THE STUDY OF SATISFACTION ON THIRD-PARTY LOGISTICS (3PL) SERVICE IN AUTOMOTIVE INDUSTRY: A CASE IN PEKAN, PAHANG

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ABSTRACT

This dissertation explores the topic of Supply Chain (SC), an important topic that captured attention of practitioner, journals and the business press. The focus of this research is on customer satisfaction of implementing Third-Party Logistics (3PL) services in automotive industry relative to the impact of the company’s financial performance. This research been conducted to study the relationship of 3PL implementation efficiency and company performance, and the most significant factors influences the efficiency of financial performance was examined. To investigate the relationship of 3PL implementation efficiency and company performance. To identify the most significant factor of 3PL implementation efficiency towards efficiency of financial performance of implementing 3PL. A quantitative analysis been conducted using SPSS 22 generating results on investigation of 3PL service efficiency towards efficiency of financial performance. The results shows all selected independent variables (IV) has strong linear relationship towards dependent variable (DV) providing service quality as the most significant factor of 3PL implementation towards efficiency of financial performance of implementing 3PL. In this study, it proves that implementing 3PL services do increased the companies financial performance. 3PL providers especially who provide service to automotive industry should focus on service quality because it has the most impact influence customer satisfaction. For recommendations, the all companies (especially automotive industries) are recommended to implement external logistics services (3PL, 4PL and etc.) in their operations or processes. Future researcher could use the same framework to explore different industry.

**Keywords:** Third-Party Logistics (3PL), customer satisfaction, service quality, organizational effectiveness, relationship management
ABSTRAK

Disertasi ini meneroka topik Rantaian Bekalan (SC), satu topik penting yang menarik perhatian pengamal, jurnal dan akhbar perniagaan. Fokus kajian ini adalah terhadap kepuasan pengguna yang melaksanakan perkhidmatan Logistik Pihak Ketiga (3PL) dalam industri automotif relatif terhadap kesan prestasi kewangan syarikat. Kajian ini telah dijalankan untuk mengkaji hubungan kecekapan pelaksanaan 3PL dan prestasi syarikat, dan faktor-faktor yang paling penting yang mempengaruhi kecekapan prestasi kewangan telah diperiksa. Untuk menyiasat hubungan kecekapan pelaksanaan 3PL dan prestasi syarikat. Untuk mengenal pasti faktor yang paling penting kecekapan pelaksanaan 3PL ke arah kecekapan prestasi kewangan melaksanakan 3PL. Analisis kuantitatif telah dijalankan dengan menggunakan SPSS 22 keputusan penjanaan siasatan kecekapan perkhidmatan 3PL ke arah kecekapan prestasi kewangan. Keputusan menunjukkan semua pembolehubah bebas yang dipilih (IV) mempunyai hubungan yang kuat terhadap pembolehubah bersandar (DV) menyediakan kualiti perkhidmatan sebagai faktor yang paling penting dalam pelaksanaan 3PL ke arah kecekapan prestasi kewangan melaksanakan 3PL. Dalam kajian ini, ia membuktikan bahawa melaksanakan perkhidmatan 3PL yang meningkatkan prestasi kewangan syarikat. Pembekal 3PL terutama yang menyediakan perkhidmatan kepada industri automotif perlu memberi fokus kepada kualiti perkhidmatan kerana ia mempunyai pengaruh kepuasan pelanggan yang paling. Untuk saranan, semua syarikat (terutamanya industri automotif) adalah disyorkan untuk melaksanakan perkhidmatan logistik luaran (3PL, 4PL dan lain-lain) dalam operasi atau proses mereka. Penyelidik pada masa hadapan boleh menggunakan rangka kerja yang sama untuk meneroka industri yang berbeza.

Kata Kunci: Pihak Ketiga Logistik (3PL), kepuasan pelanggan, kualiti perkhidmatan, keberkesanan organisasi, pengurusan perhubungan
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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This research paper is all about Supply Chain (SC) activity or process that focused on logistics. For more detail it focused on 'The Study of Satisfaction on Third-Party Logistics (3PL) Service in Automotive Industry: A Case in Pekan, Pahang'. Third-party Logistics (3PL) is one of the processes that include in Supply Chain Management (SCM). Basically, 3PL is a process of outsourcing a products or goods by SC company (example like manufacturer) to their customers. Other words, is a process of deliver goods to the other people. Their customers maybe going to be the suppliers, manufacturers, distributors, retailers, and customers.

