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## 3PL Relationship Management Practices as a Cost Reduction Tool in the Supply Chain: A Case of Stellar Logistics

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## **3PL Relationship Management Practices as a Cost Reduction Tool in the Supply Chain: A Case of Stellar Logistics**

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### **Abstract**

**Purpose:** The purpose of the study was to examine the nature of the 3PL relationship as a tool for cost reduction at Stellar Logistics Limited. It also examined the challenges affecting the effectiveness of the 3PL relationship.

**Methodology:** A quantitative research approach was utilised to measure and analyse the data descriptively. Structured questionnaires and interviews were conducted to elicit data from the supply chain experts at Stellar Logistics Company Limited. Data analysis was done based on 30 cases and at the firm level in terms of a unit of analysis. 3PL relationship management is the key tool that links all members of the supply chain at Stellar Logistics.

**Findings:** The study proves management members of Stellar Logistics are aware effective 3PL relationship management leads to mutual trust and confidence in the company and are also aware that commitment is a key factor in creating a stable third-party relationship. Selection and evaluation are crucial in achieving valuable partnerships in the 3PL relationship process as it has the highest response rate in the company. The relationship system at Stellar Logistics requires creating a win/win for 3PL contracting parties. Improper record management makes it difficult to keep track of all shipments at the company. There is a lack of collaboration between the shippers, carriers, and the end customers of the company which affects 3PL relationship management at the company. Finally, unforeseen delays affect the delivery of goods to customers at the company.

**Recommendations:** Stellar Company can help resolve its 3PL relationship problems by setting clear expectations. Again, Stellar Logistics must establish single points of contact. The study also recommend that the company must measure performance in order to salvage its 3PL relationship challenges. Stellar logistics must also involve their 3PL provider in long-term planning.

**Keywords:** *3PL relationship, logistics, cost reduction, relationship management*

## Introduction

Many forward-looking firms have found it more effective to work collaboratively with their suppliers to serve the ultimate customer (Cheng, 2009). Terms such as alliances, partnerships, collaborative relationships, and boundaryless organizations have been used to describe these new buyer-supplier relationships (Crotts et al., 2015) and studies in SCM confirm this as a key factor in improving firm performance (Vasiliauskas, Zinkevičiūtė & Šimonytė, 2013). In the past decades, alliance activities have shown tremendous growth (Al-Tit, 2017). In a supply chain, relationships are not only used for connecting the firm with a partner but also used to connect the firm throughout the supply chain (Chang, Hsu & Lin, 2018). Supplier relationships are a part of supply chain relationships (Tannous & Yoon, 2018). A minimum of two parties is involved in a relationship, in order to produce mutual benefits (Walter et al., 2017). The effects of many buyers, suppliers and market characteristics, as well as product characteristics, have yet to be explored and an understanding of the nature of relationships in a supply chain is limited and needs to be improved (Seuring, Yawar, Land, Khalid, & Sauer, 2020).

In the 3PL market, customers' expectations are high, from operational efficiencies to more strategic development. Nevertheless, after a few years of strong coordination, customers are still facing a number of quality issues with their 3PL that impact 3PL's overall performance and customer satisfaction (Liu & Lee, 2018). Empirically, no study exists attempting to link the quality problems faced by customers with the internal inefficiencies and wastes of 3PL organizations (Large & Hartmann, 2011). From the customer side, the trend is a reduction or consolidation of the number of 3PLs used (Langley & Capgemmini, 2012). This puts pressure on 3PLs to find ways to increase their efficiencies and differentiate from their competitors to maintain their competitiveness even as they seek to create customer value. About 55% of customers of 3PL service complain of poor quality whilst about 46% of shippers complain of unrealized service level in terms of timeliness (Maloni & Carter, 2006).

The study essentially sought to examine of 3PL relationship management practice employed as a cost reduction management tool in logistics companies in Ghana. The study thus was conducted by the Stellar Logistics 3PL firm in Takoradi. Their Logistics and Supply Chain Section was selected due to the proximity and easy access to information. Specifically, these specific objectives were pursued.

1. To find out the awareness level of 3PL relationship management practices at Stellar Logistics
2. To examine the process of relationship management practices at Stellar Logistics
3. To identify the types of buyer-supplier relationship management practices at Stellar Logistics
4. To determine the benefits of 3PL relationship management practices as a cost reduction management tool at Stellar Logistics
5. To examine the challenges of 3PL Relationship Management practices as a cost reduction management tool at Stellar Logistics

## Literature Review

### Logistics and Logistics Management

Kotler et al (2006) define logistics as planning, implementing, and controlling the physical flows of materials and finished goods from point of origin to point of use to meet the customer's need at a profit. Hernandez Gonzalez, (2022), also added that logistics is the process of planning, implementing and controlling the efficient, cost-effective flow and storage of raw materials, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of conforming to customers' requirements. Bowersox (2010) defined logistics management as that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customers' requirements.

