

Drivers of Outsourcing and Selection Criteria of 3rd Party Logistics Service Providers

Habibullah Khan

Faculty of Management Science,
Khadim Ali Shah Bukhari Institute of Technology, Karachi Pakistan
Email: hu.khan4@gmail.com (*Corresponding Author*)

Syed Karamatullah Hussainy

Faculty of Management Science,
Khadim Ali Shah Bukhari Institute of Technology, Karachi Pakistan
Email:

Abdullah Khan

Faculty of Management Science,
Khadim Ali Shah Bukhari Institute of Technology, Karachi Pakistan
Email:

Kamran Khan

Faculty of Management Science,
Khadim Ali Shah Bukhari Institute of Technology, Karachi Pakistan
Email:

Umer Farooq

Faculty of Management Science,
Khadim Ali Shah Bukhari Institute of Technology, Karachi Pakistan
Email:

Mohammad Masood Mir

Faculty of Management Science,
Khadim Ali Shah Bukhari Institute of Technology, Karachi Pakistan
Email:

ABSTRACT

Previously various studies were conducted concerning the outsourcing and selection of 3PL in different countries but this study aims to find out the reasons of outsourcing and selecting a 3PL from the different industries of Pakistan. The study aimed to collect the data from the manufacturers working in different industries in Pakistan. The researchers have used mean testing to rank the factors as per their importance and the data of 125 respondents were gathered for analysis. Study has found that reduction in the logistics costs is the most important reason for outsourcing 3PL and service quality is the most crucial factor for the selection of any 3PL service providers in Pakistan. The research aims finding the factors for the reasons of outsourcing and selection of a 3PL but it would be useful finding the impact of outsourcing the logistics activities on the organization's performance through qualitative and quantitative approaches. The research provides a vital and practical direction to the Pakistani organizations regarding the decisions of outsourcing and selecting a 3PL service providers. The research will help finding the reasons of outsourcing and

selection of any 3PL party. The research aims finding the reasons and selection of 3PL in the organizational perspective of Pakistan as there are very limited past conducted studies.

Keywords: 3PL, 3rd party logistics, Adda-Waala, outsourcing, reasons, selection criteria

1. INTRODUCTION

Organizations are more keen to achieve the market share globally and take the benefits of improved sourcing and production efficiencies (Aktas, Agaran, Ulengin & Onsel, 2011). Sum et al. (2001) discussed that the supply chain management is a key driver for the successful business performance because it ensures the flow of products, goods and information in a smooth manner throughout the organization's supply chain. Aktas et al. (2011) further added that the vital supply chain management is basically reliable and providing the high-quality logistics services. Logistics' operation is a challenging function of SCM and hence it

requires additional knowledge and expertise of the field to deliver the product or material from the point of origin to the point of destination in an efficient and effective manner. Outsourcing has become a dynamic business activity in the modern business arena and organizations are outsourcing their non-core business activities to focus more on their main business function. Logistics is an important function of supply chain which plans, implements and handles the reverse and forward flow of goods, services and relevant information between the point of destination and the point of origin for the fulfillment of customer requirements (Aktas & Ulengin, 2006). Third-party logistics was previously better known as logistics outsourcing (Marasco, 2008). The familiarity of Third-Party Logistics service providers are getting increased with the growth in the demand for logistics services' advancement (Hertz & Alfredsson, 2003). Organizations are more often interested working and focusing on their core business (Rahman, 2011; Sahay & Mohan, 2006) which enhanced the growth of third-party logistics service providers business. Aktas and Ulengin (2005) further discussed that organizations are supposed to outsource their logistics operations to let themselves focusing on their core businesses. Researchers are keen to work in the field of 3PL with the swift demand of usage of 3PL by the organizations for managing all or some of their logistics' operations (as cited in Marasco, 2008). Firms are now outsourcing their logistics services with the 3PL service providers which helps to reduce their logistics cost as well (Sohail & Sohal, 2003). Sahay and Mohan (2006) have conducted a research in which they found that outsourcing the third party logistics (3PL) help the organizations to concentrate more on their core competencies. There are several other advantages and reasons of outsourcing third party logistics service providers which have enhanced the organizations to move on with the 3PL. Logistics is an important supply chain activity; its entire productivity and effectiveness depends upon the smooth flow of transportation that's also one of the reason of outsourcing the 3PL service providers to focus on their core functions (Sahay & Mohan, 2006). Organizations are moving towards 3PL to become efficient through outsourcing their logistics services (Hum, 2000) and they are making the third-party logistics service providers as their strategic partners. One of the reasons for outsourcing the logistics' activities is decreasing of the labor costs, some warehouses, vehicles and excess inventories (Rajesh, Ganesh and Pugazhendhi, 2013).

