

A Strategic Study on Enterprises' Choice of Third Party Logistics Service Providers

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Abstract. It can be said that the specialization and informationization of the third party logistics service providers have indeed brought enormous reduction of logistics costs to enterprises, but how can enterprises get benefits and choose suitable logistics service providers? By analyzing the reasons why enterprises choose logistics service providers, this paper puts forward the selection strategies and suggestions, so that enterprises can enjoy the benefits of logistics service providers.

Keywords: enterprises; third party logistics service provider; selection of strategy

In today's society, the logistics industry has developed rapidly, especially the third-party logistics. Under the win-win mode, these logistics modes bring unexpected benefits to enterprises by utilizing their own advantages. At the same time, the continuous development of enterprises in a good logistics environment has brought more vitality to the third party logistics. However, if both sides take their own interests as the center, it will bring bad effects to either side, and this situation should be avoided. Therefore, enterprises and third party logistics should have the consciousness of "all the glory, all the loss", and build on the "win-win" model to develop together and make progress together. In view of this, how do enterprises choose such logistics service providers.

1. Reasons for Enterprises to Choose Logistics Service Providers

1. Cost reduction. From the perspective of cost, the largest component of logistics industry is transportation, inventory and other related parts.
2. Focus on the core business. Since the resources of any enterprise are limited, it is difficult to become the omnipotence of the business. To this end, enterprises should focus their main resources on the main activities they are proficient in, and should outsource logistics and other auxiliary functions to professional logistics enterprises.
3. Third-party flexibility. Usually, outsourcing logistics business to contractors can

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transform the fixed investment cost of a company into variable investment cost.

4. Professional knowledge and information technology. Through the development of specialization, third party logistics companies have developed information networks and accumulated expertise for different logistics markets, including transportation, warehousing and other value-added services.
5. Inventory reduction. Through extensive information exchange with third party logistics, enterprises can forecast products more accurately and reduce unnecessary inventory.

2. Selection of strategy

1. Establishment of a Logistics Outsourcing Committee

It is necessary for the enterprise to form a logistics outsourcing committee composed of members from various important departments within the enterprise, such as sales, marketing, manufacturing, finance and logistics. It is important to note that one or more members of the team report directly to the CEO; These members must also be the ones who make decisions in their departments.

At the same time, the CEO's rights and strong support are also very important. At the same time, the Logistics Outsourcing Committee must be monitored by a constantly changing supervisor or a supporter who supports the outsourcing of all or part of the existing logistics links. Logistics outsourcing committee should also hire external consultants or seek the assistance of external consultants, so as to make logistics outsourcing easier and smoother. Of course, the best external consultants to hire are experts in transportation and logistics outsourcing. They should have extensive experience in logistics outsourcing, and can raise sharp questions, but also bring some unique insights beyond the enterprise's own culture. Consultants are often seen as advocates of crop outflow and as a source of guidance for this process.

2. Establishment and Explanation of Internal and External Objectives and Objectives of Enterprises

On the one hand, logistics outsourcing committee should target the purpose and expectation of outsourcing. What do companies hope to achieve through third parties? Understanding the purpose of the plan will provide a guide for the business and a way to measure the success rate of the plan.

On the other hand, the logistics outsourcing committee needs to pay attention to the details of the goals when they draw up the goals. This will help potential third-party vendors understand why they are bidding. The logistics outsourcing committee will then identify external or customer service requirements that must be met. Typically, a SWOT (strength, weakness, opportunity and threats) analysis is carried out to help the outsourcing committee determine the strengths and weaknesses of the current logistics system. This will provide an idea of the capabilities that third party vendors should have in future partnerships.

3. Establishment of selection criteria

It should be said that the evaluation of third-party logistics service providers should start

with the establishment of a selection criteria. The initial criteria should include quality, cost, capability and delivery capability. Traditionally, the delivery capability of the third party logistics service providers often determines the core competence of a service provider. As the selection process becomes more and more precise, other criteria play an important role in the selection process, such as financial strength, information system architecture, flexibility in operation and pricing, depth of professional management technology and cultural differences. Therefore, the selection criteria must accurately reflect the goals and objectives of the enterprise.

These results are based on considerable quality and quantity of analytical tools. These tools are usually used in the formulation and application of selection criteria. Generally, when the main selection criteria are established, the proportion of each criterion will be allocated. This method is helpful to select the most suitable candidates among many third-party logistics service providers. Finally, trust is the cornerstone of successful logistics cooperation.