A supply chain (SC) may be characterized as an incorporated methodology wherein various different business elements, for example, suppliers, producers, wholesalers, and retailers cooperate in a push to obtain raw materials, change over these raw materials into detailed last items, and convey these last items to retailers. This chain is generally described by a forward stream of materials and a retrogressive stream of data. For a considerable length of time, specialists and experts have principally researched the different methodologies of the supply chain exclusively. As of late, notwithstanding, there has been expanding consideration set on the execution, configuration, and investigation of the supply chain as an issue.

A Third Party Logistics (3PL) supplier is a firm that gives outsourced or 'third party' logistics administrations to different organizations. On the off chance that you outsource your logistics prerequisites to an administration supplier or service provider, that administration supplier is known as an third party logistics provider. In industry speech, these administration suppliers are likewise alluded to as 3PL. One of the essential qualities of the ecommerce
standard is that members get to perform parts that they represent considerable authority in. As an issue, outsourcing to an outsider logistics association third party logistics organization fits well with the ecommerce ecosystem.

A 3PL company is a private firm that gives logistics services under an agreement to an essential maker, seller, or client of an item.

1.2 PROBLEM BACKGROUND

A lot of previous research has been taken or cite to be guide for this research. In this section, all the issues that has been cited from the previous research going to be guide line to do a research about ‘The Study of Satisfaction On Third-Party Logistics (3PL) Service In Automotive Industry: A Case In Pekan, Pahang’.

As to preferences and issues of 3PL, confirmation is differentiating. Reported profits incorporate lessening in stock levels, request process durations, lead times and change in client administration (Bhatnagar and Viswanathan, 2000). Notwithstanding, different creators refer to issues regarding administration execution, interruption to inbound streams, deficient supplier mastery, lacking representative quality, supported time and exertion used on logistics, loss of client criticism and failure of 3PL suppliers to manage uncommon item needs and crisis circumstances (Ellram and Cooper, 1990). Notwithstanding getting access to logistics data frameworks (Rao et al., 1993), shippers give off an impression of being disappointed with administration supplier's IT capacities and want to depend on in-house frameworks rather (van Laarhoven et al., 2000).

Outsourcing of outsider logistics (3PLs) is for the most part characterized as an issue of a solitary or numerous logistics benefits by a merchant on a contractual premise (Razzaque and Sheng, 1998). The suppliers of these administrations are by and large alluded to as 3PLs suppliers. 3PLs are utilized to perform customary logistics capacities, for example, inbound transport, outbound transport, warehousing and for different administrations, for example, reverse logistics. The outsourcing of logistics to 3PLs suppliers has turned into an undeniably capable pattern in present day organizations. Logistics organizations together are turning into a lifestyle for some organizations and further bolstering accomplish good fortune in the commercial center (Ratten, 2004). It has been assessed that around 40 per cent for every
penny of the worldwide logistics is outsourced (Wong et al., 2000). As an issue, a rising interest of 3PL administrations suppliers is felt over the globe.

But some authors citation about the issues concerning service execution, disturbance to inbound streams, insufficient provider aptitude, lacking representative quality, managed time and effort utilized on logistics, loss of customer feedback and disappointment of 3PL providers to manage extraordinary item needs and crisis circumstances (Ellram and Cooper, 1990). From now on, 3PL still has been used for outsourcing activities. The problem is some authors said the 3PL can give a good impact and some not.

1.3 PROBLEM STATEMENT

The function of 3PL or 3PL providers is to provide a service of outsourcing to the other companies or customers. So in this research, it will focused the research on ‘The Study of Satisfaction on Third-Party Logistics (3PL) Service in Automotive Industry: A Case in Pekan, Pahang’. In order to gain full benefit from 3PL implementation, the risk faced by companies which are implementing 3PL need to be identified.

In Malaysia, implementing 3PL providers is very famous in automotive industry. This is because to deliver their goods and finished product to the customers. Plus, it also can reduce and cut cost of logistics activities and transportation maintenance. In the same time, the implementing of 3PL can give problem to the company that implementing the 3PL if 3PL providers not perform well. Some companies also don’t know whether implementing the 3PL is efficient or not and also don’t know the factors that leads the impact on company’s financial performance and some of them just focus on the service quality of 3PL services only not for the others like relationship. In automotive industry, they used 3PL to deliver their finish product to customers.

