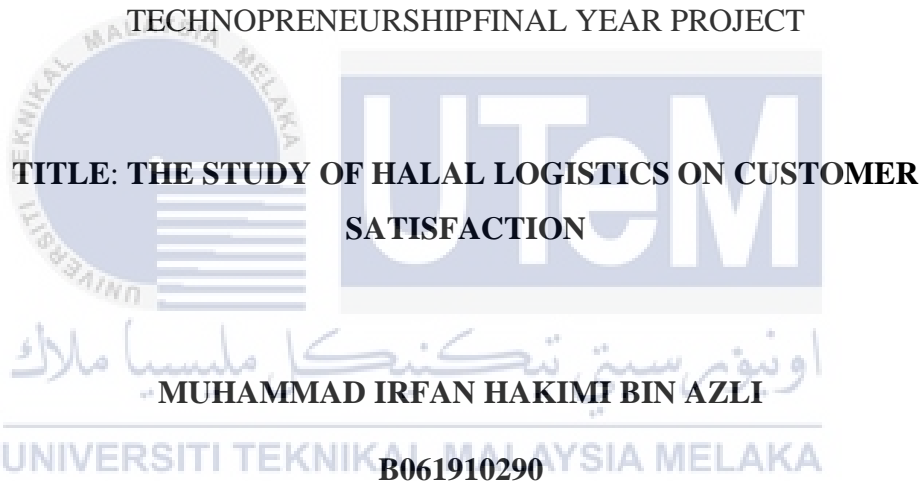




FACULTY OF TECHNOLOGY MANAGEMENT AND
TECHNOPRENEURSHIP FINAL YEAR PROJECT



**TITLE: THE STUDY OF HALAL LOGISTICS ON CUSTOMER
SATISFACTION**

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Bachelor of Technology Management with Honors (Technology Innovation)

Final Year Project

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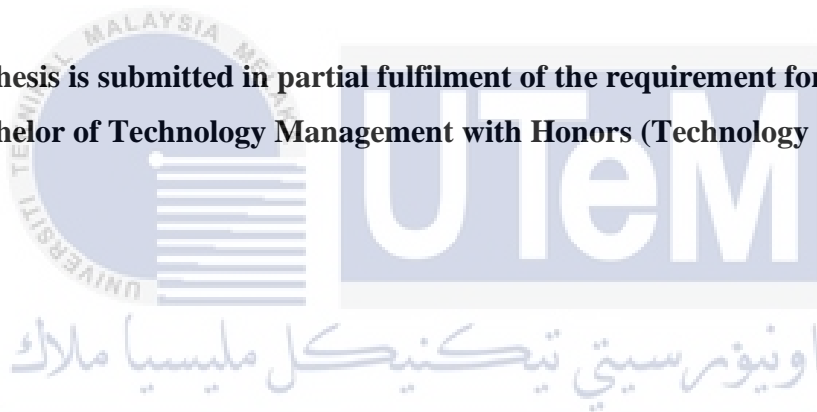
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**CASE STUDY OF HALAL LOGISTICS ON CUSTOMER
SATISFACTION**

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**This thesis is submitted in partial fulfilment of the requirement for the award of
Bachelor of Technology Management with Honors (Technology Innovation)**



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DECLARATION

I hereby declared that this thesis entitled

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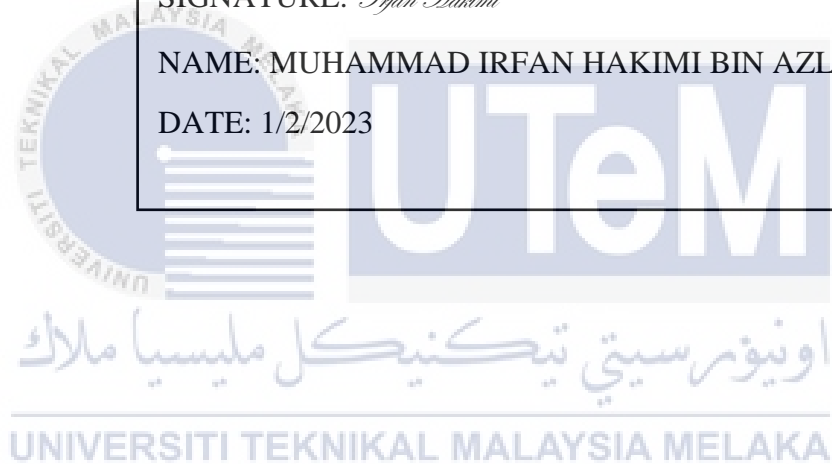
is the result of my own research except as cited in the reference. The thesis has not