The awareness and enhancement of 3rd Party Logistics service providers have increased swiftly and most of the organizations have almost outsourced their logistics services because of the cost reduction, improvement in the service quality and efficiency in the inventory management (Aktas, Agaran, Ulengin and Onsel, 2011).

Some similar researches have previously conducted in USA, Europe, India, Iran and many other countries (Hwang, Chen & Lin, 2016; Akbari & Hopkins, 2016; Lieb & Randall, 1996; Sheffi, 1990; Sahay & Mohan, 2006; Sohail & Sohal, 2003) but 3rd party logistics has not yet explored in the Pakistani context. Even the developing countries are getting benefit from outsourcing which enhances their customer's satisfaction (Akbari & Hopkins, 2016). Pakistani environment is totally different as it is completely uncertain, unambiguous and complex (Gulzar & Henry, 2005) which makes it necessary studying the 3PL in Pakistan. Recent

agreement on China-Pakistan Economic Corridor (CPEC) has increased the entire economic condition of Pakistan (Irshad, Xin & Arshad, 2015). It will strengthen not only the public but also the private sector of Pakistan (Irshad et al., 2015). Most importantly, UN Security Council lifted the sanctions imposed on Iran in January 2016 and now they can trade with the international bodies (Akbari & Hopkins, 2016) which can enhance the business opportunities between Iran and Pakistan. Therefore, the business of 3PL will also be strengthened and it would be helpful to find out the reasons of outsourcing third-party logistics service providers. Second and most importantly, it is extremely necessary to identify those factors which are evaluated before selecting a 3PL service providers.

2. REVIEW OF THE LITERATURES

2.1 *Third-party Logistics*

Third-party logistics or so called TPL and 3PL does not have any single definition. Different researchers explained the 3PL by their perceptions (Marasco, 2008). Lieb (1992) defined the third-party logistics as the traditional logistics function which was previously performed in-house but then it is given to the external companies to do the logistics operations. Similarly, Marasco (2008) has discussed that 3PL is the outsourcing of the logistics operations which was previously performed initially. Similarly, Berglung, van Laarhoven, Sharman and Wandel (1999) discussed the third-party logistics are the entire operations which are carried by the logistics service providers on the behalf of shipper and it includes at least the operations of transportation and warehousing. Another researcher added that TPL is the collaboration of seller, buyer and logistics service provider in the supply chain (Bask, 2001). Most importantly, 3PL services is not just transportation and warehousing functions but rather it is a package of multiple and bundled services (Leahy, Murphy & Poist, 1995). It has been concluded that third-party logistics is also known as TPL or 3PL and it is an external company that provides logistics operations to the firms on the basis of expertise which let the organizations focusing on their core businesses. It is basically the combination of buyer, seller and third-party logistics service provider which gives its logistics expertise and it is not only limited to the warehousing and transportation. It also includes the other functions such as fleet management, order fulfillment & processing, tracking & tracing, freight payment & auditing, inventory management, logistics information system, freight forwarding and customs brokerage (Dapiran, Lieb, Milen & Sohal, 1996; Laarhoven et al., 2000; Boyson, Corson, Dresner & Rabinovich, 1999; Sohail & Sohal, 2003).

