

ABSTRACT

PERCEPTIONS OF THIRD-PARTY LOGISTICS (3PL) CUSTOMERS ON LOGISTICS OUTSOURCING IN THE 3PL MARKET IN SRI LANKA

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Businesses are operating in a more dynamic complex environment, and customers are more knowledgeable and informed than before. Customers exert immense pressure on the businesses by requiring quality products at affordable prices. As a result, businesses must pay more attention to the production process to develop quality products at competitive prices to satisfy customers. The utilisation of state-of-the-art logistics management systems provides benefits to companies in different aspects, including improvements in customer satisfaction and competitiveness. Therefore, in most countries, businesses outsource their logistics activities to third-party logistics service providers. However, compared to global competitors, logistics outsourcing is not developed in Sri Lanka. The 3PL market in Sri Lanka is stagnant. Therefore, the current research focussed on finding the hindering issues for the non-expansion of the logistics outsourcing market in Sri Lanka. The philosophy of the research is Pragmatism, and the research choice was explanatory sequential design. The Snoran Sampling (Hybrid Sampling) method developed by the researcher was used to identify the sampling frame and the research sample. A pilot study was conducted to test the validity and reliability, and data were screened before the analysis. Data analysis were based on Thematic Analysis (TA), Exploratory Factor analysis (EFA), Analytic Hierarchy Process (AHP), Structural Equation Modelling (SEM), Independent-samples T-test, and Statistical measurements. The outcomes of the research prompt at the existence in Sri Lanka of a meaningful triangular relationship among "low satisfaction level", "issues faced by the 3PL customers", and "priority criteria adopted by those customers in selecting 3PL providers". The 3PL market in Sri Lanka is stagnant due to the low satisfaction level of 3PL customers. The prevailing low satisfaction level discourages the new entrance to the 3PL market. Also, existing customers are not encouraged to expand their logistics outsourcing activities with 3PL providers. It was observed that the 3PL customers are facing substantial issues with the 3PL providers, due to, inter-alia, the wrong selection of appropriate outsourcing providers. Unsatisfied 3PL customers have put more weight on the face value of the rate offered by the 3PL providers than the generalized cost of the outsourcing engagement. A mismatch is, therefore, revealed between the strategic reasons for outsourcing and the selection of the appropriate 3PL provider to implement those strategies. The research outcomes also yielded that the peculiarities of the 3PL market in Sri Lanka are likely to invalidate, vis-à-vis the specific conjuncture, the 3PL provider selection criteria adopted in other countries, and their relative importance to such countries. The research updates the knowledge of 3PL-shipper relationships and creates a platform to learn how both customers and suppliers are using these relationships to improve and enhance their supply chains and provide strategic recommendations to develop the 3PL market in Sri Lanka. Further, the study contributes to filling the research gaps and knowledge gaps empirically, conceptually, methodologically, and enables the market to deploy innovative logistics outsourcing business models in the future.

Keywords: *Logistics Outsourcing, 3PL Market, Logistics Management, Supply Chain Management, Third Party Logistics, Snoran Sampling, Customer Satisfaction*