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DEDICATION

This research paper is wholeheartedly dedicated to my dear parents which is my main source of motivation.

They always give me the strength when I think of giving up, which continues me to provide me their moral, spiritual, emotional and financial support.

I wish to share gratitude for the encouragement and support to my beloved family,

lecturers, supervisor, and friends.



ACKNOWLEDGEMENT

Firstly, I want to take this opportunity to express my sincere gratitude because help me with support for my final year project, especially to my supervisor, MRS NOR RATNA BINTI MASROM. I am glad to work under your guidance.

I want to express my sincere thanks to Universiti Teknikal Malaysia Melaka (UTeM) for giving me a such great opportunity to finish this thesis. I want to thank you very much for all lecturers at FPTT and my friends because giving me an encouragement and guide me to finish this final year project thesis.

I also want to thanks my parents for their continuous love and encouragement when I finished my final year project.

I want to thank you to all my dear friends for their help and great support in making a shot. They always teach and help me to solve my problems when I am facing issues. The precious fun memories I spent completing this project will not be forgotten.

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ABSTRACT

The Halal food industry is a vital importance to Muslims world wide as it gives them a sense of security that whatever they consume, use and purchase is Syariah compliant. Halal food products are gaining popularity worldwide among non-Muslims due to the term's association with high quality, safety, and quality. Malaysia has long stated its desire to become a major global hub for the production and supply of halal goods and services as a result. Moving materials and equipment to where they will be used is what is meant by the term "logistics." The quality of construction is affected by the effective management of logistics. As a result, the logistics management depends on the activity schedule and suppliers. The delivery of all on-site materials and equipment should arrive on time and be placed in the appropriate location. It is essential to ensure that the construction goes off without a hitch and that the logistics of the materials' delivery to the site are efficient. The area of the case study is at Halal Hub, Melaka. Fives respondents and they are mostly managers and well experienced people that will play the roles as respondents. Qualitative method is used for this study. The results showed that elements and objectives that has been used is related to each other and make it through the way in order to improve the customer satisfaction. This method provide a better platform to better facilitate the engagement between logistics and customer for a better future.

ABSTRAK

Industri makanan halal adalah penting kepada umat Islam di seluruh dunia kerana ia memberi mereka rasa selamat bahawa apa sahaja yang mereka makan, gunakan dan beli adalah patuh Syariah. Produk makanan halal semakin popular di seluruh dunia dalam kalangan orang bukan Islam kerana istilah itu dikaitkan dengan kualiti, keselamatan dan kualiti yang tinggi. Malaysia telah lama menyatakan hasratnya untuk menjadi hab global utama bagi pengeluaran dan pembekalan barangan dan perkhidmatan halal sebagai hasilnya. Memindahkan bahan dan peralatan ke tempat ia akan digunakan ialah apa yang dimaksudkan dengan istilah "logistik." Kualiti pembinaan dipengaruhi oleh pengurusan logistik yang berkesan. Akibatnya, pengurusan logistik bergantung kepada jadual aktiviti dan pembekal. Penghantaran semua bahan dan peralatan di tapak hendaklah tiba tepat pada masanya dan diletakkan di lokasi yang sesuai. Adalah penting untuk memastikan bahawa pembinaan berjalan tanpa halangan dan logistik penghantaran bahan ke tapak adalah cekap. Kawasan kajian kes adalah di Halal Hub, Melaka. Lima orang responden dan mereka kebanyakannya adalah pengurus dan orang yang berpengalaman yang akan memainkan peranan sebagai responden. Kaedah kualitatif digunakan untuk kajian ini. Hasil kajian menunjukkan bahawa elemen dan objektif yang telah digunakan adalah berkaitan antara satu sama lain dan menjadikannya melalui cara untuk meningkatkan kepuasan pelanggan. Kaedah ini menyediakan platform yang lebih baik untuk memudahkan penglibatan antara logistik dan pelanggan untuk masa depan yang lebih baik.