### Third-Party Logistics Management

With the astronomical growth and development of outsourcing, third-party logistics (TPL) companies are gradually on the rise and prospering (Hernandez Gonzalez, 2022). More and more logistics companies choose to enter the third-party logistics business to become TPL providers (Hertz & Alfredsson, 2003). From the perspective of Lieb (2009), third-party logistics means that the companies use other organizations to finish the logistics activities which originally should be responsible for themselves. Murphy and Poist (2011) also expressed that third-party logistics can hold the whole logistics process or select some parts of activities. Third-party logistics service companies have neither ownership of goods nor the duty for selling and buying the goods (Vasiliauskas & Jakubauskas, 2013).

For the services provided by the third-party logistics companies, Berglund et al. (2009) defined that on behalf of a shipper, the logistics service providers finish a series of logistics activities "at least management and execution of transportation and warehousing" called third-party logistics. In addition, the other services could be included warehousing and inventory management, information tracking and tracing, installation and packaging of products, and even supply chain management (Marasco, 2008). Compared with basic logistics activities, third-party logistics activities encompass more service functions that can meet more customized products. From a long-term perspective, third-party logistics can bring a win-win relationship between the third-party providers and customers (Murphy et al., 2011).

### The Process of 3PL Relationship Management

Outsourcing is not for everyone. Many clients feel they want total control of customer service, and that they can deliver a lower cost per order by handling fulfilment internally (Barry, 2017). For those that use a 3PL, here are five ways we have seen a number of clients get the most out of the outsourcing relationship, including contact centre services (Curtis, 2016). Some of these points need to become part of the negotiation process and setting of expectations from the beginning. The first way includes creating a "win/win" for both parties. Admittedly, the word "partnership" has become overused (Johnson et al., 2015). Creating a true partnership and win/win scenario is the end goal and here are a couple of thoughts about this: Firstly, many smaller 3PLs can only take on a certain number of clients and process a given number of orders. Understand their business drivers. For example, in fulfilment don't turn their DC into a parking lot for the slow-moving

product; this may lead to higher costs. Timely liquidation of overstock will be best for the business by creating lean inventories. Finally, what are the near-term and long-term services one needs to grow a business? These include changes in merchandising and forecasting systems and business intelligence applications. Are there new systems and services your 3PL partner will invest in to provide better services for the company?

Another process of 3PL relationship management bothers on performance measurement. Companies often failing to make quality and performance standards as part of the contract. For sure they are discussed in the sales process but need to be formalized as part of the agreement. According to Gnanih (2016), there needs to be daily discussions about how the 3PL is getting the workout. However, senior management mostly likely delegates the day-to-day oversight to a company liaison (Hawkes et al., 2014). It's often easy to lose touch with the big picture performance against the standards. Hillier (2013) also stated that, as part of the negotiation process specify the benchmarks, how they are defined and how they will be monitored. Some contact centre metrics include call abandonment rate, service levels and cost components (Deighton, 2018). In fulfilment, they include freight cost plan to actual, error rates, service levels against the standard and cost per order. As part of the negotiation process, establish a scorecard approach to reviewing performance monthly or quarterly (McGuinness, 2011). Have a monthly 30-minute telephone review with management (Lumsden, 2013). Coyle (2019) added that each team should review the scorecard and keep each other updated.

Another key process in 3PL relationship management is regular on-site visits. It has been found that many users of 3PL services do not make on-site visits frequently enough (Ellram, 2010). Some smaller users get more attention for their accounts by getting to know people working on their accounts personally (Simon & David, 2015). According to Ulrich et al. (2012), on-site visits may also make it easier to discuss major changes a company wants to make to procedures and policies. Another aspect to consider is how to continually keep the service provider up to date (Novack, 2019). In the contact centre, this includes agent training (Ballou, 2018). Bowman and Veronique (2017) added that fulfilling this can include any changes in packing and shipping for new categories of products, and finding ways to protect items from damage without excessive dimensional weight charges.

