

Effective Supplier Management in Logistic Industry: A Case Study of Pakistan

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ABSTRACT

Logistics is movement of good from point of origin to point of consumption. The logistics is the major component of today's business operations and consider most critical factors and play a vital role in success of business. The mostly companies rely on third party logistics to save cost and get more efficient result from specialized service providers. The purpose of this research is to investigate the effectiveness of logistics and Transportation Company and the deficiencies that results in a declining performance and their root causes. This paper highlights the economical social and technological effect on smoothness of logistics and transpiration provider as well as their internal factor which affects the efficiency of services. Data collected through interview via telephonic and face to face meeting. Survey tool used was questionnaire. The most important recommendation is that how manager and supervisor can design the strategies for choosing good logistics provider and important internal inefficiencies to achieve targets. The primary contribution of this research is that it highlights the 3rd party logistics relationship and achieving maximum level of services to realize the competitive advantages.

KEYWORDS Third Party Logistics, Transportation Industry, Material Handling, Logistics Packaging, Pakistan

1. INTRODUCTION

Freight forwarder and contract logistics is a rapid growth industry. Though such growth is expected to stop some point at 3% from past five years to 1.5 coming term, that rate will likely to outpace the global GDP, which is possibly a good standing in current economic scenario which logistics companies will be facing in coming years. For example route planning for trade is more competing and their competition rate will be higher which leads to fall of freight rates. This situation has challenged the bargaining power with shipper as there other cheaper options available for customers. One important strategy to cope up with these issues is to use same level sheet to boost up and acquire niche players in major trade routes and emerging markets (Upadhyay, 2016).

Supply chain management is the planning leading and controlling of all activities related to purchasing of all raw material production management and including all logistics activities to deliver to end customer. It also includes flow of information between all counter parts including supplies, third party service provide and customers. Furthermore, supply chain links all supply and demand management activities across the company. SCM includes collaborating major business processes with and across the companies within a competitive business model. It include management of all activities as well manufacturing operations and coordination of activities across the sales and marketing, product design, finance, information technology and customer services (Canadian Supply Chain Sector Council, 2016).

Logistics is basically part of supply chain management. It primarily includes inbound and outbound transportation management, warehousing, material handling, packaging, processing and information sharing across the whole activities. There are various other activities including procurement production planning packaging and transformation of raw materials into finished goods. Logistics is also part of all types of organizational planning and is included in both operational and strategic level (Supply Chain Sector Council, 2016).

1.1 Background

This study is conducted on the operational effectiveness of ABCQ and highlight the deficiencies or inefficiencies in logistics operations and provide recommendation to overcome problems and barriers. ABCQ is the world largest courier and freight forwarding company, serving more than 220 countries and territories, connecting markets around the world within the three business days. The unique routed authorities and transportation structure with cutting edge information technology provide real time information. ABCQ is providing fastest delivery services of more than 3.6 million shipments approximately each day.

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The effectiveness of logistics and transportation industry is already evaluated in developed countries like USA, Japan Europe etc. and action is also taken for the required improvement and betterment. However, the development of logistics sector in Pakistan is still need to be discussed. Mostly companies are giving license to Pakistani local companies to run their operations like ABCQ but Pakistani license holder companies are ignoring the international standard in some aspect. The purpose of this research is to highlight the operational effectiveness of ABCQ in Pakistan as compare to other developed countries.

1.2 Problem statement

There are many researches which are conducted on efficiency of logistics and transportation provider companies and the effectiveness of their operations. Researchers found that there are number of factors that affect the efficiencies of logistics and transportation provider companies including technological, environmental, and social including workplace effectiveness and security. In developed countries there systemized operations requiring no need to upgrade things and structure. There are number of factors that are a matter of concern in developing countries including economic and social factors. There is a need to study the operational inefficiencies and their major roots causes in Pakistan.

1.3 Research Objective

The objective of this case study is to overview the overall structure of company operational process and its impact on organization performance and goodwill in market as well as its brand image. This includes transportation analysis, information technology, human resources polices and strategic outsourcing.

1.4 Research Question

- What are the factors that affect the logistics and transportation efficiency of ABCQ in Pakistan?

