

2014•2015  
FACULTY OF BUSINESS ECONOMICS  
*Master of Management*

Master's thesis  
Contribution of third-party-logistics providers to export performance

Supervisor :  
Prof. dr. Pieter PAUWELS

Melissa Maes  
*Thesis presented in fulfillment of the requirements for the degree of Master of Management*

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## **SUMMARY**

The main purpose of this research is to investigate how third-party-logistics providers contribute to export performance. We performed a qualitative research conducting in-depth interviews with different level managers and experts with careers in a varied range of industries. We investigated what third-party-logistics and its providers are, what the motives are for a partnership with such a provider and which obstacles there may arise in that cooperation. Finalising the empirical study we also researched the topic export performance and how such 3PL partners can contribute to it.

The summarized results of the in-depth interviews show us that an exporting company outsources activities that are not their core activity and where they do not have enough knowledge about. The three main outsourced activities to third-party-logistics providers are transportation, warehousing and legal regulation affairs. A 3PL partner manages all or a significant part of an organization's logistics requirements. All of our respondents agree that a partnership with a third-party-logistics provider contribute to a better export performance of its client company, and measures of export performance include perceived profitability, continuous export activity and export intensity (percentage of international sales). All the measures examined in this research were available in the literature, so we could make a comparison with what has been written in the existing literature.

The remainder of this thesis is organised as follows. First, we start with an introduction part which contains the central research question of this thesis. Then we review the literature on export and third-party-logistics in general, to frame the research question and sub-questions. This is followed by a description of the research methodology used for the empirical study, and discussion of the results of the conducted qualitative research follows. The concept of cross-border activities is discussed, followed by the three phases of setting up export activities, afterwards an explanation of outsourcing non-core activities, and ending with the contribution of a third-party-logistics provider to the export performance of its client company. The thesis concludes with an acknowledgement of the restrictions of the research, together with some recommendations for future research.



## **PREFACE**

After I successfully finished a preparatory program, I started as a student in the course Master Of Management. I chose for the option International Marketing Strategies to graduate in. Why? I already obtained a bachelor's degree in Logistics Management and I think logistics and marketing is a good combination to be trained in. During the training to become a Master I learned a lot about international and industrial marketing. This thesis gives me the opportunity to apply the theory I learned in real practice, and to deepen into a specific topic for one academic year.

During this research I have been guided excellent. Therefore it is obvious that I mention here my promotor Prof. dr. Piet Pauwels. He always helped me going in the right direction and guided me with big enthusiasm during the research. I especially want to thank him for the chances he gave me, for the many e-mails, meetings, information, tips and feedback.

While writing the references of the literature review chapter, I had some help of dr. Joke Opdenacker. She provided me with information about EndNote and she was always ready for answering my questions about it.

In addition I also want to thank my family and friends for the big support they gave me. Specifically I want to thank my parents and boyfriend for reading through my written pieces more than once. Finally I want to thank my fellow students who were always there for giving a word of explanation or tips and share some insights.



## TABLE OF CONTENTS

1	Chapter : introduction .....	1
1.1	Research question .....	3
1.2	Research methodology.....	4
2	Chapter : literature review .....	5
2.1	Central concepts .....	5
2.1.1	Export performance .....	5
2.1.2	Motives for outsourcing .....	6
2.1.3	Third-party-logistics.....	6
2.1.4	Third-party-logistics providers.....	6
2.2	Relationships between central concepts .....	8
2.2.1	Third-party-logistics and firm performance .....	8
2.2.2	Third-party-logistics and export performance .....	8
2.3	Critical alternative explanations .....	9
2.3.1	The impact of logistics performance on trade .....	9
2.3.2	Logistics performance and export competitiveness.....	10
3	Chapter : empirical study .....	11
3.1	Research methodology.....	11
3.1.1	Selection interviewees.....	11
3.1.2	Presentation interviewees .....	11
3.1.3	Interviewing .....	13
3.1.4	Outcomes .....	13
4	Chapter : empirical results.....	15
4.1	Cross-border activities in general .....	16
4.1.1	Why set up export activities? .....	16
4.1.2	When set up export activities?.....	18
4.1.3	Where set up export activities?.....	18
4.1.4	Risks of cross-border activities .....	19
4.1.5	How set up export activities? .....	19



4.2	Outsourced activities to a 3PL partner.....	21
4.2.1	Transportation.....	21
4.2.2	Warehousing.....	22
4.2.3	Legal regulations.....	22
4.3	Motives of 3PL partnership.....	22
4.3.1	Focus on core activities.....	23
4.3.2	Lack of Network and resources.....	23
4.3.3	Cultural differences.....	23
4.3.4	Knowledge and expertise.....	24
4.3.5	Financial aspect.....	25
4.3.6	Flexibility.....	25
4.4	Obstacles of 3PL partnership.....	25
4.4.1	Transparency in communication.....	26
4.4.2	Flexibility and control.....	26
4.4.3	Dependency.....	26
4.4.4	Services and quality.....	27
4.5	3PL partnership and export performance.....	27
4.5.1	What is export performance?.....	27
4.5.2	How contribute to export performance?.....	28
5	Chapter : discussion and implications.....	31
5.1	Conclusion sub-questions.....	31
5.1.1	Third-party-logistics and third-party logistics providers.....	31
5.1.2	Motives of 3PL partnership.....	32
5.1.3	Obstacles of 3PL partnership.....	32
5.1.4	Export performance.....	33
5.2	Conclusion central research question.....	33
5.3	Managerial implications.....	34
5.4	General conclusion.....	34
6	Chapter : Limitations and further research.....	35
6.1	Limitations of this research.....	35
6.2	Directions for further research.....	35

References ..... 37

Appendices ..... 41

    Appendix 1 : interview scheme..... 41



# **1 CHAPTER : INTRODUCTION**

All countries depend on trade for their economic development. As a consequence, growing international trade by companies is a crucial foundation of economic growth. To set up a successful trade between countries – i.e., between companies and markets -, logistics performance is an important factor. From a supply chain perspective, logistics performance relates to cost, time and complexity in accomplishing export activities. Of course the performance and quality of logistics differs across countries and companies. There are variations in time and cost of infrastructure services as well as differences in policies, procedures and institutions. All these elements have a significant effect on trade competitiveness.

Quite some insight is available on the relationship between logistics and export performance in consumer markets, but this is not the case for business-to-business markets. In a business-to-business market (B2B later on) the competitive advantage of a company may rely on the services that surround the product. In international markets it is not always easy to 'translate' those services into different countries and industries. One challenge or opportunity is the redefinition of the elements of the logistics process, such as: the relationship with a local partner, the management of local supply for fast post-sales service, etc. (Puertas, Marti and Garcia, 2014).