A study have shown that organizations outsource their logistics operations for some reasons and then evaluates the criteria for the selection of a 3PL service provider (Selviaridis & Spring, 2007). Organizations initially identify the need for the outsourcing and then they develop the criteria for the selection of 3rd party logistics service providers (Akbari & Hopkins, 2016; Yang, 2014). Therefore, this study have made following two themes:

2.2 Reasons of outsourcing 3rd Party Logistics Service Providers

Several researchers have mentioned that cost reduction, service improvement and focus on core-business are the important reasons for outsourcing the 3PL (Boyson et al., 1998; Fernie, 1999; Laarhoven, Berglund and Peters, 2000). However, according to Beaumont and Sohal (2004), outsourcing 3PL does not reduce the cost. Fernie (1999) have found that organizations outsource the 3PLs due to the expertise of contractors and their asset utilization on their business. Similarly, the significant drivers of outsourcing 3PL are cost saving and capital investment reduction (Embleton and Wright, 1998; Claver, Gonzales, Gasco & Llopis, 2002; Corbett, 1998; Razzaque and Sheng, 1998; Trunick, 1989). According to some researchers, outsourcing Third-Party Logistics leads toward the enhancement of business performance and processes (Clott, 2004; Embleton and Wright, 1998; Corbett, 1998). Lau and Zhang (2006) have conducted a research on the drivers and obstacles of outsourcing practices in China in which they have found that Chinese organizations outsource their logistics' activities for the purpose of gaining Business Process Reengineering, focusing on core competencies and increasing of flexibility. Similarly, some researchers have quoted that organizations outsource their logistics for the purpose of reduction in their number of warehouses, labor costs, excess inventories and vehicles (Rajesh et al., 2013). Some other constraints such as limitation of the resources to invest on logistics activities is also a reason of outsourcing for 3PL (Van Damme and Ploos van Amstel, 1996). Some researchers have identified the five categories for the purpose of outsourcing the logistics which are financial reasons, technology, resource and asset management, management skills and personal (as cited in Kot, 2008; Hwang et al., 2016). The technology is a rapidly changing factor and organizations avoid investing in the technological factors because of its constantly changing nature that is why firms outsource their logistics operations through the Third-Party Logistics' service providers because of the high involvement of technology in the operations (Piplani, Pokharel and Tan, 2004). Similarly, Sahay et al. (2006) have found that focusing on core competencies, the

success of firms using 3rd Party Logistics and reduction of the logistics costs are the most important and significant reasons for the outsourcing of 3PL service providers.

2.3 Factors Influencing 3rd Party Logistics Service Providers' Selection

Several factors exist which influences the selection of 3PL service providers such as price, reliability and service quality (Aguzzoul, 2007). Similarly, Aguezzoul (2007) has pointed out more factors influence 3PL service providers' selection which are innovation and good communication. Bagchi and Virum (1996) have discussed that service quality, cost, reliability and financial stability are some of the criteria for selecting Third-Party Logistics' services providers. Additionally, the price has evidenced as one of the most important criteria (van Laarhoven and Sharman, 1994) and some have researched that service performance and quality leads (as cited in Selviaridis and Spring, 2007). Similarly, Banomyong and Supatn (2005) have identified 23 items through reviewing the literatures and fitted them under the mentioned factors which are reliability, assurance, responsiveness, empathy, cost and tangibility for the selection of logistics' services provider. According to their results, offering of up-to-date freight rates and documents' accuracy are the most important and significant factors for 3PL service providers' selection in Thailand. In the same manner, organizations prefer the ease of collaboration, financial opportunities, honesty and quality of operations management and accurate order receipt and follow-up are the important factors for satisfaction (Aktas and Ulengin, 2005). These factors also lead to the selection of 3PL service providers but some of the firms have identified that financial opportunities are the most important factors for their satisfaction and the other factors are less important. Similarly, geographical coverage of 3PL service providers and their length of experience are some of the important factors that enhance the usage of Third Party Logistics services (Sahay et al., 2006). Recent study has shown that cost and quality are the important antecedents of selecting 3rd party logistics service providers in Taiwan's integrated circuit manufacturing sector (Hwang et al., 2016).

