The influence of Third Party Logistic on the Supply Chain Process in The Case of Tesco, Malaysia

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# Introduction

The growth of international businesses and exploration of the new global markets has necessitated implementation of third party logistic providers in different supply chain managements. Global supply chain management is becoming essential in every business cycle and extra service providers are of great importance. Just like the normal supply chain management is targeted at reducing the operational costs by reducing the costs associated with input and processing, Third Party logistic service providers also assist in the process. The main difference is that Third Party logistic providers in the supply chain management process comes with complex options and challenges as opposed to when the company is purely handling supply chain network. An example of a company that has extensively used the Third-Party Logistics providers in their chain management is Tesco in Malaysia.

In Tesco for instance, the supply chain managers take key responsibilities in the organization, planning and executing various operations connected to acquiring the inputs, determining the purchase source, and the transportation process. They do this as they observe the related costs to ensure they stand at the minimum. The major function of the supply managers is to ensure facilitation and collaboration of production factors. In so doing, the managers make sure that associated costs are reduced, operations expenses are stabilized, and revenues are increased in sales.

Various companies have varied roles of supply chain managers, but the goal remains to reduce operations costs and increase profitability of the company. The chain supply thus needs flexibility, swiftness, and adaptability to the alternations and fluctuations in the market. In many companies, third party logistics providers are incorporated to ease the acquisition, transportation and handling processing their supply chain managements, for instance Tesco. Third Party logistics providers normally affect the supply process as their have impacts on the products flow from supplier to the final consumers.

Since the supply chain management is essential in determining the company success, it is worth of studying how the Third-Party Logistics providers have impacts. This research is to investigate the influence of Third Party Logistic on the Supply Chain Process, taking a case study of Tesco.

# Research Problem

This research is aimed at determining the various effects Third Party Logistics have on the supply chain processes in Tesco. The research which determine to what extent does Third Party Logistics providers assist in meeting business objectives and ensuring the satisfaction of Tesco customers in the local and international markets. The present chain management processes in Tesco are characterized by different aspects but the main goal is to increase effectiveness of their operations.

The Third-Party Logistics Providers play essential function in determining the company success. The introduction of these companies has led to increased profitability of Tesco over the decades. Tesco has grown to be among the greatest retailer companies in Malaysia and globally. Even though Third-Party Logistics have resulted to increased profitability, it is essential to study their impacts on the chain supply management. This research determines the advantages of these companies in customer satisfaction process and the efficiency in their implementation and supply chains.

# Research Aims and Objectives

This main aim of the research is to investigate the influence of Third Party Logistic on the Supply Chain Process, taking a case study of Tesco in Malaysia. The following specific objectives will be addressed

1. To determine the influence of Third-Party Logistics on product delivery across Malaysia.
2. To determine the correlation between Third Party logistics and customer satisfaction in terms of products handling and efficiency.
3. To determine how Third-Party Logistics Providers the efficiency and effectiveness of product acquisition, processing and handling.

# Literature Review and Research Framework

The Third Party logistic providers play essential role in Tesco Supply chain processes as they are important in procuring, transporting and processing different products. First, Logistics is important in managing the products flow from the suppliers to the warehouses, stores and within Tesco company. Logistics is also responsible for the management of the material flow and information resources within the company through various operations. Additionally, Logistics make sure the products and customers are managed in a proper way to boost success and effectiveness of the chain supply process. Therefore, logistics can be viewed from two perspectives.

## Importance of Logistics in supply chain process

First, logistics can be seen as an essential tool that enables outbound where the company transports the products from the company to the respective customers. Second, inbound aspect is where it manages the flow of products from the suppliers to the company. Logistics is also responsible from collecting information and returning it back to the company. Such information can be related to, product perception, customer satisfaction and other concerns.

