



ODW Logistics Inc.: Offering a Competitive Advantage through Warehouse Activities



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“Outsourcing is motivated by growing pressures on management to remain competitive by accomplishing more with fewer resources at a faster pace. Competitive pressure is a constant driver to increase efficiency. Organizations have been, or are being, restructured, downsized, and reengineered in a relentless attempt to achieve a state of efficiency, effectiveness, and agility expected to deliver increased productivity.” (Insinga)

ODW Logistics has capitalized on the need for foreign companies to leverage localized channels for retail distribution. By virtue of the latest full-life-cycle inventory tracking equipment, established relationships with key US retailers, IT extranet integration with its partners, and state of the art warehousing facilities OWD Logistics is an attractive solution for foreign companies who do not wish to invest in the infrastructure and develop the management teams necessary to provide the same level of distribution capability in the US over the long term.

“In many cases, the more companies rely on factories offshore, the more they are eager to outsource their distribution and warehousing. Longer transportation routes add potential headaches and expenses. Outsourcing can cut companies' own costs for keeping and managing inventories, and spare them the necessity of investing in advanced tracking technologies increasingly required by retailers. Giant, multipurpose warehouses can also realize economies of scale for freight costs that individual customers couldn't get on their own.” (Maher)

In recent years the outsourcing phenomenon seems to have boomed across the globe. Many American companies outsource engineering or manufacturing work abroad because of advantageous cost reductions available in countries which are beginning to develop a significant industrial and technological base such as India and China. On the other hand companies in the latter countries leverage the US technology to manage their operations and sometimes make use of the services provided by OWD Logistics.

"The window on us gets tighter and tighter," says John Ness, ODW's president. The order-placement cutoff for that customer was 3 p.m. for next-day delivery two years ago, and before that it was noon, says Mr. Ness." (Maher)

Outsourcing in the above examples is advantageous to all parties and may seem like a viable long term solution as well. However, outsourcing comes at a price **(Insigna)**. Regardless of profitability, outsourcing forces a business entity to give up control of a part of their business model to an external entity. Unless there is an exclusive agreement between the two the external entity may provide the same competitive advantage to other firms in the company's industry thus leveling the playing field from a competitive advantage standpoint. Even if outsourcing providers are able to provide a high degree of service customization for each individual customer they will do so at the cost of either lowering their economies of

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scale thus raising their costs or passing on extra costs to their customers. If a market is pushed to the extremes by competition to create a scenario where outsourcing companies provide ultra high levels of service customization for their customers operating in a particular industry it may become cheaper and more effective for a company to bypass the services of an outsourcing provider altogether.

"Right now, distribution warehousing is the next arena of corporate re-engineering and corporate cost-cutting," says John Boyd, president of Boyd Co., a Princeton, New Jersey, consulting firm that helps companies pick warehouse and other corporate sites. ” **(Maher)**

ODW Logistics is poised for continued success in their field as long as they continue to leverage the economies of scale derived from the huge volume of business they manage. These savings they pass on to their customers will keep them competitive despite the falling prices of inventory management technology that may very well one day provide greater distribution capabilities at a lower price for companies all over the world.

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