

Copyright is owned by the Author of the thesis. Permission is given for a copy to be downloaded by an individual for the purpose of research and private study only. The thesis may not be reproduced elsewhere without the permission of the Author.

The Significance of 'Relationship Management' as a Driver of Retention of Clients in Third Party Logistics (3PL): A Case Study in New Zealand.

A thesis presented in partial fulfillment of the requirements for the degree of Master of Logistics and Supply Chain Management

At Massey University, Albany, New Zealand.

ABSTRACT

The principal objective of this research was to explore the trend and the role relationship management plays in keeping the Third Party Logistics (3PL) outsourcing businesses together. This research also aimed at highlighting the underlying factors in the business relationships among parties involved in Third Party Logistics (3PL) business, specifically in the New Zealand logistics industry. A literature review was conducted on a significant number of related articles to justify the research objective. This multi-case study has eight participant companies who were selected as representatives of the industry; a majority of them either market leaders or have a significant role in their business category. The eight case participants were classified into two groups: logistics service provider and logistics clients. Due to their unique operational and logistics activities, some participants fell in both categories. In-depth, face-to-face interviews were conducted using semi-structured questionnaires with open-ended questions to tap into the vast industry knowledge and logistics expertise of the participants. Given the infrastructure of the Australasian logistics outsourcing industry, the result of this multi-case study has supported the results, finding, and theories of the previous researchers and academics that relationship management is the key to retaining a loyal customer base and a successful business arrangement between 3PL service providers and their clients.

Keywords: Supply Chain Management, Logistics Management, Logistics Outsourcing, Relationship, 3PL, Third Party Logistics, Customer Retention, Trust, Loyalty, Flexibility, Communication, Commitment, Capability, Collaboration, Customer Satisfaction, Service Accuracy, Cost Saving, Profitability, Literature Review.

ACKNOWLEDGEMENTS

I would like to extend my sincere gratitude to everyone who had a role to play in bringing this research into light. First, I would like to thank my wife for her patience and for her sacrifices to allow me to concentrate on my thesis and carry on continuing the other roles, which normally would be my responsibility in the first place. Then I would like to thank my boys Josh and Noah, who has been very understanding and making things lot easy for me by sacrificing many of their activities to make time for my thesis and Irene Peterson for being there for me. I would like to thank my Supervisor Alan Win, who has been very understanding with my situation and at times agreeing to meet me half ways on his travel route to help save me time. Moreover, also being a mentor, guiding me through every step of this thesis, and helping me with his feedback, resource materials and on top sharing his vast logistics experiences and making this thesis a resourceful material. Then I would like to thank Dr. Paul Childerhouse for his kind decision to help me complete this research. I would also like to thank Elina Lechtchinski for her help with reviewing the complete thesis. I would also like to extend my sincere gratitude to Kathy Hamilton for her help with issues with my enrolments. I would also like to thank Helen Murray for being a friend, a mentor and for injecting this idea to carry out my logistics career further with this degree and helping me by organizing some important interviews to make this thesis a success. I would also like to convey my special thanks to my good friend Kamrul Ahsan Ph.D., for his input and advice and help to proofread of this thesis and for his valuable advice and feedback. Finally, I would also like to thank all the interview participants and special mentions to David Spencer, Katrina Cibilich, Tony Wakelin, Allan Kumar, Scott Dormer, Wayne Crabb, Barv Soma, Rivka Thomas and Mark Partridge for not worrying about the time frame and helping me with my thesis with their time, experience and industry knowledge.