The present thesis investigates how logistics services may contribute to export performance. We elaborate and refine the focus of the thesis hereafter.

The starting point of this thesis is the outcome of an online questionnaire about the export policy of companies in Limburg, Belgium. The questionnaire has been set up by Piet Pauwels in collaboration with Voka, Limburg Chamber of Commerce. It was conducted in the second half of 2014, with three major goals: (1) learning from companies' experiences, (2) advising on government policy and (3) giving advice for exporting companies.

The study concludes that 41% of the exporting companies have only export as international activity, while 59% of the companies also have other international activities besides export (e.g. import). But why are exporting activities so important? 39% of the respondents indicates that export leads to higher profits, which is an important factor. So what is the best way to manage exporting activities? About 53% of the respondents indicate to work with a local partner for their exporting activities, and the average partnerships with these local partners is lasting on average 10 years. Companies work with partners because of their excellent reputation, their dominance in the foreign market and/or because the partner holds valuable relationships in the foreign market. What are the different roles that the local partners play? A top three consists of sales, marketing and warehousing and/or distribution.

As this study seems to endorse that working with one or more (local) partners for performing export activities is valuable (i.e. higher profits on average), we started searching for extant literature on the key success factors of working with export partners, in general and on the effect of working with third-party-logistics providers on the export performance, more in particular. Because 53% of the respondents in the survey indicate to work with a local partner, it may be useful to investigate whether or not that relationship leads to better export performance.

Indeed, the search for improved efficiency in logistics operations is a continuing business challenge (Bowersox, Closs and Cooper, 2007). As export, per definition, has longer and more complex logistics routes on average than domestic sales, third-party logistics providers may play an increasingly important role in this dynamic and volatile environment (Hsiao, Kemp, van der Vorst and Omta, 2010; Murphy and Daley, 2001). For a company to be productive and to concentrate on its core competencies solution key element in export performance may be to outsource the (complex) logistics function to partners, known as third-party logistics (3PL) providers (Hong, Chin and Liu, 2004). These 3PL providers create an opportunity for businesses to improve customer service, eliminate assets and respond to competition (Handfield and Nichols, 1999).

A lot of 3PL providers have expanded their activities to provide a wide range of services that include distribution, warehousing, freight forwarding and manufacturing (Lieb and Randall, 1999). But according to Liu and Lyons (2011), wide-ranging service provision of a 3PL is less important than the excellence in operations.

## **1.1 RESEARCH QUESTION**

Given the general importance of partners for export performance, the potential role of 3PL partners and the complex logistics relationships in cross-border transactions, we investigate how third-party-logistics providers contribute to export performance. Therefore the following central research question can be drawn:

'How do third-party-logistics providers contribute to export performance?'

To shore up this central question, some particular sub-questions need to be addressed:

- What are third-party-logistics and third-party-logistics providers?
- What are the motives, internal and external, of working with third-party-logistics providers for cross-border activities?
- What are the obstacles of working with third-party-logistics providers in export settings?
- What is export performance?
- How does 3PL contribute to export performance – directly or indirectly through other (manageable) processes?

## **1.2 RESEARCH METHODOLOGY**

To get into the topic we start with a detailed review of the existing literature on export performance, on third-party-logistics, etc. Academic literature on these phenomenon is mainly obtained via the online library of the Hasselt University, via EBSCOhost, Web of Science and Google Scholar. The aim of this literature review is twofold: to get an understanding of timely academic insights on this issue and to define blind spots to steer our own empirical study.

As the literature will help us fine-tuning the general (sub)questions, next we set the method for our empirical study. The central research question leads to a qualitative research design, which builds upon in-depth case studies.

To build cases, we will conduct several in-depth and export interviews with different level managers and experts of different companies. Case sampling will be designed in such a way that cross-case analysis allows us to see why companies are choosing for a third-party-logistics provider for its export activities and how these partners contribute to its export performance.

For picking the proper managers and experts to participate in these interviews we have tried to access as much a big and varied range of different type of companies and industries.

## **2 CHAPTER : LITERATURE REVIEW**

In this chapter we discuss the existing literature about the topics export and third-party-logistics. The main objective of the literature review exists of three parts, (1) define the central concepts, (2) explain the relationships between those central concepts and (3) give critical alternative explanations. That is also the main sequence we hold through this chapter, with a focus on the sub research questions of chapter one.

### **2.1 CENTRAL CONCEPTS**

#### **2.1.1 EXPORT PERFORMANCE**

The concept of export performance has been a central research topic in the study of export marketing. There are three concepts important in the description of export performance and those include export effectiveness, export efficiency and continuous engagement in exporting. Measures of export performance include perceived profitability, continuous export activity and export intensity expressed in percentage of international sales (Shoham, 1998).

A good conceptual definition of export performance should of course address the two main parts: export and performance. First, export is defined as the international, marketing-related activities and decisions of international active firms. Because this is a conceptual definition, it is inclusive of several international engagements. While exporting, the firm does not control the foreign operation, and that is the difference between exporting and other forms of engagement. This broad definition mentioned here allows the study of export performance for firms at all stages of internationalisation (Cavusgil and Nevin, 1981). Second, the conceptual definition of performance contains diverse elements like strategy, firm and marketing performance, outside stakeholders and it is context-specific and mostly problem driven.



### **2.1.2 MOTIVES FOR OUTSOURCING**

When is it a good idea to outsource? A business outsources its activities for which it has no resource so that the firm (1) avoids investing high amounts in assets and new capabilities (Sink and Langley, 1997), (2) focuses on core competences and acquire complementary capabilities from other external providers and (3) uses extra business opportunities (Sink and Langley, 1997) and defend against threats in the volatile business environment (Bagchi and Virum, 1996). Bustinza, Arias-Aranda and Gutierrez-Gutierrez (2010) are saying that outsourcing encourages the development of resources that make a sustainable competitive advantage possible, which in turn, leads to superior firm performance.

### **2.1.3 THIRD-PARTY-LOGISTICS**

The search for improved efficiency performance in logistics operations is a continuing business challenge (Bowersox et al., 2007). Third-party logistics providers play an increasingly important role in the dynamic and volatile environment; fierce competition, higher customer expectations (Hsiao et al., 2010; Murphy and Daley, 2001). For a company to be productive and to concentrate on its core competencies the solution may be to outsource the logistics function to partners, known as third-party logistics (3PL) providers (Hong et al., 2004). These 3PL providers create an opportunity for businesses to improve customer service, eliminate assets and respond to competition (Handfield and Nichols, 1999). A lot of 3PL providers have expanded their activities to provide a wide range of services that include distribution, warehousing, freight forwarding and manufacturing (Lieb and Randall, 1999). But according to Liu and Lyons (2011), wide-ranging service provision of a 3PL is less important than the excellence in operations.

