercial Pricing Model

Learning From Logistics Leaders: How Smart Shippers Weather Airfreight Turbulence