

**UNIVERSITY OF PETROLEUM & ENERGY STUDIES
DEHRADUN**



DISSERTATION REPORT

Topic: Analysis of 3rd Party Logistics Service Industry in India

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DECLARATION

I hereby declare that the Dissertation entitled “*Analysis of 3rd Party Logistics Service Industry in India*” submitted in partial fulfilment of the requirements for the award of the Degree of Masters in Business Administration is a record of original research work done by me under the supervision & guidance of Prof. Kaushik Paul and the Dissertation has not formed the basis for the award of any Degree/Diploma/ Associate ship / Fellowship or similar title to any candidate of this or any other University.

Place : DEHRADUN

Date : SACHIN SREEKUMAR

BONAFIDE

This is to certify that the project entitled "*Analysis of 3rd Party Logistics Service Industry in India*", presented to the University of Petroleum and Energy Studies, Dehradun, by Sachin Sreekumar, in the partial execution of the Master of Business Administration (Logistics and Supply Chain Management) is a work of good faith made by it under my supervision. This work in particular there has been done nowhere else for any other grade. To the best of my knowledge, he has made a serious effort and outside input for this project.

I wish you all the best for your future projects.

Prof. Kaushik Paul

College of Management & Economic Studies,
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Dehradun

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Third party logistics (3PL) has been gaining importance in most places in the world. The implementation of 3PL practices is just beginning and emerging effectively. The third-party logistics industry has come a long way in its relatively short history, a maturity curve that has been documented in the seventeen years of this study. Early on, shippers cautiously entrusted 3PLs with a relatively limited number of core services, such as managing warehousing and transportation, then steadily asked 3PLs to do more. 3PLs honed their craft in delivery of these services, while gaining shippers' trust and building toward more collaborative, integrated relationships with their customers. Similar to other industries, shippers (customers) sometimes revisit their decisions to use 3PLs, even over short periods of time.

This project is an attempt to provide a 3PL perspective in India and to examine the Indian 3 PL Service Industry with respect to Key Success Factors, Challenges, Growth Strategies and Opportunities. This project contribute towards Academic Theory and Management Practice by offering context-specific findings on the usefulness of specific key success factors and growth strategies.

INTRODUCTION

INTRODUCTION

What is Third Party Logistics?

3rd Party Logistics (3PL) is the supply chain practice where one or more logistics functions of a firm are outsourced to a 3PL provider.

Typically, the logistics function consists of following:

- Inbound Freight
- Freight consolidation
- Public Warehousing
- Contract Warehousing
- Order Fulfilment
- Distribution
- Management of outbound freight to the client's customers

Besides that, Value Added Services can be provided. 3PL consists of

1. Repackaging
2. Assembling
3. Reverse logistics

The 3PL provider manages and executes these particular logistics functions using its own assets and resources, on behalf of the client company. The thoughts and rational behind these are to keep the firm competitive by keeping it lean without owning many assets and allowing the 3PL companies to focus on niche area and to reduce operational costs. 3PL is also referred as Contract Logistics. 3PL companies are evolving from predominately transactional-based to more strategic in nature. At the same time, 3PL is gradually evolving into 4PL (Fourth Party Logistics Provider). 4PL is a supply chain services provider that searches the best logistical solutions for its client, typically without using own assets and resources. Relatively new is the term 5PL or even 7PL, indicating Total Supply Chain Management Outsourcing.

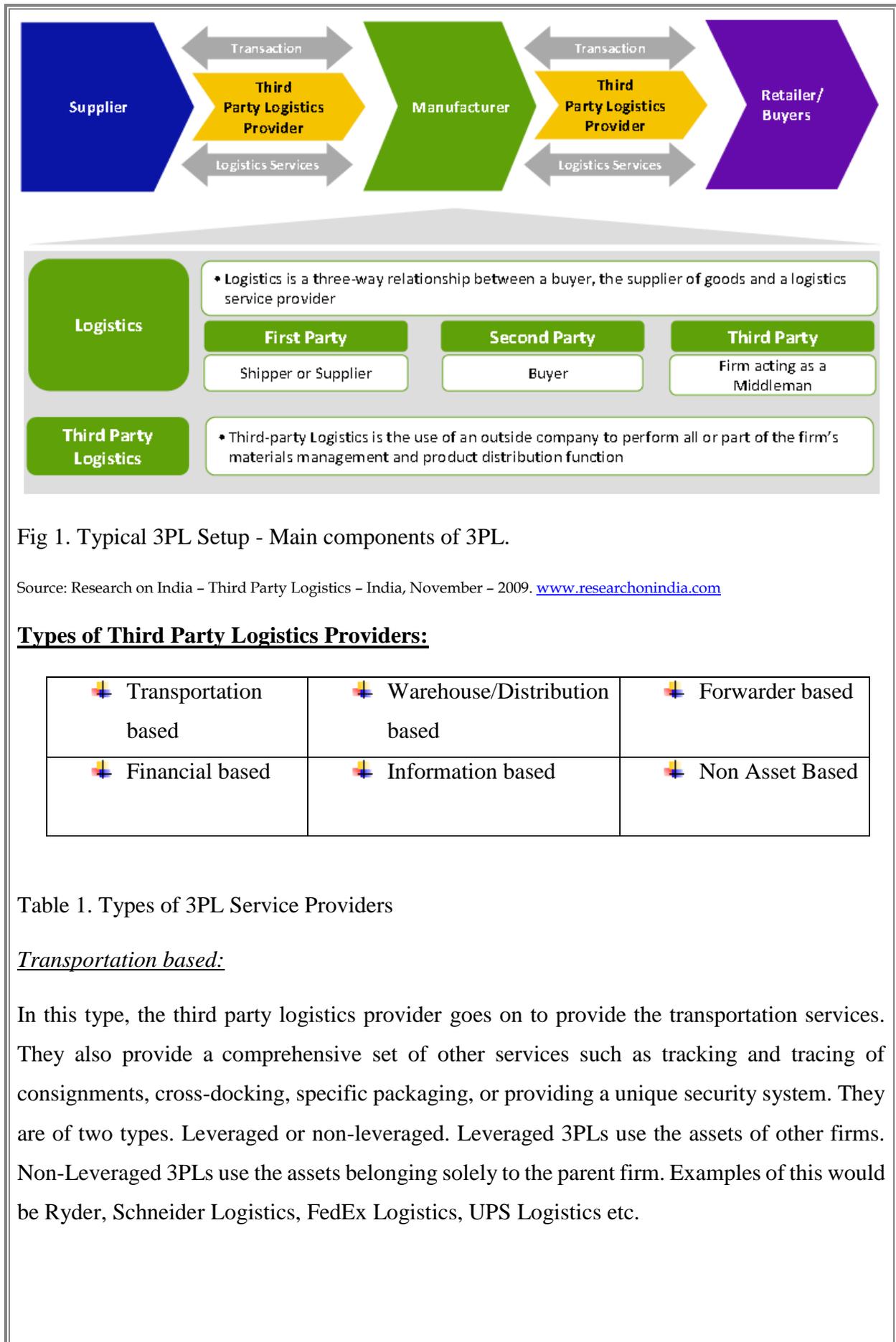


Fig 1. Typical 3PL Setup - Main components of 3PL.

Source: Research on India – Third Party Logistics – India, November – 2009. www.researchonindia.com

Types of Third Party Logistics Providers:

✚ Transportation based	✚ Warehouse/Distribution based	✚ Forwarder based
✚ Financial based	✚ Information based	✚ Non Asset Based

Table 1. Types of 3PL Service Providers

Transportation based:

In this type, the third party logistics provider goes on to provide the transportation services. They also provide a comprehensive set of other services such as tracking and tracing of consignments, cross-docking, specific packaging, or providing a unique security system. They are of two types. Leveraged or non-leveraged. Leveraged 3PLs use the assets of other firms. Non-Leveraged 3PLs use the assets belonging solely to the parent firm. Examples of this would be Ryder, Schneider Logistics, FedEx Logistics, UPS Logistics etc.

