
An Assessment of Third-Party Logistics Service Providers in the Zimbabwean Retail Industry

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ABSTRACT

The study focused on an assessment of third-party logistics service providers in the Zimbabwean retail industry. The study was guided by the study objectives that included establishing the need for third-party logistics service providers, to determine the challenges faced by organizations that make use of third party logistics service providers, to ascertain the factors that contribute to improved logistics services. Literature with regards to third-party logistics service providers was established in this study with the aid of empirical evidence. Pragmatism research philosophy and exploratory research design were utilized in this study as it aided on breaking new insights on third-party logistics service providers. The target population focused on 30 freight organizations in Zimbabwe that were sampled by simple random sampling. Census was adopted in the study as the target population was small. Both structured interviews and questionnaires were used in this study in gathering research data. All the 25 questionnaires were administered as well as the 5 interviews were also successfully conducted. Recommendations were made that retail organizations in Zimbabwe have to outsource well-recommended brands to reduce disappointments that can lead to loss of customers from the adoption of party logistics service providers for distribution and warehousing. The next researcher can now look into the influence of humanitarian logistics on economic growth.

Keywords: Third-party logistics service providers, Retail industry, Zimbabwe.

BACKGROUND OF THE STUDY

Globally third-party logistics also abbreviated 3PL are common as an outsourcing strategy adopted in supply chain management and logistics. Third-party logistics providers are adopted in the European retail industry as indicated by Andersson (2014), as a way of fulfillment of services, improving warehousing and distribution. Global statistics in 2014 proved that third-party logistics reached \$75 billion and it also grew to \$157 billion in the United States of America. Axelsson and Easton (2016) additionally

stated that in the United States of America in the same year approximately 80% of all the 500 fortune companies and 96% of the 100% also used some of the third-party logistics. European third-party logistics providers of increased customer base by more than 80% in 2019.

Bagchi and Virum, (2015) are of the view that in Africa, third-party logistics providers have been active in integrating the warehousing as well as transportation services aimed at meeting the customer needs with regards to the market conditions. Third-party logistics providers in South Africa have been active in meeting the delivery services requirements of a variety of products, adding value service in the retail sector and facilitating improved integrated services of the supply chain. Third-party logistics providers in Africa recorded an improved revenue generation by \$60 billion in the first quarter of 2017 and customer retention rose by more than 34% in the same year.

In Zimbabwe, third-party logistics providers are also common in improving the retail industry. The common providers in Zimbabwe include courier companies and freight forwarders that offer to subcontract and integrating transportation services. Third-party logistics providers as indicated by Berglund(2018) also involve the process of outsourcing other companies to provide distribution service on behalf of the other. Third-party logistics providers have been adopted in Zimbabwe as a way of cost-cutting and improving the distribution of the product.

Despite third-party logistics providers being effective in other countries, in Zimbabwe in the last decade they have not been effective besides experiencing an economic crisis that has led to the shortages of fuel and other services. Third-party logistics providers in Zimbabwe have been failing to meet customer expectations as evidenced by lack of oversight of all the operations, delays in distribution, increased pilferage in warehouses and higher costs that are associated with staff augmentation. This has seen the retail industry losing more than \$500 million in the last 2 years from third-party logistics providers.

STATEMENT OF THE PROBLEM

Third-party logistics providers have been adopted worldwide due to its potential benefits that include increased capabilities and cost-saving. In Zimbabwe, in the last decade, they have not been effective besides experiencing an economic crisis that has led to shortages of fuel and other services. Third-party logistics providers in Zimbabwe have been failing to meet customer expectations as evidenced by lack of oversight of all the operations, delays in distribution, increased pilferage in warehouses and higher costs that are associated with staff augmentation