1.5 Scope of the Study

The flawless delivery of shipments as per international standards and commitment with customer is most important to maintain international service level. There are various factors which are affecting the operational activities of the company as well as company internal factors such as employee problems, HR issues etc. The highlighted factors will surely benefit and enhance company performance and image among the customers in market by overcoming highlighted barriers. This study will also provide recommendations for the managers and future researchers.

1.6 Limitations of Study

The main limitation for conducting this research is the lack of time. Face-to-face and telephonic interviews with manager and supervisors were conducted. Due to lack of time and availability of staff makes it difficult to cover all aspects. Secondly, interview with night staff was conducted via telephone which is also not as much helpful as compared to face to face interviews. The other limitation is the lack of finance.

2. LITERATURE REVIEW

Today competition is focused on service rather than physical product. The cost of logistics activities has major impact on company revenue. 3rd party logistics partners are becoming a popular choice in 21st Century. The 3rd party logistics partner is the businesses which covers transportation need of the company by providing excellent services (Gronroos, 2000). The 3rd party logistics involved outsourcing of companies to perform their logistic operations that have already been performed within the company. These services include whole logistics process of some types of logistics activities (Lieb & Kendrick, 1992).

Third party logistics is provided by logistics partner on behalf of shipper consists of transportation and warehousing activities, other activities includes; information sharing, real time information and inventory management, value added activities, such as secondary assembly and installation of product and even supply chain management (Berglund, 1999).

Logistics management is movement of material from point of origin to point of consumption in order to fill requirement of customer or organization. The item managed in logistics can be consignments and animals imported from other places, etc. The movement of physical items includes collaboration of information flow, inventory management and warehousing, transportation and packaging (Li, 2014).

The collaboration of different functional areas within the company to extend, the movement of goods from strategic supplier through production and distribution channel to end customers (Houlihan, 1987).

Supply chain is all network of getting raw material from various vendors, includes pulling and transformation raw materials manufacturing and delivering to end user (Saunders, 1997). The success of supply chain management relies on breaking the barriers not only with the organizations but among the companies which are involved in whole supply chain process (Vollman, 1997).

The performance measurement tool updates objectives which are required to cover up firm mission; mostly firms have been seen evaluation to provide decision on the cost and effectiveness (Skinner, 1971).

Supply chain includes all stages directly or indirectly to cope up with customers' needs (Chopra & Meindl, 2001). It also includes the integration of activities lying among the chain of activities that include procurement of raw material and transform them into finished good and then deliver to end user through proper delivery channel (Lee & Billington, 1995). Supply chain management include the movement of goods from supplied via production process to end customers (Scott & Westbrook, 1991). Supply chain collaboration is the degree of all processes among the company supplier and customer who are integrated with each other (Steven, 1990, 1998; Stock et al., 1998; Narasimhan & Jayaram 1998). Supply chain collaboration includes good communication between all supply chain partners (Turner, 1993). In supply chain management the flow of information has major impact depicting the importance of real time and correct information which is the most critical element for effectiveness of logistics activities (Jonsson, 2008).

The companies are cutting down number of outsourcing and rely on one outsourced subcontractors (Svensson, 2003). The service provider by third party logistics categorized a model contains both physical and executive level services (Dornier et al., 2008).

Logistics is the major element of developing systems within the supply chain management and the organization which are utilizing a logistics service provider being major element developing supply chain (Rafele, 2004). Logistics effectiveness is the ratio of resources consumed against the output achieved. Furthermore, its measurement show how the resources are consumed (Gunasekaran & Kobu, 2007). The logistics outsourcing have both pros and cons the major cons is loss of specific function by target party meanwhile the pros are attention on main competencies and facilitating technological flexibility (Levi et al., 2003).

The logistics sector is the invention of new services which not only focuses on transpiration but also need to fulfill the all needs of clients. This shows flexibility that logistics services in market intend to offer services. The logistics service provider (LSP) is the relationship with one client and offering greater services and greater reliability in operational layout to provide services (Chapman et al., 2003). Logistics function facilitates distribution channel and provide material handling, safety information and safe environment as well (Jonson, 2000).