Warehouse/Distribution based:

In this type, the 3PL provides warehousing facilities along with its distribution facilities. Not all firms have former warehousing and distribution experience. Thus the transition to integrated logistics has been less complex than for the transportation based providers. Examples of this type would be DSC Logistics, USCO, Exel, Caterpillar Logistics, and IBM.

Forwarder based:

They are essentially middlemen who extend their roles to provide logistics services. They are Non-asset owners that capably provide a wide range of logistics services such as warehousing and distribution (to an extent). Examples of this type are AEI, Kuehne & Nagle, Fritz, Circle, C. H. Robinson, and the Hub Group.

Financial based:

They Provide freight payment and auditing, cost accounting and control, and tools for monitoring, booking, tracking, tracing, and managing inventory. Examples of this type are Cass Information Systems, CTC, GE Information Services, and FleetBoston.

Information based:

This is logistics based on Information usage. It is a fast developing method of providing 3PL services. They are usually Internet-based, business-to-business and electronic markets used for transportation and logistics services. Examples of this type are Transplace and Nistevo.

Non Asset Based Service Providers:

This class of 3PL performs functions such as consultation on packaging and transportation, freight quoting, financial settlement, auditing, tracking, customer service and issue resolution. However, they don't employ any truck drivers or warehouse personnel, and they don't own any physical freight distribution assets of their own – no trucks, no storage trailers, no pallets, and no warehousing. A non-assets based provider consists of a team of domain experts with accumulated freight industry expertise and information technology assets. They fill a role similar to freight agents or brokers, but maintain a significantly greater degree of “hands on” involvement in the transportation of products.

Classification of 3PL Service Providers:

✚ Standard 3PL provider	✚ Service developer
✚ The customer adapter	✚ The customer developer

Table 2. Classification of 3PL Service Providers

Standard 3PL provider:

This is the most basic form of a 3PL provider. They perform activities such as, pick and pack, warehousing, and distribution – the most basic functions of logistics. For a majority of these firms, the 3PL function is not their main activity. They mostly cater to the needs of small retailers.

Service developer:

This type of 3PL provider offers their customers advanced value-added services such as: tracking and tracing of consignments, cross-docking, specific packaging, or providing a unique security system. A solid IT foundation and a focus on economies of scale and scope enable this type of 3PL provider to perform these types of tasks.

The customer adapter:

This type of 3PL provider comes in at the request of the customer and essentially takes over complete control of the company's logistics activities. The 3PL provider improves the logistics dramatically, but does not develop a new service. The customer base for this type of 3PL provider is typically quite small.

The customer developer:

This is the highest level that a 3PL provider can attain with respect to its processes and activities. The 3PL provider integrates itself with the customer and takes over their entire logistics function. These providers will have few customers, but will perform extensive and detailed tasks for them.

INDUSTRY PROFILE

INDIAN LOGISTICS INDUSTRY:

India's need for infrastructure creation in the logistics sector is striking. In just a decade India has seen its economic size more than double to \$ 1.37 trillion (2012) and total foreign merchandise trade multiply from 20% of GDP (2000) to 42% of GDP (2012). This growth has been accompanied with a phenomenal rise in the volume of freight traffic movement over the period. However, logistics infrastructure and services in the country have arguably not developed at the same pace to support and further this growth. Going by global standards, the Indian logistics sector is characterized by concerns around higher costs, lower profitability, lack of adequate availability of trained manpower resources and lower adoption of technology in its processes.

These concerns are also reflected in the drop in India's rank on World Bank's Logistics Performance Index (LPI), which measures a country's performance on six key criteria. Over the past five years, the country's LPI rank has fallen from 37 (2007) to 46 (2012) as its score has stagnated over the period while competing countries have improved on the same. India lags behind other major markets such as Brazil (41), China (26), US (9), and Germany (4). Particularly, India's rank on quality of trade and transport-related infrastructure (ports, railroads, roads and information technology), which is one of the six criteria, has deteriorated from 47 (2010) to 56 (2012). Congestion witnessed on roads and ports, longer dwell times on ports, longer overall transit times and overloading of trucks leading to faster deterioration of road infrastructure would reflect this.

For any economy, the logistics sector, encompassing transportation, warehousing, cargo consolidation and border clearances, would form the backbone of its trade, and associated economic activity and growth of key sectors. The cost of trading whether by sea, land or air forms a critical component of the final price of a commodity. An efficient logistics system reduces this cost, providing a competitive edge and propelling economic activity. As per a McKinsey study, inefficiencies in logistics infrastructure cost the Indian economy an extra \$45 billion, about 4.3% of the GDP, every year. It warns that a 2.5 time's growth in freight traffic demand by 2020 (compared with 2010 levels) will put further stress on India's infrastructure.

However, such high demand prospects also present an opportunity for logistics industry players in India. The Emerging Market Survey, 2013, conducted by Transport Intelligence (TI) ranks India as the second most attractive logistics market in the future after China, and its position has not changed over the past four years. As a fast growing economy with one of the largest consumer markets, industries such as automobile, pharmaceuticals, FMCG and retail will drive the demand for logistics in India in the future. Further impetus will come from the increasing emphasis on enhancing manufacturing and exports.

The current stress on the logistics system and its performance suggests that one of the key issues is inadequacy of transportation logistics infrastructure. In recent years, the Indian government has accorded high priority to this and allocated greater public budget to boost overall infrastructure spending. Planning Commission has budgeted for an initial infrastructure investment of Rs. 4.1 trillion (9.95% of GDP) over the 12th Five Year Plan (FYP) period (2012-2017) in order to sustain a real GDP growth rate of 9% over the period. This is almost double the amount proposed under the 11th Five Year Plan (2007-2012) in real terms. The government has opened up the sector to private investment to bring in better technology, operational efficiencies and other best practices. Initiatives have been taken to facilitate private participation and attract private, foreign and multilateral finance to the sector.

Planning Commission estimates of mobilization of private investment during the 11th FYP indicate that out of the plan outlay for respective sectors, about 80% in Ports, 64% in Airports and 16% in Roads came through private sector. But global and domestic economic slowdown over the past two years has stymied overall infrastructure creation.

Moreover, several issues have cropped up – some universal across sectors and others more specific to certain sub-sectors. On one hand, the gloomier macroeconomic conditions – slowing growth, rising inflation and interest rates have weighed on the risk appetite of lenders; on the other, such conditions have distressed developers, whose balance sheets felt greater stretch on account of low liquidity and cash flows compared with earlier years. This was further complicated by changes in project viability in many cases as initial traffic projections were deemed overestimated. Creation of infrastructure was also delayed on account of issues related to environmental clearances, land acquisitions as well as sector specific challenges that stalled financial closures for awarded projects or impacted investor interest for new projects.

LITERATURE REVIEW

LITERATURE REVIEW

Outsourcing, third party logistics services (3PL) and contract logistics generally mean the same thing (Lieb, Millen and Wassenhove, 1993). It involves the use of external companies to perform logistics functions, which have traditionally been performed within an organization. The functions performed by third party logistics service providers can encompass the entire logistics process or select activities within that process.

A key rationale for outsourcing of logistics functions is the intensified globalization of businesses. During the last two decades, globalization has emerged as a major force of shaping business strategies, leading firms to develop products designed for a global market and to source components globally. This has led to more complex supply chains requiring larger involvement of managers in logistics functions. Lack of specific knowledge of customs, tax regulations and infrastructure of destination countries has forced firms to acquire expertise of third party logistics service providers. As a result firms are concentrating their energies on core activities and leaving the rest to specialist firms (Byrne, 1993; Foster and Muller, 1990; Trunick, 1989).

A recent research carried out on supply chain management practices in India highlights that the opening of Indian economy and globalization of businesses has been a key factor for the Indian industry to align supply chain strategy with business strategy, streamline processes for supply chain integration and form partnerships for minimizing inventories. Indian organizations are increasingly deploying supply chain strategies for logistics improvements – to increase sales revenue, enhance profits, reduce order to delivery cycle time and minimize inventories. (Sahay and Mohan, 2003).

Logistics is therefore emerging as a key frontier of competition in the future. Good logistics performance requires a trade-off between the need to reduce overall supply chain inventory and lead times, while simultaneously capturing economies of scale and improving customer service for enhanced business performance. Versatility of third party logistics service providers enables them to maintain this trade-off by turning fixed costs into variable costs for companies using their services (Trunick, 1989). The use of third party logistics service providers has gained prominence in this context.

