

The Importance of Third-Party Logistics in Uzbekistan

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ABSTRACT: The logistics outsourcing industry develops and grows constantly. Companies choose to engage in different kinds of relationships ranging from short-term transaction oriented to long-term collaborative relationships. Companies entering into relationships can be different in terms of power, therefore creating a power or dependence asymmetry. The relationships marketing literature generally acknowledge that power can influence the relationships in different ways such as through trust and commitment. Often the negative effects of power on relationships are discussed in the literature. Another perspective on power was presented by (Cavinato, 1989) which suggests that power can influence the relationships through service quality in B2B (Business to business) relationships. However, the issue of power in the context of third-party logistics has not received a substantial attention in the literature. Service quality is an important aspect of logistics services and therefore it is important to investigate the factors that can influence it. Therefore, this thesis will address the issue of power specifically, power influence on service quality, loyalty and relationships in the context of third party logistics. This thesis focuses on development of the theoretical foundation that can be used in future research to empirically investigate the issues of power. As a result of this thesis the theoretical framework and research objectives have been developed. This thesis provides a first step towards answering the proposed research question by focusing on the theory.

KEYWORDS: TPL – Third Party Logistics, 3PL – Third Party Logistics, 4PL- Fourth Party Logistics, 5PL – Fifth Party Logistics, RFP – Request for Proposal, 3PSCM – Third-party Supply Chain Management Provider, SCMSP – Supply Chain Management Service Provider, SME – Medium Sized Enterprises, HR – Human Resources,

CSCMP – Council of Supply Chain Management Professionals, FMCSA - Federal Motor Carrier Safety Administration, USA – United States of America, EDI – Electronic Data Interchange, SCM – Supply Chain Management, KPI – Key Performance Indicator, LSP – Logistics Service Provider, ROI – Return on Investment, IT – Information Technology, B2B – Business to Business, WMS – Warehouse Management System, TMS – Transportation Management System, IC – Intellectual Capital

I. INTRODUCTION

A third party logistics provider (3PL) can help you reach your logistics goals and increase the overall efficiency of your organization in the process. Whether your business is big, small, new or old, a 3PL is well worth considering if shipping is a high priority for your business. Uzbekistan faces a number of challenges in the areas of trade and finance, customs administration and border control, and transport and logistics that must be addressed if it is to realize the full potential of its trade logistics sector.

Uzbekistan's logistics sector is composed of a diverse group of freight forwarders and logistics companies, including local firms and those from the Russian Federation, Kazakhstan, Iran, the United Arab Emirates, Germany, Switzerland, the Republic of Korea, and the PRC. These companies offer mostly traditional forwarding and warehousing services. Supply chain management and third-party logistics services are still at an embryonic stage of development in the country.

3PL providers are companies that offer comprehensive and even one-stop solutions for enterprise supply chains in packaging, warehousing, transportation and order fulfillment. 3PLs can identify and fill the gaps in your supply chain. Their expertise, best practices

and technologies can integrate into your business processes to solve the most complex challenges in logistics management and make your supply chain a more agile, responsive function — a necessity in today's uncertain market environment.

1.1 How Third-Party Logistics Work

Here is an example of how 3PL arrangements operate: A book publisher hires writers, editors and graphic designers to produce publications, but it may not want to handle the consumer ordering process or transportation of book shipments. Instead, the book publisher uses a fulfilment center to process its online orders and hires a trucking carrier to haul its freight. The fulfilment center and carrier both act as 3PL providers. It's possible for a single 3PL provider to fulfil and ship book orders, too.

By contracting with a 3PL provider, the book company can use supply and distribution services only when needed, thus controlling costs more effectively while focusing on its core competency of producing books.

1.2 Background of the Study

The purpose of this research was to study how TPL providers in the Uzbekistan differentiate their business to be more than a commodity service for their customers. Because becoming of more strategic importance for company's customer presumably entails a higher profitability for the TPL provider, it is expected that TPL providers search for multiple ways to do so. In essence, this study is about TPL providers' relationship with their customers and the development and strengthening of these relationships. Following from this, this research is about implementation Uzbek TPL providers and expanding their services into less traditional logistics activities and further diversifying the services offered: TPL providers creating new (international) business for them.

After studying business logistics and supply chain management literature, various sub questions arose. These sub questions gave answer to the research question, all from a different angle. To give answer to the various sub-questions discussed within the theoretical framework, an online interview was conducted. A questionnaire was developed, consisting eight open questions.

It can be concluded that TPL providers are starting to become of more strategic importance for their customers, but there is still much to be gained in this area. Another possibility to develop business is by further internationalizing and Uzbek TPL providers are planning to do so within Asia. It was also found that an acknowledged way of diversifying services, attracting and retaining

(stronger) customer relationships and thus making company's service less commoditized is by being an environmentally aware TPL provider. Another way of becoming of more strategic importance is by making client specific investments: as is done by three-quarter of Uzbek TPL providers. The value added services offered by Uzbek TPL providers contain a large spectrum of services, of which some services are not related to traditional logistics. On average, one fifth of all turnovers are derived from value added logistics; thereby TPL providers prove they can develop new business for themselves. But there is more proof of this: focusing more on supply chain management is another way of getting hold of a larger part of the supply chain, thereby diversifying the providers' service offerings. Although the majority of TPL providers see offering supply chain management as a major opportunity for them, most notice that customers are too focused on short term price levels and lowering costs of logistics. Finishing with strategic positioning, although in the current situation most TPL providers are focused on their general problem solving capabilities, it is the trend to wanting to become a more dedicated service provider: thereby again aiming at becoming of more strategic importance for the customer and taking benefit from this situation

1.3 Problem Statement

Deciding on outsourcing can be as a component of any business's strategy. Outsourcing has intense influence on the importance or excellence of service or product. The decision has to be made very attentively by company. The strategy of outsourcing should be implemented by those corporations' shortage of necessary machinery, investment, or proficiency to generate the outsourced facility. The outsourcing approach in logistics system is not considered as a distinct or prior stage which firm proceeds while it deliberates as an ongoing process. Conferring to reviewed literature, Mello stated that "Logistics outsourcing is not an only stage of moving the obligations of any in-house logistics function or a part of function to a 3PL service provider but it is a continuous process, including different aspects, phases or steps" (Gooley, 1997) . The third-party logistics framework has made extensive curiosity in Uzbek supply chain industry. It implies outsourcing logistics activities that have regularly been gone on within a company. The utilities completed by the third party logistics may involve the whole logistics practice or, more generally chosen accomplishments during that activity. Expansion of business stability for this kind of notions such as

reengineering and supply chain management has aid numerous organizations to deliberate using of third-party services.

1.4 Research Objectives

Here are research objectives of this thesis. These objectives will be analysed in literature review section:

- To determine the challenges faced in managing 3PL in Uzbekistan.
- To examine the in-house capabilities available in managing the 3PL in Uzbekistan.
- To evaluate the impact on improvements and performance measurement of using the 3PL.

1.5 Research Questions

Following questions related to research objectives.

- What are the challenges faced in managing 3PL in Uzbekistan?
- What the in-house capabilities available in managing the 3PL in Uzbekistan?
- How the improvements and performance measurement would impact the use of 3PL?

1.6 Significance of the Study

Third party logistics services started to influence on corporate strategy in majority of firms in Uzbekistan. In consequence of the fact that the market for 3PL services is increasing promptly. Initial stage of the research plan aimed to explore the third- party logistics services in Uzbekistan. Senior managers and managers of chosen companies selected in order to participate in the interview for the purpose of estimation of services in third- party logistics. The certain paper scrutinized the characterization of third- party logistics, advantages plus disadvantages of particular service, an essential trait of services and suppliers and the drive for logistics outsourcing in combination with the techniques used in selection process of suppliers.

The main purpose of this Master thesis is to investigate the real-world practices of Logistics companies with regard to their logistics outsourcing practice and correlate findings with imposed evidences in the literature, accordingly to intend enhancements in the practice for the superiority of developing companies in Uzbekistan.

