

A Study On Logistics Outsourcing And Selection Of Third Party Logistics Provider From E –Commerce Perspective

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ABSTRACT:

The prevalent view is that the term *logistics* comes from the late 19th century: from French *logistique* (*loger* means *to lodge*). **Logistics** is the management of the flow of things between the point of origin and the point of consumption in order to meet requirements of customers or corporations. The resources managed in logistics can include physical items, such as food, materials, animals, equipment and liquids, as well as abstract items, such as time, information, particles, and energy.

A basic distinction in the nature of logistics activities is between **inbound and outbound logistics**.

INTRODCTION

Outsourcing is the process through which a company hires another company to provide labour or to play some function for them instead of using their own staff to carry out the function. Logistics outsourcing involves a relationship between a company and an LSP (logistic service provider), which, compared with basic logistics services, has more customized offerings, encompasses a broad number of service activities, is characterized by a long-term orientation, and thus has a strategic nature

The key benefits of outsourcing logistics:

1. Lower Basic Costs:
2. More Efficient Operations:
3. Better Focus:
4. High Accountability:
5. Greater Innovation:
6. Low capital commitment:
7. Continuous Optimization:

REVIEW OF LITERATURE

Several studies have been conducted covering the areas such as:

- the coordination of e –commerce and logistics:- a case study of amazon .com,
- analysis of developing the third party logistics enterprise in e-commerce age,
- Paradoxes and opportunities in logistic outsourcing research.

- a study of service quality of third party logistics service providers.

RESEARCH GAP

After studying all the above literature as a researcher, it is observed that study has not been conducted on following points:

- Selection criteria of third party logistics from e commerce perspective.
- Self-owned logistics is an untouched area.
- And comparison of self-owned logistics and outsource logistics and which is beneficial from e – commerce perspective.

OBJECTIVES OF THE STUDY

- To study the current state of third party logistics market.
- To perform the profitability analysis of third party logistics provider.

RESEARCH METHODOLOGY

- ❖ **Sample Size:** 5 companies are selected as sample size for the purpose of study which are :
 - **INDIAN POSTAL SERVICE**
 - **DHL LTD**
 - **BLUE DART**
 - **DTDC COURIER AND CARGO LIMITED**
 - **FED EX INDIA**
- ❖ **Sampling Technique:** Judgment sampling along with convenient sampling technique are being used for selecting the sample.
- ❖ **Period of Study:** the duration of the study will be from 2011-12 to 2013-14.
- ❖ **Data Collection:** The study is entirely based on secondary data.

Secondary data:

Secondary data will be collected through:

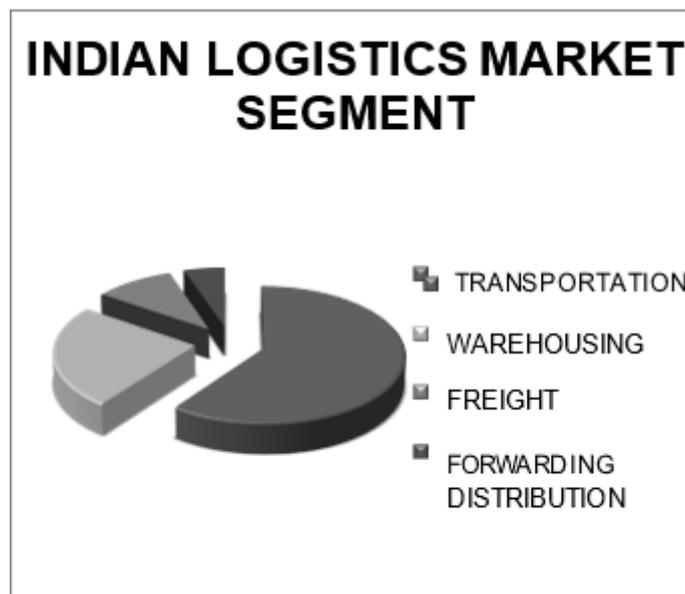
- Books, websites and magazines.
- ❖ **Data Analysis**
 - Tools to be used for analysing the data would be: **Profitability analysis**
 - Tools to be used for representation of data would be: **Graphs and pie charts.**

OBJECTIVE: 1

TO STUDY THE CURRENT STATE OF THE THIRD PARTY LOGISTICS MARKET

Third Party Logistics is the concept of a single professional logistics service provider managing the complete logistics functions of a company. The concept of third party logistics came into existence from US developed economies in order to free industries from huge logistics cost. 3PL proved to be extremely successful in improving logistics efficiency of majority of organizations and quickly gained popularity, spreading all over the world.

Moreover now a days, 3PL providers are offering a number of value-added services like import/export management, reverse logistics, customs clearance, post-sales support, freight forwarding, distribution and so on, organizations can outsource all these activities, and focus on their core business operations.