Provision of short-term planning and forecasting is another strategic process in the 3PL relationship management. Many 3PLs require ongoing forecasts (receipts, orders, shipments, etc.) a couple of months in advance within agreed-upon tolerances (Keith & Colin, 2014). For companies that have not done this well, it might be seen as restrictive, but it is the only way the 3PL can ensure it has the right number of people available to service an account (Mike et al., 2011). The involvement of the outsourcing providers in the long-range planning of the firm is also recognized as a key success factor (Adrian, 2017). This includes early involvement in discussions about possible acquisitions; new brands; changes in volume; major changes in marketing; changes in merchandise assortment that may affect dimensional weight; and changes in analysis that may lead to IT upgrades (Ashley & Andrew, 2012).

### **Key Factors of 3PL Relationship Management**

Wilson (2010) presents that trust is the foundation of relationship building that contains reliance and confidence. Especially in logistics outsourcing, trust is an important variable that can promote simple transportation management outsourcing to more complex logistics activities between

customers and third-party logistics providers (Minihan, 2016). The commitment of all parties is seen as a key factor for a successful relationship. Morgan and Hunt, (2016), suggest that a company should always focus on relationship investment; pay attention to potential long-term cooperation rather than temporarily attractive short-term with an existing partner; and prevent that partner has the possibility of opportunism in some potential high-risk activities. Commitment is also considered a key in order to creating a stable third-party relationship in logistics outsourcing (Rutner & Gibson, 2018).

The relationship-specific investment may not be recovered when the relationship ends. In the logistics outsourcing relationship, these investments include training for logistics personnel, capital for new warehouses and transportation capacity or technology for some particular requirements (Wilson, 2015). Knemeyer et al. (2013), summarize that dependence is the key to improving adaptation and collaboration and promoting partner commitment in a relationship. They also think that “the distances involved and the specialized nature of global logistics requirements have created dependence by shippers on third-party providers capable of providing a broad range of value-added services to assure logistical continuity”.

Moorman et al. (2019) suggested that communication means sharing meaningful and timely information between partners in a formal or informal way. It is the precursor for trust. Timely communication helps solve disputes and coordinate expectations. Attachment is more emotive than communication and it is also important for closeness promotion in a relationship. People generate attachment for a particular partner usually by having true feelings for other companies or related personnel (Wilson, 2015). Reciprocity is common in solid relationships and has a critical function. In third-party logistics relationships, reciprocity is more and more popular when companies use cost sharing as one of the preferred ways to build trade (Langley et al., 2011). In the logistics outsourcing relationship, shared benefits are generally reflected in performance improvements such as reducing logistics costs, shortening the cycle time, increasing customer support and customer satisfaction and improving logistic information system and service level (Newton et al., 2017).

### **Critical Issues in Third-Party Logistics Relationship**

After establishing the relationship, how to improve the relationship is also important. Selviaridis and Spring (2018) summarized some significant factors which can influence the relationship between TPL providers and customers and even can extend to strategic cooperation and development within enterprises:

- The two parties have common goals and respect each other’s cultural backgrounds;
- Share both risks and benefits;
- Have a better system of communication and information sharing;
- Achieve a balance of rights between two sides;
- Plan, manage, control and maintain the relationship together;
- Top management support and staff cooperate;
- Provider fully understands the requirement and can flexible response;
- Keep innovation and updating to provide better service;
- Set up dispute resolution mechanism.

### **Contract in third-party logistics relationship management**

In order to protect the interests and rights of the partners in third-party logistics activities, the cooperative relationships are constrained by the contract. To make the difference between “traditional ‘arm’s length’ sourcing or transportation and/ or warehousing”, the contract of the participants needs to require that the time of the cooperation should last for at least one year. The content of the contract also should be contained some “management, analytical or design activities” (Berglund et al., 2009). Boyson et al. (2011) also thought that contracts play an important role in the relationship between companies and TPL providers. Most academics agree that having a formal contract is the guarantee of TPL relation management. Selviaridis et al. (2017) summarized some typical items in TPL contracts:

- Description of concrete content like services and activities;
- Term of contract;
- Costs of each activity;
- Additional benefit payment of excellent performance;
- Indemnity clause of performance that does not meet the requirements;
- Liability of breach.

However, some researchers consider that detailed contracts only are needed when both sides lack trust (Lambert et al., 2006).

### **Types of 3PL Providers**

According to Bowersox (2010), among the various categories of 3PL providers are;

- Standard 3PL providers: this is the most basic form of a 3PL provider. They would perform activities such as, pick and pack, warehousing, and distribution (business) – the most basic functions of logistics. For a majority of these firms, the 3PL function is not their main activity.
- Service developers: this type of 3PL provider will offer their customers advanced value-added services such as: tracking and tracing, cross-docking, specific packaging, or providing a unique security system. A solid IT foundation and a focus on economies of scale and scope will enable this type of 3PL provider to perform these
- The customer adapters: this type of 3PL provider comes in at the request of the customer and essentially takes over complete control of the company’s logistics activities. The 3PL provider improves the logistics dramatically, but do not develop a new service. The customer base for this type of 3PL provider is typically quite small.
- The customer developers: this is the highest level that a 3PL provider can attain with respect to its processes and activities. This occurs when the 3PL provider integrates itself with the customer and takes over their entire logistics function. These providers will have few customers, but will perform extensive and detailed tasks for them.