## Inbound and outbound logistics

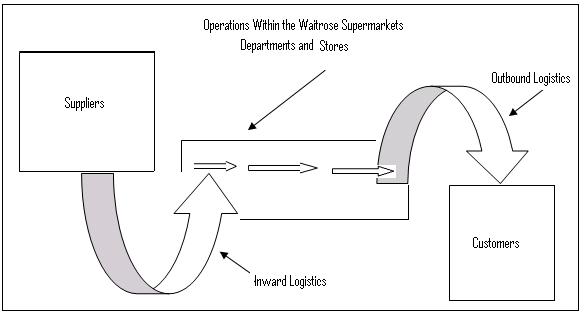
The following chart below depicts an outline of the inward and outbound logistics for Waitrose Supermarkets for example.

Figure 1: Waitrose Logistics

The above flow chat makes assumption that the suppliers follow to the value challenge offered by the company and assumes there are backorders. However, suppose there exist backorders either form the final consumer or from external customer, it is assumed that such backorders are insignificant to affects the overall success of the process. It is also assumed that backorders do not have substantial effects on efficiency and effectiveness of the supply chain process.

The role of product procurement, which is essential element in logistics services, are to present the network facilities and distribution options of a supply chain process. This emphasizes the importance of supply chain in logistics. For this reason, the transformation of raw products to finished goods is a process that is played joined by the company chain management and the logistics providers. The logistics providers are further mandated with the obligation of ensuring the product reaches the final destination.

## logistic in supply chain management

Bales et al (2004) explains Logistics as essential part of chain management process. According to the scholars, logistics management plays a role in the planning, implementing and controlling the effectiveness, operational flow and warehousing, all connected to supply chain and product delivery. An effectiveness of the process is achieved suppose the company through logistics gets the right products, the correct quantity and quality, and delivers the products at the right time, at affordable costs (Bales et al 2004).

A good supply chain method should be one that integrates information, resources, transportation and time in a way that ensures effective and consistent flow of the products and information within the supply chain (Christopherson and Coath, 2002). Due to the likely risks associated with Logistics Providers, an integrated supply chain should have well-laid strategies intended to manage such risks (Duffy and Fearne, 2004). Therefore, having a supply chain risk management is essential indicator of success in performance and risk management connected to supply chains.

Since some of the risks and vulnerabilities are due to the lack of information flow from the consumer to the company, Logistics play important role in making this link possible. To mitigate this and guarantee the efficiency of supply chain process, Tesco must ensure it attains supply and chain visibility. This visibility ensures that the reaction time is minimized and the event is detected in time, the projected or apparent consequences are determined in time and evaluated and relevant responses enacted (Duffy and Fearne, 2004).

Aqua Management Consulting (2010) outlines logistics as essential in supply chain strategy as they enable the company to pull together various players in the supply chain network. The author further explains that mechanisms should be put in place to assess and ascertain the risks associated with logistics. The company should therefore offer immediate responses to unexcepted disruptions in service provision and product deliveries within the supply chain networks. Suppose there is to be a good supply chain network, then it should be one that ensures proper synchronization of process with consumers, manufacturing, suppliers and logistics. In some cases, where the logistics does not understand the scope of either customers or the company, it results to failure (Duffy and Fearne, 2004).

As Tesco is having various companies across the world, it has called for the essence of Logistics to properly manage its supply chain processes. Tesco has experienced continuous growth and thus the challenges in reaching all customers and other related challenges. The key to dealing with the chances is ensuring sustainability in its supply chain process and thus importance of Third Party Logistics providers. Various Logistics company providers have helped Tesco to achieve customer satisfaction in different countries it operates.

The logistics incorporation in the supply chain management has become essential in the recent times. It has been noted as among the basic blocks of profitability for any company. While it can be defined from different aspects, supply chain management can be explained as one that provides services and products that are required by the customers. Logistics can be seen as a fundamental tool in linking customers to the company.