In this research, it will focus on automotive industry in Pekan, Pahang. This is because in automotive industry had a lot (almost all) of company implementing the 3PL services (transportation) to expend their business and activity. With this research, we can know whether implementing the 3PL is efficient or not and the factors that leads the impact on financial performance of implementing 3PL in automotive industry in Pekan, Pahang. To know the satisfaction and impact on the implementing 3PL services, we need to have the
expert feedback or opinion from the company that apply the 3PL especially in automotive industry.

1.4 RESEARCH OBJECTIVES

The main objectives of this research are:

a) To investigate the relationship of 3PL implementation efficiency and company performance.

b) To identify the most significant factor of 3PL implementation efficiency towards efficiency of financial performance of implementing 3PL.

1.5 RESEARCH QUESTIONS

The main questions of this research are:

a) How the relationship of 3PL implementation efficiency and company performance.

b) What satisfaction on the most significant factor of 3PL implementation towards efficiency of financial performance of implementing 3PL.

1.6 FRAMEWORK

![Diagram showing the relationship between factors and impact]

Figure 1.1: Framework
1.7 HYPOTHESIS

H1 The service quality is positively related to efficiency of financial performance of implementing 3PL.

H2 The organizational effectiveness is positively related to efficiency of financial performance of implementing 3PL.

H3 The relationship management is positively related to efficiency of financial performance of implementing 3PL.

1.8 SCOPE

The scope on this research, ‘The Study of Satisfaction On Third-Party Logistics (3PL) Service In Automotive Industry: A Case In Peken, Pahang’ is focused in Pekan, Pahang area. Automotive company in Pekan, Pahang has been chosen to be a test subject to know the final result of ‘The Study of Efficiency of Using Third-Party Logistics (3PL) In Automotive Industry’. In this research, quantitative method had been use to elaborate or get the result. This is focused on questionnaire to get the data and result.

1.9 SIGNIFICANCE OF STUDY

This section will provide brief description on the Third-Party Logistics (3PL) that is one of the activities in Supply Chain Management. Logistics and supply chain management (SCM) are discriminating for corporate achievement in today’s business surroundings in view of financial globalization and the advancement of information technology (TDC, 2000). The function of 3PL or 3PL providers is to provide a service of outsourcing to the other companies or customers. So in this research, it will focus the research ‘The Study of Efficiency of Using Third-Party Logistics (3PL) In Automotive Industry’. The proposed of study will help the industry company (SC company like manufacturer) in the decision on outsourcing their goods or product using the 3PL providers.
1.10 OPERATIONAL DEFINITION

Supply Chain

Characterized as an incorporated methodology wherein various different business substances (i.e., suppliers, manufacturers, wholesalers, and retailers) cooperate in a push to procure raw materials, change over these raw materials into detailed last items, and convey these last items to retailers.

Third-Party Logistics

The principal 3PL is having their own warehouses, transport fleets and their credits are often deployed throughout the world. The function of 3PL or 3PL providers is to provide a service of outsourcing to the other companies or customers.

Service Quality

The service quality scale is received to measure the relationship between supply chain partners (organization that executing the 3PL) and the administration nature of 3PL administration suppliers that concentrated on transportation on conveyance complete items to the others. The service quality scale was produced and exactly accepted amid the late 1980s by Parasuraman et al. (1988, 1990). Service quality was intended for application over an extensive variety of administration commercial enterprises to measure client desires of administration or service.

Organizational Effectiveness

A decent organizational structure of attains organizational effectiveness in 3PL administration suppliers (Elmuti, 2002). The greater part of the 3PL administration suppliers in this study have particular objectives with measurable conclusions. Anyway in this study, it will concentrated on 3PL suppliers focused around transportation. The overviewed associations were asked to distinguish particular objectives or anticipated profits and to demonstrate both the anticipated and genuine rates of change accomplished as an issue of supply chain management.

