

LOGISTICS SERVICE DEVELOPMENT AND ITS RESEARCH ASPECTS

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INTRODUCTION

Deregulation was primary factor in creation the contemporary requirements satisfying logistics systems. Modern information technologies, global supply and distribution markets and corporate drive asset productivity all converged to shape a new logistics environment. It allowed both the buyer and the seller to introduce wide range of innovations into their relationships.

In the international markets, it is possible for a whole new set of the third-party players to get involved in facilitating the material flows between origin and final destination. One of most important reasons to use the third parties in the logistics channels is growing importance to the firm for focusing its assets on the core business.

THIRD PARTY LOGISTICS SERVICE

Third Party Logistics (TPL) – Outsourcing all or much of a company's logistics operations to a specialized company. Third Party Logistics Provider: A firm, which provides multiple logistics, services for use by customers. Preferably, these services are integrated, or "bundled" together by the provider. These firms facilitate the movement of parts and materials from suppliers to manufacturers, and finished products from manufacturers to distributors and retailers. Among the services that they provide are transportation, warehousing, inventory management, electronic data interchange and other third party services. By these definitions TPL appears as an application of the outsourcing concept on the logistics function, in which an outside company provides a considerable part of the logistics service needs of the outsourcing company. But there is something more than outsourcing included in this definition, as it is stated that a bundling of these services is preferred. [1]

Presuming that the company, which is presented in the scheme, is active not only in the sector of client services but in the production and other activities, it is possible to suspect, that the first activity makes the biggest part of all cost (see Fig. 1). Although the preferred number requires additional calculations and arguments, there are theoreticians who think that the costs of the logistics make 70 percents of the final price of the product. Anyhow it is supposed that it is better to dispose the part of the indistinctive activities to another company. Signing the contracts of the cooperation can do this. The contemporary wish to gain the competitive advantage in the market enforces to use the effective strategies – the specialization of the activity is one of them. It is mostly realized as the purposeful focusing on the concrete activity, by both accumulating all resources on it and refusing the activities, which can be refused. And it is not bad that the specialized enterprises appear in the market increasingly. It is possible to think that such companies can lose their positions in the market and to become very pregnable, but it is not true. The specialization makes a good ground to anchor in the market and to concur with others on this base.

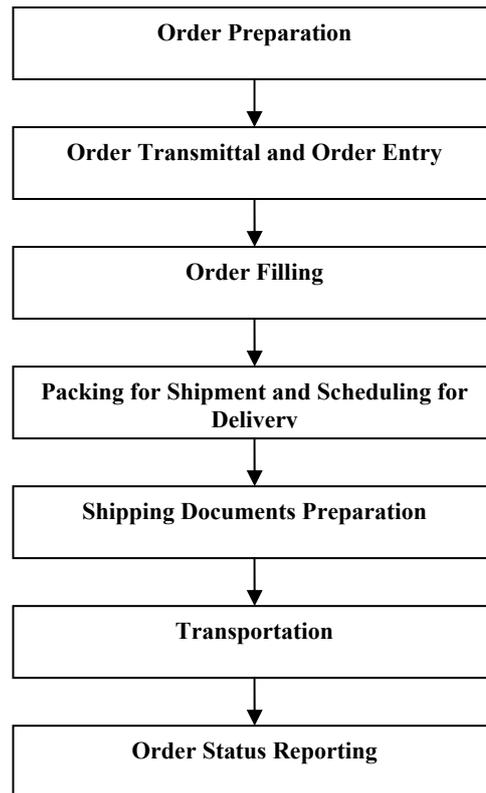


Fig.1. Time and financial recourses needs for client's service

IMPLEMENTATION STAGES OF THIRD PARTY LOGISTIC

The **preparation** phase of TPL establishment is one that is mainly about the shipper doing their homework properly. As outsourcing logistics activities have widespread strategic and organizational consequences, it is important that any decision to outsource is preceded by an extensive analysis of the current logistics system, costs, and service levels, as well as establishing cost service targets to be achieved through TPL. Some authors stress the importance of specifying the scope and types of service that are to be performed by the provider in the future TPL arrangement.