Table of Contents

ABSTRACT.....	2
ACKNOWLEDGEMENTS.....	3
Table of Contents.....	4
Table of Figures.....	10
Table of Tables.....	12
CHAPTER ONE: INTRODUCTION: - RESEARCH BACKGROUND, AIM, AND OBJECTIVES.....	13
1.1 Introduction.....	13
1.2 Research Context.....	14
1.3 Research Aims and Objectives.....	17
1.3.1 Research Objectives.....	17
1.3.2 Research Aim.....	17
1.3.3 Research Problem.....	18
1.3.4 Research Question.....	20
1.4 Research Structure.....	20
CHAPTER TWO – LITERATURE REVIEW.....	23
2.1 Introduction.....	23
2.1.1 Definition of Logistics Management.....	26
2.2 Logistics as a branch of Supply Chain Management.....	28
2.2.1 Logistics Outsourcing.....	29
2.2.2 Definition of Third Party Logistics.....	32
2.2.3 Types of Third Party Logistics (3PL).....	33
2.2.4 Overview of Logistics Relationships.....	36
2.2.5 Third Party Logistics Relationships Overview.....	37
2.2.6 Levels of Third Party Logistics Outsourcing Relationships.....	39

2.3	Background and Scope of Research	41
2.4	Direction from Literature Review	43
2.4.1	Research by Focal Point / Themes	43
2.4.2	Capacity of Research Subject	44
2.4.3	Relevance to the Research Context	47
2.5	Summary.....	50
CHAPTER THREE – INDUSTRY TRENDS AND ENVIRONMENT.....		52
3.1	Introduction	52
3.2	Uniqueness of Business Structures in New Zealand	54
3.2.1	Logistics Outsourcing Trend in Australia and New Zealand	59
3.2.2	Logistics Outsourcing and Logistics Relationships.....	62
3.2.3	Current Trend in Global Supply Chain Logistics Outsourcing	66
3.2.4	Emerging Issues in Logistics Outsourcing Relationships	72
3.2.5	Business Relationships in Logistics Outsourcing Environment.....	78
3.2.6	The Other side of Logistics Outsourcing.....	83
3.3	Summary.....	86
CHAPTER FOUR – RESEARCH DESIGN AND METHODOLOGY		87
4.1	Introduction	87
4.2	Research Method	87
4.2.1	Quantitative Research Contrasted with Qualitative Research Method	89
4.3	Research Design Overview	91
4.3.1	Case Study Research	92
4.3.2	Ensuring Quality of Case Study Research.....	95
4.3.3	Ethical Considerations.....	96
4.3.4	Selection of Case Studies	97

4.3.5	Case Participants.....	100
4.4	Data Collection Method	102
4.4.1	Introduction, Types and Sources of Data	102
4.4.2	Personal Interview using Semi-Structured Questionnaire.....	104
4.4.3	Secondary Data Collection	107
4.5	Data Analysis Procedures	107
4.6	Summary.....	109
CHAPTER FIVE: CASE STUDIES: ANALYSIS AND FINDINGS.....		110
5.1	Introduction	110
5.2	Case One: Company A	112
5.2.1	Company Overview	112
5.2.2	Company History and Developments	112
5.2.3	Business Operations.....	113
5.2.4	Logistics and Supply Chain Operations.....	113
5.2.5	Questionnaire and Interview Response Summary-Case One	114
5.3	Case Two: Company B.....	117
5.3.1	Company Overview	117
5.3.2	Company History and Developments	117
5.3.3	Business Operations.....	117
5.3.4	Logistics and Supply Chain Operations.....	118
5.3.5	Questionnaire and Interview Response Summary- Case Two.....	119
5.4	Case Three: Company C	121
5.4.1	Company Overview	121
5.4.2	Company History and Developments	121
5.4.3	Business Operations.....	122

5.4.4	Logistics and Supply Chain Operations.....	122
5.4.5	Questionnaire and Interview Response Summary-Case Three.....	123
5.5	Case Four: Company D	125
5.5.1	Company Overview	125
5.5.2	Company History and Developments	125
5.5.3	Business Operations.....	125
5.5.4	Logistics and Supply Chain Operations.....	126
5.5.5	Questionnaire and Interview Response Summary-Case Four	127
5.6	Case Five: Company E	129
5.6.1	Company Overview	129
5.6.2	Company History and Developments	129
5.6.3	Business Operations.....	130
5.6.4	Logistics and Supply Chain operations.....	130
5.6.5	Questionnaire and Interview Response Summary-Case Five.....	131
5.7	Case Six: Company F	134
5.7.1	Company Overview	134
5.7.2	Company History and Developments	134
5.7.3	Business Operations.....	135
5.7.4	Logistics and Supply Chain operations.....	135
5.7.5	Questionnaire and interview response summary-Case Six.....	137
5.8	Case Seven: Company G (Lion)	140
5.8.1	Company Overview	140
5.8.2	Company History and Developments	140
5.8.3	Business Operations.....	142
5.8.4	Logistics and Supply Chain Operations.....	143

