

## A Study On Perception Of Freight Forwarders Towards Third Party Logistics With Reference To Everon Impex

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**Abstract:** Outsourcing of logistics function is a business dynamics of growing importance all over the world. A growing awareness that competitive advantage comes from the delivery process as much as from the product has been instrumental in upgrading logistics from its traditional backroom function to a strategic boardroom function. In order to handle its logistics activities effectively and efficiently, a company may consider the following options – it can provide the function in-house by making the service, or it can own logistics subsidiaries through setting up or buying a logistics firm, or it can outsource the function and buy the service. Currently, there has been a growing interest in the third option, i.e. outsourcing of logistics functions to third party logistics service providers. The main objectives of the study is to know the perception of employees towards third party logistics. For this purpose a sample of 75 was collected from the respondents and the respondents are those who are employees working with various companies. Based on the findings it is concluded that though the usage of 3PL services reveals positive and significant impact on business performance, third party logistics practices are still at a nascent stage with the companies. Organizations will increase the usage of 3PL services in traditional logistics activities and increase the scope of outsourcing based on the overall satisfaction and the impact on business objectives – logistics system performance, customer satisfaction and employee morale.

**Keywords:** Freight Forwarders, Third Party Logistics and Everon Impex

### Introduction

World history has witnessed many waves of globalization which has affected global economy and international trade. Emergence of an active international capital market in the 1970s, demise of communism and growing liberalization reinforced the momentum of globalisation which resulted in current scenario of high mobility of capital and resources internationally (Solimano, 2004). Globalisation has benefitted international businesses through global sourcing (Trent and Monczka, 2003). Global sourcing means globalization in two respects: a) Internationalization of purchasing activities and b) Adoption of strategic sourcing orientation (Arnold, 1989). The strategic sourcing decisions are important to sustain competitiveness (Su and Gargeya, 2012) and these decisions are taken when the buying firm attempts to establish long term business partnership with international suppliers (Zeng, 2000). Cost is often a primary motivation for global sourcing (Handfield, 1994). In early phases of global sourcing, price along with quality consistency and reliable delivery were prime business winning factors for international suppliers. But over a period of time product innovation, product range and speed of delivery too became key determinants (Sweeney, 1994). Global sourcing decisions also cater to many other aspects of business like flexibility, diversification and strategic focus (Alguire et al, 1994; Jennings, 2002; Oke et al, 2009; Christopher et al, 2011). The textile and coir industry is dynamic, global, diverse, complex, and is a prime exemplifier of globalization (Su and Gargeya, 2012).

### ABOUT THE COMPANY

Established in the year 2006 at Coimbatore in Tamil Nadu, the company has made rapid progress in this field. Under the visionary guidance of the Proprietor Mr. P. G. Satheesh, the company has established itself as one of the most sought-after entities in this domain. The burgeoning demands in the construction industry provided us an opportunity to build our esteem. Customer are leading manufacturers and exporters of machinery products that vary from block making machines, concrete mixer machine to fly ash brick machines, mixers, mullers etc.

### STATEMENT OF PROBLEM

The background of the research emphasizes the importance of coir exports in global sourcing and also the crucial role of lead time and logistics in this regard. Background history of Multi Fibre Agreement, post-MFA scenario and trade performance of leading exporting countries clarifies the performance and prevailing conditions of Indian coir exports industry. Explanation of importance of textile and coir industry to Indian economy, existing challenges hampering the lead time management and potential growth justifies the need of research work. Logistics related issues have emerged as one of the major challenging area for Indian coir industry. So far the body of literature only mentions few logistics challenges but does not cover entire gamut of micro level logistics challenges related to logistics of Indian coir exports industry. The severity level of these challenges affecting delivery lead time has also not been covered in any study.

Which are the key issues and challenges that significantly affect third party logistics activities having effect on delivery lead time of coir exports?

**OBJECTIVES OF THE STUDY**

- To identify key issues and challenges in context of international outbound logistics of SME exports that affect delivery lead time.
- To identify the factors influencing the supply chain process.
- To Measure delay lag and cost implications to SME exporters due to delay in delivery lead time of shipments resulting from issues and challenges involved in outbound logistics activities of exports in Coimbatore.