Empirical studies have tested the following factors in defining the extent of usage (Lieb, 1992; Dapiran, Lieb, Millen and Sohal, 1996; Bhatnagar, Sohal and Millen, 1999):

- Length of experience with third party logistics firms
- Level of commitment to the usage of third party logistics services
- Percentage of the total logistics budget allocated to third party logistics service providers
- Specific logistics services outsourced (warehouse management, shipment consolidation, fleet management, order fulfilment, product returns, carrier selection, logistics information systems, rate negotiation, product assembly, order processing, inventory replenishment, order picking, inbound transportation, outbound transportation, labelling and packaging, distribution, custom clearance and forwarding, import export management, customer service/support).

By understanding the reasons for outsourcing of logistics services, 3PL service providers can gain insight into the benefits sought and provide focused services. A third party logistics service provider with experience, focus and expertise is regarded as more competent, compared to those service providers who profess to be "all things to any consumer" (Sink et al., 1996). The research on supply chain management practices in India has identified that outsourcing of logistics activities is growing in popularity for Indian organizations and there has been an increase in the number of third party logistics providers over the last couple of years (Sahay and Mohan, 2003).

The major reasons cited for usage of 3PL services include – cost reduction, strategic reasons, process effectiveness, and lack of internal capability. Usage of third party logistics services is a strategic decision and hence it is necessary to perceive and quantify the impact it has on business performance. The purpose of engaging in third party relations is seldom cost reduction alone, but a combination of service improvements and efficient operations (Larsen, 2000).

RESEARCH METHODOLOGY

Research Methodology

Research Objectives:

To study and identify overall 3PL Market and Services available in India respectively.

To identify various Key Success Factors, Challenges, Growth Strategies and Opportunities of 3PL Industry.

Research Problem:

How the Indian 3PL market reflects in the Indian Logistics Industry?

Research Questions:

What is the current position of the Indian 3PL Market and the various 3PL Services available in India?

What are the various Key Success Factors, Challenges, Growth Strategies and Opportunities of 3PL Industry?

Research Gap:

No previous study has been conducted on Indian 3PL industry.

Lack of information on this topic.

The available information is not reliable.

Research Design – Exploratory Research

Data Collection:

Primary Data:

Interview of Industry Experts and various 3PL Company Officials.

Secondary Data:

Reports, Company Websites, Journals, Articles, Websites and Internet.

Tools Used:

Unstructured Personal and Telephonic Interviews. Also via Emails. Use of Delphi Method or Expert opinion.

Significance:

Helps towards Academic Theory.

Contributes towards Management Practice.

Helps to understand the Indian 3PL Service Industry.

Limitations:

Time Constrains.

Limited Responses.

Lack of Information.

Limited area of study.

This study may get outdated due to time progress.

FINDINGS

FINDINGS:

Current Position of the Indian 3PL Market:

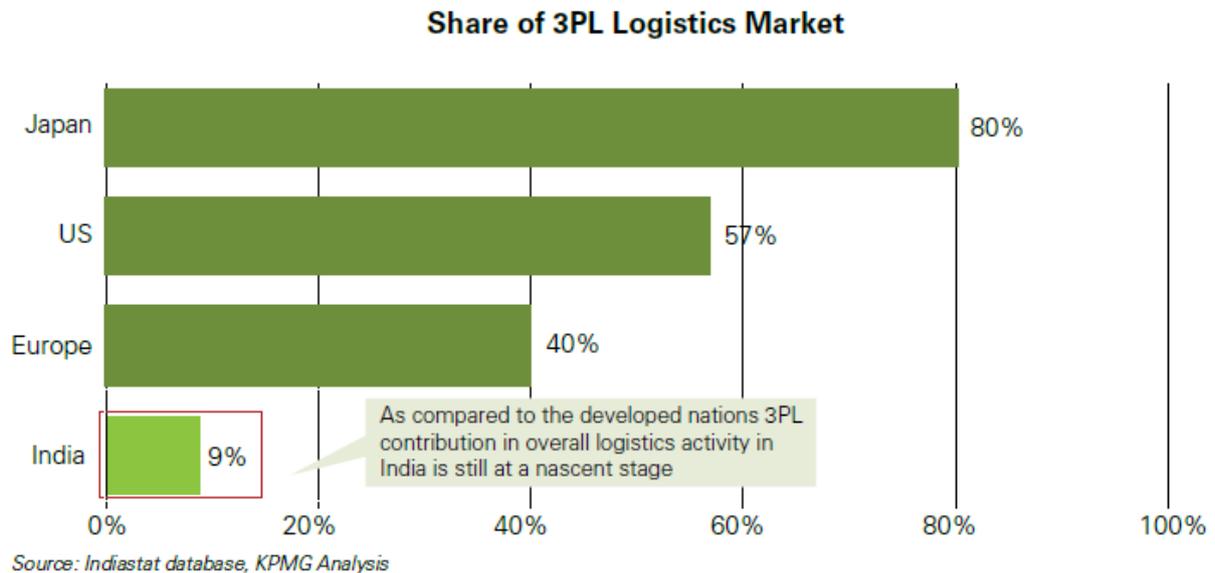


Fig. 2. Share of 3PL Logistics Market 2014

The Indian 3PL Market is estimated to grow rapidly, as the customers increase the level of outsourcing, encouraged by the ability of 3PL companies to provide quality services. This growth is expected to be further augmented by the penetration of 3PL Services in India, which still lags many countries of the world.