### **Types Of Buyer-Supplier Relationship Practices**

There are broadly three types (in a range) of exchanges or relationships between buying and selling firms; Transactional (distant) relationship, value – added (continuing) relationship, partnering / collaborative (close) relationship (Hertz & Alfredsson, 2003). Transactional or distant relationship is a one-time interaction of the buyer and the seller. This type of relationship occurs when there

are large number of suppliers available and when the supply market is constant. There is no complexity in the purchase decision in this type of relationship (Flint & Mentzer, 2010). Rutner and Gibson (2018), also stated that this method is preferred by the sellers when they feel that the buyers have low potentials. The sellers focus on low price of the product and also aim at timely delivery (Lieb, 2009).

Value-added or continuing relationship occurs when there are medium sales and the potential of the buyer is also medium (Barry, 2017). This type of relationship aims at fulfilling the needs of the buyers more than that of the competitors that is, providing them with the maximum value (Vasiliauskas & Jakubauskas, 2013). Boyson et al. (2011) added that the main objective of the seller in this type of relationship is getting the maximum share of the market. The basic foundation collaborative or partnership exchange relationship is the commitment and trust between the buyer and the supplier (Johnson et. al, 2015). According to Wang and Mingfei (2014), the major objective in this is to maintain a long term mutually benefitted relationship. Packham and Liam, (2016) added that buyers prefer this type of relationship mostly where there is less choice in selection of the suppliers. Few buyers prefer this when there is much complexity involved in the purchase decision. Sellers prefer this type of relationship when they feel that the potential of the buying firms are high (Tian et al., 2009).

### **Key benefits of 3PL relationship management practices on cost reduction**

According to Coyle (2009), one of the advantages of using 3PL results from economies of scale (merits from large truck fleets, warehouses, etc.) and economies of scope, which encourage companies to increase net value by reducing costs. The effects of these economies are obtained depending on the type of 3PL provider (Example IT-equipped, marketing-based, non-asset-based (and then flexible), etc.) Competent 3PL providers possess high coordination ability, enabling them to search for reliable partners or sub-contractors, and to manage efficiently the interfirm flow of goods (Lambert & Ellram, 2010). Such ability can be developed through experiences as a 3PL. Wang and Mingfei (2014) also summarized some advantages of 3PL relationship management that can lead to cost reduction in the supply chain. Among these are;

- 3PL allows saving time mainly due to outsourcing the logistics functions that can free up resources to focus on core competencies of the company instead of secondary ones.
- 3PL services providers are the experts of logistics business therefore even if the companies have resources available, a company within the supply chain may be able to do it better, simply because of its relative position in the supply chain, supply chain expertise and economies of scale.
- 3PL companies can share responsibility for managing global supply chains, keeping customers and stores properly stocked, and delivering the perfect order every time (Packham & Liam, 2016).
- 3PL is also advantageous when re-engineering distribution networks as the logistics outsourcing can be a quick way to re-engineer distribution networks to meet global market demands and gain a competitive advantage.
- 3PL performs duties such as quoting, booking, routing, and auditing, but doesn't need to own warehousing facilities, vehicles, or aircrafts. These are often leased on terms equalling those of the 3PL contract minimising liability to capital expenditure.



- To be useful for the companies, 3PL providers must show their customers a benefit in financial and operational terms by leveraging exceptional expertise and ability in the areas of operations, negotiations, and customer service in a way that complements its customers' pre-existing physical assets.

### **Challenges of 3PL relationship management practices**

Murphy and Poist (2011) opined that although there are several advantages of using 3PL relationship management, some drawbacks also exist. It is not easy to establish a reliable and cost-effective partnership between the firm and the 3PL provider (Neuman, 2005). Moorman et al., (2013) also added that, in order to establish reliable partnership, efforts should be made in two stages: 3PL provider selection and contract signing. Newton et al. (2009) however stated that in spite of the massive growth of the 3PL industry, 3PL companies face several challenges while serving customers across the globe. Notable challenges include finding new talent, lack of good reporting systems, increased emphasis on rules and regulations, lack of collaboration, meeting the shippers' specific requirements and lack of infrastructure.