5.8.5	Questionnaire and Interview Response Summary-Case Seven	145
5.9	Case Eight: Company H	148
5.9.1	Company Overview	148
5.9.2	Company H History and Developments	148
5.9.3	Business Operations.....	149
5.9.4	Logistics and Supply Chain Operations.....	149
5.9.5	Questionnaire and Interview Response Summary-Case Eight	151
5.10	Summary.....	154
CHAPTER SIX – CROSS-CASE STUDY RESULTS: - ANALYSIS AND DISCUSSION		
.....		155
6.1	Introduction	155
6.2	Impact of Trust on Logistics Outsourcing Relationships: Cross-Case Analysis	163
6.3	Impact of Commitment on Logistics Outsourcing Relationships: Cross-Case Analysis .	167
6.4	Impact of Communication on Logistics Outsourcing Relationships: Cross-Case Analysis	171
6.5	Impact of Loyalty on Logistics Outsourcing Relationships: Cross-case analysis	176
6.6	Impact of Logistics and IT Capability on Logistics Outsourcing Relationships: Cross-Case Analysis	180
6.7	Impact of Flexibility on Logistics Outsourcing Relationships: Cross-Case Analysis	186
6.8	Impact of Customer Satisfaction on Logistics Outsourcing Relationships: Cross-Case Discussions:	194
6.9	Impact of Collaboration (described as Long-Term Business Relationship in this research) on Logistics Outsourcing Relationships: Cross-case discussions.....	199

6.10	Impact of Customer Retention on Logistics Outsourcing Relationships: Cross-case discussion.....	203
6.11	Impact of other Non-Relational Factors on Logistics Outsourcing Relationships: Cross-case discussion.....	207
6.11.1	Impact of Profitability on Logistics Outsourcing Relationships: Cross-case discussion	207
6.11.2	Impact of Service Accuracy and Reliability on Logistics Outsourcing Relationships: Cross-case discussion:	211
6.11.3	Impact of Cost Savings on Logistics Outsourcing Relationship: Cross-case discussion	215
6.12	Summary.....	218
CHAPTER SEVEN: CONCLUSIONS AND RECOMMENDATIONS		219
7.1	Research Conclusion	220
7.2	Background and Motivation for this Study	223
7.3	Research Outcome	225
7.4	Managerial Implications	226
7.5	Future Research Direction	228
7.6	Recommendations	230
REFERENCE.....		232
Appendix A.....		272
Appendix B		281
Appendix C		285

Table of Figures

Figure 1: 3PL value creation.....	23
Figure 2: Evolution of logistics outsourcing	30
Figure 3: Layers of logistics services	33
Figure 4: 3PL Relationship perspective	37
Figure 5: Relationship perspective of Levels of Third Party Logistics Outsourcing Relationships	39
Figure 6: New Zealand Logistics Performance Index	55
Figure 7: 3PL Customer and provider Relationship overview, (Langley C.J. 2016, 20Annual 3PI Study).....	62
Figure 8: Global Outsourcing Industry spending patterns	67
Figure 9: Projected logistics revenue of 3PL sector in the USA in 2014	70
Figure 10: Challenges faced by 3PL Customers, (Langley C.J. 2016, 20 th Annual 3PL Study)	72
Figure 11: Outsourcing industry trends	76
Figure 12: 3PL Customers top drivers for successful logistics operations.....	82
Figure 13: 3PL Customers top seven reasons for 3PL relationship problems.....	84
Figure 14: Ranking of top ten relationship factors as ranked by Company A1.....	114
Figure 15: Ranking of top ten relationship factors as ranked by Company A2.....	116
Figure 16: Ranking of top ten relationship factors as ranked by Company B.....	120
Figure 17: Ranking of top ten relationship factors as ranked by Company C.....	123
Figure 18: Ranking of top ten relationship factors as ranked by Company D.....	127
Figure 19: Ranking of top ten relationship factors as ranked by Company E.....	131
Figure 20: Ranking of top ten relationship factors as ranked by Company F.....	137
Figure 21: Ranking of top ten relationship factors as ranked by Company G (Lion).....	145
Figure 22: Ranking of top ten relationship factors as ranked by Company H.....	151
Figure 23: The extended 'key mediating variable' (KMV) model of "relationship marketing" by Morgan and Hunt (1994, p. 33).....	155
Figure 24: Rating-overview of factors leading to outsourcing decisions- as rated by all case participants.	158
Figure 25: Top ten relationship factors are ranking- as ranked by all case participants.	160
Figure 26: Ranking for Trust as top ten relational factors as ranked by all case participants.....	163