Table 1 Reasons of outsourcing 3PL service providers

Items	Sources
Logistics' cost reduction	Aktas et al., 2011; Boyson et al., 1999; Fernie, 1999; Laarhoven et al., 2000;
Diverting Capital Investment	Rahman, 2011; Sahay & Mohan, 2011
Enhancement of business process	Embleton & Wright, 1998; Lau & Zhang, 2006
Expertise of 3PL service provider's	Fernie, 1999;
Focus on core competencies	Laarhoven et al., 2000; Boyson et al., 1999;
Reduction of warehouses and vehicles	Aktas et al., 2005; Rajesh et al., 2013;
Increasing of inventory turnover	Aktas et al., 2011
Enhancement of flexibility in operations	Fernie, 1999; Laarhoven et al., 2000; Lau & Zhang, 2006; Aguezzoul, 2007
Access to emerging technology	Nicolaou, 2004; Trunick, 1989; Razzaque & Sheng 1998; Rahman, 2011; Sahay & Mohan, 2011; Kot, 2008, Hwang et al., 2016
Productivity Improvement	Sahay & Mohan, 2006; Sahay & Mohan, 2011; Lau & Zhang, 2006; Piplani et al., 2004

Table 2 Factor influencing the selection of 3PL Service Providers

Items	Sources
Service Quality	Aktas et al., 2011; Aguezzoul, 2007; Bagchi & Virum, 1996
Geographical Coverage of 3PL Service provider	Sahay & Mohan, 2006
Length of Experience of 3PL Service provider	Sahay & Mohan, 2006
Accurate order receipt and follow-up	Aktas & Ulengin, 2005
Reliability	Aguezzoul, 2007; Bagchi & Virum, 1996; Banomyong & Supatn, 2005
Good Communication	Aguezzoul, 2007; Banomyong & Supatn, 2005
Honesty and Quality of operations management	Selviaridis & Spring, 2007; Aktas & Ulengin, 2005,
Up-to-date freight rates	Aguezzoul, 2007; Bagchi & Virum, 1996; Banomyong & Supatn, 2005; Hwang et al., 2016
Financial stability	Bagchi & Virum, 1996;
Documents' Accuracy	Banomyong & Supatn, 2005

3. METHODOLOGY

The factors were summarized after the extensive literature review and two themes were developed that are factors to influence the outsourcing of 3PL service providers and their selection criteria. The data were analyzed through using SPSS. The data has been collected from the several Pakistani organizations that are associated with the third-party logistics service providers. The target population is the Pakistani organizations that are associated with the 3PL service providers regarding the outsourcing of their logistics operations. The questionnaires were sent to professionals through the e-mail addresses taken from the websites of organizations and LinkedIn accounts. The instrument was sent to 693 professionals but only 125 responded questionnaires which were taken for the final analysis of research. Mostly, questionnaire were sent to the upper management and the supply chain professionals such as managers, deputy managers, assistant managers, senior executives and executives' levels of having experience of 3 years at least. The reason behind selecting the upper

management is because they are the decision takers especially in the small sized companies. Similarly, the supply chain professionals are the vital target population who are responsible for the distribution of the goods or materials from the point of origin to the point of destination.

4. RESULTS

Table 3 indicates the company size where the respondents are working. It shows that 23 respondents are working in the organization where number of employees were less than 50. Twenty nine respondents, 45, 16 and 12 respondents are working in the organizations where number of respondents were 51 to 100, 101 to 200, 201 – 400 and above 400 respectively.

Table 4 indicates the respondents' information with respect to their association with the industry. Result indicates that 14 respondents are from automobile sector, 23 respondents from chemical, 32 respondents from pharmaceutical, 24 from FMCG, 25 respondents from textile sector and 7 respondents are from other unspecified sectors.

