ABSTRACT

Tough competition exists among Third Party Logistics (3PL) service providers due to increase in fuel cost, other operating cost and global recession worldwide. Few players are able to sustain and emerge with their innovation, vision and experience. It is found from literature that the success of the firm purely depends on its long term strategy and vision. Empirical studies have been carried out worldwide to understand the performance of 3PL service providers. Various researchers attempt to capture the performance in terms of operational, marketing and financial measures. Research suggests that 3PL service providers tend to be successful through diversification of services, focus on specific industries and customers, investment in quality assets and system, supply-chain integration with technology and relationship and employing experienced professionals. Based on recent research, it is understood that there is no study which analyses the success and performance of Indian 3PL service providers. This thesis analyses the success and performance of Indian 3PL service providers based on inter-firm and intra-firm perspective. Inter-firm views success and performance with their clients while intra-firm implies how effectively they are capable to convert their resources and capabilities into performance.

In the context of inter-firm analysis this thesis carried out two studies. It maps key success factors of Indian 3PL service providers with its
financial and operational performance metrics. Subsequently, it maps key success factors along with its performance metrics and growth strategies. A conceptual model has been developed for the proposed various hypothesis relating success factors with performance metrics and growth strategies.

In intra-firm analysis, a theoretical frame work is used for measuring the overall performance. The framework is based upon Resource Based View (RBV) and indicates the importance of how a firm converts its inherent resources and capabilities to succeed.

Multiple regression analysis and canonical correlation analysis have been used to analyze the effect of success factors and growth strategies on performance metrics in inter-firm analysis. In the case of intra-firm analysis, In Data Envelopment Analysis (DEA), BCC is used to classify the responding data into efficient and inefficient based on their resource, capabilities to financial performance transformation. Various hypotheses developed are tested by regressing the functional capabilities and diversification strategy on firms business performance. The entire hypotheses developed have been validated with 95 Indian 3PL services providers.

This thesis offers new insights to Indian 3PL sectors and isolates key success factors that vary in their impact on operational and financial performance measures.

Specifically, it is found that the key success factor of relationship with customers and skilled logistics professionals significantly influenced the operational measure of on-time delivery performance, customer satisfaction and the financial measure of profit growth. One of key success factors breadth
of service significantly affects the financial measure of revenue growth but did not affect any operational measure. It is interesting to note that investment in information systems and supply chain integration which could be construed as hard assets did not seem to be important in the Indian 3PL service provider context. This mirrors similar laments made by professionals that the challenges of Indian 3PL service provider firms lie in limited use of Information Technology (IT) and poor visibility in the supply chain which could plague logistics operations.

The canonical correlation analysis could not find a suitable metric to capture the success factor ‘internalization of operations’. It is interesting to note that ‘integration of supply chain’ does not have any implication towards all respondents and small firms. The findings of this research work provide a new perspective to relate firm’s critical success factors in terms of performance metrics and growth strategies and offer a benchmarking tool to other 3PL service providers in India.

Intra-firm analysis highlights that a market driven firm is likely to have better business performance than a firm focusing solely on operational capabilities. Also, firms are better off when they focus on a narrow portfolio of products/services for the clients and concentrate on a diverse geographical market. The findings of research work also provide a novel perspective to model a firm’s functional capabilities and diversification strategy on its financial performance and offer a benchmarking tool to improve resource allocation decisions.