Relationship Management

At the point when 3PL service providers convey administrations or services to their customers or clients, they regularly find that the services that are furnished in conjunction
with the item or product are thought to be more paramount by clients than the item itself. It has been uncovered that various elements that clients consider to be most critical to their general fulfillment are service-related intangibles (Cann, 1995). Parasuraman et al. (1985) verified that a significant number of these components cover with administration or service quality. Berry and Parasuraman (1991) reported a comparable center gathering study, in which the consequences of desirable service quality, for example, being an accomplice, being an augmentation of my organization, and the need to know administration expert were uncovered.
CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

In this section (literature review), it will describe the flow and process in supply chain which is focused on logistics to third-party logistics (3PL). The content in this literature review include overview of supply chain (SC), logistics and supply chain management (SCM), third-party logistics (3PL) concept, benefit of third-party logistics (3PL), factor on independent variables towards third-party logistics (3PL) and financial performance of implementing third-party logistics (3PL)

2.2 OVERVIEW OF SUPPLY CHAIN

A supply chain (SC) may be characterized as an incorporated methodology wherein various different business substances (i.e., suppliers, manufacturers, distributors, and retailers) cooperate in a push to procure raw materials, change over these raw materials into tagged last items, and convey these last items to retailers. This chain is generally portrayed by a forward stream of materials and a retrogressive stream of data. For a considerable length of time, scientists and professionals have fundamentally examined the different courses of action of the supply chain (SC) separately. As of late, then again, there has been expanding consideration set on the execution, outline, and examination of the supply chain (SC) as an issue.

From a pragmatic angle, the supply chain (SC) idea emerged from various aspects in assembling environment, expending costs of assembling, contracting asset or resources of assembling basses, truncated item life cycle, and the worldwide business sector. Now days investment has looked to widen the customary inventory network (SC) for reverse logistics.
To join item recovery for reasons reusing, re-assembling, and the re-usage. Inside assembling research, SC idea developed to a great extent out of logistics activities. An expansive part of the examination here is concentrated around the commendable activities of Clark and Scarf (1960) and Clark and Scarf (1962). Intrigued peruser is suggested Federgruen (1993) and Bhatnagar, et. al. (1993) towards extensive audits of models. Furthermore, supply chain (SC) was the whole process of logistics that obtain from raw materials to finish goods or ends products.

The SC starts with the extraction of raw materials and passes through producers, warehouses, and retailers to achieve the last client. On the other hand, specialists from distinctive fields have differing definitions for SC, and there is no exceptional definition in the writing (Tan, 2001). For instance, La Londe and Masters (1994) define SC as a set of firms passing materials forward, which is very general. Scott and Westbrook (1991) have characterized SC in more detail, as an issue that join distinctive parts of the production and supply transform, from raw materials to the last product in a client's hands. This procedure incorporates a few hierarchical limits. New and Payne (1995) likewise characterize SC along these lines.

The SC can be seen from an alternate viewpoint. The retailer's objective is to have products accessible for clients. From this stance, transportation and coordinated logistics are likewise critical SC activities. Logistics is the administration of the stream of merchandise and services in the middle of suppliers and last clients to fulfill client request. This includes the coordination of data, transportation, stock, and warehousing. The final result, conceivably, is that last products are transported from makers to retailers productively and consider stock substitution and the reduction of transportation expenses.

Therefore, SC is an integrated process in which many actors like raw-materials producer, manufacturers, wholesalers, retailers, and transportation companies that must cooperate to produce the final commodity and distribute it among users (Eksioglu, 2002). Figure 2.1 shows Beamon’s (1998) definition of the SC process.
Figure 2.1: The supply chain process (Beamon, 1998)

The SC can be divided into two processes:

a) Production planning and inventory control
b) Distribution and logistics

The production planning and inventory control process includes the production and inventory of raw materials and final products. Extraction, inventory, and storage of raw materials; production schedule; manufacturing-process design; and storage of the final product in warehouses are the main activities in this process. The production planning and inventory control process includes the manufacturing and stockpiling sub-forms, and their interface(s). All the more particularly, creation arranging depicts the outline and administration of the whole manufacturing procedure (counting raw material booking and obtaining, manufacturing methodology plan and planning, and material taking care of configuration and control). Stock control portrays the outline and administration of the stockpiling arrangements and strategies for raw materials, work-in-methodology inventories, and generally, last items.
The distribution and logistics process includes shipping the final product from warehouses to retailers and other consumption locations. In some industries, the final product is first transported to distribution centers to be distributed among retailers. In this case, inventory control in distribution centers’ warehouses is also included in the process. The Distribution and Logistics Process determines how products are retrieved and transported from the warehouse to retailers. These items may be transported to retailers straightforwardly, or might first be moved to appropriation offices, which, thus, transport items to retailers. This procedure incorporates the administration of stock recovery, transportation, and last item conveyance.

