RELATIONSHIP BETWEEN LOGISTICS SERVICE’S PERCEIVED VALUE AND OUTSOURCING OF LOGISTICS ACTIVITIES

ABSTRACT

Outsourcing has become increasingly popular in recent years, and is often quoted as a means of coping with rapid changes in technology and in the business environment. The scope of third-party logistics may range from a relatively limited combination of activities (e.g., transportation and warehousing) to a comprehensive set of logistics services. The authors first define the reasons for outsourcing with the emphasis on business logistics. They particularly point out the motivations for logistics outsourcing, the possibilities of logistics outsourcing, and they present the process of outsourcing partner selection as well. Finally, they analyze the specific issues of logistics service’s perceived value in outsourcing logistics activities on the basis of the survey carried out in Slovenian companies. The purpose of the survey was to measure the customers’ perception of different characteristics of logistics provider which can be decisive when manufacturing firms are trying to make a decision whether to outsource and which logistics provider to select. The paper creates a framework for the selection of the important and perceived characteristics of logistics provider relevant to customer in the process of the logistics supplier selection.

KEYWORDS

logistics, logistics services, outsourcing, perceived value

1. INTRODUCTION

Outsourcing means transferring certain activities to specialized providers who can perform on a higher level. Central to outsourcing decision is the “make it or buy it” question. Outsourcing has become increasingly popular in recent years, and is often quoted as a means of coping with rapid changes in the technology and in the business environment.

Because of increasingly intensified competition in the emerging global economy, manufacturing and retail firms are increasingly turning to outsourcing their logistics functions. Motivated by the rapid increase in logistics outsourcing in certain regions of the world, our research is focused on the importance of logistics service’s perceived value in the development of logistics outsourcing arrangements.

Outsourcing is a viable business strategy because turning non-core functions over to external suppliers enables companies to leverage their resources, spread risks, and concentrate on issues critical to survival and future growth (Sink and Langley, 1997). Many firms have turned to logistics outsourcing as a way to restructure their distribution networks and gain competitive advantages. Logistics outsourcing, the use of a third-party logistics (3PL) provider for all or part of an organization’s logistics operations, has grown dramatically over the last several years. Logistics outsourcing has increasingly become an effective way to reduce costs and spread risks for traditional, vertically integrated firms. Overall, approximately 60 percent of Fortune 500 firms report having at least one contract with a third-party logistics provider (Lambert, Emelhainz and Gardner, 1999).

A study by Persson and Virum (2001), discusses the potential economic advantages of logistics outsourcing. Some of these are: the elimination of infrastructure investments; access to world-class processes, products, services or technology; improved ability to react quickly to changes in business environments; risk sharing; better cash-flow; reducing operating costs; exchanging fixed costs with variable costs; access to resources not available in own organization.

As recently as a decade ago, the third-party logistics was an emerging industry in many parts of the
world. However, the rate at which the use of these services grew, the rate of growth across functions and the reasons for this growth differed in different parts of the world. In Europe, firms tend to use third-party logistics both for international transport and for the distribution of products in foreign markets. Nearly two-thirds of the European distribution centres used by American, Japanese, Korean and Taiwanese manufacturers are managed by third-party logistics providers (McKinnon, 1999). 3PLs helped firms deal with multinational transportation requirements and inconsistencies.

Several studies have addressed the issue of growth in the 3PL market and other freight intermediaries in detail. A study by Murphy and Poist (1998) provides a review and synthesis of research on this topic.

In deciding on a sourcing strategy for a particular segment of their business, managers have a wide range of control options (see Figure 1). Where there is a high potential for vulnerability and a high potential for competitive edge, tight control is indicated. At the opposite end are the firm's trivial activities. Between these extremes there are opportunities for developing special incentives or more complex oversight contracts to balance intermediate levels of vulnerability against more moderate prospects for the competitive edge (Quinn and Hilmer, 1994).

The value added to services can take place through the efficiencies achieved by better cost management and through increased effectiveness brought about by value enhancement. A value enhancement activity may be adding value to the existing business — for example by better products and services — and adding value through innovation (Rothery and Robertson, 1996). Outsourcing is recognized as a vital mechanism for stimulating local employment.

It has been established that the logistics outsourcing improves the competitive position of the firm by rationalizing business activities and through synergistic effects. Transferring the logistics activities to the outsource supplier - known as third-party logistics - enables the firm to fully concentrate on its core competencies.

Five streams of literature relate to modelling the third-party logistics procurement by industrial buyers (Sink and Langley, 1997): strategic decision-making, industrial buying behaviour, transportation purchasing, supplier selection, and logistics relationships.

Much attention in the transportation literature is focused towards identifying the buyers' factors to reach mode and carrier selection decisions. Cost-service tradeoffs were of prime importance of the early literature in this field. The recent literature, however, examines the third-party logistics purchasing.