**SCOPE OF THE STUDY**

Changing business environment has pushed organizations in India to concentrate on their core activities and offload a host of logistics functions to experts in the field. Globally, the range of effective logistics outsourcing includes, apart from transportation, warehousing and custom clearance a whole range of other activities such as freight bill payments, auditing, contract manufacturing and assembly operations, packaging and labeling, freight consolidation to name a few. The main scope of the study is that it will help the third party logistics companies to know about the perception of the employees which will help them to analyse the pros and cons among the employees.

**RESEARCH METHODOLOGY**

**Type of research:** It is descriptive type of research.

**Convenient sampling:** This type of sampling is used when sampling of the population becomes hard

**Sample size:** 75 Respondents

**Area of the study:** Coimbatore

**Period of the study:** This study conducted for a period of 3Months by the researcher

**Data collection method**

**Primary Data Collection Method:** Primary data are those that are obtain by the user for fulfillment their purpose.

**Secondary Data Collection Method:** The Secondary Data is that which is already collected and stored or we can say already saved or ready data by others.

**Reliability**

Cronbach's Alpha	N of Items
.789	17

The reliability towards factors related to perception of freight forwarders on customs clearance, export documentation and port warehousing and material handling is at 0.789 which is greater than 0.7 and it shows that the data are reliable.

**Statistical tools used:** Simple percentage analysis, One way-Anova, Mann Whitney U test, Paired sample t test and Multiple regression.

**LIMITATIONS OF THE STUDY**

- The sample size is limited to 75.
- Only limited companies are taken in to consideration for data collection due to time constrains.
- There may be a bias towards primary data collected from the respondents.

**ANALYSIS AND INTERPRETATION**

Profile of the company	Particulars	Frequency	Percent
Number of employees	<50 members	17	22.7
	50Members -100 Members	42	56
	More than 100 members	16	21.3
	Total	75	100
Nature of factory Building	Owned	37	48.7
	Hired	39	51.3
	Total	75	100
Types of export	Direct export	20	26
	Deemed export	30	39.3
	Manufacturer export	8	10.7
	Merchant exporters	18	24
	Total	75	100
Owned Fleet	1	26	34.7

	2	24	32
	3	13	16.7
	4	9	11.3
	More than 4	4	5.3
	Total	75	100
Lease Fleet	1	35	46.7
	2	24	31.3
	3	9	11.3
	4	5	6.7
	More than 4	3	4
	Total	75	100
Contract	1	16	20.7
	2	26	34
	3	18	23.3
	4	15	20
	More than 4	2	2
	Total	75	100
Majority of cargos for freight forwarding towards third party logistics	Direct approach with consignor	30	40
	Direct approach by consignor	24	32
	Approach by Consignor's Agent	21	28
	Total	75	100
Generally collect the documents related to cargo while forwarding	Along with consignment itself	28	37.3
	Before loading	24	32
	Immediately after loading	11	14
	Just before the departure of the vehicle	13	16.7
	Total	75	100

Out of 75 respondents 22.7% are having <50 members in their company, 56.0% are having 50 to 100 members, 21.3% are having more than 100 members 48.7% are owning their own building and 51.3% have hired a building. 26.0% said as direct export, 39.3% said as deemed export, 10.7% said as manufacture export, and 24.0% said as merchant exporters. 34.7% are operating 1 owned vehicles, 32.0% are operating 2 owned vehicles, 16.7% are operating 3 owned vehicles, 11.3% are operating 4 owned vehicles and only 5.3% are operating more than 4 owned vehicles in our survey.46.7% are operating 1 lease vehicles, 31.3% are operating 2 lease vehicles, 11.3% are operating 3 lease vehicles, 6.7% are operating 4 lease vehicles and 4.0% are operating more than 4 lease vehicles. 20.7% are operating 1 contract by contract, 34.0% are operating 2 contract vehicles, 23.3% are operating 3 contract vehicles, 20.0% are operating 4 contract vehicles and 2.0% are operating more than 4 contract vehicles. 40% are getting cargo vehicles through direct approach with consignor, 32.0% are getting cargo vehicles through direct approach by consignor and 28% getting cargo vehicles through approach by consignor's agent. 37.3% generally collect the documents related to cargo while forwarding along with consignment itself, 32% collect before loading, 14% collect immediately after loading and 16.7% collect just before the departure of the vehicle.