1.7 Research Outcomes

The globalization and the economic growth as a route allow the formation of a particular market and in this practice logistics is considered an essential instrument. Coherent

logistics and supply chain management services has a capable benefit over other economies, whereas enhancing logistics infrastructure might aid as a competitive instrument and is equally relevant in increasing market share. According to researches, considerable improvements are being made by small as well as medium sized enterprises (SME). In addition, developing countries need trade logistics and supply chain management to improve their efficiency, as by gaining the benefits of globalization they will be able to deal more effectively with discrepancy problems around the world. The realization in merging international supply chains commence with the competence of businesses to transfer belongings through borders faster, in a more reliable and low-priced way (Sciencedirect, 2018). The fast development of the Third Party Logistics (TPL) business has affected different industries to go into the field.

This part was about to analyse all success and failure reasons of 3PL, also, main reasons to use and not to use 3PL in Uzbekistan. The ways how 3PL can be improved and research questions will be answered in the literature review.

II. LITERATURE REVIEW

The following section will present a literature review. The purpose of this literature review is to give a brief overview of main theoretical concepts that are relevant to the research question raised in the introduction chapter. Therefore, clarification of production networks the executives, coordination and outsider coordination will be at first examined. The accompanying research questions determine an idea of how outsider coordination regarding a partnership's different practices. The interviews will be predominantly focused on Logistics redistributing. Current patterns in satisfying re-appropriating in coordination with its goals and results in hypothetical foundation will be checked on as a factor in basic leadership procedure to redistribute the elements of coordination. Besides, the most recent activities and the genuine encounters of execution of coordination redistributing and proposed future patterns by driving organizations are determined. This part keeps up the ideas and the present investigations to the started questions.

The literature review will include following parts:

- a. Determination of 3PL Challenges
- b.Importance of 3PL
- c. Reasons to use 3PL
- d. Role of IT in the Operations of 3PLs
- e. Performance Measurement of 3PL
- f. How to improve your 3 PL

Each part will constitute of the literature review that includes the more general theory as well as more specific theory related to third party logistics, which is the focus of this paper.

a. Determination of 3PL Challenges

On boarding a new client is difficult. When implementation does not go as planned, the results can be injurious for business and the client. A rushed start-up or a delayed "go-live" date for a new customer warehouse operation, or repeated product delivery failures, will result in unhappy customers, financial losses, a depreciated brand image, and even potential lawsuits. For relationships to work long-term, mutual trust, excellent communication, joint planning, and a fair balance of risk and reward must be in place. Start-ups involve change and by their nature are difficult, but if these tenets are shared, they can serve as guiding forces to mitigate risk and insure a successful launch.

The root cause of third-party logistics (3PL) implementation failures can be industry specific and/or firm specific. Industry specific causes for implementation failure include the competitive landscape of the 3PL industry characterized by strong buyer negotiating power, a threat of substitute services, and the difficulty to differentiate a service offering. In addition to competitive forces, the 3PL industry must deal with margin pressures, a limited talent pool, and increasingly strict regulatory requirements, which can challenge even the best 3PL. Firm specific (or shipper) causes for implementation failure, can be rooted in a lack of understanding of 3PL services, unrealistic expectations and/or timelines, and insufficient disclosure of business requirements. These disclosures include, but are not limited to, "life of an order" operating requirements, order volumes, service level expectations, value-added service requirements, operational site visits, and technology interface requirements.

The solution to this problem is multi-faceted and requires concerted effort from the shipper organization and the 3PL. It is important to begin with a clear vision with outsourcing goals and expectations. Outsourcing requires a commitment from both parties and a relationship that is based on trust, commitment, and value creation for both parties. A successful process enabled with a well written request for proposal (RFP), including a clear representation of the business and supporting data, is vital. 3PLs must help to educate the buyer by requesting business overview presentations and operational site visits.

Doing so will enable the 3PL to gather the necessary business requirements for developing an on-boarding plan, overall operating plan, and fee structure.

Waiting until an RFP is issued is not the time to develop the relationship. Increasingly, 3PLs are taking an industry view with specialists who can meet with potential customers and uncover opportunities for value creation well in advance of an RFP event. Detailed operational planning and testing with the 3PL (i.e., to identify and solve problematic areas prior to operational "go-live") are essential. The bottom line for 3PLs: do not allow the client to rush the on-boarding process (Ellram & Cooper, 1990).

In addition to joint implementation planning, it is important to allow sufficient time for the contracting process and development of the commercial terms. A review of internal costing methodology to align the shipper and company's organization toward a common goal will engender mutual understanding and fairness in the relationship (Ellram & Cooper, 1990).

b. Importance of 3PL

Today's global business supply chains are becoming increasingly complex and central to their success are the logistics networks that support them. Across Europe, 3PLs are evolving their operations to help retail and manufacturing customers deal with supply chain challenges presented by the Omni-channel environment. The companies that can effectively plan, source, make and deliver products to their customers in this ever-changing environment will separate industry leaders from laggards (Rao & Companyng, 1994). 3PLs are in the perfect position to help manufacturers and retailers overcome these hurdles, but a number of factors are critical to their success.

i. Location

It is obvious that 3PL locations should be situated in close proximity to their customer's businesses markets, in order to achieve the efficiency required in the Omni-channel world. However, once geography is taken into consideration, organizations need to take it a step further and assess the quality and breadth of its transport infrastructure. The ideal warehouse, for example should be situated near to good road links, as well as airports, railways and shipping ports (Ellram & Cooper, 1990).

Indeed, when looking at the particular features of warehouse facilities, bi-directional scalability can be of great benefit. The mark of a

good 3PL is one that can provide scalable warehousing and transportation services based on the customers' needs and /or market conditions. Being able to increase warehouse capacity during busy periods, and reduce it when business is slow, will enable 3PL business to maximize cost-effectiveness, regardless of the particular demand cycle they are in but also provide extra value to the customer (Rao & Companyng, 1994).

ii. Adding Technology to Taste

Embracing the right mix of supply chain software can really bring 3PL supply chain to life; enabling them to meet, the customers' Omnichannel business demand can be met in an efficient, intelligent and profitable way.

Warehouse management technology is always a good starting point. The warehouse is the place where customer promises are fulfilled and as such, it is important for 3PL businesses to have an opportunity to optimize warehouse inventory as well as the resources needed to handle it. Moreover, it can also give 3PLs accurate and real-time visibility on inventory levels and demand, which can help to prevent overstocking and stock-outs of customer goods. Improving inventory accuracy will not just help 3PL businesses better support their customers' ability to serve its own customers, but will improve responsiveness to demand shifts and unexpected events. This also ensures that money is not being wasted on additional warehouse capacity.

To give an example, warehouse management technologies has been responsible for helping DHL increase productivity and improve operational visibility on the shop floor. These improvements directly support DHL's business strategy of operational standardization without compromising on a high performance culture.

Moving beyond the warehouse, transportation management tools can also play a key part in driving business performance. 3PLs have forever faced the challenge of streamlining their transportation and logistics management processes to maximize efficiencies, increase customer satisfaction and ultimately drive greater profit margins. Profit eroding mistakes such as planning ineffective routes, running less-than-capacity loads and expediting shipments seem suddenly easy to solve when faced with a requirement to play a part in lowering the global carbon footprint.

Indeed, the number of empty miles has also climbed higher up the agenda as the transportation life cycle has needed to become more reactive to customer needs. Transportation

management tools can help 3PLs achieve all-round efficiency by allowing effective management of the entire transportation process – from long-range strategies and operational planning to day-to-day execution.

iii. A Dash of Tax and Regulation

Something further to consider is tax and regulation. 3PL businesses must have a good understanding of the regulatory environment they operate in, both at a domestic and international level. Otherwise, they could expose themselves to huge risks; by the way of costly trade penalties and business disruptions that could negatively impact customer relationships.