Table 3 Company Size

Company Size	Frequency	Percentage
Less than 50	23	18.4
51 – 100	29	23.2
101 – 200	45	36.0
201 – 400	16	12.8
400 and above	12	12.0
Total	125	

Table 4 Industry

Industry Type	Frequency	Percentage
Automobile	14	11.2
Chemical	23	18.4
Pharmaceutical	32	25.6
FMCG	24	19.2
Textile	25	20.0
Other	7	5.6
Total	125	

4.1 Reasons of Outsourcing 3PL in Pakistan

Table 5 shows that logistics cost reduction is the most significant reason for outsourcing 3rd party logistics in Pakistan. Similarly, the results show that diverting “capital investment”, “enhancement of business process “and “expertise of 3PL service providers” are the forthcoming

factors of outsourcing 3PL. Furthermore, the result shows that “expertise of 3PL service providers”, “focus on core competencies” and “reduction of warehouses and vehicles”. Alternatively, “increasing of inventory turnover”, and “enhancement of flexibility in operations” are the factors which are not reasons of outsourcing 3PL in Pakistan.

Similarly, “access to emerging technology” and “productivity improvement” are the least important factors which are not the reasons of outsourcing 3PL in Pakistani perspective. T-test was applied on the reasons of outsourcing 3PL through claiming their mean whether the items have significant difference or not. Sig values in **Table 5** shows that no significant difference have been found as the result indicated that the averages as the sig values are much more than 0.05 and thus accepting the null hypotheses. It means that the average of the below reasons of outsourcing 3PL are very much closer to the claimed values and there are no significant difference.

The study has found the several reasons for outsourcing the 3PL service providers in Pakistan and some other researchers have recommended outsourcing the 3PL (Wilding and Juriado, 2004). According to results shown in **Table 5**, the most important factor that push the organizations towards outsourcing 3PL is the reduction of logistics cost in Pakistan which is supported by other studies as well (Wilding & Juriado, 2004). But some researchers have found that outsourcing 3PL does not significantly decrease the costs as it was expected and sometimes it even increases the cost (Aktas et al., 2005, Beaumont & Sohal, 2004). Enhancement of the business process is also a significant factor for outsourcing third party logistics service providers in Pakistan and it pushes the companies focusing on their core business as supported by the previous studies (Lau & Zhang, 2006). Outsourcing 3PL service providers let the organizations focusing on their core business which increases and enhances their business processes. Pakistani organizations outsource 3PL because their costs get diminish with its usage. Of course, organizations are supposed to reduce their logistics and other expense cost which makes them cost effective and let them concentrate on their core business as found by the result shown in **Table 5**. Similarly sometimes organizations face issues regarding their logistic operations due to lack of expertise (Razzaque & Sheng, 1998) which causes the company outsourcing the 3PL in order to enhance and smoothen their supply chain operations.

The result has shown that organizations outsource the 3PL due to their expertise in logistics operations. Additionally, outsourcing the 3PL service providers lead the company to save their capital and invest in their business operations and it has also found as one the important factors for outsourcing 3PL in Pakistan as supported by the previous studies (Aktas et al., 2005). Additionally, the companies outsource 3PL to reduce their warehouses and vehicles which ultimately reduce their focus and cost. The same result has shown by Rajesh et al. (2013) demonstrating that the outsourcing of 3PL leads to the reduction of warehouses and vehicles. Companies use more vehicles and warehouses with in-house logistics activities as they have to wait until the production reaches to the point where now it would be able to load the goods in trucks to make it on economies of scale through utilizing the full capacity of vehicles. Now it would be the responsibility of 3PL service providers to load and dispatch the goods to the point of destination so the extra vehicles and warehouses would be diminished due to a continuous flow of materials by the 3PL service providers. Alternatively, the result shows that increasing of inventory turnover and enhancement of flexibility in operations are not the reasons for outsourcing 3PL in Pakistan. Lau & Zhang (2006) have studied that outsourcing 3PL service providers increases the flexibility in China but this research shows that it does not increase the flexibility in Pakistan. This may be due to the change of environmental factors. Similarly, the result shows that companies do not outsource 3PL due to involvement in emerging technologies and productivity improvement. Practically it can be understood that the organizations are not need to be concern with the new technologies. It is not related with the outsourcing of 3PL. Similarly, productivity improvement is not a reason behind outsourcing of 3PL which is denying the study of Piplani et al. (2004). It can be understood that organizations implement the technology to control their entire operations including logistics and it does not get changed continuously even if the logistics is in-housed because organizations implement any technology for the long-term purpose (Nicolau, 2004).