THIRD-PARTY LOGISTICS PROVIDERS MODEL

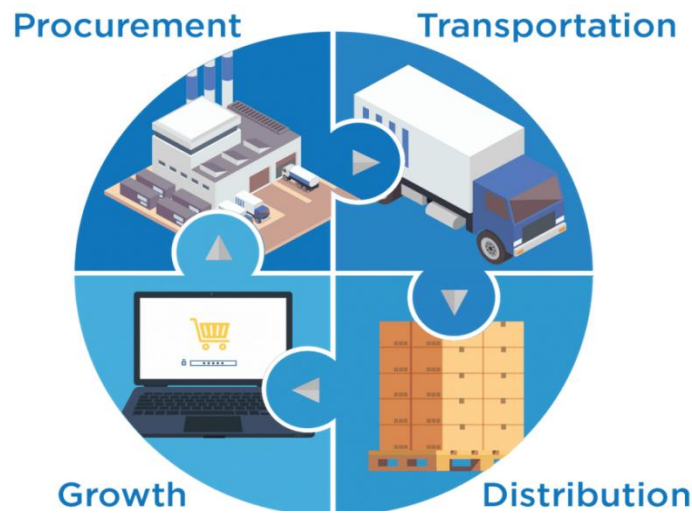


Fig 1.1: THIRD-PARTY LOGISTICS PROVIDERS MODEL

Figure 1.1 shows the third-party logistics providers model that is integrating all the processes of supply chain management that include procurement, transportation, growth, and distribution.

RESEARCH OBJECTIVES

1. To establish the need for third-party logistics service providers
2. To determine the challenges faced by organizations that make use of third party logistics service providers
3. To ascertain the factors that contribute to improved logistics services

RESEARCH QUESTIONS

1. What is the need for third-party logistics service providers?
2. What are the challenges faced by organizations that make use of third party logistics service providers?
3. What are the factors that contribute to improved logistics services

LITERATURE REVIEW

THIRD-PARTY LOGISTICS

Berglund, van Laarhoven, Sherman, and Wandel (2017) posits that third-party logistics 3PL is a provider that gives services that are logistically outsourced, which incorporate everything that comprises administration of one or more facades of obtaining and fulfilling different activities. Shipping items or contract services that are involved in storing are influenced by third-party logistics which focuses on a comprehensive part in the business. Transportation or storage room can be an example of a third-party logistics since the 3PL service can be required as a single provider, hence it can be also be acknowledged as a

service which comprises of a wide system bundle that is talented of managing the supply of chain management.

NEED FOR THIRD-PARTY LOGISTICS SERVICE PROVIDERS

Cost Savings

To exploit the shipping competence, they are different economic principles that the third-part logistics uses as a way of specialty in structuring up logistical substructures, procedures and processor-based algorithms and then gives out the knowhow to the businesses(Bowersox, Daugherty, Dröge, Rogers and Wardlaw, 2017). The company's logistical costs are censored as per the promise of the company. The available rates are seen to be more important and gorgeous to smaller businesses. This is as a result that the third-part logistics companies have a strong logistical provision scale in the economy. The more advantageous part of the shipping routes costs of the 3PL is that they can simply add a new customer with fewer costs than the costs of a smaller business which is trying to figure out its own logistical substructure.

Increased Capabilities

Liljegren,(2014) postulated that in order for small companies to enlarge their competences in logistics they is a need for them to invest in widespread. It is frequently more moneymaking and faster to enhance abilities through third-party logistics than to account for internal development to deliver similar capabilities.

CHALLENGES FACED BY ORGANIZATIONS THAT MAKE USE THIRD-PARTY LOGISTICS SERVICE PROVIDERS

Lack of Direct Oversight

One of the shortcomings of using third-party logistics services is that there is no control which is directly done to the operations of client businesses. Dwyer and Schurr (2015) are of the view that the client businesses are only depending on the third-party logistics company to reliably come through in distributing the services they would have promised. The absence of direct control results in the client companies facing problems that are similar to the problems being faced by the 3PL company. Outside the likely loss of a business, the impairment that outcomes from the failure of the services of the 3PL in distributing products on the right time expected will be a problem of the client 's company and not of the services of the 3PL.