Market turmoil, intense competition and global expansion have together contributed towards an unprecedented increase in regulatory compliance. 3PLs are recognizing this issue; a survey from PwC of transportation and logistics CEO's showed that 58 per cent of them feel that tax and changing regulation are perceived threats to growth (Rao & Companyng, 1994).

iv. Cloud on the Horizon

Additional efficiencies can be gained from deploying infrastructure in the cloud. By harnessing it properly, 3PL businesses are able to deploy and maintain consistent warehouse and transportation management systems across multiple business locations, from a single point (Rao & Companyng, 1994). This ensures that each facility is always equipped with the latest technology and processes to enable them to run optimally.

c. Reasons to Use 3PL

3PL's process of implementation in Uzbekistan is going very well. Generally, the reason to use 3PL is to reduce costs of particular company, and if company can get into a good contract with a 3PL that would be great, but sometimes a company may not see the benefits right away and that can be a deciding factor for some companies. On the flip side, a company may be too big to use a third party and might already have the resources that a 3PL may offer. Further, a larger company of the sort may even be in the position to offer some of their resources to smaller companies. So, outsourcing may not make sense in that case.

However, there are other reasons other than financial motivations to repel a company from investing in a 3PL. Using 3PL may also give a company less control over the shipping process and all that goes with it. Giving control of the process over to a 3PL may be fine if company find a third

party which can trust. But, something like that may take time and not everyone has the time to build those kind of relationships. Also, a company may just simply like to have control over every aspect of this business. And besides, they may believe that control over the shipping process will improve customer services by creating a more personal experience if obstacles may arise.

Lesser Control Over the Delivery Process: With a third-party taking care of shipping, there can be challenges when there are delays or problems in shipping a customer's order. The customer will be looking at company's decision for the resolution, not for 3PL.

Larger Upfront Investment: On the flip side of the cost issue, while hiring a 3PL can pay for itself in the long run, the investment can still be a large cost in the beginning. And it will reduce Uzbekistan's economy.

More Distance Between Company and the Product: The 3PL which choose may position far away from products, which would be an inconvenience if company run into quality control issues, or need to physically inspect company's stock for any reason.

Save Money and Time – saving time and money in any business is really important, so, 3PL companies will offer to the organization not to spend money on warehousing, transportation and hiring professional labor. Additionally, they save the hassle of paperwork, customs and billing.

Resource Network - third party logistics providers have a vast resource network like: in-house supply chains. With 3PL provider network, supply chains can be expanded quickly, efficiently, and in a cost-effective manner.

Market Expansion - the advantage of working with a 3PL provider is Having access to distribution centers and warehouses in various regions allows companies to grow in new areas by being able to ship goods efficiently to anywhere in the world.

Scalability and flexibility – depending on what company's needs are, 3PL providers have the ability to scale space, labor, and transportation based on the fluctuation of company's inventory. Whether company dealing with seasonal inventory or new product releases, 3PLs can help provide adequate space and resources between company's busy and slow times, giving company maximum amounts of flexibility during any time of the year.

d. Role of IT in the Operations of 3PLs

Information is increasingly becoming central to the logistics operation. Below are listed some of the

reasons why IT (Information technologies) plays an important part in the logistics.

Service Level Improvements: Customer service has always been and will remain to be a central component of any business. In a competitive marketplace, the company that provides the highest customer service value will succeed and thus annul the possibilities of extinction. Maintaining a level of excellence requires that transportation and logistics managers continually evaluate the performance of their operation and assess whether they are getting products to their customers in a usable form, in a timely fashion and at an acceptable price.

Transportation and Logistics Decisions: Transportation and Logistics managers could use the data from their systems technology to evaluate whether, on a day-to-day basis, their company is making the most intelligent and cost effective decisions. For example, information can be analyzed to determine whether an operation has too many vehicles sitting idle or if inventory levels are too high.

On-board Computers: Serving as a mini-nerve center, vehicle-based computers allow management to measure, analyze and improve driver and vehicle performance. More advanced systems are driver focused, providing easy touch-screen interaction with operation control systems to download trip plans and load data. The computers also eliminate significant paperwork and provide quality data for on-time performance reporting from receipt to shipping. By tracking driver performance, on-board computers can help management promote safety and reduce costs. Many 3PLs like USF logistics and Arnold logistics provide this functionality.

Routing and Scheduling Systems: Computer based route design systems can have the advantage of quickly determining shipping requirements and helps identify the most efficient way to schedule vehicles. Factors such as driving time, distance, business hours and government regulations are weighed by most systems, which then quickly generate routing and scheduling alternatives.

Operations Control and Utilization Analysis: At the heart of these systems lies the control and analysis system which supports key day-to-day functions such as dispatching, driver payroll and freight billing. Control and analysis systems are tools management uses to evaluate transportation and logistics decision. From this ongoing process, benchmarks are devised to measure service quality as well as overall performance.

Technology Will Respond to Market Needs: Driven by the demands of a highly competitive

marketplace, computer technology to support information needs is expected to continue improving rapidly. As a result, businesses will need flexible, adaptable and scalable systems in order to keep up with growing customer demands and the rapid rate of technological change. For instance, the user of Electronic Data Interchange (EDI) as a means of linking vendors, suppliers and customers is expected to continue to grow as all parties realize the value associated with timely transmission of data.

e. How to Improve Company's 3PL

Focus: Logistics can be a distraction from the main business of a company because it requires company resources and effort to organize this complex but standard business function of getting products to consumers. Third party logistics providers specialize in transportation, warehousing and inventory management. They can focus on their specialties while company focus on increasing customer satisfaction in the making of a quality product. When company's staff no longer has to deal with trucking companies and tracking inventory, it can spend more time making sure customers receive top quality products and excellent service.

Efficiency: Third party logistics providers can apply economies of scale to deliver company's products more quickly, reduce inventory with more frequent deliveries and track inventory in warehouses more effectively. Company's company no longer has to rent a warehouse and use only part of it or keep inadequate inventory due to lack of space. As company's space requirements vary, a logistics provider charges company for the space company use and keep company's inventory at the desired level. Greater efficiency in logistics results in more reliable production and increased customer satisfaction as customers get their products when promised.

Flexibility: The increased resources available to third party logistics providers allow company to evaluate how to better satisfy company's customers with higher service levels. If company wanted to use next day delivery as a competitive advantage, company could explore the possibilities and the costs with company's logistics provider, who has the resources to fulfil such strategic approaches. If company wanted to try just-in-time deliveries for materials company need, company's logistics provider can adapt to such requests. A more flexible supply chain lets company react more quickly to changes in customer needs and results in more satisfied customers.

Information Technology: Information technology allows the tracking of shipments, materials and

products both on the supply side and the delivery side of company's operations. Such systems are expensive and require trained technical personnel to maintain and update. Third party logistics providers can provide company with data on the location of critical deliveries and let company's production with greater reliability. Tracking of deliveries to customers is more efficient. The resulting streamlined operations put products in the hands of customers quickly and reliably while allowing the quick diagnosis of a problem and a resolution satisfactory to the customer.

f. Performance Measurement of 3PL

The literature on performance measurement has evolved ever since its emergence in the 1980s (Brian & Maskell, 1991). Historically, when organizations were small and operations simple, the primary performance measurement was done on the based on the cash flow of the organization. In the post-Industrial Revolution period, organization size increased and productivity measures were widely used at various stages of production. From the late nineteenth century until the 1930s, theoretical and practical methods of management accounting were established, and standards were widely applied (Brian & Maskell, 1991). Traditional management accounting techniques became the accepted method of performance measurement for manufacturing plants and their distribution operations. As performance measurement research progressed, some researchers (Pursell, et al., 1980) focused on the performance measurement of the entire business unit (typically division level and plant level) and examined performance criteria, standards, and measures. However, the older body of performance measurement literature lacks cohesion (Lockamy & Spencer, 1998).

According to (Neely, 1995) performance measurement is a popular issue that is widely discussed but rarely defined. Hence, it becomes necessary to introduce certain relevant definitions of performance measurement. Performance refers to the nature and quality of an action that an organization carries out to accomplish its principal missions and functions for the generation of profit (Sink, 1991)

Effectiveness and Efficiency are the two basic parameters determining the organizational performance. Effectiveness is the extent to which production functions are accomplished and customer requirements met. Efficiency is a measure of how economically the organization's resources are utilized in accomplishing functions. From a quantitative perspective, performance is related to

the dimension of scale, and means that, generally, it can be quantified in a variety of dimensions. Performance targets are only meaningful when they can be expressed quantitatively (Sink, 1991).

