



A STUDY ON THE SURVEY OF THIRD PARTY LOGISTICS SERVICES COMPANIES IN TAMILNADU

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Abstract:

Logistics and supply chain management plays very important role in manufacturing organization. Most of the companies are outsourcing these activities to concentrate on their core business. So the outsourcing companies are giving importance to their reduction in the cost to gain the advantage of the lower cost in the competitive business. So most of the Indian

3PL service provider gives importance to reduce cost for most important success factor. This can be achieved by giving more emphasis on variable like geographical coverage, experience as a 3PL provider and continuous improvement. The cost can be reduced by vast geographical coverage; higher experience for giving particular types of the service and emphasis on continuous improvement. The second most important factor for success is operational performance. Knowledge based skills and project management skills can help the growth of the organization and can become the important success factor for the service provider. Information technology system is also important for success of the business. By concentrating more on this factor the company can easily and effectively share and convey the information with the end user. This can also improve the speed and accuracy of the work and hence better satisfaction to the customer. This would increase the profit and improve the brand image of the company. Service portfolio and 3PL user / provider Relationship is the most important and common growth strategy used the Indian 3PL service provider. One of the interesting result found that now most of the 3PL service provider emphasis on green supply chain then the organization will be able to get advantage of good brand image. By doing this organization will be able to get advantage of carbon trading also and hence improve the profit of the organization. Also most of the company's focus on Regional Expansion so as to give better services to the customer and to reduce the cost. The companies are focusing on Alliance for risk sharing and reduce the fixed asset cost.

Key Words: Third Party Logistics, Service Portfolio & Fixed Asset

Introduction:

Third-party logistics (abbreviated as 3PL, or TPL) in logistics and supply chain management is a company's use of third-party businesses to outsource elements of the distribution, warehousing, and fulfillment services.

Third-party logistics providers typically specialize in integrated operations of warehousing and transportation services that can be scaled and customized to customers' needs, based on market conditions, to meet the demands and delivery service requirements for their products. Often, services exceed logistics to include value-added services related to the production or procurement of goods, such as services that integrate parts of the supply chain. Providers of such integrated services are referenced as a third-party supply chain management provider (3PSCM), or as a supply chain management service provider (SCMSP). 3PL targets particular functions within supply management, such as warehousing, transportation, or raw material provision.

The global 3PL market reached \$75 billion in 2014, and grew to \$157 billion in the US; demand growth for 3PL services in the US (7.4% YoY) outpaced the growth of the US economy in 2014. As of 2014, 80 percent of all Fortune 500 companies and 96 percent of Fortune 100 used some form of 3PL services. The global third-party logistics market is predicted to grow at around five percent CAGR during 2016 to 2024, with the market expected to attain a size of about USD 1,054 billion by 2024.

Types:

Third-party logistics providers include freight forwarders, courier companies, as well as other companies integrating & offering subcontracted logistics and transportation services. Hertz and Alfredsson (2003) describe four categories of 3PL providers:

Standard 3PL Provider:

This is the most basic form of a 3PL provider. They would perform activities such as, pick and pack, warehousing, and distribution (business) – the most basic functions of logistics. For a majority of these firms, the 3PL function is not their main activity.

Service Developer:

This type of 3PL provider will offer their customers advanced value-added services such as: tracking and tracing, cross-docking, specific packaging, or providing a unique security system. A solid IT foundation and a focus on economies of scale and scope will enable this type of 3PL provider to perform these types of tasks.

The Customer Adapter:

This type of 3PL provider comes in at the request of the customer and essentially takes over complete control of the company's logistics activities. The 3PL provider improves the logistics dramatically, but does not develop a new service. The customer base for this type of 3PL provider is typically quite small.

The Customer Developer:

This is the highest level that a 3PL provider can attain with respect to its processes and activities. This occurs when the 3PL provider integrates itself with the customer and takes over their entire logistics function. These providers will have few customers, but will perform extensive and detailed tasks for them.

Outsourcing may involve a subset of an operation's logistics, leaving some products or operating steps untouched because the in-house logistics is able to do the work better or cheaper than an external provider. Another important point is the customer orientation of the 3PL provider. The provider has to fit to the structures and the requirements of the company.

This fit is more important than the pure cost savings, like a survey of 3PL providers shows clearly: The customer orientation in form of adaptability to changing customer needs, reliability and the flexibility of third-party logistics provider were mentioned as much more important than pure cost savings.

Advantages:

Cost and Time Savings:

Logistics is the core competence of third-party logistics providers. Providers may have better related knowledge and greater expertise than the producing or selling company, and may also have more global networks enabling greater time and cost efficiencies. The equipment and the IT systems of 3PL providers are constantly updated and adapted to match the requirements of their customers and their customer's suppliers. Producing or selling companies often do not have the time, resources, or expertise to adapt their equipment and systems as quickly.