<i>Figure 27: Ranking for Commitment as top ten relational factors as ranked by all case participants.</i>	<i>167</i>
<i>Figure 28: Ranking of Communication as top ten relational factors as ranked by all case participants.</i>	<i>172</i>
<i>Figure 29: Ranking of Loyalty as top ten relational factors as ranked by all case participants.....</i>	<i>176</i>
<i>Figure 30: Ranking of Logistics and IT Capability as top ten relational factors as ranked by all case participants.</i>	<i>180</i>
<i>Figure 31: Ranking for Flexibility as important relationship factors as ranked by all case participants.....</i>	<i>186</i>
<i>Figure 32: Ranking for Customer Satisfaction as important relationship factors as ranked by all case participants.....</i>	<i>195</i>
<i>Figure 33: Ranking for Long-Term Business Relationship (Collaboration) as important relationship factors as ranked by all case participants.</i>	<i>200</i>
<i>Figure 34: Ranking for Customer Retention as important relationship factors as ranked by all case participants.</i>	<i>205</i>
<i>Figure 35: Ranking for Profitability as important relationship factors as ranked by all case participants.</i>	<i>209</i>
<i>Figure 36: Ranking for Service Accuracy and Reliability as important relationship factors as ranked by all participants.....</i>	<i>212</i>
<i>Figure 37: Ranking for Cost Savings as significant relationship factors as ranked by all participants.</i>	<i>217</i>

Table of Tables

<i>Table A: 3PL Usage within Asia Pacific, (Courtesy: Sangam VK (2005)).....</i>	<i>59</i>
<i>Table B: Logistics Activities Outsourcing in worldwide in percentage</i>	<i>61</i>
<i>Table C: Global 3PL revenue comparison.....</i>	<i>69</i>
<i>Table D: Sources of qualitative data, (Denscombe M 2007 (p287)).....</i>	<i>90</i>
<i>Table E: Case participant company's business profile snapshot.....</i>	<i>100</i>
<i>Table F: Industry experience Overview of case participant Interviewee.....</i>	<i>106</i>
<i>Table G: Rating of important factors leading to outsourcing as rated by Company B</i>	<i>118</i>
<i>Table H: Rating of important factors leading to outsourcing as rated by Company D.....</i>	<i>126</i>
<i>Table I: Rating of important factors leading to outsourcing as rated by Company E.....</i>	<i>131</i>
<i>Table J: Rating of important factors leading to outsourcing as rated by Company F.....</i>	<i>136</i>
<i>Table K: Rating of important factors leading to outsourcing as rated by Company G (Lion)</i>	<i>144</i>
<i>Table L: Rating of important factors leading to outsourcing as rated by Company H.....</i>	<i>150</i>
<i>Table M: Logistics activities status of case participant businesses- as stated by all case participants</i>	<i>156</i>
<i>Table N: Ratings of important factors leading to outsourcing- as rated by all case participants (rating high: 6 and low: 1).</i>	<i>157</i>
<i>Table O: Rating for Service Accuracy & Reliability and Visibility across logistics channel as an important factor leading to outsourcing as rated by all case participants.</i>	<i>214</i>