TABLE OF CONTENTS

CHAPTER	CONTENT	PAGES
	APPROVAL	i
	DECLARATION	iii
	DEDICATION	iv
	ACKNOWLEDGEMENT	v
	ABSTRACT	vi
	ABSTRAK	vii
	TABLE OF CONTENTS	viii
CHAPTER 1	INTRODUCTION	1
	1.1 Background Of Study	1
	1.2 Problem Statement	4
	1.3 Significance Of Study	4
	1.4 Research Question	5
	1.5 Research Objectives	5
	1.6 Scope of Research	5
	1.7 Limitations of Study	6
	1.8 Key Assumption	6
	1.9 Summary	6
CHAPTER 2	LITERATURE REVIEW	
	2.1 Introduction	8
	2.2 Service Quality Management	8
	2.2.1 Third-party logistics and outsourcing	10
	2.3 Customer Loyalty	21
	2.4 Boosting Sales	22
	2.5 Company Reliability	23
	2.6 Utilization of lower raw material and labor cost	23
	2.7 Strong team culture	24
	2.8 Employee Expectations	24
	2.9 Transparent Communication	25

2.10 Strong Working Ethic	25
2.11 Power and customer satisfaction	26
2.12 Relationship marketing	27
2.13 Power in third party logistics	29
2.14 The relationship between RQ and RO	33
2.15 The dimensions of the study	34
2.16 Summary	35
CHAPTER 3 RESEARCH METHODOLOGY	
3.1 Introduction	36
3.2 Types of research	36
3.2.1 Exploratory Research	36
3.2.2 Descriptive Research	37
3.3.3 Explanatory Research	37
3.3 Research Methodology	38
3.4 The reason for understanding	38
3.5 Epistemology And Ontology	40
3.5.1 Positivism	41
3.5.2 Interpretivism	43
3.5.3 Choice of epistemology	44
3.6 Objectivism	45
3.7 Subjectivism	46
3.7.1 Choice of objective ontology	47
3.8 The research approach	47
3.8.1 Choice of the research approach	49
3.9 The research method	50
3.9.1 Quantitative and Qualitative Methods	50
3.9.1.1 Choice of the research method	52
3.9.1.2 Research strategy	52
3.10 Summary	52
CHAPTER 4 FINDINGS AND ANALYSIS	
4.0 Introduction	53
4.1 Respondents Background	54
4.2 To profile Halal Hub supply chain logistics	55

4.2.1 Own Vehicles	56
4.2.2 Outsourcing logistics	58
4.3 To Measure The Factors Effecting In Cs	59
4.3.1 Create A Strong Teamwork Culture	60
4.3.2 Communicate Clear Goals	62
4.3.3 Be Transparent	64
4.4 To Model Halal Hub Logistics Performance	66
4.5 Summary	68
CHAPTER 5 CONCLUSION AND FUTURE WORK	
5.0 Introduction	69
5.1 To Profile Halal Hub Supply Chain Logistics	69
5.1.1 Own Vehicles	70
5.1.2 Outsourcing Logistics	71
5.2 To Measure Effecting In Cs	72
5.2.1 Create a strong teamwork culture	72
5.2.2 Communicate Clear Goals	73
5.2.3 Be Transparent	74
5.3 To Model Halal Hub Logistics	75
5.4 Contribution of Research.	76
5.5 Limitations	76
5.6 Recommendations For Future Research	77
5.7 Summary	77
REFERENCES	78
APPENDICES	83

Introduction

This chapter reflects the study's research topic as well as its theoretical background. The study's motivation and the influence of halal logistics on customer satisfaction are discussed in this chapter. It includes the background of the study. Then the research problem, motivations of the study, the significance of the study, the aim of the research, the objectives of the research, and the research questions. After that, the study focuses on the scope of the study and the structure of the study.