The process of establishing TPL includes the events that lead to identifying TPL as the desired future state. The buying process starts with an identified need to respond to a problem or an arisen opportunity. Common factors behind this are an initiative to enhance customer service, decrease fixed and variable cost, or to increase capacity. It is needful to take to the account the companies' macro and microenvironments, such as enlargement of the European Union, increased competition, higher customer expectations and increasing costs, in conjunction with the shipper's overall business vision and goals, as well as "organizational shake-up". Examples of influencing factors can be connected with the overall strategy of focusing on core business, a desire to ease implementation of structural change (most notably a centralization of the distribution structure, at least in European firms), cost and investment reduction, and service improvement efforts.

The last activity in the first phase is the development of a request for proposals, an activity that is included in all the other descriptions as well. This is the activity in which, according to the authors, much of the work regarding service specification is carried out.

Selection. When the needs of TPL are identified the shipper should identify potential providers, through using multiple sources of information. Financial strength and capability to provide the requested services are important factors for choosing candidates. It can be achieved during the mutual visits and references from external actors as ways of gathering information for the final choice of provider, or the evaluating the proposals of the outside consultants.

In some instances, due to the complexity of the sought-after TPL arrangement, there might not be any providers that are capable of offering the services at all. Rather, the choice may very well be one of finding the candidate that is most apt for developing the necessary capabilities.

Contract. When a provider is selected and the services are specified, a contract between the parties must be signed. It is suggested that a brief main contract is formulated, in which the main terms of the deal are specified. This should be complemented with detailed working manuals, in which tasks, service targets, and such are specified in detail. The routinely contract periods must be of one to three years, but longer periods might be required if suppliers are to undertake major investments for the specific arrangement, they also stress the importance of including an escape clause. Some researchers point out that negotiations and contracting are heavily dependent on the complexity and uncertainty of the arrangement. In some instances, service specification, negotiation of terms and contract formulation might take place during or after the fact, i.e. operations might commence before the formal contract is signed.

Implementation. This phase includes transferring responsibility for provision of the included services from the shipper to the provider. The use of cross-functional teams with members from both organizations is common, as is exchange of personnel for training purposes. The human factor is most decisive for the success of a TPL arrangement, and stresses the importance of transferring routines and competence between the parties. The parties should be prepared that problems not only can, but also will emerge underway, and that it is the responsibility of both parties to work jointly in solving these.

The strictly planned approach is required in order to smoothly implement the partnership; this should be manifested by the writing of a thorough transition plan hi co-operation between the two parties. The written plan should contain directives for issues as comprehensive as the organizational structure of parties, process descriptions and a timetable for events and activities.

While one might surmise that implementation begins at the date and time specified in the formal contract, this is not always the case. In fact, it often starts in the supplier selection stage and can play a prominent role in the final choice of a provider.

Improvement. When the transfer is completed and the provider has assumed responsibility for producing and managing services, the TPL arrangement moves on to the improvement phase. The main activities of this phase are, apart from the provider actually providing the service, are continuous evaluation and development. Education and training, risk and gain sharing, and further development of social bonds are important ingredients. These are basically the activities that include in the last steps of their respective models, the latter however also point out that a TPL arrangement might have to be terminated due to unacceptable service levels or cost.

Renegotiation. When the initial contract period comes to an end it is time for renegotiation. This should be started well in advance of the end of the contract period, as time for evaluating the process should be provided for, as well as allowing for the shipper to develop a new contract and obtain bids from competing service providers. [1]

LOGISTICS CENTERS AS PRACTICAL THIRD PARTY LOGISTICS SERVICE CASE

The intermodal and combined transport can be perceived as a concept that is omnipresent while the cargo is transported in swap bodies, containers and semi-trailers. The sea, inland waterways, rail, road and air transport modes are the tools to move the cargo from the place of origin to the destination. The transport modes require loading and unloading areas-ports, different size and purpose logistics centers and cargo terminals where the units will be handled. Once well-functioning internal and external information flows have been added to the transport chains, all the elements of intermodal transport can be assembled.