Low Capital Commitment:

If most or all operative functions are outsourced to a 3PL provider, there is usually no need for the client to own its own warehouse or transport facilities, lowering the amount of capital required for the client's business. This is particularly beneficial if a company's warehouse has high variations in capacity utilization, leading to over purchasing of warehouse capacity and reducing profitability.

Focus:

Logistics outsourcing allows companies with limited logistics expertise to focus on their core business. Increasing complexity in business suggests that companies benefit from not devoting resources to areas in which they are not skilled.

Flexibility

Third-party logistics providers can provide higher flexibility for geographic distribution and may offer a larger variety of services than clients could provide for themselves. This also allows businesses to more predictably manage their resources including workforce size, and turn fixed costs into variable costs.

Disadvantages:

Loss of Control:

One disadvantage is the loss of control a client has by using third-party logistics. With outbound logistics, the 3PL provider usually assumes communication and interactions with a firm's customer or supplier. To mitigate this, some 3PL's attempt to brand themselves as their clients, such as applying clients' logos on their assets and dressing their employees like their clients' employees.

IT:

The IT systems of the provider and the client must be interoperable. Technology helps increase visibility for the client by way of continuous status updates via Dispatch Management Software and Electronic Data Interchange (EDI) which does involve a cost, but it can help avoid penalties for delays and subsequent financial losses such as from not unloading freight in time.

Growth in Online Retailing:

The growth of IoT (Internet of Things) in retail market is expected to generate lucrative avenue for 3PL industry in the future. Online retailing has been gaining a significant traction globally, subject to which the requirement of warehouses and distribution spaces is on an incline, Retail giants have also been focusing on understanding the massive logistics operations without the exception of any detail. Bearing testimony to this is that fact that retail magnate Amazon has increased its distribution space by a stupendous 1000% in the last 10 years. A rapid increase in the demand for service such as warehouse & distribution, shipping, transportation, etc., is estimated to increase the valuation of 3PL market over the coming years.

The latest trendsetting addition to the service spectrum of 3PL industry players is 4PL. A notch higher than 3PL, 4PL market comprises highly advanced storage, distribution, and procurement services. Similar to the customized service sphere of 3PL providers, 4PL companies also take over the entire logistics operations of the business. The services may also be provided as a part of the business or an entirely different venture that can be integrated into the business later. For instance, consider that a 4PL provider has to render services to a motorcycle importing firm. While the key operations of the firm will be limited to importing the products, the entire responsibility of managing the logistics operations for importing the spare parts for these motorcycles would be handled by the 4PL provider.

Retail giants such as Amazon are likely to transform into a full-fledged 3PL provider. In addition, companies operating in the core transportation sector may also penetrate into global 3PL market. Key players operating in third party logistics industry such as J.B. Hunt, Deutsche Post DHL, Kuehne + Nagel, Expeditors International, and UPS Supply Chain Solutions will need to brace themselves for additional challenges and come up with a technologically advanced, upgraded service portfolio to sustain their business position. Global Market Insights, Inc. has a report titled "Third Party Logistics (3PL) Market Size by Service (Domestic Transportation Management, Dedicated Contract Carriage, International Transportation Management, Software, Warehousing & Distribution) Industry Outlook Report, Regional Analysis, Application Potential, Price Trends, Competitive Market Share & Forecast.

Objectives of the Study:

- ✓ To understand the concept of Third party logistics, various operations in Third party logistics.
- ✓ Cost and time savings for the client.
- ✓ Ability of client to focus on core business.
- ✓ To study the warehousing inventory management and damage control.

Scope of the Study:

- ✓ Evolving Economic conditions rapidly changing global and industry dynamic and the maturing of the industry suggest the capabilities and uses of 3PLs have evolved considerably over the twenty years of the study.
- ✓ This study can be extended to other similar logistics providers in the market and compare the services and quality with other companies, location of study may also be wide – spread.
- ✓ Focus of functional knowledge and capabilities to include (but not limited to) areas such as: supply chain management, joint theater logistics, continuous process improvement, performance management, systems engineering / supportability, and information management.
- ✓ Supply processes to include requisitioning, turn in, loans.
- ✓ Maintenance management to include, at a minimum, induction of material into maintenance , maintenance (all levels – current and future), movement of material from maintenance activity to user / stock.
- ✓ Packaging, crating, handling and distribution of material.
- ✓ Warehousing functions associated with storage of material and readying it for movement.
- ✓ Associated financial transactions resulting from the requisitioning, turn in, maintenance, storage and packaging and distribution of material.
- ✓ Ensuring that electronic product is captured and utilized in our logistics business system. This includes engineering, configuration management data, and usage / Failure factors, for all fielded material.
- ✓ Connectivity to Automatic identification Technologies (AIT) to ensure that our logistics business system accepts and use the information to give us visibility of material, enhanced usage data, etc.
- ✓ Warehouse operation is becoming more critical activity in the supply chain to gain competitive advantage on customer service, lead time and cost. Therefore, the study was carried out to get a clear picture of warehouse operations and challenges faced by retail outlets.
- ✓ In recent market scenario, warehouse management system (WMS) plays a vital role, to achieve high performance and efficiency in serving the customer this study would serve as the basis for understanding challenges faced due to warehouse operations and give a picture of effect of such operations on retailers like pantaloons.
- ✓ It will be interesting to investigate challenges of supply chain management faced by other retailers as warehouse management is the essential part to cost efficiency.