**The advice of clearing and forwarding agents while packing**

	Frequency	Percent
Strongly agree	17	22.7
Agree	25	32.7
Neutral	5	6.7
Disagree	12	16.0
Strongly disagree	17	22.0

	Frequency	Percent
Strongly agree	17	22.7
Agree	25	32.7
Neutral	5	6.7
Disagree	12	16.0
Strongly disagree	17	22.0
Total	75	100.0

22.7% strongly agree, 32.7% agree, 6.7% are Neutral and 16.0% disagree, and 22.0% strongly disagree. It's inferred that most of the respondents agree towards getting the advice of clearing and forwarding agents while packing.

**A vital role towards arranging appropriate packing**

	Frequency	Percent
Taking account of climate	27	36.0
Terrain	32	42.7
Weight	9	11.3
Cost	8	10.0
Total	75	100.0

36.0% are taking account of climate, 42.7% said as terrain, 11.3% said as weight and 10.0% said as cost. It's inferred that most of the respondents said that terrain plays a vital role towards arranging appropriate packing.

**Planning the routes for out bound logistics of goods carried**

	Frequency	Percent
With the help of company	20	26.0
As per the direction of buyers	38	50.7
By my own way	18	23.3
Total	75	100.0

26.0% said that they are planning the routes with the help of company, 50.7% are planning as per the direction of buyers, 23.3% are by their own way. It's inferred that majority of the respondents are planning as per the direction of buyers.

**Booking containers by the companies**

	Frequency	Percent
Through shipping agents	15	19.3
By my own	39	51.3
Through the reference given by the company	22	29.3
Total	75	100.0

19.3% are booking through shipping agents, 51.3% are booking by their own, 29.3% are booking containers through the reference given by the company. It's inferred that maximum of the respondents are booking containers by their own.

**The highest workload towards documentation related to third party logistics**

	Frequency	Percent
Bill of lading	24	31.3
Commercial Invoice	26	34.7
Certificate of Origin	11	14.0
Inspection Certificate	13	17.3
Export License	1	.7
Shipper's Export Declaration	1	.7
Export Packing List	1	1.3
Total	75	100.0

31.3% said as bill of lading, 34.7% said as commercial invoice, 14% said as certificate of origin, 17.3% said as inspection certificate and 0.7% said as export license and 0.7% said as shipper's export declaration and 1.3% said as export packing list.

**Problem faced while forwarding goods towards third party logistics**

	Frequency	Percent
Non-availability of Cargo's	20	26.7
Non-availability of vehicles	26	34.7
Problems in "Freight Crossing"	16	21.3
Consignors not keeping the cargos	12	16.0
Inadequate Godown facilities	1	.7
Lack of information about day-to-day Freightage prevailing in the market	1	.7
Total	75	100.0

26.7% said as non-availability of Cargo's, 34.7% said as non-availability of vehicles, 21.3% said as problems in "Freight Crossing", 16% said as consignors not keeping the cargos, 0.7% said as inadequate Godown facilities and 0.7% said as lack of information about day-to-day freightage prevailing in the market.

**RANK CORREALTION**

**Problem while forwarding goods towards outbound logistics**

S.N O	Particulars	X	Y	R1	R2	D	D^2
1	Non-availability of Cargo's	48	25	1	1	0	0.00
2	Non-availability of vehicles	4	10	6	5	1	1.00
3	Problems in "Freight Crossing" d. Consignors not keeping the cargo	12	19	2	4	-2	4.00
4	Inadequate Godown facilities	11	18	3	3	0	0.00
5	Acceptance of risky goods	10	13	4		4	16.00
6	Lack of information about day-to-day Freightage prevailing in the market	9	9	5	6	-1	1.00
							22.00
N	6					1-R	0.05
	.					R	0.95

The above table shows about the rank correlation for problem while forwarding goods towards outbound logistics. The correlation value for the ranks given by the respondents is at 0.95 which is greater than 0.7. It reveals that high correlation exists between the compared variables. From the analysis it was found that according to respondents non-availability of Cargo's has a higher impact towards problem while forwarding goods towards outbound logistics.