Background of the study

With increasingly over the last half century, the role of logistics in business has increased in both scope and strategic importance. Both corporations and researchers have become increasingly aware of the strategic role of logistics services in a firm's overall success. They have recognised the role of supply chain management in creating and maintaining a strategic competitive advantage through increased customer value and satisfaction and the attendant business profitability.

Customer service is becoming increasingly important in industries, with logistics systems in supplier companies producing most of the production (Ellram et al., 2016). Customer satisfaction is one of the most critical concerns facing all types of businesses and measuring it can be regarded the most trustworthy feedback system. Furthermore, service quality is one of the most important factors of customer satisfaction, which influences purchasing decisions. As a result, understanding firms' perceptions of logistics service quality (LSQ) and behavioural desire to switch providers is a critical issue that will give suppliers with vital information to understand and keep their present customer base.

Marketers' difficulty is that they undervalue the role of logistics in attaining the company's strategic objectives. They lay a lot of emphasis on the first three aspects of the marketing mix, namely product, pricing, and promotion, while ignoring the fourth part of the marketing mix, 'location.' This is due to the fact that this item is considered a cost generator. To be successful with a marketing plan, the

company must concentrate not only on the product, price, and promotion, but also on logistics, which includes location. Logistics refers to the service component of a product that allows a company to retain existing customers who have already utilised the product, as well as recruiting new customers. Consumer loyalty is the most basic differentiator used to assess the operations administrations and it gives the organization data about how it works and its capacity to meet clients' needs (Lisinska-Kusnierz and Gsjewska, 2015). The fact that customer fulfillment is the makes it comprehensively accepted most grounded factor prompting client steadfastness and writing has laid out areas of strength for a between consumer loyalty and client steadfastness. Furthermore, there is an outrageous association between's client satisfaction and advantage. Thusly, every industry attempts to be an assistance industry considering the way that right when the things become relative, the dealers incline to isolate themselves by offering unparalleled client organizations. Considering the previously mentioned, numerous associations intend to grow their abilities associated with appointment to extend their high grounds which are actually looked at through purchaser dedication with the offered help. A firm with better degrees of dispersion administration is supposed to acquire a more elevated level of consumer loyalty. A ton of specialists have observed that the help business is expanding in significance after some time. Moreover, there are a ton of disappointed clients with their planned operations specialist co-ops. Hence, the researchers and the logistics providers are concerned with ways in which customers can be well understood, to know how they perceive the quality of logistics services offered and how their perceptions translate into customer satisfaction (Chin et al., 2016). Kilibarda and Andrejic (2015) state that the process of logistics services can be used for creating value for both the customer and the supplier. This is because the market share can be increased through service quality and customers can give their feedback. Through logistics service, customer satisfaction and loyalty can be created. However, studies on logistics focused on stock levels and locations without paying a great deal of attention to customer satisfaction and quality.

“Halal assurance “refers to the assurance that the 3PL service providers give to monitor and implement halal practice to ensure the integrity of halal products at the point of consumption (Zailani et al., 2015). Verification activities aim at judging

the halal assurance. In practice, general verification by companies is often not appropriately performed (Keener) due to lack of technical resources (Panisello and Quantick.) In general, companies perceive verification as an essential but costly activity (Panisello and Quantick). Therefore, companies receive higher perception of quality if they assure that the food received from 3PL service providers is a true manifestation of Islamic principles.

Another categorisation that describes the inter-relationship between the 3PL user and 3PL provider was made by Sharma and Choudhury (2017) concentrating on the role of trust in developing the inter-organizational relationship between the 3PL provider and the 3PL customer, starting with focusing on the price and ending at the integrated logistics service agreement that is the highest stage of the outsourcing relationship between the 3PL customer and the 3PL provider. Yuan (2018) states that trust and commitment are regarded as the most important factors affecting the success of relational exchange between the two partners. Trust and commitment are capable of generating competitive advantage. Trust is seen as the most useful governance mechanism, while commitment is an important terminology which means that the relationship is expected to last for a long time.