Needless to say, supply chain management plays an enormous role in the long-term sustainability and profitability of businesses. Recent times have also seen an increase in the importance that transparency in businesses. This is especially considering that consumers are looking beyond the practices of organizations in order to ensure that organizations sufficiently uphold corporate ethics. Ethics have, therefore, been inculcated in the supply chain management where organizations would assess the business risks through the incorporation of an assessment of all parties in their supply chain including vendors, suppliers and other contact points within the business network of the organization (Pretty et al, 2005). In decreasing the risks that are associated with vendors and suppliers, organizations examine the ethics, culture and compliance practices that the parties have adopted. This assists companies in making informed decisions pertaining the suppliers in order to select the ones that are suitable or fitting within the existing practices or culture of the organization. This is especially so in the multibillion dollar food and beverage industry in general, and restaurant operations in general.

## How the supply chain can has helped Tesco reach its strategic goals

**Increase in profits**- Logistics service providers have led to increase in the quantity of products produced resulting to boost in sales.

**Cost effectiveness**- The increase in the quantity of products produced and better flow of products has allowed the company economies of scale and reduce the operational costs. This has led to reduced production costs as produced quantities has increased.

**Increase in customer satisfaction**- across the countries where Tesco operates, Logistics has ensured continuous provision of customers with products and creating many satisfied customers and increased clientele base.

## Contribution of IT to SCM within Tesco

Tesco as a company has taken technology seriously and this is viewed from the way it has used information technology in its processes. Technology has enhanced their effectiveness and efficiency in supply chain processes. As for Tesco’s supply chain management, application of information technology is essential in giving strong pillar in different operations in the supply chain network. This has contributed to improving the company’s position in the global market.

Information technology has been responsible for providing quicker and easy access to information and enhancing the effectiveness in the supply chain management. This has reduced related costs of managing the supply chains.

# Research Methodology

In examining the influence of Third Party Logistic on the Supply Chain Process in The Case of Tesco in Malaysia, the study will take a case study approach. Various branches of Tesco company operating in Malaysia will be sampled. Additionally, various literary and scholarly works will be collected and analysed. This is especially the company analysis within a time framework of five years.

# Data Collection Method

The study will be fully dependent on primary data collected from the sampled Tesco branches and secondary data collected from scholarly works. Documents having company analysis will be given priority. The primary instrument for data collection will be interview.

Face to face interviews were chosen as the mode of data collection for this study. As Collis asserts, the basis for carrying out interview is because interview is useful in various ways.

Purposes of interviewing according to Collis (2003) are to investigate matters pertaining in an exhaustive manner, discover people’s notions about a certain topic and why they hold some opinions, investigate human dimensions to impersonal raw facts and increase the depth of understanding of certain data and concepts.

The main advantages of interviews are:

* They are very much important when obtaining information about personal feelings, perceptions and once opinion over a given issue
* It would offer a chance for more detailed questions to be asked.
* High response rate compared to other forms of primary data collection
* some ambiguities will get clarifications and briefed answers followed up for completion
* interviewees always tend to be independent (Creswell, 2003)

The data will be collected and organized during the analysis from where the evident patterns will be analysed - this would also help the researcher to pursue different questions or concepts as pertaining the research topic. This study will employ qualitative analysis because it is more flexible than quantitative analysis as it allows for better impulsiveness and adaptation in interaction with the respondents.

# Research Plan

The research will begin by sampling various Tesco branches across Malaysia. Purposive sampling will be employed. Purposive sampling can be explained as a method that represents a group of diverse non-probability sampling techniques. Also referred to as judgmental, selective or subjective sampling, purposive sampling usually relies on the judgment of the researcher in terms of selecting the units that require to be studied. Usually, the sample that is under investigation is quite small, especially during the times when it is compared with any probability sampling techniques. In purposive sampling only branches that extensively use Logistic services will be sampled.

The collected data will undergo both quantitative and qualitative analysis. The qualitative analysis will be essential in analysis the responses from the interviews. The quantitative analysis will deal with the company data since the inception of the logistics services.

# Research constraints/limitations (250)

The main disadvantages of interviews are:

* Sometime they may prove to be time consuming: interviewing, feedback, transcribing, analysing and even reporting
* At a time, they are expensive to carry out
* Different interviewers can understand and transcribe the interviews in different ways sometimes (Collins, 2003).

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