**Problems related with promotion and development of freight forwarding agency business**

S.N O	Particulars	X	Y	R1	R2	D	D^2
1	Favourable location of the Freight Forwarding House	18	36	1	1.5	-0.5	0.25
2	Availability of good communication	15	34	2	3.5	-1.5	2.25
3	Availability of regular cargo	8	31	6	5	1	1.00
4	Cordial relationship between Freight Forwarding House and labour	11	28	5	6	-1	1.00
5	Cordial relationship between Freight Forwarding House And Lorry operator	13	36	3	1.5	1.5	2.25
6	Absence of unhealthy competition among the Freight Forwarding Houses	12	34	4	3.5	0.5	0.25
							7.00
N	6					1-R	0.06
	.					R	0.94

The above table shows about the rank correlation for promotion and development of freight forwarding agency business. The correlation value for the ranks given by the respondents is at 0.94 which is greater than 0.7. It reveals that high correlation exists between the compared variables. From the analysis it was found that according to respondents favourable location of the Freight Forwarding house has a higher impact towards problems related with promotion and development of freight forwarding agency business.

**ONEWAY ANOVA**

**COMPARISON BETWEEN NUMBER OF EMPLOYEES WORKING WITH THE COMPANY AND DIMENSIONS OF THE STUDY**

Ho1: There is a significant difference between number of employees working with the company and customs clearance

**Descriptives**

		N	Mean	SD	F	Sig
Customs Clearance	<50 members	17	3.0250	.50577	10.106	0.034
	50Members -100 Members	42	3.0783	.59780		
	More than 100 members	16	3.2403	.78445		
	Total	75	3.1008	.62412		
Export Documentation	<50 members	17	3.1353	.69930	1.202	0.304
	50Members -100 Members	42	3.3571	.71478		
	More than 100 members	16	3.3312	.73020		
	Total	75	3.3013	.71560		
Port warehousing and handling material	<50 members	17	3.6762	.39674	0.139	0.871
	50Members -100 Members	42	3.6631	.41289		
	More than 100 members	16	3.7081	.42351		
	Total	75	3.6757	.40922		

Ho1: There is no significant difference between number of employees working with the company and customs clearance as the level of significance is at 0.034 which is less than 0.05.

Ho2: There is a significant difference between number of employees working with the company and export documentations as the level of significance is at 0.304 which is greater than 0.05.

Ho3: There is a significant difference between number of employees working with the company and port warehousing and material handling as the level of significance is at 0.871 which is greater than 0.05.

**MANN WITNEY U TEST**

**Comparison between nature of factory building and acceptance towards third party logistics**

Ho1: There is no relationship between nature of factory building and acceptance towards third party logistics

	Nature of factory Building	N	Mean Rank	Mann Whitney U	Sig
Technical challenges in EDI systems	Owned	36	76.32	2751.00	0.016
	Hired	39	74.73		
	Total	75			
Number of staff/officers/resources at customs	Owned	36	78.39	2599.50	0.013
	Hired	39	72.76		
	Total	75			
Wrong declaration by shipper	Owned	36	74.79	2758.50	0.841
	Hired	39	76.18		
	Total	75			

Corruption/ bureaucracy/non-cooperation of customs officers	Owned	36	77.68	2851.50	0.535
	Hired	39	73.44		
	Total	75			
Understanding of valuation and supporting procedures/policies of customs officials	Owned	36	76.36	2748.00	0.798
	Hired	39	74.69		
	Total	75			

The above table shows that there is a relation between nature of factory building and technical challenges in EDI systems (0.016) and Number of staff/officers/resources at customs (0.013) as the level of significance is less than 0.05.

There is no relation between nature of factory building and Wrong declaration by shipper (0.841), Corruption/ bureaucracy/non-cooperation of customs officers (0.535), Understanding of valuation and supporting procedures/policies of customs officials (0.798).