No matter what is logistics consideration packaging is one of the major attribute as perceived by customer. Packaging is crucial factor in decisions making because it communicates material handling to end user. The expectation while purchasing, customer expect safety of that product till they receive it (Kupiec & Revell, 2001).

Packaging is considered for safe and proper material handling movement to and from warehousing, consumption recycles with extra user value and more return on sales (Saghir, 2004). The packaging is necessary for the protection of good from environment and environment from goods as well. Affective packaging is also beneficial for distribution, warehousing and material handling. This leads to cut cost and lead time in supply chain. Tailor made packaging is also beneficial to overcome package waste (Björnemo, 2000; Ten Klooster, 2002).

The reverse logistics is a procedure where manufacturer take the responsibility of previously shipped good from ender user to recycle or re-manufacturing purpose (Carter & Ellram, 2003).

Outsourcing is the strategy some companies experienced to fulfill their procurement. The major impact of outsourcing is cost cutting. Outsourcing requires excellent strategy which meets production requirement and company quality level to cope up with desire needs. Some point that will guide companies in their decision includes workforce service, the facility, the gap among the supply point and corporation, which includes how long it will take the ordered good delivered, availability of outsources staff within expected turn over time (Series, 2003).

The supply chain management practices collaborates the set of actions that comparatively link with supplier, distribution till end customers to enhance long lasting business effectiveness and supply chain practices (Chopra & Meindl, 2001).

Strategic Supplier partnership need good communications between the companies and its supplier, organizations need to have long lasting relationship with supplier to enhance value. The strategic supplier partnership can be defined as long lasting relationship among the companies and its supplier and operational caliber of each participating organizations to help them attain worthy running benefit (Li, 2006; Monczka et al., 1998).

To gather and update information various types of information handling devices is used in logistics and supply chain management (Copacino, 1998). Communications method consists of different of communication channels among the organizations. Apart from most common methods, telephone-mail and fax, the electronic data access is also used between the companies to share information (Arunachalam, 1995). The identification system is used to automatically scan data and recognize goods in flow process. The bar code is least popular method for goods identifications (Jonsson, 2008). Information system facilitates tracking of products and shipments. The significant information e.g. location, time and address are also coded in system (Holmstrom, 2008).

The knowledge management includes both persons and group within and across the companies managing tacit and explicit knowledge to make good decisions, take initiative and provide output to support business strategy (Horwitch & Armacost, 2002). Logistics knowledge is crucial for organization to fulfill customer wants for product and services in order to provide efficient services (Davenport & Klahr, 1998).

The good customer response is a supply chain management strategy which initiates to communicate the in competencies within the supply chain management (Hoffman & Mehra, 2000). It is important to contain environmental and social practices in all phases of supply chain to maintain competitive advantage (Rao & Holt, 2005).

The management of supply chain operations includes information sharing, funds allocation and resourcing to gain profit while maintaining corporate social responsibility (Hassini *et al.*, 2012). Supply chain management of capital information, knowledge and material among the organizations while taking three important dimensions of development including, economic, environment and society; into consideration which arises from customers and shareholder demand (Seuring & Müller, 2008). The sustainable supply chain management requires vision to highlight economic, environmental social part of business activities (Stevenson & Spring, 2007). The most manufacturers utilize intermediaries to bring their product to market. They use interdependent companies in the process of transforming product of services available to utilization for business to end customers (Kotler, 2009).

3. METHODOLOGY

The study was conducted to analyze logistics operations efficiency of the company. The telephonic and face to face interviews were arranged. The key source of information were managers and supervisors who were responsible for dispatching loading unloading deliveries and maintenance of inventory level of packaging material as well as its quality. Such key informants have good knowledge of the phenomenon being studied and are having good position to light up the relationship being under consideration. The research is conducted on the world leading transportation and freight forwarding company ABCQ.

3.1 Research approach:

This study is based on qualitative approach techniques to highlight the reasons and opinions. It is updated to give proper insight for problems and help to develop ideas for potential research. Qualitative research also used to open up issues and get deeper understanding of the problem. It's using semi-structured techniques which includes pre-determine set of open questions. The most common research method included face to face interview and telephonic interviews. The sample size in qualitative approach is very lesser. It provides real time data and information through purposeful discussion.