2.3 LOGISTICS AND SUPPLY CHAIN MANAGEMENT (SCM)

2.3.1 Fundamentals of Logistics and SCM

Logistics and supply chain management (SCM) are discriminating for corporate accomplishment in today's business surroundings in view of monetary globalization and the improvement of information technology (TDC, 2000). The Council of Logistics Management characterizes logistics as the piece of a supply chain prepare that plans, executes, and controls the productivity, successful stream, and capacity of goods, services, and related data from the purpose of source to the point of utilization focused around shopper request. Cooper and Ellram (1993) claim that logistics is utilized to guarantee the accessibility of the right item, in the right amount and condition, at the opportune time and place, that achieves the right client, at the right cost.

Logistics business involves transportation, warehousing, inventory management, communication, and information systems, and manufacturing or materials management. It additionally includes a mixed bag of quality included services, for example, bundling, intravel collecting, kitting and light gathering, item revising, value labeling, security labeling, bar coding, sorting, request picking, conveyance affirmation, and call focus help services.

Supply chain management (SCM) is the administration of all logistics movement joins. Quinn (1998) characterizes SCM as the activities that are connected with moving merchandise or goods from raw materials and parts, manufacturing and gathering, warehousing and stock following, request section and request administration, appropriation
over all channels, and conveyance to clients. Table 2.2.1 demonstrates the different meanings of SCM in the writing that is investigated.

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<td>Berry et al. (1994)</td>
<td>Supply chain management goes for building trust, trading data on business needs, creating new items, and lessening the supplier base to a specific original equipment manufacturer (OEM) to discharge administration assets towards creating compelling, long-term connections.</td>
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<tr>
<td>Christopher (1992)</td>
<td>A framework towards associations those are included through upstream and downstream connections in the unique strategies and activities that make regard as amazing customer things and services.</td>
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<tr>
<td>Kueng (2000)</td>
<td>The set of elements, including suppliers, logistics administrations suppliers, producers, merchants, and affiliates, through which materials, items, and data stream.</td>
</tr>
<tr>
<td>Lee and Billington (1992)</td>
<td>Systems of assembling and dispersion locales that obtain crude materials, change them into middle and completed items, and disperse the completed items to clients.</td>
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<tr>
<td>Tan et al. (1998)</td>
<td>Supply chain management includes materials or supply administration from the supply of fundamental crude materials to last item (and perhaps to reusing). Supply chain administration concentrates on how firms use their suppliers' techniques, technology, and capacity further bolstering improve good fortune. It is an administration reasoning that develops conventional intra-enterprise activities by uniting exchanging accomplices with the basic objective of streamlining and effectiveness.</td>
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**Table 2.1:** Definitions of supply chain management

SCM speaks to another administration rationality that coordinates an assortment of business procedures. The Global Supply Chain Forum characterizes supply chain
management as the joining of key business forms from end clients through original suppliers that give items, services, data and quality including for clients and different stakeholders.

2.4 THIRD-PARTY LOGISTICS (3PL) CONCEPT

2.4.1 Introduction to Third-Party Logistics 3PL

Terms such as ‘logistics outsourcing’ or ‘logistics alliances’ or ‘third party logistics’ or ‘contract logistics’ and ‘contract distribution’ have been used interchangeably to describe the organizational practice of contracting-out part of or all logistics activities that were previously performed in-house (Aertsens, 1993; Bowersox, 1990; Lieb, 1992; Sink et al., 1996). Distinctive definitions have a tendency to underscore diverse parts of outsourcing plans, for example, the administration offering, nature and term of connections, execution conclusions, and degree of third party obligation over the logistics process and position/part in the production network.

3PL is normally connected with the offering of various, packaged administrations, instead of recently disconnected transport or warehousing capacities (Leahy et al., 1995). Case in point, it (3PL) likewise can be in term of mailing or networking services. Contemporary 3PL courses of action are focused around formal (both short- and long term) contractual relations instead of spot buys of logistics services (Murphy and Poist, 1998).