### **Research Methods**

The study adopted the case study owing to the nature of the specific objectives pursued. The population included all staff at Stellar Logistics 3PL firm in Takoradi. The study adopted case study strategy for the investigation in order to generate new ideas, providing detailed (rich qualitative) information, providing insight for further research, and permitting investigation of otherwise impractical (or unethical) situations. Non-probability sampling technique was used to select the participants and specifically, the purposive sampling technique was utilized. This technique was appropriate for the study because the participants were deemed to have possessed the right and special knowledge of the concepts under consideration in the study (Silverman, et al., 2014). Eventually, 30 employees were selected and surveyed through structured questionnaire administration and personal interviews. A Likert scale type of closed-ended questioning technique was used to amass the views and opinions of the participants on the subject matter. The rating scale that was employed in assessing the opinions of the participants was rated from 1-Strongly disagree to 5-Strongly agree. The use of these methods for primary data collection was influenced by the mixed research approach adopted in this empirical study. The personal interview helped in yielding a great depth of information with enough detail which supported the triangulation. The essence of the triangulation is to test validity through the convergence of information from different sources (Denzin, 2008). Demographic characteristics of the participants are presented in table 1.

**Table 1: Demographic characteristics**

<b>Variable</b>	<b>Options</b>	<b>Frequency</b>	<b>Percentage</b>
Gender	Male	20	67%
	Female	10	33%
Age (in years)	18-30 years	4	13%
	31-40 years	8	27%
	41-50 years	11	37%
	51-60 years	7	23%

Level of education	SSCE/WASSCE	1	3%
	HND	10	33%
	First Degree	13	43%
	Others	6	21%
Work Experience (in years)	Below 1	5	7%
	2-5yrs	9	38%
	6-10yrs	11	50%
	Above 10yrs	3	5%
Various Departments	Procurement	10	33%
	Finance	6	20%
	Stores	4	14%
	Transport	10	33%
<b>Total</b>		<b>30</b>	<b>100</b>

*Source: Author's field survey (2020)*

### Results and Discussion

Descriptive statistics techniques were employed to analyse the specific research objectives formulated in the context of this study. The findings in respect of the data analysis are hereby presented.

### Awareness of 3PL Relationship Management Practices

**Table 2: Awareness of 3PL relationship management practices**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Members are aware that 3PL relationship management is the key tool that links all members of their supply chain.	30 (100%)	0(0%)	0(0%)	0(0%)	0(0%)
Management is aware that effective 3PL relationship management breed mutual trust and confidence	20(67%)	8(27%)	2(6%)	0(0%)	0(0%)
Management is aware that commitment is considered as a key factor in creating a stable third-party relationship in logistics outsourcing	15(50%)	8(26%)	5(17%)	2(7%)	0(0%)
Management is aware that dependence is the key to improve adaptation and collaboration and helps promote partner commitment in a 3PL relationship	13(67%)	3(10%)	5(16%)	4(7%)	0(0%)
3PL provider and customer share both risks and benefits	30(100%)	0(0%)	0(0%)	0(0%)	0(0%)
3PL provider and customer plan, manage, control and maintain the relationship together	7(23%)	17(57%)	0(0%)	6(20%)	0(0%)

*Source: Author's field survey (2020)*

The study proves regarding the awareness of 3PL relationship management practices it was discovered that all the participants are aware that 3PL relationship management is the key tool that links all members of their supply chain and that both 3PL providers and customers share both benefits and risks. Interestingly, about 67% of the participants strongly agreed that effective 3PL relationship management breed mutual trust and confidence whilst 6% were not sure about this development. Although most of the participants agreed that creating a stable third-party relationship in logistics outsourcing is strongly anchored on commitment among parties to such a relationship. However, a relatively fewer number were not sure how commitment among parties to a 3PL relationship supports the creation and maintenance of a stable 3PL. furthermore, most of the participants were of the view that 3PL providers and customers plan, manage, control and maintain relationships jointly, although 20% disagreed.

Risk-sharing between clients and 3PL service providers is well recognized as the pillar that drives the success of 3PL relationship management. This drive is emphatically recognized by workers at Stellar Logistics Company Limited, thereby supporting the position of some previous empirical studies (Selviaridis & Spring, 2018). Risk-sharing provides the impetus for parties to the 3PL contract to exercise due diligence and professionalism so as to avoid risk exposure, risk vulnerability, and risky events that could jointly work to trigger actual risk and its attendant negative consequences. Sharing benefits, especially in a fair manner provides the morale and drive to motivate parties to the 3PL contract and its efficiency in execution. Besides this, the study confirms that 3PL relationship management is the key tool that links all members of their supply chain as has been established earlier (Knemeyer et al., 2013). Surprisingly, relatively fewer participants disagree commitment is a key factor that drives the success of 3PL contract execution. This goes to contradict the claim that commitment is a strong pillar for 3PL relationship management in Stellar Company Limited.