Customer Relationship: (Moore & Cunningham, 1999) emphasized that in addition to the context-structure-output framework relationship management, an external factor also affects the organizational performance of the 3PL service providers. Most of the previous studies have focused on outsourcing and have therefore taken customers' perspective on 3PL relationships (Lieb & Kendrick, 2002). (Moore & Cunningham, 1999) Quoted who elaborated that a good relationship management such as one that involves trust and commitment among supply chain partners enhances 3PL organizational performance. (Ferrer, et al., 2010) in their study have identified three factors that have significant influence on relationships: sharing, power and interdependency. These three factors have been defined as: Sharing is the willingness of the organization to share resources with other members of the supply chain; Power relates to exercising control based on experience, knowledge and position in the supply chain; and, Interdependency is the relative levels of dependency along the supply chain.

Additionally, (Large, et al., 2011) in their study provide evidence that customer-specific adaptation by logistics service providers is an important prerequisite to 3PL performance. The paper shows that 3PL providers should adapt and integrate their systems and procedures to specific requirements of the customers to ensure high-relationship performance. Satisfied customers in turn should promote the service providers' adaptations, because these adaptations enhance the probability of contract renewal and reduce the risk of providers' unexpected termination of the contract.

(Hofer, et al., 2012) Provide a comparison of users and providers of third party logistics (3PL) services with respect to relationship marketing elements, such as trust and communication, as well as relationship marketing outcomes such as retention and recovery. (Tian, et al., 2010) Proposed and tested a conceptual model of the relationship between customer orientation of third-party logistics (3PL) service providers and logistics improvement of customer firm, and found that customer orientation of 3PL service provider significantly influences customer firm's logistics improvement. (Jim Wu & Huei Chou, 2007) Quoted (Roos, et al., 1997) and emphasized that intellectual capital (IC) such as customer relationships, business processes, research and

development, knowledge of employees, and customer loyalty cannot be presented in the financial reports or analysed for future prediction. The findings of the study show that human capital, structure capital, and customer relationship have a positive association with IC performance.

Future Trends: There is factor specific and country specific outcomes which also indicate towards potential areas of research. (Berglund, et al., 1999) Have described three waves of entrants into Third Party Logistics industry and also provided taxonomy for value creation by logistics service providers. Strategic segmentation of the industry has been described by the authors through an empirical research. They have also highlighted that the industry might reach its initial stage of maturity in the near future but there is a scope of further change and development in the overall industry. In a prominent study, fuel efficiency and carbon emissions have been indicated as potential future critical concerns from perspective of shippers' 3PL procurement decision processes and selection criteria (Peng, 2012).

Literature on the logistics industry is in abundance in the form of survey-based empirical research and reviews of the existing literature from the user's perspective. However, there is not enough literature from the perspective of logistics service providers (LSP), as compared with the user's perspective. In conclusion, research can state that the researchers have studied the 3PL domain on factors particularly like customer relationship, cost performance, benefits of 3PL, etc., and also have made an attempt to identify the gaps in the application of logistics management in third party logistics service providers and industry as a whole. In this paper an attempt has been made to provide a complete cross national framework which examines the subject from developed and emerging market perspectives of Uzbekistan. Third Party Logistics as a sector is undergoing tremendous change and there lies enormous opportunities for future studies in the related areas. Next chapter provides deeply analyse of the research methods of this paper.

III. METHODOLOGY

Selection of Participants

The result of research is highly depending on appropriate identification of participants. Qualitative research involves standardizing procedures and randomly selecting participants in order to minimize external influences. In our research, participants are required to have some knowledge to answer the questionnaires; therefore,

participants are selected from people that have knowledge and experience in the field of Logistics.

Data Collection

In this Master thesis, qualitative research methods have been used to analyse gathered data from interview respondents. Researchers refer to the type of data collected, the analysis methods used, or the entire research approach. (Frankfort-Nachmias & Nachmias, 1996) Attribute “qualitative research directly on the basis of theory and a data-based approach, correspondingly.” (Graziano & Raulin, 2013) Claims that there are three kinds of interviews in that are structured, unstructured and semi-structured. Semi-structured interview was conducted in this report. The highest aim of choosing semi-structured interview is to take full empirical data so it can help to analyze importance of 3PL.

Data Analysis and Validation

Data analysis can be defined as the process of data evaluation by using logical reasoning and analytical responses in order to examine components of provided data. As commented by (Lewis, 2015) data analysis can be carried out through data mining, business intelligence, text analytics, and data visualization.

Validation of data is a system of checking information for the absence of flagrantly inaccurate, knowingly false information in them, as well as the absence of flagrant problems in their design (Maydanchik, 2007). The report shows connection of qualitative data in providing the answer to the research question.

To identify, interpret, and explain found issues the thematic analysis was used in this research. This method is significant as it fits the process of analysis of gathered data and to objectives of the research. The obtained data was cautiously studied to identify how to implement 3PL, strengths and weaknesses, problems and challenges of 3PL discussed by respondents. The discussed above mentioned points were gathered into the list, which was refined in order to exclude repeated issues and similar challenges. Here are some points of finding results:

a. Importance of 3PL in Uzbekistan

Information and operations systems for logistics management will continue to be vitally important in leveraging logistics to achieve a competitive advantage. Within the last decade there has been a direct positive correlation between the role of information systems in improving logistics programs and the increasingly important role of

third party providers, not mentioning Uzbekistan. 3PL will continually invest in logistics systems to support their core business. This in fact allows shippers to avoid information systems development efforts by tapping into the existing infrastructure of 3PLs. In Uzbekistan many large companies do not have big information technology budgets, particularly not budget for logistics information systems which are mostly well down the priority list for corporate information systems investments. So, 3PLs in turn will provide expert advice based on real-world implementation. They will offer systems perspective grounded in experience.

b. Consideration of a 3PL

While consideration of a 3PL as managers said in their interviews: that first step of implementing 3PL or something new in company's company is considering that innovation whether company need it or not. The decision whether a business should hire a 3PL company is one that can involve numerous variables. Does it make financial sense? Do company have the resources internally? Will it streamline efficiency? While there isn't some magic potion to reveal whether it's time to employ a 3PL, there are some recurring themes that help make an outsourcing decision.

c. Logistics management: what every manager needs to know?

All respondents have around 15 years of work experience in logistics, according to them the business sector uses the term logistics to describe the efficient flow and storage of goods from where they originate to where they're consumed. The supply chain includes transportation, shipping, receiving, storage and management of all these areas.

Some of the key goals for all businesses are increased efficiency, more sales, and greater customer satisfaction at the lowest cost. However, for every business there are different logistic/supply chain needs and they must support the goals of the business.

d. Strategic Reasons for Using 3PL

Managers mentioned that before applying any innovation to company's organization, company should discuss with Director of Boards and explain its strategic reasons. Below some strategic reasons for using Third Party Logistics. First, achieve environmental objectives, second, enhance security, third, speed process change, finally, eliminate hand-offs.

e. 5Cs Principles of 3PL

From answers the researcher applied 5Cs principles. The 5Cs Principle provides that confidence when researcher comfortably fitting the puzzle in the massive and intricate labyrinth of how, who, when, where, and why researcher should source and to engage an exponentially capable third party logistics vendors for any organization's supply chain.

f. SWOT Analysis

SWOT Analysis includes analyses of strengths and weaknesses of 3PL. Moreover, it helps to determine what kind of opportunities and threats have 3PL. From the last 3 questions of interviews which were "Advantages, disadvantages and challenges of 3PL" the researcher made SWOT analysis. It will help to reader understand the statement related to pros and cons of 3PL clearer.

This chapter were about an overview of the research methodology. The obtained results and findings from the interview will be presented and further evaluated in the next chapter.