Fig. 3. Evolution of 3PL Market

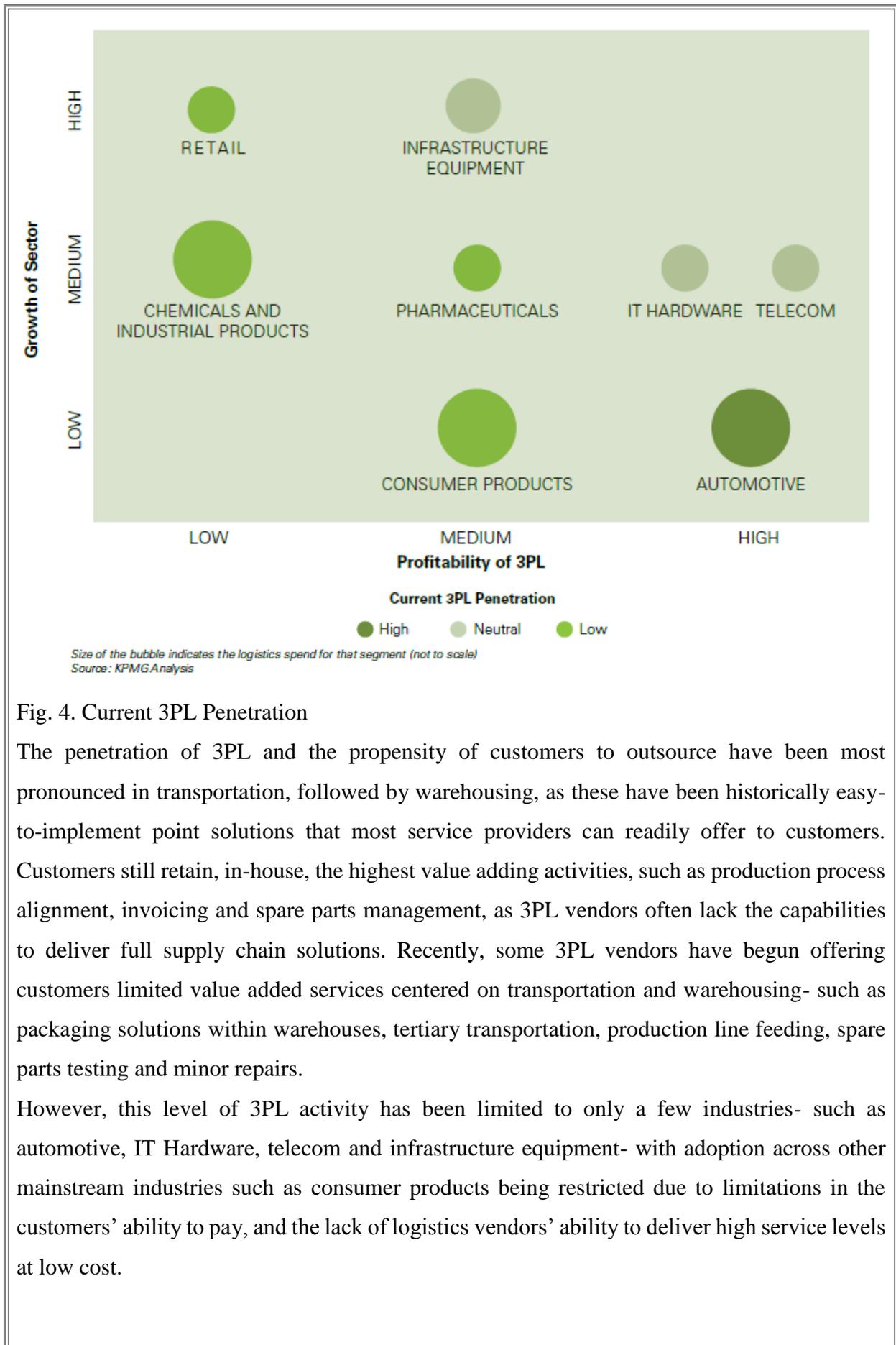


Fig. 4. Current 3PL Penetration

The penetration of 3PL and the propensity of customers to outsource have been most pronounced in transportation, followed by warehousing, as these have been historically easy-to-implement point solutions that most service providers can readily offer to customers. Customers still retain, in-house, the highest value adding activities, such as production process alignment, invoicing and spare parts management, as 3PL vendors often lack the capabilities to deliver full supply chain solutions. Recently, some 3PL vendors have begun offering customers limited value added services centered on transportation and warehousing- such as packaging solutions within warehouses, tertiary transportation, production line feeding, spare parts testing and minor repairs.

However, this level of 3PL activity has been limited to only a few industries- such as automotive, IT Hardware, telecom and infrastructure equipment- with adoption across other mainstream industries such as consumer products being restricted due to limitations in the customers' ability to pay, and the lack of logistics vendors' ability to deliver high service levels at low cost.

As these companies increasingly focus on costs and asset returns, while focusing on their core business models, the share of 3PL is expected to rise further.

Various 3PL Services in India:

✚ Rate Negotiation	✚ Inventory Management
✚ Customer Service/Support	✚ Outbound Transportation
✚ Marketing Sales Promotion	✚ Distribution
✚ Break Bulk Operations	✚ Order Processing
✚ Order Fulfilment	✚ Custom Clearing & Forwarding
✚ Order Picking	✚ Outbound Warehousing
✚ Import/Export Management	✚ Inbound Transportation
✚ Selected Manufacturing	✚ Labelling & Packaging
✚ Cargo Insurance	✚ Inbound Warehousing
✚ Assembly/Installation	✚ Reverse Logistics
✚ Trade Finance	✚ Port Operations
✚ Consulting	✚ After Sales Operations
✚ Non-Vessel Operating Common Carriers (NVOCC)	✚ Fleet Management. & Consolidation

Table 3. Various 3PL Services in India

Reasons for Outsourcing:

✚ Focus on core competencies	✚ Logistics cost reduction
✚ Imbibe more flexibility in operations	✚ Improved customer services
✚ Productivity improvements	✚ Access to emerging technology
✚ Access/Expansion to unfamiliar market	✚ Diverting capital investment
✚ To increase inventory turnover	✚ Success of firms using 3PL services
✚ Corporate restructuring	✚ To develop supply chain partnerships
✚ Improve Return of Assets	

Table 4. Reasons for Outsourcing

KEY SUCCESS FACTORS

KEY SUCCESS FACTORS OF 3PL COMPANIES:

Thinking locally and Servicing Globally:

As India's logistics industry is in the infancy stage, setting up a nationwide distribution capabilities at the start-up stage would be difficult. Instead logistics players should consider comprehensive coverage of one part of India or one vertical before spreading out to the rest. This is because a successful business just in one part of the country can easily become dominant and attractive to cater both ends of supply and demand. On the other hand, the quality standards and service levels currently offered by Indian logistics players could be below expectations. With the emerging globalization and integration of Indian market with the global market, Indian companies are increasingly demanding services on par with global standards. As such, local logistics providers have to focus on offering world-class services and solutions to enhance the satisfaction level of their customers.

Focussing on information and coordination in developing logistics solutions rather than asset ownership:

It is not wise to have hard assets in transportation, warehousing and logistics sector (which may not be considered high quality of international standards) be controlled by Indian companies. Instead, these assets should be utilized more effectively and in a networked fashion to achieve higher coordination, backed by the ability to provide logistics solutions that add value to their customers. Thus it is more optimizing for the service provider to create and sell solutions based on agreements that bind and control their assets, rather than fully owning them.

Being industry specific and providing customized solutions:

The logistics service need, expectation and specification of each industry and even companies within the same industry may differ, and in India it is a common sight that service providers are not able to design, develop, provide and manage their customer-specific requirements. Therefore a critical success factor for the players is to reach an enhanced customer-centric market and to retain in a long term relationship is to offer the right service in the right quantity and right condition to the right customer at the right time and right cost.

Pursuing alliances aggressively:

One approach for the Indian service providers with strong asset position but low skills seeking global stature is to form alliances with the multinational players. It gives a competitive advantage in terms of meeting the demand for a one-stop, provide technical, engineering and supply chain solutions, and often cost effective alternative for extending existing service offerings and geographical coverage. At the same time, through alliance local players can provide world-class services in India and remain competitive in the domestic market. For the global players, forming strategic alliance with local market partners will help to gain access to local clients, high degree of penetration and better understanding of India's domestic logistics needs and expectations. Thus, the alliance gives customers of each organization access to integrated global supply chain management, analysis, re-engineering, freight payment and full seamless execution via a joint service offering.

Focussing on organization building as much as strategy or operations:

While transportation and logistics is necessarily a highly operational undertaking, the success of a logistics business will also be defined by the quality of its solutions and therefore the skills and commitment of its manpower. Their drive, knowledge, innovative and commitment will make the essential difference to service quality and impacts of solutions. This issue is doubly crucial in India as there are not much logistics domain experts in the area and the knowledge in providing optimized logistics solutions are relatively unexplored by conventional Indian service providers. As such, it is important to educate them to build talented personnel who know how to work efficiently within the constraints of the Indian market. On the other end, there is also need to educate the Indian organizations on the benefits of outsourcing to the logistics service providers for them in the short and long term.

Providing technological solutions - Systems and Processes:

In today's global business practice, technological solution is in widespread usage and it has also become the mantra in the logistics business. Effective process are needed to tightly control operations, e.g. backhaul management and route optimization. This has in turn created a market for software vendors, who have responded with suites of Supply Chain Execution (SCE) applications. This includes order, warehouse and transportation management systems, online tracking of goods, real time information, Global Positioning Systems (GPS) and most recently

the Radio Frequency Identification (RFID) systems RFID which improves the accuracy and distribution efficiencies.

India is a globally acknowledged IT powerhouse and this strength must be exploited by Indian companies to develop specific capabilities in IT-enabled Logistics such as the development and management of logistics planning and coordination systems. Leading Indian IT companies can complement their IT expertise with logistics domain knowledge to develop logistics capabilities for the different industries. Indian service providers should also quickly embrace the IT available and further develop the customized IT solution that suit the Indian requirement so as to enhance the quality and reliability of services provided. One option to do this is by forming alliance with independent software companies who can tailor-make the IT systems based on the local requirement. The IT solution offered should also be able to facilitate the increasing e-commerce activities across the country. Essentially, it is the players who can provide seamless e-logistics services that will emerge as successful logistics players in India.