Table 5 The Reasons of Outsourcing 3PL

Reasons	Rank	Mean	SD
Logistics' cost reduction	1	4.47	.50
Diverting Capital Investment	2	4.06	.60
Enhancement of business process	3	4.04	.67
Expertise of 3PL service provider's	4	3.98	.89
Focus on core competencies	5	3.75	.82
Reduction of warehouses and vehicles	6	3.44	.96
Increasing of inventory turnover	7	2.15	.83
Enhancement of flexibility in operations	8	2.15	.91
Access to emerging technology	9	1.82	.79
Productivity Improvement	10	1.72	.74

4.2 Factors influencing 3PL service provider's selection

Table 6 shows the factors that are considered while selecting the 3rd party logistics service providers in Pakistan. According to the results, “service quality”, “geographical coverage of 3PL service provider”, “length of experience of 3PL service providers” and “accuracy of order receipt and follow-up” are the significant factors which enhance the

selection of 3PL in Pakistan. Similarly, “reliability”, “good communication”, “honesty and quality of operations management”, “up-to-date freight rates” and “financial stability” are the average rated factors whilst choosing any 3PL. Alternatively, “documents' accuracy” is a factor that are not considered while selecting 3PL in Pakistan. Sig values in **Table 6** indicate the significant difference of the selection criterias from their average. T-test was applied to

check whether the selection criterias have any significant difference from their means or not. As per the result of **Table 6**, result indicated that there is no significant difference between the means as the sig values are much more than 0.05 and thus accepting the null hypothesis stating that the averages are equal to the claimed values.

The result shows that the service quality, geographical coverage and the length of 3PL service providers' experience are the most important factors that influence the selection 3PL service providers. Pakistani organizations focus more on the quality of services provided by 3PL parties to make themselves focused on their core business and operations. The same result has shown by the previous studies as well (Bagchi et al. 1996). Similarly, companies prefer the 3PL service providers that are geographically extended with the high length of experience dealing in the logistics operations as found in the results shown in **Table 6** which is supporting by the previous studies (as cited in Sahay et al., 2006). The companies do not have extensive geographic coverage as compared with the 3PL service providers which is a reason behind selecting the 3PL. Companies foresee the geographic coverage of 3PL while selecting any third party logistics service providers (Thakkar et al., 2005). Similarly, organizations are less experience dealing with their logistics operations while the 3PL service providers are more competent dealing with the transportation and logistics due to their core competencies in that field. The forthcoming important factor found is the accuracy of order-receipt and their follow-up in the selection of 3PL in Pakistani aspect. Organizations prefer the third-party logistics service providers that provide an accurate order-receipt and they should be good in communication aspect that is the 3PL service providers should be reliable regarding being followed-up. The organizations want to have a strong follow-up with the outsourced party in order to eliminate the uncertainty factor and to have good communication with them that's the reason the Pakistani companies prefer the 3PL service providers instead of outsourcing the local

'Adda-Waala' which are the local unstructured transportation service providers in Pakistan. Organizations prefer the 3PL service providers which are more structured as compared with the local 'Adda Waala' because of factor of reliability, good communication and accuracy of order-receipt and their strong follow-up (Aguezzoul, 2007; Bagchi & Virum, 1996). Likewise, honesty and quality of operations management is also somehow the critical phenomenon for the selection of any 3PL service providers as found by the research and previous studies (Aktas & Ulenin, 2005). The manufacturers prefer the different dimensions of logistics operations in Pakistani aspect but it is found as less preferred factor while selecting a 3PL service providers. Updated freight rates is also considered as a moderate factor in Pakistan which was found as an extremely important factor in the selection of 3PL in Thailand (Banomyong & Supatn, 2005). Practically, it is an important factor but due to the involvement of large numbers of 3PL service providers, the prices are somehow as per the market so manufacturers do not focus after the freight rates too much. Financial stability has also found nearby the agreed factors for the selection of 3PL because the organizations foresee the ability of the outsourced logistics service providers in order to avoid any kind of uncertainties such as pilferages, damage or loss in future by the 3rd party logistics service provider. Bagchi et al. (1996) have also supported a result which shows the importance of financial stability for the selection of a 3rd party logistics service provider.