**MULTIPLE REGRESSION**

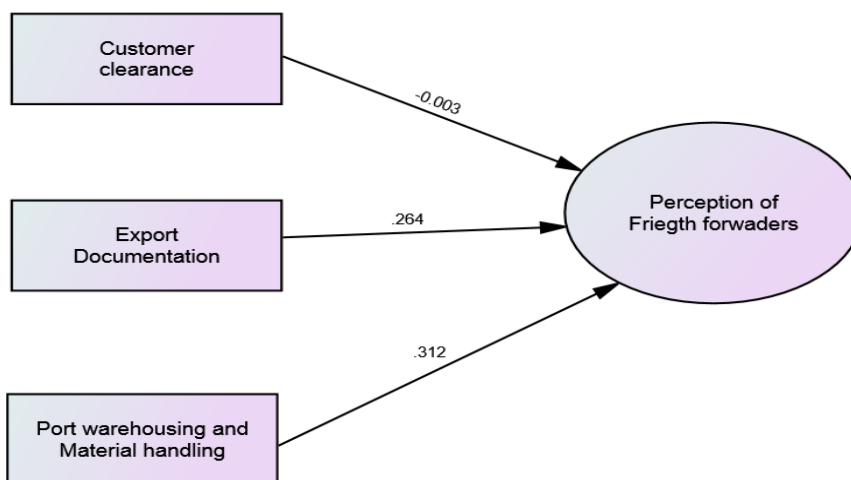
**COMPARISON BETWEEN FACTORS RELATED TO FREIGHT FORWARDERS AND PERCEPTION OF FREIGHT FORWARDERS IN SMES**

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.324	.002		-1.504	.135
	Customs Clearance	-.003	.000	.598	958.048	.000
	Export Documentation	.264	.000	.587	942.505	.000
	Port warehousing and material handling	.312	.000	.497	799.967	.000

a. Dependent Variable: Perception of freight forwarders

The above table shows about the comparison between factors related to freight forwarders and perception of freight forwarders in SMES. It reveals that the factors Customs Clearance (-0.003) don't have any relation towards perception of freight forwarders were as the factors export documentation (0.264) and port warehousing and material handling (0.312) have relation towards freight forwarders.

**COMPARISON BETWEEN FACTORS RELATED TO FREIGHT FORWARDERS AND PERCEPTION OF FREIGHT FORWARDERS IN SMES**



**FINDINGS**

- Most of the respondents are getting trade related information through other sources.
- Maximum of the respondents said commercial invoice is the highest workload towards documentation related to third party logistics.

- Most of the respondents said that they are facing problems related to non-availability of vehicles while forwarding goods towards third party logistics
- Maximum of the respondents strongly disagree towards technical challenges in EDI systems
- High correlation exists between the compared variables. From the analysis it was found that according to respondents non-availability of Cargo's has a higher impact towards problem while forwarding goods towards outbound logistics.
- According to respondents favourable location of the Freight Forwarding house has a higher impact towards problems related with promotion and development of freight forwarding agency business.
- There is a significant difference between number of employees working with the company and port warehousing and material handling as the level of significance is at 0.871 which is greater than 0.05.
- There is a relation between nature of factory building and technical challenges in EDI systems and Number of staff/officers/resources at customs
- There is no relation between nature of factory building and Wrong declaration by shipper, Corruption/bureaucracy/non-cooperation of customs officers, Understanding of valuation and supporting procedures/policies of customs officials.
- The factors export documentation and port warehousing and material handling have relation towards freight forwarders.

### SUGGESTIONS

- The first thing the companies should do before ever lifting a finger to outsource is to thoroughly understand whether the outsourcing is right for their operations.
- Once a companies has properly decided that outsourcing is the right choice and has done its homework associated with laying the foundation, they should take the time to establish a baseline that both benchmark the potential cost, service, or other opportunities..
- The companies has to identify the risks before their transition the work. While it's not clear if the parties took the time to align interest, they have to assume that the parties—at least the service provider—likely did not do a proper risk assessment.
- Freight management evolving into a technology-driven practice. A good 3PL should be using and creating state-of-the-art TMS technology platforms. The companies should make sure their 3PL's technology can integrate with their business systems, provides real-time visibility, and predictive analytics to help their strategic decisions.

### CONCLUSION

Based on the findings it is concluded that though the usage of 3PL services reveals positive and significant impact on business performance, third party logistics practices are still at a nascent stage with the companies. Organizations will increase the usage of 3PL services in traditional logistics activities and increase the scope of outsourcing based on the overall satisfaction and the impact on business objectives – logistics system performance, customer satisfaction and employee morale.

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