### The Process of 3PL Relationship Management at Stellar Logistics Limited

**Table 3: The process of 3PL relationship management at Stellar Logistics Limited**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
3PL selection and evaluation process is crucial to achieving valuable partnership	24(84%)	4(10%)	1(3%)	1(3%)	0(0%)
3PL relationship process involves creating win/win for both parties	19(64%)	7(23%)	1(3%)	3(10%)	0(0%)
3PL relationship process involves measuring the performance of both parties	20(68%)	5(18%)	1(4%)	2(5%)	2(5%)
3PL relationship process also requires regular on-site visits	25(84%)	5(16%)	0(0%)	0(0%)	0(0%)
3PL relationship process involves providing short term planning and forecasting	19(68%)	7(22%)	4(10%)	0(0%)	0(0%)
3PL relationship process requires involving the contracting party in your long-range planning	7(23%)	17(57%)	0(0%)	6(20%)	0(0%)

Source: Author's field survey (2020)

Among the various processes that support the 3PL relationship management at the Stellar Logistics Company Limited is regular on-sites visits, with about 84% of the participants agreeing to this assertion. An equal evaluation was given to the practice of 3PL selection and evaluation process where 85% of the participants strongly agreed to that effect. Other processes regarded as key ingredients for the effective implementation of the 3PL relationship management included the claim provision of short-term planning and forecasting (68%), measuring the performance of parties involved in the 3PL relationship as well as creation of win/win situation for both parties in the 3PL relationship.

### Types of Buyer-Supplier Relationship Practices

**Table 4: Types of buyer-supplier relationship practices**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Buyer-supplier relationship comprises a transactional, value-added, and collaborative relationship	20(65%)	5(17%)	3(10%)	1(3%)	1(3%)
Buyer-supplier relationship practices require only the buyer and seller	20(65%)	5(17%)	3(10%)	2(8%)	0(0%)
The transactional relationship occurs when there is no complexity in the purchase decision.	12(40%)	10(34%)	5(16%)	3(10%)	0(0%)
The value-added relationship occurs when there is medium sales and the potential of the buyer is also medium	20(65%)	5(17%)	3(10%)	2(8%)	0(0%)
The main objective of the collaborative relationship is to maintain a long term mutually benefitted relationship	22(78%)	3(12%)	1(5%)	1(5%)	0(0%)

*Source: Author's field survey (2020)*

Table 4 shows the perspectives of the participants about the nature of types of buyer-seller relationship practices regulating the conduct of 3PL relationships at Stellar Logistics Limited. The study proves the majority of the participants (78%) strongly agreed that the main objective of a collaborative relationship is to maintain a long-term mutually beneficial relationship. Furthermore, the participants strongly agreed that the value-added relationship occurs when there are medium sales and the potential of the buyer is also medium, the buyer-supplier relationship comprises transactional, value-added, and collaborative relationships and that buyer-supplier relationship practices require only the buyer and seller. Collectively, Stellar Logistics Company Limited seems to blend all the three types of buyer-seller relations practices in the implementation of their 3PL contracts although priority is given to collaborative relationships compared with the other versions of the types of buyer-seller relationship practices in 3PL contracts.

Collaborative relationship dominates the best type of buyer-seller relationship practice at Stellar Logistics Company Limited. This situation is probably attributable to the fact that there is less choice of supplier selection in this kind of relationship (Packham & Liam, 2016) from the perspective of the buyer (In this case Stellar Company Limited). By focusing on collaborative

relationships, projects of mutual benefits requiring substantial investments could be carried out for the mutual benefits of all contracting parties to the 3PL contract (Johnson et al., 2015). It is quite interesting to note that although commitment was not seen as a major factor of 3PL contract efficiency in implementation, it is however required in this contest as attested by the previous position that the basic foundation of collaborative or partnership exchange relationship is the commitment and trust between the buyer and the supplier (Johnson et al., 2015). In this instance, it may be inferred that maybe trust is the major driving force behind the adoption of collaborative relationships at Stellar Logistics Company Limited. Transaction relationships seem to be the least desirable buyer-seller relationship type of 3PL relationship management practice between Stellar Logistics Company Limited and its 3PL clients, which essentially supports the position of priority given to collaborative relationships by the company. This situation could also be attributed to the fact that per the nature of services of Stellar Logistics Company Limited, there are when there are a limited number of suppliers available given the constant nature of the supply market for the company (Flint & Mentzer, 2010). It could also be the fact that clients may have more potential in the case of Stellar Company Limited, a claim contradicting the position of some previous empirical studies (Rutner & Gibson, 2018; Lieb, 2009).