4. Potential candidates and peer advice.

Once selection criteria are established, a list of potential candidates for third-party logistics service providers should be established. These candidates should have similar business advantages. Candidates are often identified by professional organizations, business vendors, and customers. It is also recognized in the industry's publications and on the Internet.

Often, the working group can get advice from professional peers who have used or are using third-party logistics. Some enterprises even ask their competitors in the same industry about the relevant third-party logistics providers. Peer responses tend to be positive, and most companies share their examples to a certain extent. This will save a lot of time in finding third-party logistics providers that are specific to your business. Also, it's important to look at what other industries your supplier candidates are known as experts in, since most third-party logistics providers specialize in a very narrow field. In reality, many logistics partnerships fail because third-party logistics providers cannot achieve the professional quality they promise in this particular industry.

It is necessary to find suppliers with long-term customer relationships and a record of continuous improvement. Whether your logistics needs are in retail, wholesale or direct sales, you may face a situation where only a few suppliers can be considered. Most working groups refer to six or eight candidates, and ultimately only two or three vendors are critically evaluated. Finally, external consultants who are good at third-party logistics suppliers will become a huge source of information. Generally speaking, these consultants know the strengths and weaknesses of suppliers.

5. Delivery of enterprise goals and objectives

As for third party logistics suppliers that have passed the final audit and have shown a strong interest in this objective and purpose, the logistics outsourcing committee should allow these suppliers to reply within a reasonable period of time. The goals and objectives of the enterprise should state all requirements for logistics, including warehouse storage, transportation, or any other services to be outsourced and the format of service rates. As a

logistics outsourcing committee, suppliers should also be required to provide some relevant information about them, such as organizational structure, practical capacity and existing customers.

6. A thorough review of eligibility

It is important to review and evaluate shortlisted suppliers in terms of financial stability, strategic alignment, management philosophy, and corporate culture, because you will need the third party logistics provider that is financially capable of growing and investing in new technologies and solutions. To review the real capabilities of the candidate, a comprehensive solution usually requires your third-party logistics provider to have a well-developed information architecture. You need to have suppliers that are growing too fast, because they are often growing too fast to reach all of their customers, which can lead to poor customer service. It is necessary to get frequent references from suppliers and to figure out what works and what doesn't, so as to find out how the supplier handles problems when they arise, and you're likely to get another honest assessment from your competitors.

It is necessary to refute some of the more prominent proposals of the final suppliers. If they say they have high-tech equipment and technology and ask you to see them, then you can see that they are really working. Most importantly, you must be curious to know how they develop creative solutions for existing customers. Then you can visit one of the suppliers' facilities. Such a visit should enable your team members to understand vendor management, facilities, procedures and personnel.

Whether the Logistics Outsourcing Committee can work happily with the staff responsible for this project is also very important. Trust is the key to logistics outsourcing. If you can't trust the supplier you choose and the people who work with you to complete the plan, your plan will be doomed to failure.

7. Careful review of both parties' contracts

After the working group has made the final selection of suppliers, a contract agreement should be drawn up. The logistics outsourcing committee, CEO, CFO, corporate lawyer or legal adviser, and any other consultant experienced in this practice should review the content and wording of the draft contract, because when the negotiation with the supplier involves the wording of the actual contract, heated arguments usually last for several days.

Of course, the review process should include contracts for transportation and warehouse storage, as well as schedule, customs duties and fees. Similarly, for the third party logistics contract, service assurance and the appointment of the person responsible for monitoring the reliability of the supplier's work are important elements of the contract. Who is responsible for monitoring the reliability of suppliers to the market, response time, inventory flow and inventory quantity are also important issues. Severance plans and mediation after severance should also be included in the contract.

While enterprises sign contracts with more and more third-party suppliers, the demand for contracts with third-party logistics suppliers becomes higher. Many enterprises neglect the definition of the relationship between enterprises and third-party logistics suppliers when

drawing up contracts.

3. Some Suggestions for Enterprises

1. It can be said that the credit relationship between enterprises and third-party logistics companies is very important. The general market credit system based on principal-agent framework is an important environmental condition for the operation of the third party logistics.
2. When considering whether to introduce third party logistics enterprises, enterprises should combine their own nature and not follow blindly.
3. Enterprises need to establish an open communication mechanism to enhance mutual understanding and trust through close and frequent exchanges.
4. It is urgent for enterprises to strengthen the communication of performance evaluation. Through continuous evaluation of the logistics performance of enterprises, some deficiencies of the third-party logistics can be immediately found and improved together with the third-party logistics enterprises.

Reference

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