Pricing Models

In order to make logistics completed the 3PL services endorse their services in a cost-efficient way. Though it can be acknowledged as true, contracting with that type of service means that the organization is protected within the pricing model which is quantified in the agreement of the business(Ellram and Maltz,2016). With giving 3PL services the logistics, companies are forgoing the likelihood that an internal logistics department would come out with a solution that is more effectual and cheaper.

Dependency

Handing over logistics to a 3PL service is a large commitment. Businesses need a reliable structure to function. Hammarkvist, Håkansson and Mattsson, (2018) reviewed that logistical downtime can translate into large amounts of lost productivity and revenue. Consequently, while the free market dictates that a business which is dissatisfied with its 3PL service could always find another, or develop its own logistical infrastructure, the reality is not so simple. Maltz and Ellram, (2017) validate that switching the nature of a company's logistical support can cost the company a great deal in unforeseen costs resulting from the transition. When businesses contract with 3PL services it creates a dependency which is no small matter to change. This dependency puts the client company in uncomfortable situations if pricing schemes or service reliability from the 3PL service is not working out as expected.

FACTORS THAT CONTRIBUTE TO IMPROVED LOGISTICS SERVICES

Focus

Logistics can be required as a disruption of the chief business of the company as it necessitates the resources of the company and the determination to put the complex in order but with the aim of getting products to the consumers. The services of third-party logistics specify transportation, warehousing, and management of inventory. The major issue as reported by Hertz (2017) is that they can emphasise on their specialties whilst you are emphasizing cumulating the satisfaction of the customers by making products of higher quality. Customers do get products of higher quality and service which is outstanding when the staff of the company is no longer focusing on trucking companies and pursuing inventory.

Efficiency

Economies of scale are applied by the 3PL providers as a way of delivering products more quickly, decrease inventory with more recurrent deliveries and track inventory in storerooms more efficiently (Kumar, F, 2015). Due to lack of space, your company will no longer have to rent a storeroom and use only a small part of it as well as keeping scarce inventory. Logistics providers charge you for the space you use and preserve your inventory at the level you desire as your space requirements vary. Greater competence in logistics brings out more products which will be reliable and it increases the satisfaction of customers as they will be receiving their promised products in time.

RESEARCH METHODOLOGY

PRAGMATISM

Feilzer (2010, p. 8) postulates that pragmatism is a deconstructive paradigm that advocates for the use of diverse methods in research, “sidesteps the contentious issues of truth and reality” and “emphasizes instead on ‘what works’ as the truth regarding the research question under investigation” (Tashakkori & Teddlie 2003b, p. 713). In that intelligent, pragmatism discards a situation that is between the two contrasting belvederes. In other words, it discards the excellent associated with the paradigm wars.

EXPLORATORY RESEARCH DESIGN

Exploratory research as illustrated by Creswell (2014) is research directed for a problem that has not been studied more evidently, envisioned to create priorities, progresses operational meanings and improves the research design in a final way. Exploratory research is of help in determining the best research design, collection of data method and selection of subjects.

TARGET POPULATION

The target population focused on 30 freight organizations in Zimbabwe that were sampled by simple random sampling. Census was adopted in the study as the target population was small.

DATA PRESENTATION AND ANALYSIS

The researcher managed to distribute 25 questionnaires to the employees and conducted 5 face to face interviews. Saunders (2014) postulated in a research a 70% and above threshold ensures the reliability of any study.

DEMOGRAPHIC PROFILE

Characteristic	Frequency	Percentage
Gender		
Male	20	67%
Female	10	33%
Lengthy of service		
1-5 years	15	50%
6-10 years	10	33%
10+	5	17%
Level of education		
Certificate	10	33%
Diploma	5	17%
Degree	10	33%
Other	5	17%

Source: Primary data

The table shows that 20 out of 30 (67%) are males and 10 out of 30 (33%) are females. According to Hilton (2016) males dominate in the retail sector as the nature of the job

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requires more of them as it requires physical strength for instance on distribution and packaging in warehouses. 15 out of 30(50%) being half of the target population has between 1-5 years on length of service, 10 out of 30 (33%) have between 6-10 years and the remaining 5 out of 30 (17%) have 10 years and above. 10 out of 30 (33%) hold a certificate in terms of educational qualification, 5 out of 30 (17%) hold a diploma, 10 out of 30 (33%) hold degrees and the remaining 5 out 30 (17%) hold other educational qualification.