IV. ANALYSIS AND FINDINGS

Five interviews via mail were conducted with managers of large companies in an attempt to meet the main objectives of this research. All the interviewees have been chosen of the same job description and selected from the top of the managerial structure as general managers of the selected companies. All interviewees are of experience that is not less than 15 years in different business activities. Eight open-ended questions as listed in below are repeatedly asked. The purpose of having these interviews was to end up with a good cross-section data from five different perspectives in a way that can give this research a holistic view.

Interview questions:

- 1) Importance of 3PL in Uzbekistan, share your opinion.
- 2) When should you consider a 3PL?
- 3) Logistics management: what every manager needs to know
- 4) Can you tell some strategic reasons for using 3PL?
- 5) How companies can implement 3PL?
- 6) What are the advantages of 3PL?
- 7) What are the disadvantages of 3PL?
- 8) Challenges of 3PL which can be faced by companies.

Data Collection and Research Respondents: As mentioned earlier, the interview questions count to eight questions as a net total count. The eight questions were distributed in a manoeuvre that accommodates for covering almost all the ideas concerning the research's main objectives. The respondents represented overall five (5) various professional sectors and four (4) of them work in logistic companies. Each participant was very clear about their answers. The majority of respondents were SCM (Supply Chain Management) managers, assistant SCM managers, consultants and logistics managers. The transcription of the interview is consolidated and taken into records to this thesis. Overall, the researcher interviewed three (3) women and five (5) men with experience more than 15 years in logistics sphere.

Discussion on the Results: The approaching solid exploits all the outcomes of the accomplished interviews, and infers them moderately. This section also offers brief explanations and interpretations regarding these results and relates them to the main objective of this research in order to attain a general understanding of the phenomenon under investigation. Here what the researcher found via interviews:

Importance of Third Party Logistics in Uzbekistan: Information and operations systems for logistics management will continue to be vitally important in leveraging logistics to achieve a competitive advantage. Within the last decade there has been a direct positive correlation between the role of information systems in improving logistics programs and the increasingly important role of third party providers, not mentioning Uzbekistan. 3PL will continually invest in logistics systems to support their core business. This in fact allows shippers to avoid information systems development efforts by tapping into the existing infrastructure of 3PLs. In Uzbekistan many large companies do not have big information technology budgets, particularly not budget for logistics information systems which are mostly well down the priority list for corporate information systems investments. So, 3PLs in turn will provide expert advice based on real-world implementation. They will offer systems perspective grounded in experience. They can help to bring in logistics systems that have same or equivalent resource allocation as the other enterprise functional areas like finance, marketing and manufacturing systems. Despite some of the side effects of the "information systems pill", (technology is sometimes viewed as the "systems pill" that can help companies solve the business problems and allow them to get a good night's sleep), 3PLs long experience in implementation

will help in mitigating some of the system risks. Since 3PLs are accountable for profitably meeting agreed-upon service levels in logistics, it will drive them to adopt and implement technologies that deliver an attractive ROI and reduce risk.

3PLs will provide a myriad of information systems supported logistics services to their customers including customization, maintenance and updating. There were many services that were identified as main information systems supported offerings by the 3PLs during the course of the interviews. Some of them are listed below:

- Optimal routines for load consolidation: Loads for many shippers are made into one big load, shipped to one common place and then distributed to the individual customers. The consolidation of shipments enables shippers to reap the benefits of shared costs, quick one-stop delivery, and enhanced customer satisfaction.
- Optimal route generation for cost-effective, fast and reliable delivery of goods.
- Carrier assignment in cases where the shipper uses multiple carriers.
- Continuous move identification
- Complete visibility of the shipment to the shipper through tracking and tracing capabilities.
- Reverse logistics or the process of collecting, moving, and storing used, damaged, or out dated products and/or packaging from end users.

Develop a Project Implementation Plan:

There should be a detailed logistics outsourcing project implementation plan as well as periodic reviews in place to make sure everything is on track and there are no drastic deviations in the scope of the project. The project implementation is the process of translating thoughts into actions and it requires active co-operation and co-ordination on both sides of the relationship. Project implementation includes IT integration, operating procedures customization, understanding the service measures, defining the escalation process etc. All these activities require precise handling and a dedicated team. The 3PL companies usually have their own project implementation methodology. What is critical here is customization, to suit the specific requirements and deliver agreed service levels.

Upfront costs: 3PLs often charge upfront costs based on the complexity of the service. This cost is for planning and development of material handling, operational and information systems required for

the distribution operation and implementation of the proposed system. Some bill for time needed to calculate your charges.

Pricing: The first prices you receive are important. But, you must realize that initial pricing is based on estimated volumes. There are “hidden costs” in these first prices, and more profitability for the 3PL. Constant price negotiation is imperative. It is best to start with “unit rate pricing” or “hourly” pricing in a public, shared warehouse. Variable fees are charged per hour, per item or per order for each distribution function such as receiving, put-away, pick-pack-ship, customization, inspection, returns processing, etc. Fixed fees are charged monthly or quarterly, irrespective of the number of orders shipped. Lift trucks, equipment and people are shared in a public warehouse to keep prices down.

Consideration of a 3PL

If a company is growing more aggressively than predicted, rising costs – labor, manufacturing, facilities, and staff expenses – can get out of hand in a hurry. A third-party logistics company could ease some of these growing pains without company sacrificing company’s precious internal resources. Hiring a 3PL could save company from numerous logistics headaches, not to mention time and money.

3PLs also can take advantage of the latest and most modern technology. By hiring a 3PL, a company can gain those technological benefits without making the financial investment themselves. Those 3PLs with in-house IT teams that develop and provide their own B2B integration, WMS (Warehouse management system), TMS (Transportation management system), and inventory management software can be a big selling point for a third-party logistics provider.

Many companies abroad choose to work with a 3PL after experiencing perpetual inventory inaccuracies, inefficiencies, and other critical mistakes. Inconsistent inventory capacity and unpredictable costs can cripple a business and its reputation, but a 3PL with reliable inventory solutions can prove beneficial by streamlining the flow of goods for optimized resource consumption and delivery.

Logistics Management: What Every Manager Needs to Know?

All respondent managers have at least 10 years of work experience in logistics. According to them: The business sector uses the term logistics to describe the efficient flow and storage of goods

from where they originate to where they're consumed. The supply chain includes transportation, shipping, receiving, storage and management of all these areas. Some of the key goals for all businesses are increased efficiency, more sales, and greater customer satisfaction at the lowest cost. However, for every business there are different logistic/supply chain needs and they must support the goals of the business.

For example, if one of your goals is to make your supply chain as lean and efficient as possible, you will continuously strive to identify opportunities to streamline work processes and minimize waste.

In order to implement a logistics management strategy, business owners need to take a thorough look at every part of the chain, define how it should work and how it contributes to the overall supply chain management goals i.e. are the distribution centers in the right locations and are there enough of them?

Planning - logistics can be very stressful without good planning. The entire operation should be able to progress smoothly with minimal interruptions and this requires planning ahead. Of course, there are always unexpected hiccups but the fewer off-the-cuff decisions that have to be made the better.

Contingency plan - logistic managers need to have a contingency plan for every aspect of the logistics. No matter how good the original plan, covering every eventuality is impossible. Managers have to follow the supply chain at every point and be ready to switch to a backup plan if necessary. Inventory management is often one of the main culprits that can adversely affect business goals. Being able to track and manage inventory in real-time helps with smooth and efficient functioning and increase sales. If there is not the capability to give the alert about potential shortages and relay information about bottlenecks, costly delays can be expected that can significantly affect the company's bottom line. Logistics managers need to know that they cannot depend on one supplier or vendor and usually have an extensive network of sources for products and services.

Hire the right logistics manager - your company needs a good logistics manager who knows how to sort out issues and keep things moving. He must be able to keep a cool head and think on the fly. Manager needs to be good with people and have the interpersonal skills to communicate with employees and make alternative arrangements when necessary. It helps if manager has a network

of industry contacts it can rely on when the manager needs to sort out problems.