Documents' accuracy is a least important factor for the selection of 3PL in Pakistani aspect as per the result shown in **Table 6**. According to Banomyong and Supatn (2005) accuracy of the documents is the most important factor for selecting a 3PL in Thailand while it is not a significant factor at all in Pakistani aspect. There may be several reasons for the result. Pakistani organizations or manufacturers do not look after the matter of documentation after selection of 3PL because it would be a responsibility of an outsourced logistics' service provider to do so.

Table 6 Factors Influencing 3PL Service Provider's Selection

Selection Criteria	Rank	Mean	SD
Service Quality	1	4.63	.48
Geographical Coverage of 3PL Service provider	2	4.26	.72
Length of Experience of 3PL Service provider	3	4.22	.76
Accurate order receipt and follow-up	4	4.00	.80
Reliability	5	3.78	.88
Good Communication	6	3.54	.86
Honesty and Quality of operations management	7	3.30	.85
Up-to-date freight rates	8	3.09	.96
Financial stability	9	3.05	.95
Documents' Accuracy	10	2.14	.93

5. CONCLUSION

The research has explored the several aspects of 3rd party logistics service providers in Pakistan that are the reasons for outsourcing and selection criteria of 3PL in Pakistani perspective. There are several researches conducted in the different dimensions of 3PL globally (Hwang et al., 2016; Sahay & Mohan, 2006; Rajesh et al., 2013; Boyson et al., 1999; Fernie, 1999; Piplani et al., 2004; Aguezzoul, 2007; Bagchi & Virum, 1996). However, there

were no significant study found specifically in which the reasons and selection criteria of third party logistics service providers were discussed extensively in Pakistani perspective.

The study has found that Pakistani organizations outsource the logistics service providers to reduce their costs and diversify their capital investments in their core business. It can help them enhancing their business processes as well. Sahay and Mohan (2006) have also found the reduction in

logistics costs as a most important factor but diverting the capital investment was found as a least important factor. Pakistani perspective may be more cost-oriented and organizations are more focused to reduce their costs in order to divert their investments. Furthermore, since the manufacturers have less expertise on their non-core business processes such as logistics activities that's why they prefer outsourcing the 3PL service providers to enhance their core business functions more effectively. Another important factor is the reduction of the warehouses and vehicles with the outsourcing of 3PL as there would be less requirement of these things. Obviously, the goods would be continuously moving through the 3PL service providers and hence there would not be requirement of large number of warehouses and vehicles too. The other dimension of the research was to find out the factors that actually influence the selection of 3PL service providers in Pakistani perspective. Though different researchers have found different factors but according to this research, the important factor found is service quality of the outsourced party. The forthcoming important phenomena are the geographical coverage and length of experience of 3PL service providers. Similarly, good communication with the manufacturers and reliability are the important points for the selection of 3PL service providers.

The third-party logistics service providers are the important and required distribution channels in Pakistani aspect because of high rate of uncertainties and the manufacturers do not have expertise and skills to manage their logistics operations effectively and efficiently so they will have to outsource the 3PL service providers. Pakistani organizations prefer 3PL service providers in order to focus on core competencies and reduce their logistics cost which is used to divert their capital investment. The number of warehouses and vehicles gets reduced while outsourcing the 3PL which is an important phenomenon. On the other side, since manufacturers do not have effective logistics' network or coverage throughout the country as compared with the 3PL service providers that's why they prefer those logistics providers that have more sophisticated, efficient and effective geographical coverage throughout the country or wherever the goods are to be reached. Accuracy of follow-up and order receipt are also important because manufacturers continuously keep following-up their orders in terms of their deliverance.