3.2 Research purpose:

The purpose of this research is to get information about the company and study whole logistics process to know how the things being implemented practically. The exploratory nature of research helps to get information about problems through primary and secondary research, which has not been clearly defined before.

3.3 Research design:

The exploratory research characterized by high degree of flexibility and lack of formal structure. It involved reviewing literature on the identified factors and focus group interview and data collection from articles, magazines, previous report and any other authentic sources where data is being stored and can be retrieved. The main aim of exploratory research is to limit the boundaries in which problems are likely to reside and identify the salient factors that are relevant to research.

3.4 Data Source:

The data is collected from company website manuals and managers and supervisor.

3.5 Target population:

The target population for conducting this research was company human resources, including managers and supervisors.

3.6 Sample size:

The sample size of the study is world renowned transportation and freight forwarding company.

- ABCQ

3.7 Data collection technique:

The data is collected through face to face and telephonic interview. The interviewer get highest response rate in this survey. Questions are clear and encourage prompt responses. This technique is very useful to get in-depth information. The telephonic interviews were conducted with night shift staff whose availability is difficult in morning. This method is less time consuming and enable to researcher to get data from anywhere at any time. Scheduling of interview is necessary which lead to less time consuming and more flexibility.

4. DISCUSSION & CONCLUSION

4.1 Discussion

This study investigated the operational effectiveness of ABCQ and highlight the operational deficiencies. During this activity, the short term operational decision and long term strategies is measured. Internal and external factors, which are affecting the operational efficiencies of the company and providing the suggestions to cope with those inefficiencies were also investigated.

The hiring of third party logistics partner to fulfill transportation needs to fill up their short term and long term benefit. If the transportation company totally depend on their own transpiration in all territories where the volume of the shipments is very low its leads to extra fuel cost which will affect the company overall revenue. The long term relationship with third party logistics provider is necessary to maintenance the standard service level and meet, the customer commitments and save company revenue. Company need to build up strong procurement strategy and maintain relationship with vendor for procurement of packaging material in order to attain benefits. The good procurement of packaging material leads to safety of material handling and shipment both.

The information sharing is most important factor. To gather and update information various types of information handling devices is used on logistics and supply chain management (Copacino, 1998). Company need to develop more automated devices for real time information which will help in updating customers. The modern communication method based on data base rather than telephonic and fax as Arunachalam (1995) identified that communications method consists of different of communication channels among the organizations. Apart from most common methods, telephone-mail and fax, the electronic data access can be used to share information. Company need to build bar code scanning for saving time and disseminating correct information in small city. As discussed by Jonsson (2008) the identification system is used to scan data automatically and recognize goods in flow process.

The bar code is least popular method for goods identifications. ABCQ is not fully operational throughout the country. It includes some logistics activities including the 3rd party logistics involved outsourcing of companies to perform their logistic operations that have already been performed within the company. The services can be included in whole logistics process of some types of logistics activities (Lieb & Kendrick, 1992).

The outsourced packaging material plays a vital role for services excellence. Company mostly outsource their packaging material as reported by Kupiec & Revell (2001) that packaging is one of the major attribute which perceived by customer. Packaging is crucial factor in decisions making because it communicates material handling to end user because customer expects a product safety as the first priority of the logistics firm. Packaging has major impact on company sales. Saghir (2004) concluded that packaging is consider for safe and proper material handling movement warehousing, consumption recycle with extra user value and more return on sales.

4.2 Conclusion

The objective of the research was to differentiate the angle of strategic and operational management. The Strategic Management contains processes that represent long-term strategic trend and operational support for project teams adopting supplier involvement. These processes also put in to build up a willing and capable supplier base to meet the current and changing future technology and capability needs.