Adopt automation - technology can play a major role in increasing the efficiency of the supply chain. Today's software is able to measure and analyse just about anything, improving the chances of success in any logistics venture. Valuable software saves time and maximizes performance. Potential problems in the supply chain such as inadequately tracked fleets, scattered inventory or mismanaged warehouse processes can be improved by automating systems. For example, using fleet and inventory management software and HR software can help refine processes taking into account factors that have the most impact on the bottom line. Tracking a truck in transit not only provides valuable data but helps to make sure delivery is on time as a driver may have questions about the freight and problems could occur.

Learn from your mistakes - poor logistics management can undermine a company's future. In order to optimize your supply chain, you have to learn from your mistakes. This means regularly sitting down as a team, being open about mistakes and discussing how to put systems in place to prevent them from happening again. The aim of effective logistics management is to improve operations, ensure customer satisfaction, and increase productivity. Using the best logistics practices can help your company to gain a competitive advantage. The supply chain environment is continually shifting and so logistics strategies need to be constantly reassessed. If you keep these tips in mind, you can make sure your supply chain is as effective as possible.

Strategic Reasons for Using 3PL

Managers mentioned that before applying any innovation to company's organization, company should discuss with Director of Boards and explain its strategic reasons. Below some strategic reasons for using Third Party Logistics.

Achieve Environmental Objectives - Some 3PLs have the expertise to optimize distribution networks and consolidate routes, train drivers to incorporate fuel-efficient behaviors, specify equipment to reduce emissions, and leverage technology to streamline inventory and enhance vehicle performance.

Enhance Security - 3PLs have the expertise to help navigate manufacturers through new security regulations and can provide counsel on best

practices to improve security policy and procedures. In many cases, 3PLs can manage the implementation of a supply chain security program, from facility and asset security, to security monitoring services and training. Improve quality. Working with a 3PL, manufacturers can expect to improve performance in areas such as reduction in inventory levels, greater product availability rates, fewer customer complaints and improved order accuracy. Manufacturers also will be able to better assess the performance of supply chain partners when they have good data.

Speed Process Change - it can sometimes be easier to make process changes with an outside provider, since company can tap into someone else's existing infrastructure, technology and people. This is critical for manufacturers who need to grow at an accelerated pace.

Eliminate hand-offs - oftentimes, the lines can be blurred between what 3PLs do versus their customers. Manufacturers can benefit from synergies by engaging 3PLs in adjacent processes that take place "before" or "after" what is considered a traditional supply chain activity. When company eliminate hand-offs, company can increase speed to market and reduce costs.

5Cs Principles of 3PL

From answers the researcher applied 5Cs principles. The 5Cs Principle provides that confidence when researcher comfortably fitting the puzzle in the massive and intricate labyrinth of how, who, when, where, and why researcher should

SWOT analysis

Strengths	Weakness
<ul style="list-style-type: none"> Scalability Time Savings and Cost Savings Expansion 	<ul style="list-style-type: none"> Loss of Control Cost Business Understanding
Opportunities	Threats
<ul style="list-style-type: none"> Communication Platforms Increased Emphasis on Rules and Regulations 	<ul style="list-style-type: none"> Finding New Talent Lack of Good Reporting Systems Lack of Collaboration Lack of Infrastructure

Figure 1: SWOT Analysis (Source: Researcher, 2020)

source and to engage an exponentially capable third party logistics vendors for any organization's supply chain.

Charter - The corporate mission and the authoritative requirement for the need to contract external third party logistics services, with support and drive from the highest management echelon to all operations globally.

Collaboration - Engaged co-operation across multiple functional divisions and/or business units in managing a seamless end-to-end supply chain up until fulfilment and delivery to the customer.

Communication - Essential cross-management of info-data across multiple functional divisions and/or business units to inculcate maximized costs efficiency in the supply chain & associated OPEX (operating expense) involved in efficient fulfilment.

Commitment - To be precise, with consistent quality results from the supply chain processes and methods - achieving fulfilment and delivery par excellence, cross-borders and globally.

Customer - Solid and ethical commercial partnerships with the channels and/or distributors, and/or the global end-consumers alike. Nothing means more than driving a smooth through-put, beginning from the frontend up until the back-end of the supply chain itself. But when added components from external third party logistics vendors are in consideration, researcher need to ask again and again (a few more times, perhaps) as to the sub-areas within the back-end of the chain that would be broken out and required to be managed externally.

Strengths

Scalability - A 3PL provider can scale a company's space, labor, and transportation depending on exactly what services are required. Manufacturers, suppliers, and other producers can more effectively and uniquely grow in new territories with much less hassle. A 3PL is designed to optimize the logistics functions – something you may have less expertise in – and clear the path for enhanced business growth.

Time Savings and Cost Savings - A business recognizes that success relies on a certain level of efficiency, and that's where a 3PL can have a huge effect. Rather than allocate money and resources toward building and maintaining a warehouse, determining how to transport goods and/or services, optimizing services, and keeping up with new technologies through an in-house management model, a 3PL eliminates those costs and frees up your key employees to focus on the manufacturing, strategic planning, and operational processes that better enable business growth.

Expansion - 3PL services make it easier than ever to expand businesses into emerging markets and new areas, including emerging countries. By working with a 3PL, a business can leverage new supply chains, improve customer service, and access new markets it hasn't been able to access before. Distribution centers and warehouses from third-party logistics providers, who often build the necessary security and compliance procedures into their service offerings and have obtained the proper accreditation to offer global services, make such expansion more accessible than ever.

While there are several reasons for companies to embrace a 3PL, there is also another side to that coin. Despite the potential rewards, using third-party logistics companies can come with its own set of risks.

Weakness

Loss of Control - When choosing a 3PL provider, an organization is giving up a certain amount of control of the delivery. When a business decides to join forces with a third-party logistics provider, they are entrusting the 3PL to meet the agreed-upon SLAs, and that requires a major leap of faith for functions that can directly impact customer satisfaction. The smooth exchange of critical EDI and non-EDI information can be at risk if one party is using subpar B2B integration software. Additionally, sharing certain proprietary information with a third party (sourcing, order information, etc.) could leave companies feeling vulnerable should there be a data breach.

Cost - While a 3PL can save a business lots of time and money, external factors (tariffs, over-regulation, weather, etc.) can lead to escalating costs. A 3PL company might make financial sense upfront, but you're at the mercy of this external trading partner and its own business strategy. Once-standard transaction costs eventually can skyrocket as your business consumes more services and may be more expensive than an in-house logistics operation. Additionally, it's often difficult to establish a cost-effective partnership between a shipper and a 3PL, and it's something you'll have little influence over.

Business Understanding - If you're in a highly regulated industry or have very specific needs (cold storage, temperature-controlled delivery, etc.) a run-of-the-mill 3PL may not suit your business. Additionally, 3PLs often have hundreds or even thousands of customers and may not give you the attention you're seeking. How easy are they to contact for support? How fast can they respond to your requests? It's critical to choose a 3PL that fully understands your business, its goals, and how efficient logistics and distribution can enable those goals.

Opportunities

Communication Platforms - For a logistics business, opportunities can range from making improvements to communications platforms with vendors, suppliers, and customers, to upgrading facilities, equipment, or resources to be more efficient or environmentally conscious.

Increased Emphasis on Rules and Regulations - Since most 3PL companies ship goods to different countries, they are required to follow shipping rules of different countries and regions. Each country has its own set of laws and regulations and these companies need to be updated with all the rules to continue trading without any hassles. Once again, it is a challenging task, especially for 3PL companies who do not access to a suitable task force which can take care of remaining up-to-date with the different regulations.

Threats

Finding New Talent - This is one of the most pressing challenges being faced right now by the 3PL industry and needs a high level of attention. Most of the companies complain that it is very difficult to find the right candidates for the right vacancies. The lack of good candidates leads to loss of efficiency and productivity, and 3PL business traditionally has been a high-churn operation. As a result, 3PL companies find it really hard to find the right person for the right job.

Lack of Good Reporting Systems - In a mid-sized 3PL providing company it is a hectic task to keep track of all the shipments which are sent out. The task of having to ask the vendors about the shipments to create a monthly statement is a painful job. If a proper reporting system exists, these tasks will be highly simplified, but at the same time, mid-sized 3PL companies can only invest in a reporting system which is cost-effective and suits their operational policies.