Trust as a concept is widely studied in relationship marketing (Chang et al.,). The term refers to a party's confidence where a party depends on another party. In other words, a party's willingness to be vulnerable to another party with the expectation that this party is reliable (Bart et al.,). Zhao and Cavusgil state that when a customer trusts a supplier, the customer is happy investing money, time and effort into this relationship. Many authors have pointed out that there is a relationship between trust and customer satisfaction (Durate and Davies, 2004; Sanzo et al., 2003). Commitment is defined in most marketing studies as a willingness to keep and maintain the relationship with customers. Channel relationship managers are eager to maintain the customer-supplier relationship (Chang et al., 2012). There is a significant relationship between commitment and customer satisfaction (Rodriguez et al., 2006). Little research has been carried out on relationships between the 3PL providers and 3PL suppliers and there is a need to do research into this subject area in Asia because companies need to know about the variables or factors that may strengthen the relationship between 3PL providers and 3PL users (Marasco, 2008). This is because much research on relationship dimensions have been made in

western countries and this type of relationship is required in Asia (Chang et al., 2012). Also, Chou et al., (2015) state that there is an urgent need to study the relationship between the 3PL providers and users in order to understand the relationship between them.

1.2 Problem Statement

Nowadays, third party logistics is defined as the quality of logistics services offered by 3PL providers (Otsetova, 2017). Concepts such as logistics service quality and relationship marketing have changed the business practice of logistics (Saura et al., 2008). However a little research has been made in Melaka, where 3PL logistics provider's ability to deliver high halal hubs' logistics quality to make the customer satisfied. So, it can be said that there is a significant relationship between logistics service quality and customer satisfaction (Kilibarada and Andrejic, 2012). Another critical issue is that, higher than 50% of the third-party logistics relationships are terminated after 3 years and this is attributed to the lack of understanding customer's needs (Vlachos, 2017). Also, consistency and fragmentation in the logistics sector are the most significant issues. It is impossible to have centralized control over every stage because there are numerous parties involved (manufacturers, storekeepers, drivers, managers, and end users). Frequently, fragmentation results in general inefficiency. A software solution that synchronizes information between the various parties could be a solution to this problem.

1.3 Significance of study

This is seen as the essential audit that prevalently bases on the effect of relationship power (Coercive power and grant power) on customer unwaveringness in the halal place tasks industry. Similarly, this study bases on assessing the idea of association between 3PL clients and providers using liability trust speculation of

relationship publicizing. Accordingly, this study will add to the organized tasks composing with respect to the association between 3PL providers and 3PL clients. Moreover, the investigation presents customer reliability in the business-to-business setting to take actions associated with systems organization quality (staff contact quality and mentioning technique), relationship power (coercive power and grant power), and relationship promoting (trust and obligation) to augment purchaser dedication in the 3PL business in Melaka. The disclosures of this audit, hence, will give different consequences to the 3PL providers which will help them with growing client satisfaction.

1.4 Research Questions.

1. **What are the profile of SCM logistics in Halal Manufacturing In Melaka**
2. **What is the factors affecting on customer satisfaction for the halal hub logistics.**
3. **What are the model of halal hub logistics performance in Melaka**



1.5 Research Objectives

1. To profile halal hub supply chain logistics in Melaka.
2. To measure factors affecting in customer satisfaction for the Halal Hub Logistics.
3. To model halal hub logistics performance in Melaka.

1.6 Scope, Limitation and Key Assumption

1.6.1 Scope

This study was be carried on Halal Hub, Melaka. As the smallest state in Malaysia but fit with Halal Hub Industry has a relatively good for the research. In Addition, Halal hubs located in Melaka make it easier to get respondents than having

to leave the state to get them. Hence, the scope of this study target the halal hub logistics in Melaka.

