

Walmart and 3PL's

Name

Institution

Outsourcing distribution operations to third party logistics (3PL) service providers is efficient, but comes along with huge expenses and that is why Walmart, under its operation cost cutting policy, has decided to use the self-distributing retail approach. The use of 3PL also increases the cost of goods to customers. To launch a competitive advantage on price, Walmart does not utilize 3PL services.

The cost of goods in the market is determined by various factors, production cost, warehousing cost, and distribution cost. Eliminating one factor from the supply chain enables the company to sell goods at competitive prices since operation budget has been lowered significantly (“Are Grocers Increasingly Outsourcing Distribution Operations to 3PLs?”)

Working with unionized laborers costs approximately \$80,000 per year in companies based in California only. It was; therefore, imperative for Walmart to start acquiring distribution and retail stores. In 1994, Walmart bought Woolco Canada and joined the Canadian market for

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the first time. However, it is only the 122 Woolco retail stores that were acquired. The unionized Woolco's distribution centers were excluded as a cost-reduction strategy.

It is not Walmart only. There are many big companies that do not utilize third party logistics services. It is the responsibility of the CEO to minimize operations costs as much as possible to ensure the firm realizes enough profits as this is the primary objective of every organization. Walmart is a renowned and competitive convenient store because of its price fairness tactic. They reduce operation costs that are reflected in the cost of their products in the store. This makes a customer feel like the company cares so much about their financial statuses (O'Reilly, 2014).

In conclusion, involving too many entities in the supply chain skyrockets the cost of goods. To ensure that the cost of operation is manageable, companies resort into using self-distribution mechanism. As the CEO, try to reduce the number of middlemen and other third parties to save the company from unnecessary costs.

References

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