Looking at the Indian scenario, 3PL market is in its very early stage, although some national and multinational organizations are trying to establish themselves in this sector. With the consistent growth of the automotive, consumer retail, healthcare and other major industries, which depend on the services of third-party logistics (3PLs) to source and distribute their products and raw materials, the Indian 3PL market holds immense potential in the overall logistics industry. There have been some positive improvements in the logistics infrastructure in the recent past enabling the 3PL providers to offer integrated transportation and warehousing services and have better control and deliver better

services. The key trigger for the growth of 3PL market in India could be the introduction of Goods and Service Tax (GST). Currently the tax structure in India is very complex which requires manufacturers to pay a number of taxes; however, the introduction of GST is likely to reduce this tax burden. A number of factors that contribute to the market growth include rapid globalization, 100% FDI in cold chain segment and private equity investment. With the advent of foreign direct investment (FDI) in the retail sector in India, the logistics market is projected to register its positive effects in the

long run. However, this market is faced with a number of challenges in the form of lack of transparency between 3PL providers and customers, and the different business processes followed by different industries. Third party Logistics Market – India.

At present, the logistics cost around the globe is around \$2 trillion. The logistics cost is estimated between 9% and 20% of GDP for any country.

The 2015 20th Annual Third Party Logistics Study shows continued collaborative and positive relationships between shippers and third-party logistics providers, which have been developing since the study began 20 years ago. This year’s survey suggests 3PLs and their customers are becoming more proficient at what they do, individually as well as together, which is improving the quality of their relationships. Both parties—93% of 3PL users and 94% of 3PL providers—reported that their relationships are successful and that their work is yielding positive results.

The 3PL market in India is comprised of two segments: the first one is asset based in which assets like trucks, distribution centres and warehouses are utilized in supply chain management, and the second one is non-asset based. There is a significant difference between the nature of Indian 3PL and its counterpart elsewhere, especially in the U.S.

COMPARATIVE ANALYSIS OF 3PL IN INDIA AND U.S.

Parameter	USA	India
Usage of 3PL	71%	55%
Common activities outsourced	Warehousing (73.7%)	Outbound Transportation (55%)
	Outbound Transportation (68.4%)	Inbound Transportation (52%)
	Freight bill payment (61.4%)	Custom clearing and forwarding (51%)
	Inbound warehousing (56.1%)	
Reasons for not outsourcing	Control would diminish (63%)	Poor infrastructure of provider (81%)
	Costs would not be reduced (63%)	Inability to respond to changing needs (81%)

Considerable amount of research on the topic of the implementation of 3PL in different countries has been published in academic and trade journals. Viewpoints of both users and service providers have been considered to identify the major issues, industry dynamics, current status and future prospects of the 3PL industry. However most of the research is descriptive in nature and does not go into in-depth statistical analysis of survey data. In the present study Indian 3PL providers’ service dimensions are analysed in terms of the key success factors and growth strategies using various statistical tools.

- Indian logistics market is expected to grow at a CAGR of 12.17% by 2020 driven by the growth in the manufacturing, retail, FMCG and e-commerce sectors.
- India spends around 14.4% of its GDP on logistics and transportation as compared to less than 8% spent by the other developing countries.
- 3PL logistics market in India is expected to be worth US\$ 301.89 billion by 2020.
- Estimates that the warehouse market in India is expected to grow at a CAGR of 10% whereas

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freight forwarding market is expected to grow at a CAGR of 12% till 2020.



OBJECTIVE 2
TO PERFORM THE PROFITABILITY ANALYSIS OF THIRD PARTY LOGISTICS PROVIDER.

Profitability analysis refers to the analysis which examines or analysis profit making capacity or ability of the organisation. The main objective of the business is to maximize profits and profitability of the organization determines the efficiency of the operations of the organisation. Profitability analysis also helps to evaluate the management skill and potential of company. The profitability analysis of the company is as follows:

DHL LTD	Gross profit ratio (%)	Operating profit ratio (%)	Net profit ratio (%)
2011-12	13.97	11.50	9.5
2012-13	12.88	10.57	7.46
2013-14	9.89	8.88	6.99

INDIAN POST	Gross profit ratio (%)	Operating profit ratio (%)	Net profit ratio (%)
2011-12	33.44	28.77	15.66
2012-13	35.25	27.67	17.9
2013-14	49.25	39.5	30.95

BLUE DART	Gross profit ratio (%)	Operating profit ratio (%)	Net profit ratio (%)
2011-12	11.95	10.50	8.08
2012-13	12.29	10.70	8.55
2013-14	8.92	7.51	6.29

DTDC COURIER AND CARGO LIMITED	Gross profit ratio (%)	Operating profit ratio (%)	Net profit ratio (%)
2011-12	8.85	6.23	5.33
2012-13	9.9	7.66	4.99
2013-14	8.2	6.8	5.28

FED EX	Gross profit ratio (%)	Operating profit ratio (%)	Net profit ratio (%)
2011-12	63.08	7.46	4.76
2012-13	62.86	5.76	3.52
2013-14	62.58	7.56	4.60

FINDINGS:

The findings from the objective includes Indian post being a government organisation is performing exceptionally well in comparison to other private players in line. DHL private limited .BLUEDART. FEDEX , DTDC cargo and courier limited. Its profit making capacity is much higher in comparison to its competitors because it is

- cheaper,
- decently reliable,
- Connected to remote places as compared to other logistics provider.

Indian Post has set up 57 modern delivery centres to handle the e-commerce traffic, with a big centre at Parel, Mumbai. For India Post, the boom in e-commerce deliveries is proving to be a big money spinner, especially the surging cash-on-delivery consignments of the country's top online sellers — Amazon, Snapdeal and Flipkart-Myntra.

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