FINDINGS AND DISCUSSION

Need for third-party logistics service providers

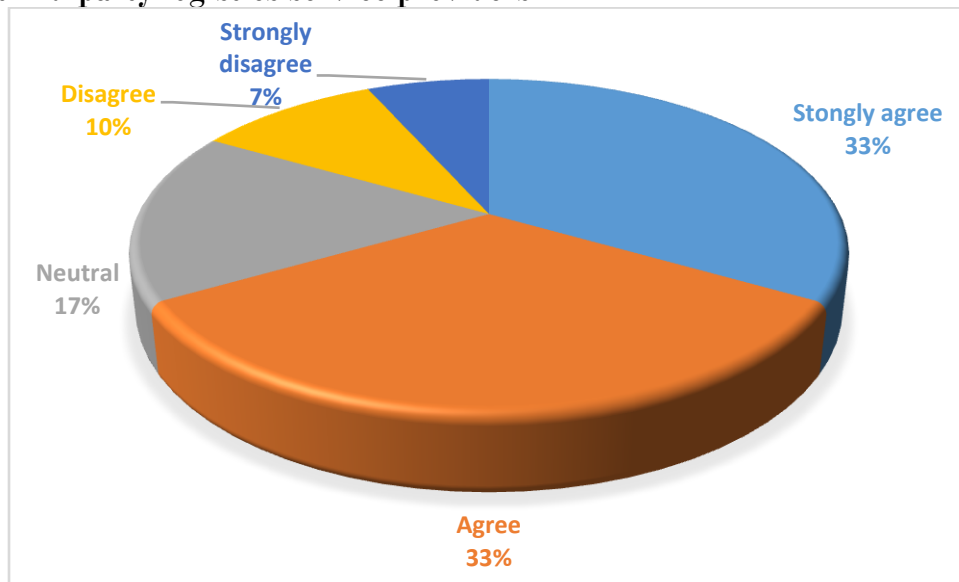


Fig 1.1 Need for third-party logistics service providers

Source: *Primary data*

Figure 1.1 shows the response on the need for third-party logistics service providers. 33% of the respondents were in agreement with to need for third-party logistics service providers in the growth and development of the retail industry in Zimbabwe. The other 33% also agree to the same view while the other 7 strongly disagree.

“All the participants stated that third-party logistics service providers are important to the retail sector as they facilitate improved distribution of products as well as convenient of services to customers”

Challenges faced by organizations that make use of third party logistics service providers