A Third Party Logistics (3PL) provider is a firm that provides outsourced or ‘third party’ logistics services to other companies. Third party logistics providers normally have some expertise in coordinated warehousing and transportation services that can be redone to client's necessities (Martin Murray, 2014). Third-party logistics (3PL) includes utilizing outer associations to execute logistics exercises that have customarily been performed inside an association itself. As indicated by this definition, third-party logistics incorporates any type of outsourcing of logistics exercises at one time performed in house. For instance, if an organization with its own particular warehousing offices chooses to utilize outside transportation, this would be a sample of third-party logistics. Logistics is a rising business territory in numerous nations.
On the off chance that you outsource your logistics necessities to a service provider, that service provider is known as a third party logistics provider. In industry speech, these service providers are likewise alluded to as 3PL. One of the fundamental qualities of the ecommerce ideal model is that members get to perform parts that they spend significant time in. As a result, outsourcing to a third party logistics organization fits well with the ecommerce ecosystem.

2.4.2 Third-Party Logistics (3PL) Characteristics

Most 3PL have concentrated their services through separation, with the extent of services enveloping an assortment of alternatives going from constrained services to expansive activities covering the supply chain. A 3PL company is a private firm that gives logistics services under an agreement to an essential maker, seller, or client of an item.

2.4.3 Third-Party Logistics (3PL) Concept (use of third-party logistics services)

Throughout the most recent decade, various studies have inspected the issue of logistics services outsourcing in diverse nations. Firms are progressively trying to treat logistics operations deliberately further bolstering increase good fortune however regularly fail to offer the ability to run effective logistics services. Hence, there is a trend to outsource logistics activities (Dapiran, et al. 1996). Dapiran et al. (1996) have exhibited an outline of the 3PL use by vast Australian firms. The discoveries of these creators show that the Australian firms are equivalent to US firms in their utilization of 3pl services, with more than one-fifth of the organizations describing their dedication to 3pl as broad and one-quarter of the organizations assigning more than 50% of their aggregate logistics plan to contract providers. Fleet management, warehouse management, and shipment combining were the most often outsourced logistics services.

Different studies have been headed in the past to center the destiny of logistics services. Lieb et al. (1993) dissected the learning of the US and European manufacturers in using 3PL services. The creators tried the accompanying segments in portraying the level of use level of obligation to the utilization of 3PL; rate of aggregate logistics plan allotted to third party providers; topographical scope gave by third party firms; the third party services
used, for example warehouse administration, shipment merging, armada administration, request satisfaction, item returns, transporter choice, logistics data frameworks, rate transaction, item get together, request preparing, stock renewal; and the nature and length of third party contracts. The study exhibited that European firms were on a very basic level more devoted and distributed a greater offer of the general logistics plan to their 3PL association, as appeared differently in relation to their US accomplices. Regardless, associations from both territories agreed that outsourcing need not be a win or forget about it.

Given the becoming criticalness of logistics outsourcing, the degree of its utilization has been generally analyzed in diverse nations and near examinations have been embraced to assess the execution. A comparative analysis of the experiences of US and European manufacturers in using third party logistic services was undertaken by Lieb et al. (1993) and the accompanying elements were tried in characterizing the degree of utilization:

a) levels of duty to the use of third party logistics (3PL) (running from broad to extremely constrained);
b) budget portion of aggregate logistics plan to third party providers;
c) geographical scope gave by third party associations (household versus worldwide);
d) utilization of third party services named warehouse administration, shipment combining, armada administration, request satisfaction, item returns, bearer choice;
e) logistics data frameworks, rate arrangement, item gathering, request preparing and stock renewal; and
f) Nature and length of third party contracts.

The study inferred that European associations were altogether more dedicated and apportioned a bigger offer of the general logistics plan to their 3PL company, as contrasted with their US partners. On the other hand, a mix of inner and outside logistics services was found to give better control and offset to guarantee consistency and adaptability, and cross fertilization of best practices and industry ability. There appeared to be agreement on the services that ought to be outsourced: warehousing, shipment merging, and armada administration were the three services most every now and again outsourced. Just about all respondent organizations in the review were found to have arranged particular 3PL contracts of periods running from one to three years. The key distinction that was watched was