Relationships	<ul style="list-style-type: none"> • Long term contracts with customers ensure regular and predictable volumes • Cross-referrals from customers in the same industry a key value driver
Industry specific value-added solutions	<ul style="list-style-type: none"> • 3PL is hinged around offering industry-custom supply chain solutions, e.g. testing / inspection / line feeding for auto, reverse logistics for retail • The ability to help customers re-engineer their supply chain, differentiates one 3PL from another, e.g. helping customers migrate from road to rail, project logistics management
Manpower	<ul style="list-style-type: none"> • Availability of skilled manpower – both management and operational – is a key constraint for the 3PL industry, and acquiring / retaining talent is a critical differentiator • Key personnel also bring customer relationships and industry-specific logistics know-how to organizations
Ownership / control over assets	<ul style="list-style-type: none"> • End-to-end control over cargo is critical in qualifying as a 3PL company, and many 3PL players are beginning to own assets such as trailers and warehouses, to ensure this • Developing relationships with key value chain partners such as freight forwarders, domestically and internationally, is necessary in giving customers comfort to outsource
Systems and processes	<ul style="list-style-type: none"> • Effective processes are needed to tightly control operations, e.g. backhaul management and route optimization • Coupled with this, customers are increasingly demanding technology enablement in 3PL solutions, e.g. GPS, RFID and real-time cargo updates
Efficient operations	<ul style="list-style-type: none"> • Service levels are critical for 3PL providers, when attempting to wean away customers from unorganized logistics segments such as trucking and 'godown' storage, e.g. timely pick-up and delivery, hygienic warehouses, call centre management

Source: KPMG

Fig. 5. Critical Success factors

GROWTH STRATEGIES

GROWTH STRATEGIES:

There are three popular expansion strategies for 3PL local and MNCs players in the country: *Organic Growth* (organization expansion purely within the internal business structure - in-house development), *Mergers or Acquisition and Partnership or Joint Venture*.

In China, about 80% providers, domestics and foreign are looking for *partnership and joint ventures* to help achieve growth targets. Similar scenarios can be expected in India. *Partnership and joint ventures* would be the most popular mode of expansion in India and thus we focus on this strategy in this section. Essentially local 3PL players would be looking for partners who can provide overseas network, financial support, management experience and complementary functions, while MNC players would be looking for partners who can provide customer relationships, resources, strategic assets, operational skills and domestic network coverage. As a result, industry experts believe that consolidations between local and MNC players would continue to take place in India.

Generally there are two ways to structure joint venture when entering and doing business in India. First, the joint venture is formed as a new company and second, the joint venture is formed by taking a stake in the Indian partner. For the first case, the Indian partner contributes the business and the foreign partner contributes technology, cash, etc, and the net differential between the shareholding obtained in the joint venture and the assets contributed is settled in cash. In the second case, the Indian partner allows the foreign partner to take a stake in the existing company, and if it is through the issue of fresh shares, the foreign partner pays for the acquisition through cash, contribution of technology, etc. Among the recent developments in organic growth and tie-ups that have taken place in India includes the following:

- ✚ UPS Logistics Group, a wholly owned subsidiary of United Parcel Service, formed a joint venture with Jetair Ltd. The UPS-Jetair Logistics, a 60:40 joint venture which is headquartered in Mumbai provides international express delivery services in India.
- ✚ GATI Ltd, an express logistics company tied up with Bhutan Post as part of its strategy to make a foray into all South Asian Association for Regional Cooperation (SAARC) countries. GATI latter tied up with Maldives Post as further expansion and door delivers all Maldives Post shipment in India.

- ✚ Elbee Services has entered into several strategic alliances with large players in the global express industry. For example, it has entered into a strategic partnership with Bax Global India, part of the US-based conglomerate Pittston Company to jointly provide logistics services to Indian firms. Elbee would take care of warehousing and distribution facilities requirement while Bax Global would provide technology and software needs. Elbee Services has also formed a 50:50 joint venture with UPS (UPS Elbee International). Other Elbee's international service associates include TNT India Ltd.
- ✚ Blue Dart, a leading player in the domestic market, has entered into a sales alliance with DHL India to provide Blue Dart customers the DHL advantages of size, reach, flexibility and infrastructure. Blue Dart will now be a wholesaler for DHL India.
- ✚ 3PL start-up companies like Dynamic Logistics Pvt Ltd are also growing rapidly in India. The Pune-based company has container freight stations that handles import and exports from across the globe and has developed warehouse infrastructure management and transport management systems to share information with customers, vendors, dealers and transporters.
- ✚ Emery Worldwide launched its express product for the Indian market. In order to better serve the rising demand by airfreight in the country, it has tied-up with Indian Airlines and Air Sahara for domestic airfreight express service in India.
- ✚ Indian Post is soon to venture into the logistics business. The "Logistics Post" aims to fill the gaps of the limited presence of the operators in rural and semi-urban areas that are growing and the lack of door to door service. It will start with the first phase on introducing services on short and medium distance haulage having higher margins and the second phase would have consolidations in the form of strategic partnerships and extension of services to long distance haul.
- ✚ Maersk India Pvt Ltd and CONCOR have entered into a 51:49 joint venture to set up a container freight station (CFS) at Concor's Dadri complex in Uttar Pradesh.

GROWTH PROSPECTS

GROWTH PROSPECTS:

India is in general a high growth potential country. In 2005-06, Indian economy showed a growth of 9 percent till the economic downturn of 2007. Hence, many transport and logistics companies considered establishment and initiated their operations India. Entry and existence of global giants like Ikea, Flextronics, Wal-Mart and BMW, are expected to further contribute to growth of 3PL usage. The opening up of Indian economy to foreign investments will attract more players joining the race and adding to the growth momentum.

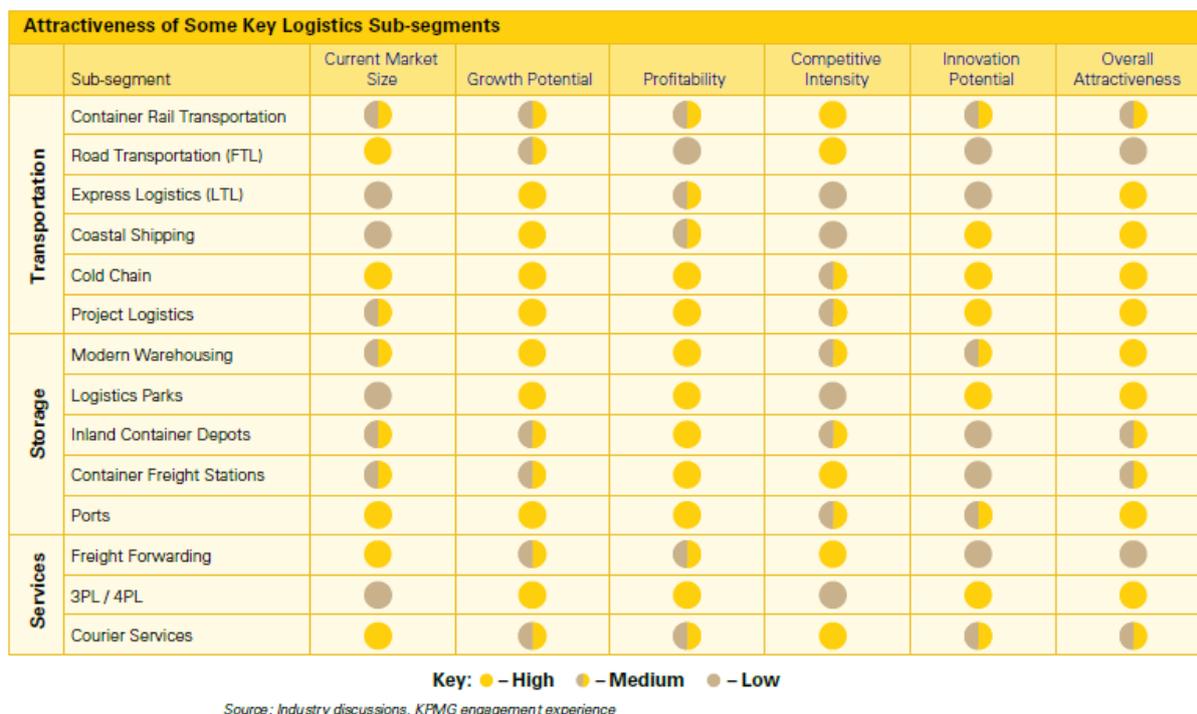


Fig. 6. Attractiveness of Key Logistics Sub Segments.

