

Abstract

A fourth-party logistics (4PL) provider serves as a single interface, integrating and coordinating the activities of a supply chain—including logistics management. Outsourcing to a 4PL provider adds to customer value through synchronization and collaboration in planning, implementation, execution, and optimization of the supply chain. This study fills the gap in knowledge surrounding the outsourcing of procurement activities to 4PL providers by military services. Our findings revealed that the factors inhibiting 4PL adoption include long lead times to add items, vague Federal Acquisition Regulation (FAR) on mandatory usage, and incompatible financial systems. Despite these limiting factors, we discovered that GSA 4PL has been able to reduce inventory cost, improve procurement performance and enhance customer value for the U.S. Coast Guard (USCG) and Marine Corps (USMC) on commercially available recurring items. The results and recommendations will assist military services considering the use of 4PL as an option to augment and improve their procurement processes.

Methods

The existing partnerships between GSA Retail Operation's 4PL program and both the USMC ServMart and USCG Yard formed the basis of a qualitative analysis using case studies to examine the 4PL program implementation process, limitations, and effectiveness. Discussions with a GSA leader on their agency's 4PL program augments the case studies and offers a firsthand account on the administrative processes, challenges to adoption, and current trends and future developments.



USMC and USCG Partnership with GSA 4PL

Results and Impact

An agency outsourcing to GSA 4PL—a product fulfillment service—has the potential to reduce its fixed costs and alleviate the administrative burdens of ordering, delivering, and storing products. Customer value is enhanced by ensuring compliance with acquisition regulations, competitive marketplace pricing, and an IT infrastructure with a data analytics platform that provides order history and customizable item reports.

Annual costs for operating USMC ServMarts fell from \$66 million to \$5 million after 4PL solutions were implemented. ServMarts further increased their efficiency by transitioning to a single IT system.

Total recurring inventory for the USCG Yard has been reduced by 39% since 2017. The considerable reduction in inventory allowed for the reduction of two full-time equivalent retail management staff positions, equating to a savings of \$200,000 a year. The USCG Yard reported a realized annual real cost savings of \$500,000.

While GSA 4PL offers competitive pricing, agencies should continuously monitor for price reasonableness and be cognizant of GSA's surcharge based on item cost. Whether GSA 4PL is considered a mandatory source is currently subject to interpretation due to overlaps in FAR. This ambiguity contributes to hesitancy toward using 4PL; however, incompatible financial systems is the primary reason why some agencies are not implementing 4PL as a procurement resource. Other challenges include long lead time to add items to an agency's catalog, and high forward pricing cost for certain commodities.