Limitation of the Study:

- ✓ The study focuses only on the Third party logistics service providers. This study has not taken into consideration towards the perspective of 3PL service users.
- ✓ The view of the 3PL service user could affect the result of the success factor for the 3PL service provider.
- ✓ This study is limited to only organize 3PL service provider. The research can be improved can be improved by taking consideration of the unorganized 3PL service provider.

Research Methodology:

This chapter describes in length, the methodology applied by the researcher in conducting the proposed research work. The chapter provides details of the research design used in the study, the nature and sources of data collected in the study and details of the research instrument used in the research. Further the chapter provides a brief description of the variables used in the study and provides details about the various tests employed to establish the reliability and validity of the collected data on the purpose of data analysis.

Research Design:

The research design is empirical in nature since the study is conducted by using the both analytical and diagnostic type of research. The study is conducted in two stages format, with a preliminary pilot study followed by the main study. The major part to the study is based on primary data.

Justification for Selecting Coimbatore District:

Coimbatore, the second biggest city in Tamil Nadu, is deliberately situated between Chennai, Bangalore, and Kochi. Coimbatore is an essential mechanical city of Tamilnadu, prestigious for its material plants and designing industry. It is well known for business sectors, lodging vehicle parts that are among the least expensive in whole southern India. The district is likewise known for its all-inclusive focused building and auto parts ventures and foundries. Coimbatore has a very much created transport foundation. The city and its rural areas are crossed utilizing its street systems. Coimbatore is very much associated by Road, Rail, and Air with most urban communities and towns in India aside from through conduits. For this situation, the use of 3PL administration is all the more thus the review was chosen in Coimbatore city.

Nature and Sources of Data:

The study is based on both primary and secondary data. Primary data has been collected from the third party logistics service providers. Secondary data is collected from various published and unpublished sources including Journals, Magazines, Publications, Reports, Books, Dailies, Periodicals, Articles, Research Papers, Websites, Manuals, and Booklets, etc.

Period of Study:

The primary data was collected from December 2018 to January 2019. The whole study was led for a time from December 2018 to March 2019.

Research Instrument:

Well-structured questionnaire has been used to collect primary data, which was administered personally to the respondents who use third party logistics services. Personal interview method was employed to primary data. The questionnaire consisted of both quantitative and qualitative aspects relating the third part logistics services.

Area of Study:

The area of the study is limited to Coimbatore city. It is popularly known as Manchester of south India, is situated in the western part of the state Tamil Nadu.

Research Tools and Software Package Used:

Research tools are statistical techniques used for data analysis and arrive at meaningful conclusions. The primary data collected were analysed using Statistical Package for Social Sciences (SPSS 20). The data were screened in order to study about the recipient’s behaviour towards Third party Logistics services. The following statistical tools have been employed for the study to obtain torrent of results from the primary data analysis: Percentage analysis and Chi-square test.

Analysis and Interpretation:

| | | | Annual turnover | | | Total |
|---------------------|----------------|---------|-----------------|-------------|--------------------|--------|
| | | | Under 5 lakhs | 26-45 lakhs | More than 50 lakhs | |
| Age of your company | 1-5 years | Count | 72 | 10 | 5 | 87 |
| | | Total % | 36.0% | 5.0% | 2.5% | 43.5% |
| | 6-10 years | Count | 14 | 8 | 6 | 28 |
| | | Total % | 7.0% | 4.0% | 3.0% | 14.0% |
| | 11-15 years | Count | 3 | 6 | 5 | 14 |
| | | Total % | 1.5% | 3.0% | 2.5% | 7.0% |
| | Above 15 years | Count | 40 | 9 | 22 | 71 |
| | | Total % | 20.0% | 4.5% | 11.0% | 35.5% |
| | Total | Count | 129 | 33 | 38 | 200 |
| | | Total % | 64.5% | 16.5% | 19.0% | 100.0% |