Some of the reasons why the 3PL industry can be upbeat about the sector growth are:

Growth in Indian Economy:

Economic growth places huge demand on air and surface transport thereby providing a congenial environment for the growth of 3PL industry. The Indian economy has been consistently growing around and over 6 percent for the last 10 years. The expansion in India's GDP translates directly into growth in the transportation & logistics sector, there being a ~ 2x relationship between growth rates of GDP and the transportation & logistics sector. (KPMG,

2010). Industries such as retail, auto and manufacturing is expected to drive the growth of 3PL industry.

International Trade:

As organizations expand their business and markets across the national borders, the need for more specialized and sophisticated services (ex. multi-modal transport and international trade rules compliance) increases. The main exports from India include textiles, leather and leather goods, gems and jewellery, chemicals and engineered goods. India's international trade is expected to grow at a rate of over 15 percent per annum which will have a direct impact on air and port-oriented logistics; and hence an increased demand for all supply chain solutions.

Growth in Manufacturing Sector:

India's manufacturing output has been constantly rising since the last few years⁴. To focus on core competencies and to minimize logistics costs, Indian manufacturers and suppliers are now increasingly seeking services of 3PL service providers. The 3PL industry has also been responding to such new and emerging demands. For instance in the automotive sector, Nissan Logistics Corporation takes care of the logistics needs of Nissan's North American operations, APL Logistics and Fujitrans, handle the distribution of finished products of Toyota; While Visteon division of Ford Motors completely outsources the product distribution service to Ryder Logistics. The need of cost efficient 3PL services by the multinational automobile giants such as Suzuki, Hyundai, Honda and Ford has initiated them to set up their manufacturing bases in the low-cost countries. (Hannon, 2006). Similarly for other goods, countries in Asia (especially India and China) are emerging as the production hubs and hence an increase in opportunity for 3PL companies.

Rise in Outsourcing and Consolidation:

On an average, companies in India currently outsource an estimated 52 percent of their overall transportation and logistics activities. (KPMG, 2009). However, many more companies are increasingly choosing to outsource to 3PLs as they seek to optimise costs and focus on their core businesses. Many manufacturing companies in India having in house set-up of logistics set-ups have realised that over a period of time the processes and machines to become unwieldy and cost-inefficient. Also, as companies seek to focus on their core businesses because of competitive scenarios, improved customer satisfaction levels become a priority. Hence these organisations are realising that partnering with 3PL experts is the best or the only way to

achieve these objectives. Though, companies quote a variety of reasons for outsourcing their transportation and logistics activities including capital preservation, operational flexibility, better inventory management and cost optimisation for outsourcing.

3PL as an Investment Opportunity:

Existing 3PLs in India are increasing their stake in business to establish as integrated logistics service providers. Realising the unmet demands, new operators like Packolable Systems Pvt Ltd. are committing to provision of cold chains and like innovative solutions to retail and manufacturing industry. Companies like Gati, Safexpress, Bombardier Inc. have been bullish about their investment plans for further expansion. (Cygnus, 2007). Significant investment plans in modern warehousing, service orientation and improvements in transportation systems along with the widespread adoption of warehouse management systems, Global Positioning System (GPS) enabled fleet and other technologies are enabling more customers to look away from their 'store-and-transport' mind sets to true supply chain management, with a focus on overall cost and efficiency. As more multinational and local 3PL companies increase their scale of operations in India, there will be a rising demand for world-class logistics infrastructure and services even among domestic corporate.

Growth in Consumer Markets and Retail Boom:

With increased geographical distribution of incomes in India, the consumer markets are extending beyond the five metros of Mumbai, Delhi, Bangalore, Chennai and Hyderabad. Tata Strategic Management Group projected in 2006 (refer table 3) that the overall retail market in India is likely to grow at a CAGR of 5.5 percent (at constant prices) to 1,677,000 cr in 2015. (Gupta, 2006). The increase in demand as well as the increased competition across industry verticals is forcing the firms to focus on product distribution, and logistics outsourcing is gaining further momentum. The growth in food and grocery retail industry would require innovative and efficient transportation support like cold chains, temperature controlled and automated warehouses.

Technological Initiatives:

3PL offer an entire range of services ranging from warehousing to transportation including tracking, tracing, labelling and bar coding. Logistics essentially has to be supported by best of

information technology (IT) for efficiency in to scheduling transportation, delivery and inventory management. The logistics activity involves the use of software at multiple points.

Hence there has been an increase in attention of software providers like Wipro, Kale consultants and others for providing such solutions to 3PLs and their customers. Companies like Wal-Mart have made it essential for suppliers to deploy Radio Frequency Identification Devices (RFID) technology. All leading 3PL companies have airway bill tracking system as a value add on which can be used from any location. As the manufacturing and retail sectors are the major users of logistics technologies for real-time information availability, 3PLs are increasingly adopting to new technologies for improved service delivery and greater customer satisfaction. IT development and outsourcing is one of the core strengths of India and hence ease of availability of IT solutions. The Indian 3PL industry has started to recognize the importance of IT enabled services. Some of the companies are foraying and contributing remarkably in the area of IT development and implementation for the logistics industry. Companies like Kale Consultants have also been recognized for such contribution. Such companies work closely with several industry associations and thought leaders in creating leading edge technology solutions that help logistics companies in India to bridge the technology gap between them and their counterparts in the developed world. The IT solutions have helped the trade in India get more transparency and visibility in their shipment movement, improve efficiencies in the 3PL business processes and deliver quality service to their customers. (CII, 2009).

Government Initiatives:

By liberalizing the financing structure of various infrastructure projects, the Government of India (GOI) has taken the positive steps towards the infrastructure development. The structure encourages the public private partnership in the infrastructure development. According to the Asian Development Bank report, 86 Public Private Partnership (PPP) projects have been awarded, totalling about Rs. 340 Bn, in twelve states and three central agencies. Roads and port sectors have dominated in the number and size of PPPs. PPP model in container rail segment, the road sector, open sky policy in aviation and privatization of airports have opened up new logistics segments for private participation.

Phased VAT Implementation: Value Added Tax or Goods and Services Tax (GST) which is GOI's tax regime, is expected to motivate the Indian industries to outsource for logistics

support. Partly introduced in 2005, a full implementation of this tax policy will lead to large centralized warehouses located in regional hubs, to attain efficiency. Organising such warehouses may require large investments, many companies may outsource the function of warehousing, thereby creating a potential market for the 3PL services. The time involved in interacting with authorities and complying with inter-state tax needs and the number of checkpoints has an impact on competitiveness of both 3PL providers as well as their customers. This also adds to the cost component. VAT replaces a number of state and central government taxes and in turn enhances the delivery efficiency (Lowering the time of transit and also minimizing the paperwork) of the 3PLs.

Regulations of India allow 100 percent of foreign direct investment (FDI) in most sub-segments and foreign investors can enjoy benefits like tax breaks and incentives when investing in key sectors like cold storage, agro-warehouses and free trade warehousing zones. As the Indian logistics scenario looks promising, these multi-nationals are expected to play a bigger role, probably forming wholly-owned subsidiaries or taking the acquisition route. The acquisition may be the better route of investment since the acquired company is bought over with its asset base and distribution network. The benefits for the acquired company also include the customer base and patronage of the acquirer multi-national and access to its global network.

Establishing logistics parks as Special Economic Zones, in India will be an incentive for international manufacturing units to enter and establish in the country. GOI is keen on promoting India as a global hub for manufacturing—creating hot pockets of manufacturing zones. Proliferation of special economic zones (SEZ) in India would boost international trade and trigger new demands for logistics with more value added and bundled services. Exports from SEZs during 2004-05 were close to USD 4 Bn representing an annual growth of over 36 percent. The government has so far approved the setting over 200 SEZs, which includes the Free Trade Warehousing Zones. The SEZs would be spread across 15 states and two Union Territories in India. Most of the SEZs are at various stages of implementation, while many are fully functional. (KPMG, 2010).