The recent researches pay increasing attention to the overall topic of logistics relationship, e.g. on the strategic benefits of logistics alliances, on several aspects of outsourcing logistics, and on the forces that have influenced growth of logistics and supply chain relationship.

The working hypothesis can be defined as: logistics service's perceived value is an important factor for decision on outsourcing logistics activities.

Objectives of the paper are:
- defining the reasons for outsourcing with the emphasis on business logistics;
- presenting the process of outsourcing partner selection;
- analyzing the specific issues of logistics service's perceived value in outsourcing logistics activities.

2. MOTIVATIONS FOR OUTSOURCING LOGISTICS

Outsourcing is the common answer to the “make-it-or-buy-it” question being asked by manufacturing industry and the “do-it-ourselves-or-buy-it-in” question being asked by service firms (Rothery and Robertson, 1996). The concept's main idea is that a firm should focus on production of goods and/or carry out those activities that make it competitive though there exists a risk that services done by external suppliers may not be in accordance with the firm's expectations.

It is the core competencies that differentiate a firm from competitive firms. With outsourcing the firms want to increase their long-term competitiveness. In practice, however, many outsourcing agreements have been structured in such a way as to inhibit, rather than facilitate change. It has been observed that outsourcing can have hidden costs in the longer term, arising from a reduced awareness of the changing environment. Outsourcing of any logistics activity is most straightforward when the requirements are well understood and easily described. We must also be aware that incorporation of external suppliers causes large changes in information flow. Therefore, the information system of a firm should be improved.

Obviously, a firm will not leave those components or services to external suppliers that might jeopardize its existence. Therefore a balance between potential competitive advantages of outsourcing and increased
vulnerability of a firm should be found. Outsourcing should take care for those services and activities that would increase competitive advantages at minimal risk. Business transactions in outsourcing should also be protected by appropriate form of management structure.

Decisions about outsourcing are within the competence of the top management. After some time - these are medium- or long-term decisions - another thorough judgment is necessary. "Make-or-buy" dilemma is not solved only on the basis of cost estimation, an overall study from the point of view of all entrepreneurial areas is needed, and a study that also takes the indirect effects of decisions into account.

When defining advantages and disadvantages we use the theorem of transaction costs. Analysis of decisions about outsourcing is a result of teamwork. It is a cooperation of experts from the fields of purchase, production, marketing, logistics and controlling. One of the main problems, due to the non-operational analysis instruments, is defining the appropriate procedure of costing.

The motivations for outsourcing logistics are widely discussed in the literature. For the majority of firms, these are a combination of:
- reducing or stabilizing costs,
- concentrating on core competencies,
- financial restructuring,
- overcoming cultural and organizational problems,
- accessing world-class expertise.

The achievement of these objectives depends, in turn, upon some combination of beliefs concerning the capabilities and behaviour of outsourcing suppliers. For example, advocates of an outsourcing approach may believe that an outsourcing supplier will
- undertake work at lower cost,
- have more flexibility in financing the service,
- be more flexible in accommodating varying levels of demand,
- be more competent, both technically and managerially,
- be better able to communicate in business teams and understand business needs,
- eliminate the need for specialized staff who do not fit the organizational culture,
- relieve in-house management of non-core tasks.

For each of these beliefs, however, there is a corresponding risk. For example:
- the supplier's technical and management skills may prove less impressive than expected,
- the supplier may prove unable to relate to the customer's business and its needs,
- the supplier may be unable to deal with the customer's culture and internal politics,
- demand levels may not vary in the way anticipated,
- there may be a continuing need for specialist staff to monitor and direct the supplier.

It is quite understandable for a firm that has invested in logistics to ask whether this investment might be shared with other firms to reduce production costs. On the opposite, because of the high logistics costs, a firm would collaborate with another one that has excess logistics capacities.

3. OUTSOURCING PARTNER SELECTION

Boyson, Corsi, Dresner and Rabinovich (1999) examined the reasons why some logistics outsourcing partnerships are successful and how best to manage a third party logistics relationship. In particular, their research identified the most effective means and methods for evaluating and selecting third party logistics providers from outsourcing user's perspective, and identified the most effective means for organizing, operating, and monitoring third party logistics relationships. Sink and Langley (1997) presented a conceptual model of the third party logistics purchasing process, which, according to their analysis, consists of five distinct steps or phases.

The main part of supplier selection research is oriented towards the purchase of products rather than services. It reveals that supplier evaluation and selection is employed routinely in industrial purchasing. Most evaluation methods used by industrial buyers could be classified into three basic types: (1) a categorical approach; (2) a weight-point plan; and (3) a cost-ratio method (Sink and Langley 1997, 168).