Lack of Collaboration - Transport providers and carriers play an important role in supply chain operations but often the management neglects the mundane side of physical distribution and transportation. The lack of collaboration between the shippers, the carriers, and the end-customers can have an adverse effect on the smooth functioning of the supply chain.

Lack of Infrastructure - This is a major challenge for 3PL companies in most of the developing countries of the world. Some of the problems faced may include bad road conditions, poor connectivity, inadequate air and sea port capacities and lack of developed modes of transports such as railways, roadways and inland water transport system.

V. CONCLUSION, RECOMMENDATIONS AND FUTURE TRENDS

Conclusion: The theory and practice of managing the logistics process has become a rapidly growing area as many organizations begin to realize its impact on supply chain profitability. In these organizations, this involves outsourcing to third party service providers in a bid to reduce costs and increase productivity by focusing on core competencies. Even though financial reasons may often dictate an organization's decision to employ the use of third-party logistics providers, the determination to outsource should be based on an organization's distribution competency. For example, when a retailer lacks the expertise to manage its logistics process in-house, then the services of a third-party logistics provider may be required.

The literature on logistics management has many calls for organizations to employ efficient logistics services to facilitate the creation of a seamless supply chain connected from start to finish through effective integration. The questions raised in this research focus attention on whether or not logistics outsourcing can be used as a way of achieving this and if so, what role do the third parties play in achieving this seamless operation?

Third-party logistics or 3PL is growing around the world as more and more corporations prefer to outsource their logistics operations to the 3PL or logistics service providers. The 3PL market in Uzbekistan is still in the implementation process and its infancy and is highly fragmented. However, there is a high potential for growth of the market, which was evident from the interview of the Uzbek managers who works in logistics sphere. The respondents held the poor infrastructure and the lack of awareness and trust among the Uzbek firms responsible for the low implementation growth of 3PL in Uzbekistan so far. However, more and more Uzbek firms are becoming aware of the benefits of 3PL and outsourcing a part or whole of their logistics-related activities to the service providers. With respect to developing the infrastructure, the Uzbekistan Government has already taken some initiatives, which may be facilitated by allowing private investments in this sector. The Government should identify investments in infrastructure that will lead to the growth of 3PL, as one of the thrust areas as this would not only contribute to the GDP, but also generate employment. The policies and procedures also have to be simplified to speed up the process of service delivery. That the Government is moving in the right direction and the Uzbek firms are becoming more knowledgeable about 3PL were evident from the respondents' feedback as these factors along with a steady growth in the GDP were identified by the respondents as opportunities for implementation and growth of 3PL in Uzbekistan.

Also, the researcher should mention Performance Measurement of Third Party Logistics (3PL). Service Providers Performance is an inveterate theme in management paradigms. It includes strategic and operations management, and is of interest to both academic scholars and practicing managers. Performance is defined as the evaluation of constituents using efficiency, effectiveness, or social referent criteria to measure how well an organization meets the aspiration levels of constituents (Friedlander & Pickle, 1986).

Several observations can be made from the literature on supply chain performance measurement. A great deal of attention has historically been placed on individual measures, rather than on systems of measurement (Beamon, 1999) and many of the existing studies are prescriptive in nature and emphasize the attributes that good metrics and measurement systems should have (Mills, et al., 2000)

This paper has shown that the use of third party logistics works especially well when the retailer maintains a strong presence in the contract

set-up. Effective communication and information flow are key enablers as they encourage the multi-directional flow of information along the supply chain.

There are many arguments for outsourcing logistics, not the least of which are reduced distribution costs and improving customer service. The key to successful logistics outsourcing is to identify and hire those 3PL's who share a mutual vision with the organization of the strategic relevance of logistics processes and can contribute to the organization at a level that goes beyond the achievement of operational excellence. From the results obtained so far in this research, different approaches to logistics outsourcing can be identified, each one having different implications for the possible role 3PL's play on the supply chain. This conclusion is centered on "the aforementioned finding that the supply chain role of 3PL's will be largely influenced by organizations" approach to logistics outsourcing and the resulting extent to which the logistics process is being outsourced.

On a final note, (Stigler, 1951) is credited with promoting the concept of the "functional spinoff" as a means of evaluating the dimensions of distribution channel structure. On a similar issue, (Malen, 1973) recommended an approach to improve our understanding of why organizations spin off their marketing functions and the implications this has on the structure of the distribution channel. These arguments represent an interesting linkage to the issue of why organizations outsource logistics services. This issue however requires further research and should therefore form a major part in the focus of logistics research in coming years.

Recommendation: Interviewers have at least ten year experience in logistics sphere, according to them they went to some countries where companies are already use 3PL. Some of them were partner companies and some of them not; they gather all information about implementing 3PL and applying it in Uzbekistan. So, here some recommendations to everyone who wants to implement 3PL.

How Should Company Go About Choosing A 3PL?

Choosing a 3PL can be challenging, because there are so many factors involved in making sure company have selected the right one before company even begin to work together. Hard data should be the deciding factor in any new 3PL relationship. Any company that plans to provide freight services to company should be able to

indicate the specific ways in which company stand to save money.

Before it start, make sure that company understand its own needs before starting the search for a new 3PL by using this handy checklist found here. In order to utilize that checklist fully, first gather the following information from these 3 key areas:

1. Current freight logistics, supply chain, and costs, and an estimate of costs per mile and hundred weight.
2. Current freight accounting and audit performance.
3. A discussion of existing carrier relationships and improvements or extensions that could be made.

However, this is really only scratching the surface of starting with what company must do as a shipper to get prepared. Another key point before starting is to understand what to expect in a logistics service level agreement contract. Experts highly encourage the companies to download white paper regarding Logistics Service Level Agreement & KPIs to get a clear understanding of what company should expect to see from the 3PL and ultimately choose as company's logistics partner.

Considerations and Areas of Focus in Search for a 3PL Perfect for any Company

The following 13 considerations are the next step for company as a shipper after company have own data and are prepared to know what to look for in a contract. 13 may seem like a lot, but handing over the management of a division in the business, transportation, that can be 60% of company's supply chain costs, and anywhere from 4 to 9% of company's revenue, is something that company should not take lightly (Razzaque & Sheng, 2008).

1. Consider getting outside help: Company should understand that logistics operations better than anyone else, but company may not understand completely what a 3PL relationship can represent to companies' operation, and to its profitability. Getting outside help when choosing a 3PL might simplify the process, and reduce staff and time commitment. Seek someone knowledgeable in third-party logistics who can demonstrate experience with a broad scope of outsource operations and providers.

2. Define a clear process for interfacing with potential 3PLs: One of the greatest frustrations reported by individuals who attempt to evaluate third-party logistics providers is that too often no defined process exists. Nobody is clear as to what results are expected and in what order. However, if

company understand own needs using that handy checklist, gather its data, and know what to look for in a contract, company is off to a good start.

3. Consider a maximum of three 3PLs: With or without external assistance, conduct advanced research on potential 3PLs that fit company's requirements and do a detailed evaluation of only those entities. If company is dissatisfied with the end result, it can modify the process and investigate others, but trying to evaluate more than three 3PLs thoroughly will prove extremely demanding.

4. Do not use an RFP: An RFP limits companies' functional costs. A good 3PL relationship should result in a quantifiable value significantly more dramatic than any RFP can identify. It is imperative that company choose the 3PL that offers the clearest quantitative value to company.

5. Institute an internal 3PL evaluation team: This team must include representation from the supply chain/logistics, information technology, sales/marketing, purchasing, and finance departments. Doing this ensures corporate-wide buy-in for company's ultimate decision. It also demonstrates the impact logistics has on the broader business and provides insight that will enhance the money value represented in the ultimate agreement.

6. Create an enforceable, mutual non-disclosure agreement: Do this before starting formal meetings with company's third-party logistics provider candidates; ask company's legal department to help. Execute this agreement before company initiate the development of a value proposition.