1.6.2 Limitation

This research has highlighted some limitations which provides opportunities for future studies. Firstly, there is halal hub industries that trying to fulfil customer satisfaction. difficulties encountered when conducting research are irregular time, difficulty to meet face to face, tight schedule, and only focus on logistics only and not other parts. These limitations will be the barriers of research progress.

1.6.3 Key Assumption

The assumption of this research is the honesty and truthful responses from the respondents. It is assumed that the respondents that managed to answer the questionnaires are targeted respondents which are from Halal Hub Logistics Departments. The respondents will answer the questions based on their own experience and without interference from other respondents.

1.7 Summary

Overall, in chapter 1, the background of the research has been discussed on customer satisfaction towards the logistics of Halal Hub Industry in Melaka. Studies revealed the role of logistics in the economy and the context of third-party logistics. How important the logistics in fulfilling the customer needs. These include social exchange theory and power theory. The chapter introduced the research problem and the motivations of the research. It also presented the significance of the research, the

aim and the objectives of the research, the research questions and the scope of the study. The chapter illustrated the structure of the study.



Chapter 2.

LITERATURE REVIEW

Introduction

The phenomenon of outsourcing has skyrocketed recently. This phenomenon is not a new one but it originated in the 1950s and was adopted by organizations in the 1980s as an important strategy (Hatonen and Eriksson). It came into being for many reasons such as cost benefits and achieving capacity flexibility (Grossler et al., 2015). A third-party logistics company is that company that offers logistics services such as packaging, transportation, warehousing, distribution services, and many others (Hrusecka et al., 2015).

Bali et al., (2015) confirm that the success of outsourcing logistics tasks to third-party logistics providers is highly influenced by the right selection of the third-party logistics provider. So, the decision of the third-party logistics provider is a strategic decision. Murfield et al., (2016) state that logistics is the benchmark of any company and the success of any company is linked to logistics effectiveness (Bhattacharjya et al., 2016). The source of competitive advantage of companies is logistics service quality (LSQ). The importance of logistics service quality is greatly contributing to the gaining of customer satisfaction and customer loyalty (Konig and Spinler, 2016).

Third-party logistics represents a logistics triad that includes the logistics service provider, the buyer, and the supplier. The supplier of goods such as raw materials contacts the logistics provider such as DHL and TNT to serve the buyer as a final customer. The third-party logistics provider serves the supplier and the buyer (Sohn, et al., 2017).

2.1 Service Quality Management

The company is able to develop customer-focused management thanks to the new quality approach known as "customer satisfaction." According to Keller and Keller (2016), customer satisfaction is defined as an individual's feeling of happiness or disappointment when comparing the performance of a product or service to

expectations. Any business's ability to satisfy its customers' needs is crucial to its survival. According to Hoffman and Bateson (2017), this will result in customer retention and word-of-mouth. According to Hoyer and MacInnis (2015), dissatisfied customers are more likely to spread the word about their negative experiences to others. According to Meng and Elliott (2015), customer satisfaction centers on service quality. According to Naumann (2014), customer satisfaction leads to customer loyalty, which raises a business's profitability and market share. According to Homburg and Rudolph (2016), this is because customer satisfaction is a true indicator of repeat business and customer loyalty. As a result, many businesses are interested in determining customer preferences by measuring customer satisfaction. A company's performance is also closely linked to satisfaction levels because they show the company's strengths and weaknesses (Mihelis et al., 2018). Business leaders face a real challenge in gaining and maintaining customer satisfaction (Parasuraman et al., 2016). According to Mihelis (2015), any shift in the current market can have an impact on customer expectations and preferences, which is why it is important. Poor service quality has affected a lot of people, so there is an urgent need to improve service quality measurements. In businesses in a variety of industries, service quality and customer satisfaction are crucial business practices. Since customers will subsequently repurchase the service or product, businesses want to ensure that customer perception is met or exceeds 37 customer expectations (Chin et al., 2017). Researchers agree that the quality of the service is geared toward ensuring that customers are satisfied. According to Edvardsson (2016), the nature of the service, in which the customer interacts with staff, equipment, and other facilities, presents a challenge for measuring service quality. The concept of service quality is very important to the service industry, particularly to service providers who have challenging jobs. The goal of this task is to set their services apart from those of other service providers (Saghier and Nathan, 2015). The most difficult challenge for service providers is gaining and maintaining customer satisfaction, as well as understanding how customer satisfaction is affected by service quality. Therefore, service providers should enhance service quality in order to increase customer satisfaction (Jamaluddin and Ruswanti, 2017). According to Al-Rousan and Mohamed (2018), a service provider ought to provide excellent service quality. In order to gain customer satisfaction, which reflects the customers' willingness to place additional orders, the level of service quality needs to be higher than that of the