### **2.1.4 THIRD-PARTY-LOGISTICS PROVIDERS**

A strategic alliance or partnership between a 3PL provider and a company is defined as a tailored business relationship based upon mutual trust, openness, shared risk, and shared reward that yield a competitive advantage, resulting in business performance greater than would be achieved by the firms individually (Lambert, Emmelhainz and Gardner, 1999).

A so-called third-party relationship is a relationship between a third party and a firm. It is a mutually beneficial relationship and mostly long-term oriented (Africk and Calkins, 1994). Stefansson (2006) has classified the 3PL providers into three different groups: carriers, logistics service intermediaries (LSIs) and logistics service providers (LSPs). In other 3PL literature the term alliance relationship appears, it refers to the informal or formal agreements between 3PL providers and focal firms, made in order to develop common goals and secure common interests (Jayaram and Tan, 2010).

3PL providers are adding value to its users by improving efficiency of its users operations and/or by sharing resources and information (Berglund, van Laarhoven, Sharman and Wandel, 1999). The 3PL providers may not only reduce the inventory of its users and stock out costs for example, but they may also help its users to better navigate through the web of government regulations and obtain customs clearance to avoid some delay that is unnecessary (Selnes and Sallis, 2003).

It may not be assumed that there are always positive benefits of supply chain collaboration. Some earlier studies have reported that some 3PL providers fail to deliver the expected cost reduction or meet the growing demand for a broader range of logistics services (Wong and Karia, 2009).

A basic capability of 3PL providers should be having more customized offerings. They need to focus more on acquiring and exploiting knowledge, as well as, informational and relational resources, in order to win contracts and make sure the continuity of the contracts. 3PL companies are nowadays playing an ever increasing role in supply chains transforming from movers of goods to strategic value-added entities (Jayaram and Tan, 2010).

## **2.2 RELATIONSHIPS BETWEEN CENTRAL CONCEPTS**

### **2.2.1 THIRD-PARTY-LOGISTICS AND FIRM PERFORMANCE**

In recent years, there has been an increase in importance for research that examines the impact of supply chain integration on firm performance. One segment of this research has examined the overall impact of integration on performance (Droge, Jayaram and Vickery, 2004; Rosenzweig, Roth and Dean, 2003; Vickery, Jayaram, Droge and Calantone, 2003) while others have examined the separate impact of internal (Stock and Kasarda, 1998) or external integration (Gimenez and Ventura, 2005) on performance. The term integration has been defined as the extent to which several separate parties work together in a manner of cooperation to arrive at mutually acceptable outcomes (Kahn and Mentzer, 1998; O'Leary-Kelly and Flores, 2002).

According to Jayaram and Tan (2010) there are four aspects that are positively correlated with firm performance namely relationship building, information integration, performance evaluation and 3PL selection criteria. These authors also show that firms that include 3PL providers in their supply chain emphasize certain supply chain management constructs to a better and higher extend in comparison to firms that exclude 3PL providers in their supply chain.

### **2.2.2 THIRD-PARTY-LOGISTICS AND EXPORT PERFORMANCE**

For exporters working with a 3PL partner, it is important that the logistics services of the 3PL provider need to be in a better, faster and cheaper manner. Both the exporter and its 3PL providers will meet and share information if they are strategically oriented. 3PL providers may then learn from the strategic relationships with exporters to deploy resources better and improve their basic and augmented capabilities. 3PL providers' augmented capabilities will increase exporters' competitive advantage. By improving this CA, an exporter can improve its performance and this in terms of sales, growth, market share and profitability (Yeung, Zhou, Yeung and Cheng, 2012).

For exporters, the executives need to be committed to collaborating with their 3PL providers that have superior logistics expertise and available resources on a long-term basis in order to get a competitive advantage. It is good to meet regularly to share related information and work together to make better the logistics operations in a proactive manner.

The results of a study of Yeung et al. (2012) show that there are positive relationships among exporters' strategic orientation towards 3PL providers, 3PL providers' basic and augmented capabilities, exporters' competitive advantage (CA) and exporters' export performance. Exporter's export performance needs to be measured in comparison with its global competitors but a subjective measure needs to be taken into account because it can eliminate the impact of the characteristics of other exporters (Madsen, 1989).

## **2.3 CRITICAL ALTERNATIVE EXPLANATIONS**

### **2.3.1 THE IMPACT OF LOGISTICS PERFORMANCE ON TRADE**

Nowadays decentralization of production, marketing and distribution activities worldwide has gained greater importance. Because effective logistics performance is essential for the worldwide flow of goods and services it is necessary for businesses to be highly efficient, productive and capable of providing just-in-time services. Inefficiencies in logistics are an important constraint on a firm's productivity and competitiveness (Warren, Hau and Subramanian, 2013). Dollar, Hallward-Driemeier and Mengistae (2004) have found that firms with better logistics have a higher probability of exporting to international markets and also attraction of foreign direct investments. Carruthers, Bajpai and Hummels (2004) have determined a series of recommendations to improve trade-related logistics: domestic integration, adjusted regulatory environment, etc.

### **2.3.2 LOGISTICS PERFORMANCE AND EXPORT COMPETITIVENESS**

Logistics performance has become a crucial factor for export competitiveness. Originally, logistics focused on the analysis of the supply chain to optimise the flow of components that are necessary for several production processes. However, market modernisation and globalisation has resulted in acquiring much broader functions like space and time relationships. Logistics services are being contracted by buyers and sellers to transport freight from place of origin to a destination (Puertas et al., 2014). Studies by Langley, Coyle, Gibson, Novak and Bardi (2008); Mangan, Lalwani and Butcher (2008); Rushton, Oxley and Croucher (2009); (CILT (2012)), all agree that logistics can also be considered as an integrated information, storage, packaging and transport system that fulfils quality, time and cost demands and that performance is a crucial point for competitiveness.

## **3 CHAPTER : EMPIRICAL STUDY**

### **3.1 RESEARCH METHODOLOGY**

For the qualitative research method used in this thesis, we conducted several in-depth and export interviews with different level managers and experts of different companies. Case sampling was designed in such a way that cross-case analysis allows us to see why companies are choosing for a third-party-logistics provider for its export activities and how these partners contribute to its export performance.

#### **3.1.1 SELECTION INTERVIEWEES**

In the search for appropriate managers and experts we tried to maintain a varied range of knowledge and experience. So we opted for five managers with a career in different companies and different industries. We started with the interview of an assistant manager with little work experience as an introduction to the other interviews with more experienced managers. We also interviewed two managers of the same company but a different department, this to compare the views and opinions of the experts within the same company and industry.