7. Payment history and financial stability: Having companies 3PL suddenly fall apart could be one of the most devastating challenges that company faces. Finding a partner that has proven their financial stability will at least keep operations from being brought to a screeching halt as company attempt to recover from someone else's mismanagement. While evaluating company's top logistics candidates, ask for a list of partners and enquire about their history with the provider. Have they consistently made payments? Has they ever been disagreement or lack of follow through from the company? How a logistics provider handles their partners will be a good indication of how they will handle business and talking to their partners might give company a clearer picture than talking to their hand-picked list of references.

8. Proven track record: Going beyond the finances of a potential logistics provider, what is their overall track record like? Are they known for being a state of the art company? Do they have multiple long-term clients? As a service oriented business, the reputation of a logistics provider will speak

volumes as to the efficiency and reliability that company can expect.

9. Excellent industry references: The references that company have for a logistics provider should not be good or passable; they should be adulatory. For a logistics provider to be worth company's time, their clients should hesitate to speak volumes on their security, reliability, and flexibility. Furthermore, references should be able to speak to the character and culture of the provider. Whether good or service oriented, companies should be delivering a higher value proposition than simple efficiency.

10. Show the impact on sales throughout the process: Nearly all logistics projects are actually marketing projects. When evaluating the true quantitative value proposition of partnering with a 3PL, make sure that company note the impact on sales. Often, attaining the lowest costs determined from a traditional RFP can lead to customer service problems, resulting in a negative impact on sales.

11. Insist on regular meetings with senior executives: Any agreement must require that senior executives from the 3PL participate in a quarterly, at minimum, meeting with a multi-department team. Treating the 3PL as an integral part of management, rather than as a vendor, evokes a degree of interest and responsibility in achieving overall corporate goals.

12. Scalability: First and foremost, can the 3PL efficiently scale their operations to fit company's changing needs? Bi-directional scalability directly influences how efficient company's supply chain will be. Doubtlessly striving to grow company's company, but the fact remains that there will be ups and downs to business. Demand might contract for any number of reasons. Company needs a 3PL that can rapidly scale down the processes within company's supply chain. Conversely, company also need a logistics provider that can handle sudden spikes in demand without skipping a beat. Growing pains happen for everyone, but if company find a 3PL that has already experienced them with another company, it can spare the brunt of the problems. Find a 3PL that already has clients both larger and smaller than company's organization. A 3PL that can scale will constantly be making small adjustments, e.g. aggregating or multiplying shipments, as company's requirements move in one direction.

13. Clearly define a timetable for handing off responsibilities to the 3PL, and document the responsibilities company will retain in-house: The relationship should not be initiated until this process is put in place. As the new 3PL relationship is ramped up, communication is crucial. Failure to

communication at a given time may lead to ongoing issues with the 3PL relationship, at least until the enterprise has completely gotten used to the new 3PL.

Here are Some Key Requirements to Select 3PL Providers:

While the huge number of 3PL companies has been appeared, selecting the most suitable provider is the opportunity to gain the most benefits of logistic functions. When right firm is chosen, third-party logistics firms can really help a company with saving money and by delivering valuable products to their clients. Therefore, the key requirements to judge the abilities of 3PL providers can be grouped into four main issues which are general company considerations, capabilities, quality, and technology of information systems.

Firstly, general company considerations that is 3PL's overview and statistics including its knowledge and experience, location of distributions centers, insurance conditions and financial stability as well as its price and countries of services (Bence, 1995)

Secondly, capabilities of 3PL that is including responsiveness to manage incident, flexibility to fulfilling customer's requirements, and facility for instance vehicles and warehouses (Bence, 1995).

The other category is quality including on time delivery performance without damage and loss, lead time of delivery, inventory turnover and excess stock frequency, and effective work (Asan & Tanyas, 2003).

Finally, technology of information systems includes accurate information, efficient of documentation system, invoice accuracy, and e-communication facilities (Asan & Tanyas, 2003).

Suggestions for Future Research

More specifically, two suggestions for future research are made:

1 - Empirical research should be directed towards contractual practices and the development of performance measurement systems in 3PL. Existing literature regarding 3PL contractual design is mainly conceptual in nature and further empirical evidence is needed about the type of contracts, charging mechanisms and fee structures applied, the level of detail in respect of service specification and the extent of inclusion of penalty/incentive clauses. Such data would potentially reveal whether and how contractual design matches the characteristics of the deal and the broader relationship (Collins, 1999). In other words, there

is a need to examine (empirically) whether contracts are important in terms of relationship management or represent only part of the business deal and the client-3PL provider relationship. Empirical research should also focus on performance measurement in 3PL relationships, looking at issues such as the impact of the contract/charging mechanism on what is being measured (e.g. open-book contracts often require detailed measurement systems) and potential distinctions between contractual and operational KPIs (Key Performance Indicator). Also, despite the fact that service offerings grow in complexity and value added services are introduced (e.g. product installation), there is little evidence in the literature regarding the development of KPIs for such advanced services (Hoek, 2001). Future studies should examine the extent to which metrics are developed for valued added services and develop classification frameworks of KPIs accordingly.

2 - Given the increasing complexity and uncertainty in the 3PL market (i.e. development of complex offerings, confusing service marketing and buyer uncertainty; e.g. Bask, 2001), there is a need to re-visit how logistics capabilities and services are defined and designed in specific client-service provider relationships as well as how they are re-packaged and evolve over time. Existing literature rather generally assumes that the buyer is responsible for specifying services and also ignores the dynamics of service offering definition. Based on the above, it is proposed that empirical research should focus on the process (how) of service definition in 3PL relationships.

A firm provides multiple logistics services for use by customers. Preferably, these services are integrated, or "bundled" together, by the provider. Among the services 3PLs provide are transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding.

When a supply chain initiative is taken up by a firm, there are plenty of issues that come up during implementation (McGinnis, et al., 2006). The purpose of this literature review paper is also to identify some of the major issues related to such implementation and draw out practices from literature which serve as possible solutions for these issues. The paper starts by suggesting a broad framework for implementing supply chain management (SCM) in a firm. This consists of strategy formulation, identification of areas for improving material flow, identifying issues in these areas, and finally performance evaluation in order to determine how well the supply chain initiative

has been implemented. Furthering the implementation, (Selviardis & Spring, 2007) provide a classification from 3PL researches and developed a research agenda for their study. (Scott, 2009) mentions in the literature review paper on logistics innovation that the world is getting smaller and firms are sourcing raw materials and finished goods from the other side of the globe and distributing product to countries once thought to be beyond reach. Through literature review he has developed a model of logistics innovation based on previous studies and recommended opportunities for further research.

Future Trends

There are factor specific and country specific outcomes which also indicate towards potential areas of research. (Berglund, et al., 1999) have described three waves of entrants into Third Party Logistics industry and also provided taxonomy for value creation by logistics service providers. Strategic segmentation of the industry has been described by the authors through an empirical research. They have also highlighted that the industry might reach its initial stage of maturity in the near future but there is a scope of further change and development in the overall industry. In a prominent study, fuel efficiency and carbon emissions have been indicated as potential future critical concerns from perspective of shippers' 3PL procurement decision processes and selection criteria (Peng, 2012).

Continuing, Fourth-party logistics (4PL) has emerged as the ideal solution that allows companies around the globe and from a varied range of industries to have a single point of responsibility across both supply and demand chains (Win, 2008), however there are specific studies needed for high order of effectiveness and ease of the model.

According to (Potter, et al., 2007), the key is to set the 4PL operation up in the correct manner ensuring 4PLs have a strong alliance with their customer. The focus should be on sustained success in supply chain development across all value criteria with neutral and fair positioning and managerial style.

Finally, the era of Fifth Party Logistics (5PL) is also on card and demands theoretical framework for precise delivery of model. (Christopher, 2009) Talks about the need for supply chains to produce innovative solutions and collaborative economies of scale, and to reduce costs. He looks at 5PL as a move towards offering genuine efficiency gains and cost savings that

previous incarnations of supply chain management have failed to realize.

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