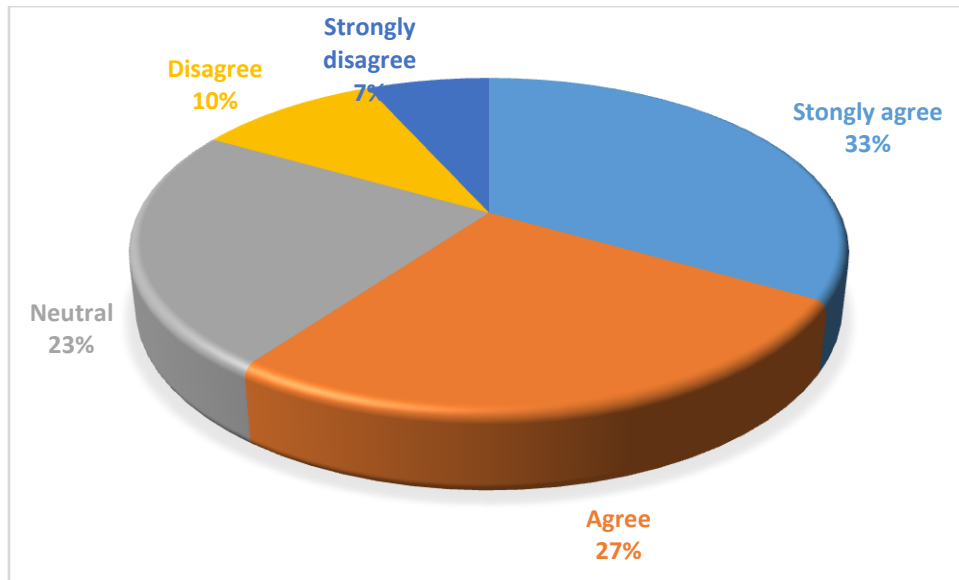


Fig 1.2 Challenges faced by organizations that make use of third party logistics service providers

Source: *Primary data*

Figure 1.2 shows the response to challenges faced by organizations that make use of third party logistics service providers. 33% of the respondents were in agreement with the fact that higher costs and lack of oversight are the challenges faced by organizations that make use of third party logistics service providers. The other 27% also agree to the same view while the other 7 strongly disagree.

All the participants stated that third-party logistics service providers have the limitations to organizations in the retail sector that include that of lack of oversight in relation to the operation of retail organizations that affect customer satisfaction.

Factors that contribute to improved logistics services

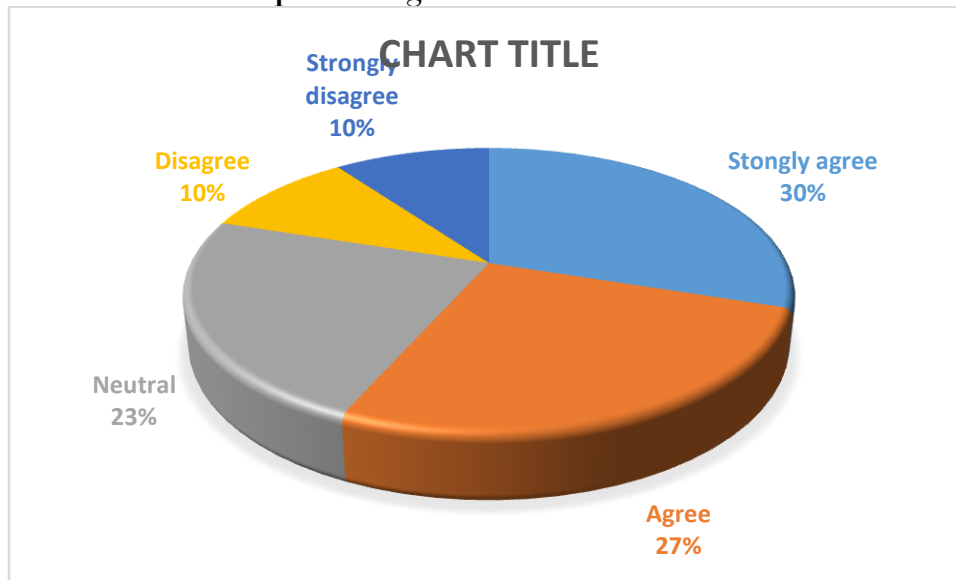


Fig 1.3 Factors that contribute to improved logistics services

Source: *Primary data*

Figure 1.3 shows the response on factors that contribute to improved logistics services. 30% of the respondents were in agreement with factors that contribute to improved logistics services. The other 27% also agree to the same view while the other 10 strongly disagree.

“All the respondents were in agreement with the fact that focus and efficiency are the factors that contribute to improved logistics services”

CONCLUSIONS

The study concludes that third-party logistics service providers in the Zimbabwean retail industry have an influence on customer retention. The findings are in line with Norman (2016) who stated that in the retail industry, third-party logistics service providers play a crucial role on integrating all the processes of supply chain management.

RECOMMENDATIONS

Recommendations were made that retail organizations in Zimbabwe have to outsource well-recommended brands to reduce disappointments that can lead to loss of customers from the adoption of party logistics service providers for distribution and warehousing.

AREA OF FURTHER RESEARCH

The next researcher can now look into the influence of humanitarian logistics on economic growth.

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