3PL service providers should continuously keep improving their service quality to satisfy their customers that are manufacturers. It is extremely important in today's competitive market otherwise the manufacturers would either switch the 3PL service providers or they will have to move with the local 'Adda-Waala'. 'Adda-Waala' are the local Pakistani transportation companies that are completely unstructured but cost-oriented as compared with the 3PL service providers. Actually, Adda-Waala are also the third-party logistics service providers but reputed organizations do not prefer them due to the lacking of Adda-Waala in communication, reliability and service quality. They are unstructured transportation parties which are working locally in Pakistani market. The 3PL service providers are supposed to be the benchmark for the manufacturers which are still associated with the Adda-Waala. The research would be beneficial for the Pakistani manufacturers that are operationally involved with the third party logistics service providers.

There are some limitations of the study which can be future directions to the researchers. The study is limited to the Pakistani manufacturers that are working with different industries. Furthermore, it is highly suggested conducting several exploratory researches comparing the reasons and selection of 3PL from various Pakistani industries in order to identify their aspects from different industries. Additionally, it would be more beneficial exploring more factors that are reasons for outsourcing and selection criteria for 3PL service providers in Pakistani perspectives. Finally, it would also be helpful for the logistics professionals if the impact of outsourcing 3PL would be checked upon the organizational performance. Most importantly, it is recommended highly to the future researchers studying the management of the existing logistics management if the company is going to outsource their logistics operations.

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Mr. Habibullah Khan is a Lecturer of supply chain management at department of management sciences, KASB Institute of Technology. He is currently pursuing his doctorate in supply chain management, also earned BBA and MBA from Pakistan. He has professional experience of around 2 years in supply chain management. His area of interest is supply chain management.

Syed Karamatullah Hussainy is Director Office, of Research, Innovation and Commercialization (ORIC) KASBIT, has also served as a Dean Faculty of Management Sciences at the institute for more than 2 years. He has more than 22 years of Academic career and has served a head of many institutes and departments during his career. He holds an MS degree in Marketing and is about to conclude his PhD in Marketing. Mr. Karamatullah has 11 publications in national and international journals to his credit. He also presented his research work in 3 national and international research conferences. As a Researcher he has brought new ideas to the institute and with his team and set higher standards of Research at KASB Institute of Technology.

Mr. Abdullah Khan holds an MS Degree in Marketing. Currently he is pursuing PhD degree in Management Sciences. He has more than seven years of academic experience that includes his services as Head of department Marketing, Management and Supply Chain Management in Faculty of Management Sciences. He is a serious researcher and works closely with the research fraternity of the institute to his credit are five research paper presentations at national and international conferences in addition to three researches published in international research journals. Mr. Abdullah Khan with his diverse professional experience and an ability to generate new ideas is a person of great potential and holds a great research future.

Mr. Kamran Khan is working as Manager Research Operations in Office of, Research, Innovation and Commercialization (ORIC) KASBIT has more than 5 years of academic and industrial experience. He is an innovative and research oriented individual. He has a reputation of a person who holds command on Research methodology on and advance statistical models. He is a KASBIT gold Medalist in M.Phil degree and is currently pursuing his PhD in Marketing. He has authored eight research papers which are already published in national and international journals of repute. His Capability to identify unique problems and his competence to bring workable solutions through research and innovation is whole mark of his professional excellence.

Mr. Umer Farooq is working as an Assistant Professor in the faculty of management Sciences at KASB Institute of Technology and he hold experience of around 6 years. He is pursuing his doctorate degree in finance. His area of interest is finance and management science.

Muhammad Masood Mir is working as Lecturer in the faculty of Management Sciences at Khadim Ali Shah Bukhari Institute Of Technology (KASBIT) Pursuing his PhD in Management Sciences as well. Before coming to teaching profession he took some experience in the corporate world to get some practical exposure as an Assistant Human Resource Manager in AR-Technologies Pvt. Ltd to enhance his teaching capabilities. He has keen interest in writing the papers in Management Sciences. In future he would like to be an explorer and sailor in the ocean of research and management sciences