#### **3.1.2 PRESENTATION INTERVIEWEES**

##### ***CHRIS VAN HEES***

Mr Van Hees can be called a logistics expert because he has more than 30 years of experience in the logistics field. He studied at the Vlerick Business School, a well-known training. After his studies he started as Manager Worldwide Logistics with the company deSter (designers and producers of passenger service ware). After a career of more than 13 years with deSter, he switched to the company Bosal (exhaust pipes, tow bars, etc.) where he worked for 3 years as Supply Chain Director AM Europe. Then he went over to his current position as Director Logistics with the company AVA (paperwork), which he is been doing for 5 years now.

His specialties are transport & distribution re-engineering; design, engineering & implementation of supply chain & logistic concepts; localisation studies for distribution centres and people management.

### ***GISÈLE PEETERS***

Mrs Peeters can also be called an expert in the field of supply chain, she has about 20 years of experience in that field. She studied at the Hasselt University. After this study she started working with DSM (health nutrition and materials) as Supply Chain Planner. After 6 years she switched to the company deSter (designers and producers of passenger service ware) as Supply Chain Director, which she did for 10 years. Then she switched to the function of Supply Chain Director Cardio Vascular at the company Medtronic (medical devices). That is still her current position after 9 years of working.

Her specialties are supply chain management, supply chain optimization, cross-functional team leadership, continuous improvement and process improvement.

### ***PETER KRAUS***

Mr Kraus can be called an expert in the field of transportation and logistics. He has a career of more than 24 years with the company Medtronic (medical devices). He worked in many different departments so he has a wide spread and detailed knowledge of the working of the company Medtronic. His current position is as Senior Transportation Analyst and before he had a function as Logistics Analyst.

His specialties are supply chain management, leadership, demand planning, process improvement, logistics, Six Sigma, MRP, lean manufacturing, continuous improvement, supply chain optimization and SAP.

### ***LUDO CUPPERS***

Mr Cuppers has a lot of working experience in two different domains. He worked for 20 years at the company Sleurs (metal/steel industry), there he was responsible for the continuous improvement process. After that career he started working as a freelance, self-employed person at the company Berrentec (distribution of green energy technologies). He is a very good salesman and besides he also has a good knowledge about distribution and transportation.

His specialties are sales, distribution, transportation, continuous improvement and process improvement.

### ***LISA LAMORGESE***

Mrs Lamorgese has just two years of working experience. She studied at the college for higher education, XIOS. After that training she started as Marketing and Export Assistant with the company Damhert (research and development, production and distribution of healthy food).

Her specialties are marketing, transportation and export.

### **3.1.3 INTERVIEWING**

Conducting these interviews we used an interview scheme (see appendix 1) starting with a set of questions about export in general. These questions were an introduction to the more detailed questions about 3PL providers and export performance. The questions have a format like when, what and why. By getting answers to these general questions we can better understand the more specific and detailed elements of the cooperation between a company and its third-party-logistics provider.

We always conducted the interviews in the work environment of the respondents. The managers always received the interview scheme printed out to follow the sequence of questions but the questions were mainly asked verbally. The interview scheme was used as a guideline but extra relevant questions were also asked, and the respondents were confronted with the answers of other interviewees.

### **3.1.4 OUTCOMES**

For the handling of the information we summarised the main findings of the different interviewees to come to well-organized results, where we can draw clear conclusions from. Writing and summarising the results we held on the same layout and sequence of topics and research questions.





## **4 CHAPTER : EMPIRICAL RESULTS**

In this third chapter we will discuss the results of the qualitative research that we performed concerning third-party-logistics providers and export performance. In this chapter we try to formulate answers to the research questions we set up in the introduction part of chapter one.

The results of the qualitative research are listed here based upon the sub-questions we made up in chapter one. First we explain the different aspects of cross-border activities in general, then we go further discussing how to set up export activities. After that paragraph follows the outsourced activities to a 3PL partner and the motives for that choice, and we end with what a 3PL partner means for a company's export performance.

In the first part of cross-border activities we discuss why, when and where companies start up export activities, and we end with mentioning the risks of this action. The next paragraph is about performing export activities in general, and we split up in three different phases. Then we go further into detail about the cooperation with a 3PL partner, we see which activities a company chooses to outsource and what their motives are to choose for a 3PL partner. Of course a partnership also brings some obstructions with it, where you can read more about in the end of this part. Closing down chapter four, we discuss the impact a third-party-logistics provider has on the export performance of its client company.

By discussing all these different parts we try to give enough detailed answers to the research questions described in chapter one.

## **4.1 CROSS-BORDER ACTIVITIES IN GENERAL**

First we start with explaining what we understand under the term cross-border activities and its meaning in this thesis. We also refer to internationalisation, this might be seen as the designing of a product in such a way that it will meet the needs of users in many countries or can be easily adapted to do so. We see internationalisation as the first step in setting up export activities.

### **4.1.1 WHY SET UP EXPORT ACTIVITIES?**

Why is it so important for companies to make the choice to start exporting? And what are their motives behind this choice? Although there are various reasons why companies choose for export, we can distinguish between internal motives and external motives.

#### ***INTERNAL MOTIVES***

What we call internal motives are those motives that encourage a company from the inside to set up cross-border activities.

#### ***COMPETITIVE ADVANTAGE***

A competitive advantage is an aspect of the business world that cannot be forgotten, it gained great importance in the latest years. A competitive advantage allows a company to outperform its competitors, it may include natural resources, highly skilled personnel, geographic location, high entry barriers, etc. So if a company goes exports its products and it is the first company in its segment to do that, it may gain a competitive advantage for example. So exporting products may definitely become a competitive advantage and because of the fierce competition in the world today, it is an important aspect to be considered.

#### ***BUSINESS GROWTH***

A second internal motive is the one of business growth. Companies are often expanding its business to foreign countries to successfully attain substantial business growth. Business growth can mean a lot of things, it can mean expanding the product range, have bigger profits, grow to a bigger size, etc. We think that striving towards business growth is an important aspect of running a company.

### *BUILD UP AN INTERNATIONAL NETWORK*

Most companies who have the plans of growing in the future, want and maybe also need to be international active and become a well-known brand. Therefore they need of course to expand its international network and international resources. With saying a company needs to have an international network we mean being able to sell and distribute the products to foreign countries. The exporting company can rely on third-party-logistics partners to execute this but a company may also choose to develop this network itself, but later on more on that topic.

### *AVAILABLE PRODUCTION CAPACITY*

A last internal motive for starting cross-border activities we think is because of a (temporary) overcapacity. When a company has a production process that runs as smoothly as possible, an overflow of products may arise. When the home country is saturated, a company may think about exporting those products. Exporting this overflow to other countries may be a good initiative to not lose the overcapacity, so it is more like a win-win situation.