competitors. Service Excellence: To create a service system that meets the needs of the market, businesses must comprehend the factors that influence customer satisfaction. As a result, in order for businesses to achieve customer satisfaction, service quality is crucial. As a result, service quality is a topic of interest in marketing literature because a poor service will put the company at a competitive disadvantage. The alignment of customer perception and expectation is essential for measuring service quality. As a result, successful service providers are able to offer services by incorporating benefits that surprise and delight customers (Abedin, 2015). According to Smith (2016), the intangible aspects of service quality make it difficult to measure it. According to Smith (2016), manufacturing companies can only measure things like productivity and financial performance that can be quantified. It is challenging to quantify other factors that contribute significantly to a 38 company's success, including innovation, flexibility, and quality. In general, there are two categories of measures of service quality. The first type is known as hard measures, and examples of these are the number of customers served each hour and the amount of time computers are down. Soft measures, based on perceptual data like customer satisfaction with service speed and the manager's assessment of staff behavior with customers, are the second category. Abedin (2018) confirms that customer perception and expectation are closely linked when it comes to service quality.

UNIVERSITI TEKNIKAL MALAYSIA MELAKA

2.1.1 Third-party logistics and outsourcing.

The majority of businesses are struggling to save time and avoid the costs of transportation and storage in today's competitive business environment. Therefore, these tasks can be delegated to a logistics service provider without the product or service in question; However, it facilitates the activities of the supplier-buyer supply chain (Mustafa and Ahmed, 2015). According to Li et al., industries can reduce supply chain costs and improve customer satisfaction through the use of logistics, making it an important field. 2017). According to Hsiao et al., logistics is the process of planning and controlling the smooth movement of goods and information from the point of origin to the point of use in order to improve customer satisfaction.

Nowadays, most successful businesses worldwide frequently outsource supply chain tasks to third-party logistics providers in order to maintain a sustainable competitive advantage. In Japan, 70% of businesses outsource logistics tasks to 3PL providers, whereas 42% of businesses in the United States do so (Li et al., 2016). Govindan and others, (2016) define third party logistics as a business that provides warehousing, transportation, inventory management, freight consolidation and distribution, and other services to another business. The process by which a company outsources some or all of its logistics services to a third party is known as third-party logistics (3PL). A specialized company known as a 3PL can carry out logistics tasks more effectively than the company itself. A third-party logistics provider (3PL) is a hired company that helps businesses with all or part of their supply chain functions. According to Skjoett-Larson (2016), the third-party company is a transportation and warehousing specialist that can be tailored to meet the requirements of customers in light of market conditions and demand. Delfmann and others, 2015) define a third-party logistics provider (3PL) as a company that performs all or some of an organization's logistics services entirely on its behalf. Bask defines third-party logistics as "the relationship between interfaces in the supply chains and the third-party logistics provider, where logistics services are offered, from the basic to customized, in a shorter or longer-term relationship, with the aim of effectiveness and efficiency." Bask's definition is as follows: Ali (2018) claims that there have been three waves in the third-party logistics industry. In the 1980s, the first wave started. A group of businesses operating in the sector emerged during this wave. Their work was limited to the conventional method of transportation and storage. When parcel express companies like DHL and FedEx worked in the logistics industry, the second wave began in the early 1990s. The third wave began toward the end of the 1990s when a large number of major players, including IT and financial services firms, entered the logistics market.