Government incentives to investors and operators- in the form of tax breaks and incentives are expected to further improve supply-side infrastructure and, in turn, efficiencies. Government incentives to food processing parks and cold warehouses are some recent examples.

Infrastructure Investments: The Indian government has earmarked about INR 50,000 bn according to the 12th Five Year Plan (2012-17) against INR 25,000 bn in the 11th Five year Plan (2007-12) for infrastructure investment. Around one-fourth of this investment is expected to be in roads, rail, and aviation and port projects representing a sharper focus on transportation infrastructure. Approximately INR 281 Bn has been allocated for the 2700 km long Dedicated Rail Freight Corridor project. (KPMG, 2010). The various initiatives taken by GOI will enable the 3PL service providers to offer cost effective and value for money services to the clients, thereby increasing the 3PL usage by all industries. This also would mean efficient use of multiple modes available for the logistics support.

OPPORTUNITIES

OPPORTUNITIES FOR 3PL IN INDIA

The Indian logistics industry has evolved from being labour intensive during the 1960s to the present technology oriented system, which produces a wide range of logistics services. The concept of 3PLs is recent. Traditionally, manufacturers in India have managed their own logistics requirements. Gradually, Indian organizations outsource their labour requirements to avoid labour-related issues. Subsequently, basic services, such as transportation and warehousing, were outsourced to 3PLs. In recent years, domestic and foreign 3PLs began integrated services as well as value-added services.

The logistics market in India is huge but unexploited. Unlike China, the development in India's logistics market is relatively slow and still in the infancy stage. However, with the entry of several foreign 3PLs into the market, domestic 3PLs realise the importance of supply chain management and are now trying to provide integrated logistics services to remain competitive.

According to a survey on the practices of the logistics industry in India, warehouse, inbound and outbound transportation, customs clearing and forwarding are the most frequently outsourced activities. Activities such as packaging, fleet management and consolidation are growing in popularity. Also more manufacturers are planning to use 3PL services. As such, we anticipate that the logistics outsourcing market and the 3PL will continue to grow.

3PL investors should look into ways to create an effective and well networked domestic transportation, warehousing and distribution systems in the country. There is niche opportunity for service providers to offer quality standards and higher service levels which are on par with the global standards.

There is room for investors in offering total supply chain optimization solutions to their customers. Local service providers can form partnership with foreign counterparts to provide value added services supported by the streamlined IT systems.

With the increasing use of RFID, GPS tracking-and-tracing and smart tags, there are vast opportunities for the service providers to invest in and provide such technological solutions. This would also aid in the development of security to protect freight and supply chain data, while still facilitating smooth trade across the country.

Some of the opportunities are given below:-

Segment Creation:

Bringing in know-how from foreign markets

Showcasing proof of concept to customers and building awareness on the back of a strong global brand.

Segment Growth:

Developing business plans for expansion

Capital Infusion

Providing human resource and management bandwidth

Changing Paradigms in the Mature Segments:

Improving automation and technology adoption

Migrating existing services to new industry segments

Access to new geographies or customers

Streamlining Operations

Transforming Stagnant or Declining Segments:

Acquiring leading market players and leveraging their existing capabilities for market access or to expand into adjusted business segments

Process improvement

Cost and profitability management

Divestment or asset lightening

Research & Development of IT-enabled logistics:

India is a globally acknowledged IT powerhouse. This strength must be exploited by Indian companies to develop specific capabilities of IT-enabled logistics, such as the development of logistics planning and co-ordination systems. With the increasing trend towards 3PL services, these capabilities will be highly valued.

Agriculture logistics:

Although the Indian economy is driven by the agricultural sector, less attention has been paid to logistics in this sector. Moreover, since the break basket are quite distant from the urban consumer base, there are opportunities for 3PLs to focus on the inefficiencies in the agricultural logistics services and coordinate the movement of food products across the country.

Logistics for large infrastructure projects:

Economic development in India has led to several large infrastructure projects, such as the construction of airports, seaports, industrial parks and national highways. Previously, such projects have always run into budget overruns as well as delays. Through proper logistics management and coordination of various activities, these overruns can be reined.

Cold Supply Chain Management:

There is a severe shortage of reefer warehouses and reefer transport in India. With very few Cold SCM operators and large number of MNC's requiring these services, there is ample scope in this field.

CHALLENGES

CHALLENGES FOR 3PL PLAYERS IN INDIA

Having the logistics cost as high as 13 percent of GDP spends, the Indian logistics services calls for an immediate concern on the barriers faced by the industry which are the possible reasons for escalated costs. An understanding of these challenges would help the policy makers to work towards minimize the regulatory and operational inhibiting factors which fall under their control. The 3PL users would also benefit by an understanding of these issues by planning their shipments accordingly and working with the 3PLs constructively to maximize from their usage. Similarly it would help the organized 3PLs to plan their resources and enhance their capabilities.

No matter how promising the opportunities may be, there is still a bumpy ride ahead for service providers in the logistics industry. When compared with developed countries, the Indian logistics industry is still considered to be underdeveloped primarily due to the myriads of restrictions in place. We discuss some source of the problems hindering the growth of logistics industry and 3PL service providers in India below:

Un-organized and Fragmented Industry Structure:

The logistics industry in India is mainly characterized by the dominance of unorganized market with over 90 percent of unorganized players. (NSDC, 2009). The user organisations tend to outsource parts and individual logistics functions to one or many different service providers and often also try to retain the logistics control in-house. Hence a consolidation of 3PL industry is an immediate requirement for the growth of logistics services market in India.

Geographical diversity:

Due to the geographical diversity of India, the logistics operators need to either have specialisation in regions that they operate or a strong hold on the pan-India market. The diversity is coupled with a varied consumer habits to cater to in each of the 28 states. Also there is a need for development of requires a suitable logistics model that facilitates the effective transportation and storage of goods in a state. The 3PL service companies aiming to act nationwide should recognise the demand of regional customers and the solutions in order to establish and excel.

Infrastructure Congestion:

Slow movement of cargo due to bad road conditions, congestion at seaports due to inadequate infrastructure coupled with unreliable power supply and slow banking transactions, make it difficult for suppliers to meet the deadlines for their local and international customers. Apart from affecting the service quality of 3PLs, this also becomes the reason for high costs due to lowered average speed of commercial vehicles, spillages and delay in deliveries. To expedite international shipments, they have to book as airfreight, instead of sea-freight, which adds to the costs of shipments making them un-competent in international markets. Moreover, many large shipping liners avoid Indian ports because of long turnaround times due to delays in loading/unloading. Indian exporters have to resort to transshipments at ports such as Singapore, Dubai and Colombo, which also adds to the costs of shipments and also delays delivery. At the ports, 12 important ports of the country handle the volumes that are higher than their full capacity. This results in pre berthing delay and higher ship turnaround time as compared to the other Asian counterparts like South Korea and China.

Complex taxes, regulatory structures and Red-tapeism:

The Indian taxation for freight still lacks in transparency and uniformity in rate across the states. The freight operators generally have to confront as high as seven different agencies to get clearances. For the purpose of warehousing, the facilities have to be setup in a many states to avoid dual taxation, and therefore the benefit of the economies of scale is lost. The service tax of around 12 percent is also a factor for consideration in outsourcing decisions. Apart from the non-uniform tax structure, the 3PLs have to pay numerous other taxes, octrois, and face multiple check posts as well as the local police harassment. High costs of operation and delays involved in compliance with varying documentation requirements of different states make the business: non-lucrative, high cost and low margin. On an average, a vehicle on Indian roads loses 24-48 hours in complying with paperwork and formalities at different check posts en-route to a destination. Fuel worth USD 2.5 bn is spent on waiting at check posts annually. A vehicle that costs USD 30,000 pays USD 7,500 per annum in the form of various taxes, which include the excise duty on fuel. (KPMG, 2010). This adds to the carrying costs of products and commodities and hence the raised prices. Not only taxation and the documentation involved is the challenge to 3PLs, the illegal practices like bribery have also crept into the system. Reports of large shipping companies bribing the customs and excise officers in ports across the country

in order to get their shipments cleared in a timely manner have also highlighted a need for fair practices. Also, the government needs to establish policies and tax structures that facilitate smoother and fair procedures for movement of goods.