### **EXTERNAL MOTIVES**

Besides internal motives, there are also external motives why a company makes the choice of start exporting. We call external motives the ones that encourage a company from the outside to set up export activities.

### *INTERNATIONAL MARKET*

A company might need to go to foreign countries for its products because there is the possibility that the market is already international. The market can be international because of its local culture, its way of living, etc. So it is very important for a company to understand the local culture and be aware of its values, but we come back to this topic later in this research.

It may also be the case that companies start exporting at the request of the foreign market. That would mean a big advantage for the company because it is then sure that its product is wanted and it can start exporting without performing first a big market research study.

### *MARKET INFORMATION*

Thanks to internationalisation, companies can obtain market information from foreign regions. Because of this foreign market information they can gather new knowledge and expand their export strategy to other regions, which may stimulate export.

### *TRADE AGREEMENTS*

For years, international trade has been prevented because countries believed that importing and exporting might threaten its local economy. With the making of the European Union, a lot of trade obstructions have been cleared out. So international trade has become easier because of the European Union and its trade agreement. That brought along a lot of support for companies who wanted to export. There is also the WTO, World Trade Organization, that deals with the global rules of trade between nations. So companies who want to export can rely on that organization for all kinds of information. All these unions, organisations and its regulations make it easier for companies to cross-borders.

#### **4.1.2 WHEN SET UP EXPORT ACTIVITIES?**

Like already said, the reasons behind the choice to start export activities is different for every company. But based on the answers of the interviewees it was clear that it is important to go international just after the moment that the home market is saturated. This means that if the point of satisfaction is reached in the home country, the export possibilities need to be considered in function of business growth and then exploit the best options.

#### **4.1.3 WHERE SET UP EXPORT ACTIVITIES?**

We see that most companies choose to move up to countries that are closely located to them, namely neighbouring countries. So when we take Belgium as home country for example, we see that companies start exporting to countries like the Netherlands, France and Germany. After the implementation of cross-border activities, companies need to evaluate its decision and if all went well they will move up to the rest of Europe. Afterwards, if possible and wanted, companies might start export activities to the rest of the world.

#### **4.1.4 RISKS OF CROSS-BORDER ACTIVITIES**

With the big step of going international there are a lot of risks attached to. We think that the biggest risk lies in the financial impact that comes along. There are a lot of costs involved, starting from preparation, going to implementation and evaluation. So when companies consider starting export activities, they should do an analysis of the costs and benefits, both direct and indirect. If the benefits of going international are higher than the costs that are associated with this action, a company can continue with setting up the activities. But if the costs are too high, a company should think twice and be cautious.

#### **4.1.5 HOW SET UP EXPORT ACTIVITIES?**

We can state that companies go through 3 different phases while setting up export activities. The first phase of preparation is the most important one, because without a good preparation you are already lost. The second phase is the actual implementation of the export strategy and the last phase is the evaluation of the export activities so a company can observe and take actions for adjustments where needed.

##### ***PHASE 1: PREPARATION***

While doing a first research study, a company has listed up all the advantages and disadvantages of going international and it has decided to take the big step. Now it is time to make a good preparation and think about all the right actions that need to be taken. This phase of preparation can be seen as an investment a company needs to make.

##### ***MARKET RESEARCH***

First there needs to be a thorough investigation about the regions where the company will export its products to. After making that choice, the company needs to decide on which consumers market it wants to serve. So a first step in the preparation phase is market research. A company also needs to think about how it can create a need for its products and how to stimulate a foreign market.

## *STRATEGIES*

We think that when a company wants to export its products, it needs to think through a correct pricing strategy. Pricing strategy is a big topic on its own, which we will not discuss in detail in this thesis. We just want to mention here that for exporting products it is important to set a price that is acceptable by the market. So a company should not set up a price based upon the costs, it needs to be based on the market itself and its standard of living. An example: in Belgium the costs for a company are quite high, so the prices of the products are accordingly high. If a Belgian company then exports the same products at the same prices, foreign people may not be willing to buy those products because their own home country products have a lower price due to lower costs. So that is a point where an exporting company needs to be aware of.

Of course the costs with going international need to be considered multiple times. And only if exporting is profitable, a company may set up the activities. But a company also needs to protect itself against to the imitation of products at lower.

### ***PHASE 2: IMPLEMENTATION***

When every aspect of the preparation phase has been considered, the company can implement all its needed actions. So it can start sales and the according physical distribution of its products via road, sea or air. For the implementation of export activities, a company may choose to work together with a third-party-logistics provider. We come back on this topic later in this chapter.

### ***PHASE 3: EVALUATION***

After all the actions are taken to set up export activities and the implementation has been done, the company needs to evaluate all of these actions and its results. But we think that if a company has done a good and detailed preparation, obstructions may be prevented and the evaluation will be easier and more positive.

Afterwards a company can also evaluate the 3PL partner they have chosen. In the preparation phase a company approaches different third-party-logistics providers and they receive several quotations. In the evaluation phase a company can then compare the offered quotation with the practice, did or did the 3PL partner not meet up the expectations and agreements. That is an action companies often forget to do but they can really learn something out of it.

## **4.2 OUTSOURCED ACTIVITIES TO A 3PL PARTNER**

We already mentioned a possible cooperation with a third-party-logistics provider for performing several activities, now follows more detailed information about that topic. The main research topic of this thesis is also about the cooperation of a company with a third-party-logistics provider and hereby contributing to export performance. Therefore we now go further with the aspect of outsourcing activities to a 3PL partner.

It is important that a company gives in to activities it is not specialised in, for those activities a company can work together with a third-party-logistics provider. There are a lot of examples available in real life but in this thesis we give three possible activities a 3PL partner may execute for a company, that was generally agreed between the interviewees and our opinion is in the same direction.

### **4.2.1 TRANSPORTATION**

Transportation is most of the time not the core business of an exporting company and because it yet has an important role, it is the first activity a company outsources to a third-party-logistics provider who is specialised in transportation of goods. Organizing a good distribution of a company's products is indispensable when setting up export activities.



#### **4.2.2 WAREHOUSING**

The second activity a lot of companies are outsourcing to a third-party-logistics provider is the one of managing a warehouse. This can mean two things, a company may possess its own building but let a 3PL perform all the relevant warehouse activities, or a company can outsource both.

Besides, according to two of the interviewees, a 3PL provider may also offer an extra service with a forward stocking location (FSL). A FSL is a big warehouse on a strategic location where multiple companies can hire a space within the warehouse. This is a very effective method of warehousing for exporting companies with a low exporting volume of products.