**Benefits of 3PL relationship management as a cost reduction tool at stellar logistics**

**Table 5: Benefits of 3PL relationship management as a cost reduction tool at Stellar Logistics**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
3PL allows saving time mainly due to outsourcing the logistics functions that can free up resources to focus on core competencies of the company instead of secondary one collaborative relationship	25(80%)	2(8%)	2(8%)	1(4%)	0(0%)
3PL companies can share responsibility for managing global supply chains, keeping customers and stores properly stocked, and delivering the perfect order every time	0(0%)	18(60%)	5(16%)	7(24%)	0(0%)
Competent 3PL providers possess high coordination ability, enabling them to search for reliable partners or sub-contractors	22(76%)	3(10%)	2(4%)	3(10%)	0(0%)
3PL results from economies of scale and economies of scope, which encourage companies to increase net value by reducing costs	23(76%)	4(13%)	2(6%)	1(3%)	0(0%)
3PL enables re-engineer distribution networks to meet global market demands and gain a competitive advantage	25(83%)	4(14%)	1(3%)	0(0%)	0(0%)

*Source: Author's field survey (2020)*

Among the most notable benefits of 3PL relationship management as a cost reduction tool at Stellar Logistics Company Limited are the claims 3PL enables re-engineer distribution networks to meet global market demands and gain a competitive advantage, 3PL allows saving time mainly due to

outsourcing the logistics functions that can free up resources to focus on core competencies of the company instead of secondary one collaborative relationship, competent 3PL providers possess high coordination ability, enabling them to search for reliable partners or sub-contractors and 3PL results from economies of scale and economies of scope, which encourage companies to increase net value by reducing costs.

Stellar Logistics Company Limited is actually gaining in the practice of their 3PL contracts with their clients when it comes to re-engineering their distribution networks that meet global market demands, hence the attainment of competitive advantage. Through this, the findings show Stellar Logistics Company Limited is able to reduce costs hence propelling the company in attaining a competitive advantage. By outsourcing the logistics function, companies are positioned to save time by freeing up resources which eventually enable them to focus on core competencies in their operations instead of secondary functions (Hertz & Alfredsson, 2003). The study also confirms the claim that 3PL results from economies of scale and economies of scope, which encourage companies to increase net value by reducing costs. This finding is a key measure of cost reduction strategy as averred by some empirical studies (Wang & Mingfei, 2014; Lambert & Ellram, 2010). Having a high coordination ability, 3PL enables Stellar Logistics Company Limited to search for reliable partners or sub-contractors hence bringing more profitable business opportunities to the company, a stance confirmed by this empirical study (Wang & Mingfei, 2014).

### Challenges of 3PL Relationship Management at Stellar Logistics

**Table 6: Challenges of 3PL relationship management at Stellar Logistics**

Statement	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree
Improper record management makes it difficult to keep track of all the shipments which are sent out	25(86%)	2(5%)	2(5%)	1(4%)	0(0%)
There is lack of collaboration between the shippers, the carriers, and the end-customers which affect the smooth functioning of the supply chain	20(80%)	5(10%)	2(4%)	2(4%)	0(0%)
There are unforeseen delays which affects the delivery of goods to the clients	22(84%)	7(12%)	3(4%)	0(0%)	0(0%)
Poor infrastructure such as; bad road condition, poor connectivity etc. affects the distribution of goods to customers	25(85%)	5(15%)	0(0%)	0(0%)	0(0%)
The inability to meet Shippers' Specific Requirements affects the 3PL relationship management	24(80%)	3(10%)	2(6%)	1(4%)	0(0%)

*Source: Author's field survey (2020)*

The study further sought to examine the major challenges militating against 3PL relationship management at Stellar Logistics. It was discovered the majority of the participants strongly agreed that they are facing the challenge of improper record management makes it difficult to keep track of all the shipments which are set out, poor infrastructure such as; bad road conditions, poor

connectivity, etc. affects the distribution of goods to customers, there are unforeseen delays which affects the delivery of goods to the clients and that the inability to meet shippers' specific requirements affects the 3PL relationship management. These challenges are confirmed as major challenges affecting the efficiency of implementation of 3PL contracts between clients and 3PL firms (Moorman et al., 2013; Neuman, 2005).