The ABCQ is facing operational problem both internally and externally. There are number of factor which are affecting the services of company. There is a lack of educated courier staff which creates difficulties in reading airway bill and international service reference guide. The 3rd party logistics providers are not meeting the international service standard. There is a need to sign contract with good third party logistic provider whom services are good and meet the customer requirements and international service quality standard at a low cost. The communication system of third party provider is not automated which leads to delay in shipment status. By making good relationship with third party and ask them to assign special person to give on time shipment status will help to get real time information. Training session with 3rd party should be conducted to understand how shipment can be handled and how courier staff should behave with customers while making a delivery. The quality of outsourced packaging material is not meeting international standard which lead to damage. Company should make packaging material on special contract from supplier by giving them international quality standards. The IT infrastructure is not fully developed in small cities which require more human efforts. Company should invest in fully automated information system so that customers get real time information. There are number of external factors which are also affecting the service level. The law and order situation in country is changing every day political protest affecting on time delivery and major impact on business of the company. During law and order situation the internet services are mostly shut down by Govt. to stop terrorism but this disconnection from whole world causes difficulty for customer from all over the world to get status of shipment. The shut of airport leads to delay in both import and export shipments. Customs rule and regulations are not constant in the country which cause difficulty in communicating internationally. For-instance, ABCQ on time information which allow

international customer send banned shipments etc. Fuel prices ups and down also impact company's' revenue inflation rate.

4.3 Recommendations:

4.3.1 Practical Recommendation:

The following recommendations should be given consideration for a smooth flow of operations process

- Need to arrange training session for courier and hub officer.
- Hire good 3rd party logistics partner for out of delivery area for excellent services.
- Install automated IT system in small cities for on spot real time information and lesser human efforts.
- Company should outsource good packaging material by or make an order by giving them sample of international packaging.

4.3.2 Future Research Avenues:

The following research avenues can be taped by the research students and academicians.

1. The comparative study can be conduct with comparing logistics and transportation between different companies and industries.
2. This study is of qualitative nature. Quantitative research can also be conducted in this industry to get information in figures which make easy to evaluate the results.
3. A research can also be conducted to study overall industry sector of logistics including air transport, sea and road.

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ANNAXURE-I Survey Results

Q1: Internal factors that affect the logistics and transportation efficiency of ABCQ in Pakistan

Operation Manager	Export Manager	Dispatch Supervisor	Compliance Supervisor
<ul style="list-style-type: none"> • Incompetent 3rd party logistics service provider in some cities. They hard to cope up with company’s international service standard, which leads to delay in delivery and damage of shipments. • The lower quality of services by cheap transporter. • The third party logistics attitude with customer is not good which also affect the services level. • They have not proper material handling equipment. Frequently used un-serviced vehicle leads to delay in delivery time and damage of shipments. • Rotation of couriers routes leads to more exception and delay in delivery. 	<ul style="list-style-type: none"> • The quality of outsourced packaging is not good. It hardly meets the international standard leads to package damage etc. • Customers Complaint is increasing day by day due to quality of packaging. • There are lesser number of materials handling equipment which require more human efforts and lesser safety standards. 	<ul style="list-style-type: none"> • There is no separate warehouse for shipment, both goods and shipments stored in same warehouse. • There is lack of availability of scanners leads to more paper work and human efforts. 	<ul style="list-style-type: none"> • There are no proper scanning devices in small cities which lead to delay in updating the information. The major reason behind lack of availability of scanning devices is because of the less number of consignments in small cities. • Customer services are also effective with no real time update on system. • The 3rd part logistics are totally manual. It is also inefficient.

Table 1a – Survey Results

Q2: External factors that affect the logistics and transportation efficiency of ABCQ in Pakistan

Operation Manager	Export Manager	Dispatch Supervisor	Compliance Supervisor
<ul style="list-style-type: none"> • Law and order situation protest and blockage of roads affect delivery timetable. • Fluctuation in exchange rates • Inflation • Immensely increase in fuel price • Electricity problems 	<ul style="list-style-type: none"> • Change in custom tariff. • Invention of new custom software • More complex export process • Customs staff behavior 	<ul style="list-style-type: none"> • Law and order situation • Construction of roads affect the deliveries 	<ul style="list-style-type: none"> • Due to protest, Govt. stops internet services which impact on information update.

Table 1b – Survey Results