Pricing Pressures:

Along with high emphasis on quality of services, with a huge chunk of market belonging to the unorganized service providers, a tough price competition is compelling the companies to control the costs to survive in the market. The users are demanding wider coverage and additional services at very competitive prices. The service providers have to maintain a bare minimum infrastructure like truck or trailer fleets, warehouse, and computers along with the manpower required to execute the jobs on hand and still need to work on the minimum service charges to counter the tough competition with disorganized sectors as well as the big players in the industry. The problem of organized players is multiplied by unfair competition with unorganized players, who may get away without paying taxes and following regulations stipulated in the stipulated requirements such as quality of drivers and vehicles, volume and weight restrictions, etc.

Customer Service Issues Managing Expectations:

With globalization and increased competition, the 3PL service provider and user relationships are gaining importance. Over the years, there has been a rise in the awareness levels of the users and so is the expectation. The users demand the 3PLs to re-design their processes and supply chains and to make those chains as inexpensive and as efficient as possible. As customer organizations expand from local to regional and then to a global scale, they would expect their logistics partners to provide them with required skills and support. Not only regions, the user would want the subscribed 3PL operator to be a comprehensive solution provider for its entire supply chain activity. Some organizations like AFL and GATI are working extensively on relationship marketing and are also working on the image makeover exercises that will keep them ahead of competition as is quite evident from the websites and the other promotional media used. For a better connect with customers and to enhance the competitive position in the market, Gati underwent a rebranding exercise in 2009 as a part of which the current punch-line of 'We Deliver Anything, Anywhere' has been changed to 'Ahead in Reach'. House colours have also been changed from green to turquoise blue and the same colour is reflected in the uniforms, vans and signage. Indian shippers expect 3PLs to own quality assets, provide more

value-added services and act as an integrated service provider, and institute world-class information systems for more visibility and real-time tracking of shipments. However, they are unwilling to match the same with increased billings and follow timely payments that leave 3PLs short of adequate working capital. However, shippers also prefer service providers to offer more value-added services through technological adaptation. The inability of service providers to go beyond basic services and provide value-added services such as small repair work, kitting/de-kitting, packaging/labelling, order processing, distribution, customer support may become a detrimental factor in shippers' outsourcing decisions.

Managing Relationships:

Despite of a rapid improvement in service offerings by 3PLs, the firms in India are uncomfortable with outsourcing their logistics activities due to lack of trust and awareness. As per a survey conducted on Indian 3PL Industry, (Sahay and Mohan, 2006), the relationship of organizations with 3PLs is viewed as more of a 'contractual' agreement. In the scenario of fierce competition the 3PL operators may make false commitments on deliveries, not share the risks and alter the facts to win a contract. Hence resulting in short term relationships and not the 'collaborative relationship' that can only be achieved through enhance commitment and honouring the same in a consistent manner. The volume of logistics outsourcing by Indian shippers to 3PLs is presently very low (approx. 10 percent) compared to the same for the developed countries (> 50 percent, sometimes as high as 80 percent). In addition to the lack of trust and awareness, the unwillingness to outsource logistics on part of Indian shippers may be attributed to scepticism about the possible benefits, perceived risk, and losing control, of transparency, security, consistency and some vested interests in keeping logistics activities in-house.

Innovation:

The survey conducted by Sahay and Mohan (2006), revealed that the 3PL services that shippers used were mostly transportation, warehousing, customs clearing and forwarding. Outsourcing of other value added services such as inventory management, distribution and order processing are yet to gain importance in India while the Indian logistics firms offer limited services. While the value added services are the ones that differentiate the professional 3PL companies from the un-organised sector. Innovation, technology initiatives and better customer management would be a key to developing new services, markets and redesigning the processes.

Manpower Issues:

The services of logistics are generally carried out by insufficiently skilled, educated or trained and also technology use is lower in India, due to high cost involvement shortage of trained manpower. (KPMG, 2007). Management graduates do not consider logistics as a prime job. In such a scenario, initiatives by central authorities and higher education authorities to develop courses and programmes that focus on infrastructure and supply chain management that can largely cater to the 3PL industry and their clients.

Technology Adoption:

Multiple check points and processes involved in movement and storage of consignments like transportation, customs, taxation formalities and warehousing add to the logistics cost in India. This can be reduced by optimum use of the hardware and software technology usage. The challenge to the 3PL sector is the short term focus of small time players that offer a limited number of solutions and for whom technology is not yet a priority. Only a handful of large 3PL organizations offer services that are supported by technology like warehousing management systems, transportation tracking and tracing.

Stiff Competition:

Emerging Indian 3PLs face strong competition from established and large multinational companies (MNC) for international freight movement. MNCs, because of their size and operations in many countries, are able to offer competitive freight rates and extend credit for long periods. Moreover, clients of MNCs often want to deal with a single service provider and especially for Free on Board (FOB) shipments specify the freight forwarders, which most of the time happen to be the multi-national freight forwarders. This is a kind of a non-tariff barrier imposed on Indian 3PL industry. Not only this, 3PLs currently also have to compete with the unorganized trucking and freight industry wherein the operators have less overheads and also adopt unfair practices, hence the pricing is lower.

Lack of professionally competent logisticians and insufficient technological aids:

Although India is an undisputable IT powerhouse in the world, there is lack of logistics domain specialists at engineering level. This translates to weak code implementation of IT development of logistics processes. As a result, the logistics processes and know-how for logistics IT

capabilities in general are not matured in India as compared to Europe, US and Singapore, and there is no general awareness of standard logistics practices. For example, one needs to understand how to synchronize the process of freight booking and import-export documentation with international agents for fast and seamless transactions.

Industry readiness:

In terms of sophistication, the equipment and technologies available in the logistics industry in India do not compare very favourably with those abroad. For example in the warehousing sector, while the industry abroad are using warehouse with Automated Storage and Retrieval System (ASRS) and Warehouse Management System (WMS) to control the movement and storage of materials within an operation and to process the associated transactions, such as directed picking, directed replenishment, and directed put away, there is a serious lack of material handling equipment in the Indian industry, leading to improper staking and storage.

Complexity of international trade documentation process and lack of IT infrastructure:

Another key contributing factors for the inefficiencies of the Indian logistics sector is the complexity of the international trade documentation process. Lead logistics countries such as Singapore and Hong Kong have implemented automated trade systems such as TradeNet and Digital Trade Transportation Network for trade documentation and customs permit applications. Such logistics systems capabilities could help save up to 3% of import value through efficiencies resulting from automated and standardized trade documentation.

Conclusion:

Logistics and supply chain management plays very important role in manufacturing organization. Most of the companies are outsourcing these activities to concentrate on their core business. So the outsourcing companies are giving importance to the reduction in the cost to gain the advantage of the lower cost in the competitive business. So most of the Indian 3PL service provider gives importance to Reduced Cost for most important success factor. This can be achieved by giving more emphasis on variables like geographical coverage, experience as a 3PL provider and continuous improvement. The cost can be reduced by vast geographical coverage; higher experience for giving particular types of the service and emphasis on continuous improvement. The second most important factor for success is Operational Performance. Knowledge based skills and project management skills can help the growth of the organization and can become the important success factor for the service provider. Information technology system is also important for success of the business. By concentrating more on this factor the company can easily and effectively share and convey the information with the end user. This can also improve the speed and accuracy of the work and hence better satisfaction to the customer. This would increase the profit and improves the brand image of the company.

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 labelling, freight consolidation to name a few.

Though the usage of 3PL services reveals positive and significant impact on business performance, third party logistics practices are still at a nascent stage in India. 55% of companies subscribe to 3PL services as compared to 75% globally and these seem to be more of transportation and warehousing related activities. 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. These indicators should help the 3PL service

providers plan the depth and scope of their service offerings in India. They clearly highlight the importance of delivering results that impact the business objectives in order to increase outsourcing opportunities for Indian organizations.

It is evident that usage of 3PL services can help organization's achieve substantial results, both in terms of customer satisfaction and logistics cost reduction. This will form the cornerstone for increase in outsourcing of logistics functions in the near and long-term future by present and prospective users for improved business results and supply chain efficiencies.

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