### **Conclusion and Implications**

Conclusively, 3PL relationship management is the key tool that links all members of the supply chain at Stellar Logistics. The management members of Stellar Logistics are aware effective 3PL relationship management leads to mutual trust and confidence in the company. Management at the company is aware that commitment is a key factor in creating a stable third-party relationship. Selection and evaluation are crucial in achieving valuable partnerships in the 3PL relationship process as it has the highest response rate in the company. The relationship system at Stellar Logistics requires creating a win/win for 3PL contracting parties.

Stellar Logistics practices value-added relationships when there are medium sales and when the potential of the buyer is medium. Furthermore, 3PL relationship management results in economies of scale and economies of scope in the company by enabling the distribution networks of the company to meet global market demands and gain a competitive advantage over its rivals. Improper record management makes it difficult to keep track of all shipments at the company. There is a lack of collaboration between the shippers, carriers, and the end customers of the company which affects 3PL relationship management at the company. Finally, unforeseen delays affect the delivery of goods to customers at the company.

### **Recommendations**

The study suggested the following recommendations to help salvage the challenges of the 3PL relationship challenges at the company. Practically, Stellar Company can help resolve its 3PL relationship problems by setting clear expectations. Management should always keep in mind that their 3PL provider does not only work to serve them. When they partner with a 3PL provider, they are starting a relationship. The terms of this relationship should be clearly defined to ensure acceptable performance on both sides. Key performance indicators (KPIs) can determine their performance level, and the company should make its expectations known from the very beginning. They should also follow up with regular reviews to ensure they know exactly what they need and to make sure they are performing to their expectations. Setting the tone early in this partnership will ensure both parties are driving toward success.

Again, Stellar Logistics must establish single points of contact. Another tip to maintain a good relationship with their 3PL partners is to appoint someone in a senior position to deal with any issues and challenges with their part of the supply chain. And the company should expect the contracting firm to do the same. By channelling the exchange of information through these senior parties, the issues can be quickly and efficiently assessed. Both parties will be empowered and ready to make good decisions that lead to speedy resolutions. The company must also keep its 3PL partners in the loop. Since the 3PL provider is essentially working with the company or taking over major aspects of the company's supply chain, the company must ensure they communicate any changes or new developments that occur in the organization. Stellar Logistics Company should provide updated information on any product instructions, year-end activities, or impending recall to ensure they meet those needs in record time.

The company must measure performance in order to salvage its 3PL relationship challenges. It is easy to forget to make quality and performance standards a part of the contract with the 3PL partner, however, this is one of the most important tips to remember. Many companies fail to stress the importance of these standards, which should be discussed when formalizing the partnership agreement. As part of the negotiation process, the company should discuss the benchmarks, how to define them, and how to monitor them. The company must also make regular on-site visits. Even with live updates and real-time data sharing, it isn't always possible to get a clear view of how their 3PL provider is operating. This is why it is valuable to make on-site visits regularly. The company will benefit from seeing how their business partner works to help their business thrive and from building relationships with the people working on their account. The more they invest in this partnership, the more confident they will feel about their partnership. Understanding how their 3PL provider operates will also make it easier for them to discuss major changes their team wants to make regarding policies or procedures.

Stellar logistics must also involve their 3PL provider in long-term planning. Involving their 3PL provider in their long-term planning is another way to get the most out of their partnership. The company's long-term planning with them includes discussions about possible acquisitions, new brands, and changes with volume, marketing, merchandise assortment, and analysis (IT upgrades). The company must also align Interests in order to resolve its 3PL relationship problems. This step involves designing and documenting how their company and their 3PL service provider will team up to resolve problems and achieve the desired goals. If their interests are aligned, and they both establish a proper risk assessment early on, they will have a successful partnership. Lastly, sharing values with the partners will help their goals align. For example, if Stellar Logistics cares about the environment, they should find a provider that uses eco-friendly shipping materials, recycles and refurbishes products, and reduces pollution by improving their delivery systems. Again, if the Stellar Logistics team loves technology, they should team up with a 3PL that thrives on using cloud-based systems, automation, and robotics. The closer the culture is to your partner, the longer-lasting the relationship will be.

### **Limitations and Suggestions for Further Studies**

The study targeted Stellar Logistics Company and therefore the study cannot be generalized to all Logistics firms because such firms may not have the same characteristics as the targeted firm. Again, the study relied on relatively fewer cases for the analysis hence the need to extend the number of cases in further studies. An explanatory research design could be employed in further studies which adds a more detailed explanation and predictive dynamism to the context of the study.

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