One of the main objectives of the long term transport development program is to develop a framework for an optimal integration of different modes of transport in the regional logistics centers so as to enable efficient and cost-effective use of the transport system through seamless, customer-oriented door-to-door services, favoring competition between transport operators and cargo owners.

Intermodality and logistics are not oriented to the forcing of a specific modal split, but rather to improving the connections between all modes of transport and integrating them into a single system providing optimal use of rail, road and short sea transport in order to meet modern logistics requirements for door-to-door deliveries.

Intermodal transport and regional logistics centers in Lithuania will find their market place among the conventional international longer distance railway and water transport and the local shorter distance transport market that is ultimately suited for road transport. Shipments that depend strongly on early and/or timely delivery (time-sensitive, high value goods) in general favor road transport, whereas shipments requiring primarily the lowest possible transport costs (cost-sensitive, large quantities of lower value goods) can generally be well-served by the rail or maritime transport. Intermodal, i.e. combined rail/road or combined maritime/road transport unites the strong sides of the different modes. The advantages of the rail and water maritime transport (relatively low costs, high capacity, safety, energy efficiency and low environmental pollution) are combined in the regional logistic centers with road transport (high flexibility, speed, organizational simplicity of door-to-door transport).

The organizational simplicity for the shipper of goods, once various organizations involved in the regional logistics centers have properly organized and coordinated their activities, has been the main driving force for the creation of the logistics centers and growth of intermodal transport.

Both, for the supplier and the user of regional logistics centers services and of intermodal transport, and for the society as a whole the development of logistics centers and intermodal transport has proven to offer substantial benefits, particularly because of their (relative) quality or the relative merits of the (competing) transport modes constantly developing in an operating environment subject to continuous change, such as increasing congestion on the road network, or the introduction of new pricing policies and/or regulations. [2]

CONCLUSION

One important aspect of change processes is the distinction between the strategic and operative areas, which are a figurative representation of the constellations in which decisions on change and the implementation thereof, take place. Designs and decisions conceived in the strategic area are manifested in operations, i.e. there is a link between the two areas. There might also be activities in the one area that take place without link to the other, but from an overall systems perspective the design of the distribution system in the studied case - which was establishment of TPL and centralization of distribution - was conceived on the strategic level and manifested on the operative.

There is also the distinction between formation and implementation. Depending on the models of change that are at play in a change process, these two process constituents are of different character, but both exist to some extent in any given process. In the description of the process it is concluded that it can be divided into four main chronological episodes. The first two of these Recognition and Decisions - involve no operational manifestation of change; this takes place during the third and fourth episodes, Transfer and Operations. Therefore the process can on an overall level be seen as having involved two main phases, the first being formation during which activities, actions and events aimed at formulation solutions and gaining acceptance of the planned change are carried out, and Implementation, during which most of the operational manifestation of change takes place.

There are a number of important factors that are going to affect the development the shipper/ third party relationships in the nearest future:

- in order for a relationships between the shippers and third party to be effective in the context of partnering, there must be a clear understanding on the part of both parties regarding mutual expectations;
- both the shipper and third party must establishing the technology interface - the best technological resources of both parties must be utilized to insure efficient and effective implementation;
- the relationships in the respect is evolutionary and tends to grow in the scope and complexity over time. The range and cost of available technology will encourage this general trend toward expanded value added services on the third party;
- the most progressive third party firms must develop strategic alliances with partners in other EU countries in order to provide an “end to end” service in international markets;

References

- [1] Lindskog M. *Changing to Third Party Logistics*. Prentice: Institute of Technology, Linköping University, 2003, p. 140.
- [2] Palšaitis R., Bazaras D. Analysis of the Perspectives of Intermodal Transport and Logistics Centers in Lithuania, *Transport*, Vol. XIX, No. 3, 2004, pp.119-123. ISSN 1648-4142. (Journal of Vilnius Gediminas Technical University and Lithuanian Academy of Sciences).