Based on the answers of the interviewees, we saw that exporting companies may also choose for single sourcing, whereby they try to reach the whole world. Therefore they may want to use tier 1 warehouses where they have two possibilities: delivery direct to the market or delivery via a smaller warehouse. To be as flexible as possible and offer both option, an exporting company may choose to outsource these activities to a specialized third-party-logistics provider.

#### **4.2.3 LEGAL REGULATIONS**

There are a lot of legal regulations that come together with export, in some cases these may be a hindrance. Therefore it is wise to get in touch with a partner who has its expertise in this domain. While exporting there are in every country of destination different quotas to consider, to respect these regulations a company can trust this activity to a third-party-logistics provider who has expertise in this domain.

#### **4.3 MOTIVES OF 3PL PARTNERSHIP**

Out of the interviews we see that every company has different motives to choose for a 3PL partner but there are some motives that come forward repeatedly, an enumeration follows.

#### **4.3.1 FOCUS ON CORE ACTIVITIES**

Every company has its own mission they try to pursuit. When we look at producing companies, their core activity is producing a product. Or other companies their core business consists of research and development of new products. Of course these companies need to transport it products to get it to the end customers but that process of distribution and transportation is not their core activity. So that is the reason that a lot of companies are choosing for a third-party-logistics provider, they outsources all the activities that are not their own core activities.

#### **4.3.2 LACK OF NETWORK AND RESOURCES**

Like we just mentioned, most of the time transportation activities for example, are not the core activity of a company and therefore it lacks a good network and resources. A 3PL provider on the other hand is considered to be an expert in its domain and therefore we assume that they most likely have a good and network and resources available. That is not only for transportation but also for other outsourced activities. In that way a 3PL partner will reach more end customers than an exporting company can do on its own.

A 3PL partner may already have knowledge about the destination of the market where the company wants to export to, because the 3PL partner may have other customers wherefore it is transporting products to the same market for example. So we assume that 3PL partners have a better network and resources available than its client company, the exporting company.

#### **4.3.3 CULTURAL DIFFERENCES**

The way of living in a foreign country may differ enormous with the way of living of the home country the company is operating in. Therefore it is very important to understand the cultural differences between those two markets. If a company wants to succeed in exporting its products, it needs to be aware of the adjustments it needs to make to the product, its exporting strategy, the price, etc. Because this is an important and really sensitive topic, a company can rely on a third-party-logistics provider who has more expertise on this topic than the company itself.

Also the language in a foreign country may most of the time differ of the local language in the home country of a company. If a company wants to sell its products abroad, it needs knowledge about this language. To not hire people itself, and so not increase the cost of personnel, a company may choose to work with a 3PL partner who has personnel that can understand, speak and write in that particular foreign language. Not only the language but also the way of communicating may differ in foreign countries, there may also be other rules of contact, rules of respect. So it is important that a company who wants to succeed in exporting, understand all these differences and gives it some space.

#### **4.3.4 KNOWLEDGE AND EXPERTISE**

A company may choose for a 3PL partner because of its knowledge and expertise regarding its speciality like the two most common activities, transportation or warehousing. But it may also be the case that the exporting company has a lack of information regarding foreign markets or regarding foreign laws, therefore a special 3PL partner may come into place. We think that a cooperation in this field is the best option for successful cross-border activities.

An interviewee also thinks that a company may choose for a 3PL partner because that partner probably has a better knowledge about the incoterms, and these are very important in doing business. The incoterms describe all the costs and responsibilities of all the parties involved with the physical movement of the products of a business deal.

With the activity of exporting there come along a lot of customs formalities. So it is wise to trust on a local specialist who has a big knowledge about the local formalities. Because if there is for example a paper missing while exporting, the whole transaction may be blocked and that will bring costs and time.

#### **4.3.5 FINANCIAL ASPECT**

It is important that a company considers all the costs involved with setting up export activities. Therefore a company needs to acknowledge its financial ability.

It was generally agreed between the interviewees that a company may choose for a 3PL partner to hold fixed costs down. By choosing for a 3PL partner for some activities, a company does not need to make a big investment itself. Here we give an illustration with a 3PL partner for transportation activities. When a company wants to do the transport of its international goods itself, it needs to buy a fleet of trucks. For these trucks there are a sufficient number of drivers necessary. Repair and maintenance are also costs associated with having an own fleet of trucks. When you take together these examples, the fixed costs rise. So it may be wise for a company to choose for a 3PL partner, then it does not have these fixed costs but just the agreed cost of the partner which is most of the time variable.

#### **4.3.6 FLEXIBILITY**

The big advantage of working together with a 3PL partner is that the company in case does not need to make big investments for its export activities. It is general known that markets are dynamic, so when a market changes the company needs to make adjustments. If the 3PL partner does not fit the needs of company anymore, the company can choose a new partner to set up a cooperation with. That flexibility is one of the advantages a 3PL partner brings with it.

#### **4.4 OBSTACLES OF 3PL PARTNERSHIP**

In theory and in the contract everything might be agreed upon but in every real life cooperation there may sometimes arise some obstructions. That is normal, but is it important to handle these obstacles well, fast and correctly.

#### **4.4.1 TRANSPARENCY IN COMMUNICATION**

One example of a difficulty in the cooperation between a company and a third-party-logistics provider is the one of transparency. This is a widely concept. It is important that the partner and the company share as much information as possible, for both parties it is important that they can trust each other and rely on each other, that is the base for a good working relationship in the long term.

In the preparation phase, it is important to discuss all the expectations and commitments. Because if there are agreed terms, there will arise less discussions afterwards. Also is it important that both the exporting company and the 3PL partner have set up the same goals. Because if one of the two is thinking and going in another direction, the other party may experience difficulties. So loyalty, reliability (reports) are the basis for a good partnership.

#### **4.4.2 FLEXIBILITY AND CONTROL**

When setting up a cooperation with a 3PL partner, a contract will be made that needs to be signed by both parties. Most of the time the term will be long and fixed, this may have both advantages and disadvantages. An advantage is the security that both parties have with this long term contract. A disadvantage is the less flexibility that both parties have. An example follows: when one of the parties is not satisfied anymore with the other party, they cannot just switch easily. A penalty fee may come in for example. Besides a contract fixing a term, a contract may also fix a quantity. This also has its own advantages and its disadvantages.

#### **4.4.3 DEPENDENCY**

So a lot of companies are having a partnership with a third-party-logistics provider for its export activities. Because the 3PL partner is performing very important and indispensable activities, it is important for the exporting company that they do not rely on just one 3PL partner because that would make them very dependable on the 3PL partner. So to minimize the risk of depending on just one 3PL partner, a company needs to divide its outsourcing activities between multiple 3PL providers.

Of course that also brings complex situations with it, but it is better to minimize the dependency on just one sole third-party-logistics partner. But there is also a positive note about having multiple 3PL partners, you can push down the costs because then there is a price pressure between the 3PL partners.