Interpretation:

From the above table the age of the company shows that 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the annual turnover shows that 64.5% are under 5 lakhs, 19% has more than 50 lakhs and 16.5% fall between 26-45 lakhs. Tenure of year Employing Logistics & How often company uses Logistics services

| | | | How often company uses logistics services | | | Total |
|------------------------------------|------------------|---------|---|-------|--------|-------|
| | | | Everyday | Often | Always | |
| Tenure of year Employing Logistics | Less Than 1 Year | Count | 53 | 31 | 9 | 93 |
| | | Total % | 26.5% | 15.5% | 4.5% | 46.5% |
| | 1-5 Years | Count | 31 | 18 | 16 | 65 |
| | | Total % | 15.5% | 9.0% | 8.0% | 32.5% |
| | 6-10 Years | Count | 12 | 10 | 20 | 42 |
| | | Total % | 6.0% | 5.0% | 10.0% | 21.0% |
| Total | Count | 96 | 59 | 45 | 200 | |
| | Total % | 48.0% | 29.5% | 22.5% | 100.0% | |

Interpretation:

From the above table the Tenure of year Employing shows that 46.5% are less than 1 year, 32.5% are between 1-5 years, 21% are between 6-10 years and the company uses Logistics services shows that 48% everyday, 29.5% has often and 22.5% always.

Product Returns:

| | Observed N | Expected N |
|---------------------|------------|------------|
| Satisfied | 105 | 40.0 |
| Highly satisfied | 59 | 40.0 |
| Neutral | 27 | 40.0 |
| Dissatisfied | 6 | 40.0 |
| Highly dissatisfied | 3 | 40.0 |
| Total | 200 | |

| | Annual turnover | Product returns |
|-------------|---------------------|----------------------|
| Chi-Square | 87.610 ^a | 182.000 ^b |
| DF | 2 | 4 |
| Asymp. Sig. | .000 | .000 |

Interpretation:

From the above chi square test the significant value is 0.00 which is below the table value 0.05 so null hypothesis is rejected. There is a significant association between annual turnover and product returns. Hence it is inferred that the annual turnover is an influencing factor in the product returns.

Findings:

- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the annual turnover shows that 64.5% are under 5 lakhs, 19% has more than 50 lakhs and 16.5% fall between 26-45 lakhs.
- ✓ The result shows that, 46.5% are less than 1 year, 32.5% are between 1-5 years, 21% are between 6-10 years and the company uses Logistics services shows that 48% everyday, 29.5% has often and 22.5% always.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the company uses Logistics Services shows that 48% everyday, 29.5% has often and 22.5% always.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Documents / Covers shows that 64% Yes, 36% no.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Inventory management shows that 72% no, 28% Yes.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Order management and fulfilment shows that 76% no, 24% Yes.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Warehousing shows that 72% no, 28% Yes.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Product assembly shows that 79.5% no, 20.5% Yes.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Product labelling shows that 78% no, 22% Yes.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the International transportation shows that 85% no, 15% Yes.
- ✓ The result shows that, 43.5% are between 1-5 years, 35.5% are above 15 years, 14% are between 6-10 years and 7% are between 11-15 years and the Reverse logistics shows that 83% no, 17% Yes.

Suggestions:

- ✓ Over decades, the concepts of third party logistics companies were relatively unknown. Trucking companies have expanded into providing whole some solutions and shipping intermediaries were trying to make shippers collaborate to move existing shipments towards capacity per have.
- ✓ The biggest challenge faced by the shippers was controlling the international supply chain visibility, lead time and total land cost (inventory carrying costs, obsolescence costs and customer service) hence, the 3PL service providers should provide a unique global distribution needs which cultural and operational needs are met.
- ✓ With the advent of globalization and new technologies the shippers expect a customized one to one service, hence the service providers has to provide personalized supply chain solutions.
- ✓ Real time data sharing and ongoing timely responsiveness should be provided through (ECI, XML, or the web) to promote global logistics service.
- ✓ The success of supply chain partnership assures, the customer satisfaction, hence the 3PL partner must establish agreed agreements relating to on-time performance damages, cost-per touch and 3PL metrics.

Conclusion:

- ✓ Third party Logistics having good scope in India as well as in foreign Market.
- ✓ It manage, support and fulfill customer demand in all serviced regions.
- ✓ It resulted in increasing the customer by fulfilling their demand in short period of time.
- ✓ Attain a continuous and unrivalled 100 % customer satisfaction.
- ✓ Faster turnaround time to deliver goods to customer.
- ✓ Optimize price setting, increases sales, and reduce shipping cost to maximize customer satisfactions.

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