Green and other, confirm the benefits and drawbacks of utilizing third-party logistics. Cost savings, improved services, improved cash flows, risk sharing, freeing up resources, concentrating on core competencies, eliminating infrastructure resources, customized services (flexibility), and obtaining resources that the outsourced company does not have are some of the benefits. The lack of direct control that the users of third-party logistics (3PL) have over the outsourced

activities and the low quality of the products are two of the 3PL's drawbacks. Outsourcing may result in the termination of many employees.

Transportation procurement, contact transportation, freight audit to adjust and examine freight bills, reserve logistics, logistics management and consulting, value-added services, and shipment tracking and tracing are among the services offered by 3PL providers, according to Sowinski (2016).

Because the company's success is largely dependent on its partner, the 3PL supplier, the most common method of selecting one is crucial. As a result, the most common method for selecting the appropriate 3PL supplier stands out to many creators. Green et al. state: For a successful 3PL supplier selection, there are nine steps to follow.

Establishing a cross-practical group is the first step. The group is in charge of selecting the best 3PL provider. This necessitates a concerted effort from all departments, including marketing, finance, assembly, and so on. The group will let the company choose a third-party logistics provider that can meet its needs and requirements. The next step is to set goals. The company ought to be aware that the purpose of a third-party logistics provider (3PL) is to cut costs by focusing on their essential skills and capabilities to compete effectively in the market and acquiring resources that the company does not have access to.

The best 3PL provider for achieving these goals can be selected when the company is aware of its requirements and needs. This cycle's third period is devoted to determining client care requirements. The client is the primary justification for an organization's existence. As a result, the requirements of customers ought to be the primary focus and ought to initiate the process. When selecting the best 3PL provider, these requirements will be helpful. Making a list of competitors is the fourth step in the process of selecting a 3PL provider. Online research or business registries can be used to locate potential 3PL suppliers. The fifth step is to look into the 3PL applicants' revenue. The company needs to make sure that the third-party logistics provider is willing and able to provide the necessary coordinated operations services. To clarify for the supplier its requirements for coordinated operations administrations, the company can send a letter or an email. The 3PL provider should send a letter to the company to explain the capabilities. Requesting demands for

proposition is the sixth step. The company ought to send requests for recommendations whenever it is inspired by a few 3PL suppliers. Providers of third-party logistics (3PL) services should provide specific information about their coordinated operations services, including appropriation, warehousing, and value-added services. The company absolutely needs sufficient itemized data. Conducting site visits is the seventh step. When there are only five or six 3PL suppliers, the cross-useful group should visit them and evaluate them based on a number of criteria. The group can learn about the representatives' and administration's hardworking attitudes by talking to them. The capabilities are checked out in the eighth step. Every piece of information about each 3PL provider needs to be evaluated, particularly information about the executives' way of thinking, financial data, and key fit. Additionally, the supplier ought to be able to serve their current customers. The group should select a 3PL provider that is capable of meeting the organization's coordinated factors requirements as the final step in selecting the best candidate. The group needs to be aware that the relationship between the company and the third-party logistics provider may develop into a long-term essential relationship.

Aghazadeh (2014) outlines five steps for selecting a 3PL provider. the first step the business must take before making a decision about outsourcing. The second step is to establish criteria for selecting a 3PL provider. The screening of companies that do not meet the criteria is the third step. The fourth step is to choose the best 3PL provider from among the options. The beginning of the new partnership is the final action.

Because businesses have contracted with external providers to obtain services like catering and cleaning, the term "outsourcing" is not new. According to Bacea and Borza (2015), outsourcing now encompasses a wider range of IT and finance functions than it did in the past, making it distinct from outsourcing in the past.

According to Kakabadese and Kakabadese (2016), outsourcing refers to the process by which a third party provides a company with goods or services. According to Belcourt, outsourcing is a contractual relationship that involves the external performance of business services. According to Dolgui and Proth (2017),