#### **4.4.4 SERVICES AND QUALITY**

A third-party-logistics provider has most of the time different services available for multiple client companies. For their own ease of working they offer as much standardized services as possible, but that reduces of course the competitive advantages. So when we compare the requests of an exporting company and its 3PL partner, they often have different needs. A 3PL provider tries to achieve an economic network, while the exporting company want an adapted service level. So before companies start up a cooperation it is important that they adjust to each other's needs.

### **4.5 3PL PARTNERSHIP AND EXPORT PERFORMANCE**

#### **4.5.1 WHAT IS EXPORT PERFORMANCE?**

According to the interviewees, there are different determinants of export performance that come forward and they can be split up into internal and external components. Internal factors are related among other things to supply-side conditions, and capacity of supply is also affected by location-related elements. Besides, access to technology may also be a determinant of export performance. External factors among other things refer to market access conditions and other factors affecting demand, and foreign market access is determined by transportation costs.

When making the choice for outsourcing activities to a particular third-party-logistics provider, its export performance will increase. So when the decision has been taken to go for a particular 3PL partner, that is a strategic choice.

#### **4.5.2 HOW CONTRIBUTE TO EXPORT PERFORMANCE?**

##### ***SERVICES AND QUALITY***

A third-party-logistics provider is considered to be an expert in its own operating field. So if an exporting company works with a 3PL partner, the company can assume that the 3PL partner has the right licences and technologies available to perform the outsourced activities. This in turn will stimulate export and export performance even further.

##### ***DELIVERY RELIABILITY***

A third-party-logistics provider that is specialised in transportation has a big network and different resources available, therefore they can minimize the distance to the end customer. Because that the distance to the end customer is smaller than when the exporting company does the distribution itself, the risk of not meeting up the delivery reliability is smaller. And in the world of today having a fast and reliable delivery is very important for the end customers, so meeting up those expectations is really necessary.

##### ***INFRASTRUCTURE AND RESOURCES***

If an exporting companies is working together with a 3PL partner to perform transportation activities, and those activities are big enough, it may be possible that the 3PL partner decides to arrange dedicated vehicles. With those dedicated vehicles, the service the 3PL provider can deliver increases tremendous. With this arrangement, the export performance will also improve.

The infrastructure that a 3PL provider has at its disposal and its strategic location are very important. Those two aspect are for them competitive advantages against other 3PL providers, and it are definitely things an exporting company looking for a partner takes into consideration.

### ***SECURE NETWORK***

When we take the example of a 3PL partner for transportation and distribution activities, there are many extra services that a 3PL provider can offer. For example, they may offer a secure network. Hereby they can scan and screen every product and follow its status in a software program. If the transport is done by air, a 3PL partner may put in a seal for security. Those are just a few examples of extra service levels a 3PL provider may offer, but while doing this it is contributing to the export performance of its client company.

### ***COMMUNICATION***

We already mentioned that transparency in information between a company and its third-party-logistics partner is a very important issue. So if there are mistakes made it is necessary to make reports of it to inform the clients and learn from these mistakes. Communication is one of the most important pillars of a good partnership.

### ***FINANCIALLY***

For a company that trades internationally, it may be a good idea to use a letter of credit for all its business deals. This letter of credit contains a lot of information like all the logistic conditions, and that document gives both parties a lot of securities. A 3PL partner who does daily international trades may use constantly this letter of credit and so also has an expertise in the use of it. So the financial aspect of a business deal is guaranteed for an exporting company, and therefore the company is more willing to export and hereby its export performance and profitability are also increasing.





## **5 CHAPTER : DISCUSSION AND IMPLICATIONS**

### **5.1 CONCLUSION SUB-QUESTIONS**

The main purpose of this research is to investigate how third-party-logistics providers contribute to export performance. We performed a qualitative research with in-depth interviews with different level managers and experts with careers in a varied range of industries. We investigated what third-party-logistics and its providers are, what the motives are for a partnership with such a provider and which obstacles there may be in that cooperation. Finalising the empirical study we also researched the topic export performance and how such 3PL partners can contribute to it.

Now we can make up the conclusions of this qualitative research conducting in-depth interviews. We repeat in this chapter the research sub-questions mentioned in chapter one so we can draw our final conclusions here.

#### **5.1.1 THIRD-PARTY-LOGISTICS AND THIRD-PARTY LOGISTICS PROVIDERS**

In the business world competition is becoming more and more fierce because of the internet, new players, smarter customers, etc. Therefore companies need to search continually how they can distinguish themselves from competitors, and so creating competitive advantages. A partnership with a third-party-logistics providers may help a company doing this because a 3PL provider is more independent and has therefore access to more data (competitive affairs) than the exporting company. So in that optic a 3PL contribute to a better export performance.

In the existing literature we found that 3PL providers are adding value to its users by improving efficiency of its users operations and/or by sharing resources and information. From the interviews we learned which activities exporting companies are outsourcing to external third-party-logistics providers.

### **5.1.2 MOTIVES OF 3PL PARTNERSHIP**

In the previous chapter with the results of the empirical study we stated that exporting companies rely on a 3PL partner for various reasons. One of the reasons is because a company wants to focus only on its core activities and not on extra activities like transportation. Therefore a company chooses for a 3PL partner that has a great knowledge and expertise in that particular domain. This is a point that also matches the existing literature.

We also mentioned that the costs of performing logistic activities by exporting companies themselves are too high, therefore they also make the choice for a 3PL partnership. That also matched the existing literature.

Motives we found out in the interviews and we not found in the existing literature are the ones of lack of network and resources, cultural differences, flexibility. So we learned that companies also make the choice to outsource logistics activities to a 3PL provider because they have its disposal better resources and networks, because they are better aware of the cultural differences between the home and foreign country, and because an exporting company want to be flexible in a dynamic changing market.

### **5.1.3 OBSTACLES OF 3PL PARTNERSHIP**

Although exporting companies and its third-party-logistics partners have made agreements and signed a contract, there may arise some obstacles in the cooperation in practice. There are four main obstacles that come out of the interviews. First, the transparency in communication, it is important for both parties that they transfer as much information as possible otherwise they may arise problems and misunderstandings. Second and third, with the signing of the contract the flexibility of both parties decreases and the dependency increases, so it is important to make good arrangements. Fourth point, it may be the case that both company goals are not adjusted to each other, so again we advise managers to discuss this in the preparation phase of setting up export activities.

#### **5.1.4 EXPORT PERFORMANCE**

There are different determinants of export performance available but there is agreed by the interviewees that there are supply-side conditions, technology requirements, market access conditions, etc. When we compare this with the existing literature we do not see a direct overlap but the interview revealed other dimensions of export performance, believed by different level managers and experts.

