A Study on Factors Influencing the Selection of 3PL Logistics Providers – Users Perspective

E. Geetha,
Assistant Professor,
Department of Commerce,
Manipal University, India.

Abhishek Rao,
Assistant Professor,
Department of Commerce,
Manipal University, India.

Abstract

The Indian logistics industry is becoming more professional by providing creative and innovative end to end solutions to the needy. The current change in infrastructure developments of supply chain is due to considerable growth and demand in Indian markets. It is coupled with customer’s preference and expectations on supply chain industries. Thus supply chain industries need to innovate and provide versatile services to satisfy the customers. It is not identical in case of semi urban and rural areas, India has mixture of urban, semi-urban and rural customer base. This study focuses on the variables that attract a customer’s choosing a service provider. The study is done by developing a hypothesis and validating it suitable statistical tools. The study is done in udupi town, with the aim to highlight various factors like cost effectiveness, level of contentment etc., offered in the service. It is also intended to develop a matrix as a model for an effective third party logistics services.

Key Words: Logistic, 3PL, Matrix, Cost effectiveness, semi-urban
1. Introduction

In today’s world industries consider customers as their major assets which creates value for the companies. The same applies to the logistics industries were companies strive to sustain the customers for a long period of time. Spending resource to enhance the services and on to create value has been a major part of the logistics industry in a Schumpeterian markets and an important component of the process (Carlo Salvatoa, Francesco Chiricob and Pramodita Sharma, 2010). As per the World Bank source Logistics industry in India has made a far-reaching development. The Indian logistics industry has been generating employee for 45 million people. The record also states that the logistics industry is expected to grow annually at the rate of 15-20 per cent, reaching revenues by 2015. But the very important aspect is the generation of business through various sources. This has been a challenge for the companies in the competitive market. Now a day’s customer’s preference and expectation has been priority for the companies. An engineer who wants to send an electronic item would use the service to send his good from one place to another and would look out for different preferences like handling, cost, locations, reliability (top preference from Ruth Banomyong*, Nipawis Ritthironk, Paitoon Varadejsatitwong, 2005). The companies have to work closely with shippers and consignees as they have to adapt themselves and provide more value-added logistics activities in order to respond effectively with the ever changing need of customers’ logistics requirement. This has led the industry to effectively become logistics service providers (LSPs) (Ruth Banomyong*, Nipawis Ritthironk, Paitoon Varadejsatitwong, 2005), in particular with regards to logistics services.

The selection of service provider is a critical factor for the customers. To remain competitive in the market the logistics provider they have to provide service which gives them a competitive advantage in the market. Porter describes that every firm has combination of activities performed to design, deliver and support its services to customers in the market. According to porter companies should enable to fulfil its role in the industry value chain and hence satisfy the customers. Presently logistics firm are focusing more on moving towards reducing cycle time in order to add value to their customers. Subsequently, better customized services, reduced price, reach towards different locations are the features which will enhance their demand in the market.

For customers selection of service provider will be a major hurdle. Customers has to focus the various factors and firms who caters to the needs of customers will be selected .The process of selecting the appropriate factors depend on the variety of factors of Value Chain

The below model indicates the 5 dimensions of value chain approach for the customer identifying the quality LSP.
1.1 Objective of the Study

This paper aims at analysing the influencing factors of selecting a logistic provider by the customers; the sampling population are chosen from Manipal and Udupi. The logistic provider select for this study is GATI-KWE.

For this various parameters (factors) chosen based on the value chain approach and tested some of the factors based on hypothesis testing with suitable statistical technique (Chi-square).

1.2 Further scope of the study

This study can be extended to other similar logistic providers in the market and compare the services and quality with other companies, location of study may also be wide-spread

2. Methodology

2.1 Research Questions

1. What are the major factors influences the customer to choose a particular service provider?
2. Do customers having overall satisfaction towards the service provided by the particular logistic provider?
3. Is there any correlation between client handling and representative ability in resolving grievances?
4. Is there any correlation between period, handling & packing, rate factor?

2.2 Sample

The present study consists of 67 samples inclusive of all kind of occupation (Student, Employees, private & public Ltd companies, sole proprietorship) selected using convenience sampling method. Basically this paper resembles exploratory kind of study finding out the factors, influencing the customer’s decision.
2.3 Statistical technique

Percentage analysis will be done for all the factors if any relationship found among factors, hypothesis is framed based on the research questions, important factor like rate, quality and service have considered for factor analysis and this study restricted to these factors alone. To validate the hypothesis techniques like bivariate analysis, chi-square have used.

3. Literature Review

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<th>Author, (Year)</th>
<th>Objective</th>
<th>Conclusion</th>
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| Wilding & Juriado, (2004) | Determine customer perceptions on logistics outsourcing in the European consumer goods industry | The main reasons for outsourcing the logistics activities are:  
- Competencies of 3PLs  
- Operating flexibility  
- Cost reduction  
- Focus on core businesses |
| Aktas & Ulengin, (2005) | Review the reasons for outsourcing logistics activities in Turkey | Turkish firms basically outsource the transportation activities to reduce the operating costs. |
| Simchi-Levi et al., (2008) | Determine the effect of outsourcing of logistics on the management of the supply chain. | The most important reason for outsourcing is that it allows a company to focus on its core competencies and hence on customer requirements. |
| V. Prabakaran and P. Praveen Babu, 2012 | Understand the customers expectation and satisfaction using service gap for Bajaj Auto | The main motives are to focus on:  
- Core businesses  
- Better Communication  
- Convenient Operating Time |
<p>| Beth R. Davis and John T Mentzer, (2006) | Logistics Service Driven loyalty | This study demonstrated the organization can be benefited for competitive advantage to the firms having productive operations. |</p>
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<th>Authors</th>
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| Juho Soinio, Kari Tanskanen and Max Finne (2012) | Logistics providers providing Value added service for SME in Finland | • The growth of 3PLs through new services remains difficult unless SMEs can be convinced to relinquish control over their supply chain  
• The paper presents a framework for categorizing logistics services for SMEs and proposes new logistics-service models for SME customers.  
• Proposed to bridge the gap between LSP and SME customers. In particular, the consulting-oriented approach seemed to be appropriate for the SMEs. |
| Ming J. Ding, Booi H. Kam and Chandra S. Lalwani (2012) | To examine the causal linkages between operational routines and L&SC competencies of Chinese logistics service providers (LSPs). | • Processes for increasing responsiveness are most important in contributing to Distribution support and agility competencies. |