#### **5.2 CONCLUSION CENTRAL RESEARCH QUESTION**

All interviewees agree that there may be the assumption of a 3PL provider having a better knowledge of the market of operation and expertise in its field. Therefore will the quality of their offerings be high, which will all will lead to a better export performance of the client company. A 3PL provider is also closer to the market so its service level is higher and the export performance will be maintained.

A 3PL partner that offers transportation services for example, has specialised systems and software at its disposal. Track and trace of the products is just one example but though a very important one. Nowadays customers can check the status from their package at home and they expect that the information they are seeing is correct. So if a 3PL partner offers that service, the export performance of its client company increases. That is a point that matches the existing literature.

On the financial side we see that a cooperation with a 3PL partner instead of doing non-core activities by themselves saves time, effort and money. A 3PL partner is more flexible, when we take transportation activities as an example, a 3PL partner may offer every way of transport and even special transports (high, heavy, exceptional, etc.). The partner may even combine transport so that the costs can be lowered. On the long term the exporting company will also have lower costs because it does not need to make the big investments themselves, they just pay an agreed fee.

The money that is saved here can be invested in other project which may increase the export performance. It is also necessary to keep in mind the shareholders' commitment and their earnings per share. So companies always need to make a comparison between the costs and offered services of a third-party-logistics provider.

### **5.3 MANAGERIAL IMPLICATIONS**

It is important for managers who set up a partnership with a third-party-logistics provider to make concrete agreements and clear engagements, compare both companies' policies and come to a match. It is necessary for both parties to transfer all the knowledge, that will lead to a good way of working which will all guarantee a flexible growth for the both parties.

In some cases it may be better for a company to search for a niche player performing its outsourced activities instead of big 3PL players. Because sometimes the big partners are stuck to its routine of working and cannot change dynamically, in that case a niche player may come forward more favourable.

### **5.4 GENERAL CONCLUSION**

We can draw a general conclusion by saying that we completed the existing literature with this qualitative research conducting in-depth interviews of different level managers and experts of different industries. Some researched elements corresponded to the existing literature and some were new discovered elements. The key success drivers of export performance are highlighted, including how companies measure exporting success and how certain firm-specific characteristics and market characteristics determine their export performance.

## **6 CHAPTER : LIMITATIONS AND FURTHER RESEARCH**

### **6.1 LIMITATIONS OF THIS RESEARCH**

The biggest and most important limitation to mention here is that in this research there were only 5 different level managers and exports of different companies and industries interviewed. Because of this low number of respondents there can be bias in the results and conclusions.

Another limitation of this research is the fact that we only focused on 3 main outsourced activities: transportation, warehousing and legal regulations. This could have mislead the answers of the interviewees.

### **6.2 DIRECTIONS FOR FURTHER RESEARCH**

The topic of exporting companies outsourcing activities to third-party-logistics providers may be researched in many other settings, a suggestion is given here. It may be possible to design case sampling and conduct a cross-case analysis which will allow to see a clear difference in the outcomes of companies who are working with 3PL providers for their export activities and companies who do not.

Another direction for further research may be in researching other outsourced activities instead of only transportation, warehousing and legal regulations. There are many other activities a third-party-logistics provider can perform, examples are: sales, after sale service, repair and maintenance, replacements, etc.

A last direction for further research can be found in the new type of partner, a fourth-party-logistics provider. That sort of partner is gaining importance nowadays and can be interesting for exporting companies to cooperate with.



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## **APPENDICES**

### **APPENDIX 1: INTERVIEW SCHEME**

#### ***INTRODUCTION***

Good morning/good afternoon, my name is Melissa Maes and I am a student at the University of Hasselt. For my training in Master of Management with major International Marketing Strategies, I am writing a thesis about export. I research why third-party-logistics providers contribute to export performance. Therefore I am doing several interviews with managers from different companies who are performing some export activities. The interview will take maximum 1 hour time, and I want to thank you in advance for your time and cooperation. During the interview I will make some notes, this will help me to structure the interview better.

To start with I will ask some questions about export in general and then I will continue with the more specific questions about export and 3PL partnerships. To close down this interview, I have a couple of personal opinion questions.

#### ***QUESTIONS – EXPORT IN GENERAL***

1. When has the company decided to start export activities? And what did the export activities consist of? (Which products, etc.)
2. What are the reasons for the company to go international?
  - a. To create competitive advantages?
  - b. To build up an international network?
  - c. Because of excessive production capacity or excessive stock?
  - d. Because of the opportunity of new challenges for the management team?
  - e. To create a bigger profit? More consumers, more sales, more turnover which will all lead to a general growth of the company.
  - f. Others

3. What was the first country or region for export? What was the reason for choosing this particular country or region?
4. To which countries or regions is the company exporting now? What are the motives behind this choice?
5. Is the local culture in foreign countries a critical factor in setting up a good business abroad?
6. What are the big risks with going international?

### **QUESTIONS – SPECIFIC 3PL**

1. What are the reasons or motives (internal or external) for a company to choose for a 3PL partner?
  - a. To focus only on its core activities?
  - b. To save time and money, to hold fixed costs down?
  - c. Because the challenge is too big for the management team?
  - d. Because of lack of information regarding foreign markets, or regarding foreign laws or customs?
  - e. Because of lack of a resource network?
  - f. Because of the expertise?
  - g. Because of the flexibility?
  - h. Others
2. What are the obstructions or obstacles of working with a 3PL provider for export activities?
  - a. Is it because of having two different company goals?
  - b. Is it the communication?
  - c. Is it the lack of control?
  - d. Others
3. What are the conditions a 3PL partner needs to comply with?
4. For which kind of applications chooses a company for a 3PL partner?
  - a. Is it for transportation?
  - b. Is it for warehousing?
  - c. Is it for sales and marketing?
  - d. Others

**QUESTIONS - IMPACT OF A 3PL PARTNER ON EXPORT**

1. Brings working with a 3PL partner an increased or a raised turnover?
2. Did the company working with a 3PL provider made more profits or not?
3. What are the conditions for a 3PL partner to contribute to export performance?
4. Why does a 3PL partnership contribute to better export performance? (direct or indirect)

**QUESTIONS – PERSONAL OPINION**

1. What did you learn from working with a 3PL provider for export activities?
2. Pretend that today u need to choose a new 3PL partner for doing export, what would you do different?
3. Are there some advices you want to give to other managers and companies regarding 3PL partners and export?

**QUESTIONS – PERSONAL INFORMATION**

- Name
- Gender
- Age
- Job title & company
- Years of employment



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Voor akkoord,

**Maes, Melissa**

Datum: **22/08/2015**