Candidate evaluation begins with the establishment of selection criteria. Quality, cost, capacity, and delivery capability are used to evaluate distribution providers. In selecting an external logistics provider, however, the criteria are typically more rigorous. References provided by current customers, cultural compatibility, financial strength, depth of management expertise, operating and pricing flexibility, and information system capabilities play essential roles (Sink and Langley 1997, 178).

Specialists in logistics prepared a process model of how to choose an external supplier. The process includes five steps:

1. Defining the need for transferring logistics services onto external suppliers:
   - perceiving the problem,
   - management's agreement,
   - putting together the negotiating committee,
   - cooperation with management of business units.
2. Elaboration of alternative solutions:
   - inclusion of internal specialized knowledge and experiences,
   - inclusion of external specialists.
3. Evaluation of candidates and deciding for a supplier:
   - preparation of criteria for selection of potential suppliers,
   - collecting all the necessary data,
   - evaluating the candidates,
   - selecting the supplier.
4. Realization of services (transfer onto external supplier):
   - making a plan for transition to outsourcing,
   - education,
   - transfer of services onto external supplier.
5. Evaluation of external supplier’s work:
   - qualitative and quantitative evaluation of services’ level,
   - controlling the realization and improvement of realized services,
   - improving or changing the external suppliers.

Elaboration of criteria for selecting potential external suppliers in logistics is very important. There exists an extra study about the importance of parameters - features of logistics' quality (Menon, McGinnis and Ackerman 1998, 122-133).

The successful outsourcing partnership will depend on these characteristics: being open, building a relationship and working together, knowing where we stand currently in terms of productivity and profitability, understanding mutual needs, understanding mutual benefits, and sharing risk. These are the all-important requirements of an outsourcing partner: credibility, commitment, cultural compatibility, continuous added value v contract flexibility, and complementary skills.

4. EVIDENCE OF OUTSOURCING IN LOGISTICS

The functions performed by 3PLs range considerably. According to the survey conducted by Lieb and Hickey (2002), 3PLs provide Fortune 500 manufacturers with a wide variety of services and they provide the typical user with multiple logistics services. As shown in Table 1, the most frequently outsourced logistics functions in 2002 were: customs brokerage 67%, freight payment 63%, freight forwarding 58%, direct transportation services 56%, carrier selection 52%, shipment consolidation 49%, and rate negotiation 47%. Warehouse management service usage was reported by 42% of users. That was down substantially from the 59% of 3PL users who reported using warehousing services last year. The largest year-to-year percentage gains were registered by customs brokerage and freight forwarding, reflecting the growing international nature of 3PL services.

The examples when logistics activities are outsourced to external suppliers are as follows:
- fast launching of a product on new markets;
- larger changes in purchasing and/or distribution logistics.

Figure 2 - The process of “make-or-buy” strategy planning

Source: Rupper 1994, 82.
K. Logožar, B. Završnik, D. Jerman: Relationship Between Logistics Service’s Perceived Value and Outsourcing of Logistics Activities

Table 1 - The most frequently used services provided by 3PLs

<table>
<thead>
<tr>
<th>Logistics Function</th>
<th>Citing Use (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct transportation service</td>
<td>56</td>
</tr>
<tr>
<td>Warehouse management</td>
<td>42</td>
</tr>
<tr>
<td>Shipment consolidation</td>
<td>49</td>
</tr>
<tr>
<td>Freight forwarding</td>
<td>59</td>
</tr>
<tr>
<td>Freight payment</td>
<td>63</td>
</tr>
<tr>
<td>Tracking/tracing</td>
<td>44</td>
</tr>
<tr>
<td>Customs brokerage</td>
<td>67</td>
</tr>
<tr>
<td>Design of IT systems</td>
<td>9</td>
</tr>
<tr>
<td>Selection of software</td>
<td>9</td>
</tr>
<tr>
<td>Operation of IT systems</td>
<td>16</td>
</tr>
<tr>
<td>Carrier selection</td>
<td>51</td>
</tr>
<tr>
<td>Rate negotiation</td>
<td>47</td>
</tr>
<tr>
<td>Product returns</td>
<td>23</td>
</tr>
<tr>
<td>Fleet management/operations</td>
<td>23</td>
</tr>
<tr>
<td>Relabelling/repackaging</td>
<td>23</td>
</tr>
<tr>
<td>Contract manufacturing</td>
<td>12</td>
</tr>
<tr>
<td>Order fulfilment</td>
<td>33</td>
</tr>
<tr>
<td>Assembly/installation</td>
<td>5</td>
</tr>
<tr>
<td>Inventory replenishment</td>
<td>9</td>
</tr>
<tr>
<td>Order processing</td>
<td>9</td>
</tr>
<tr>
<td>Customer spare parts</td>
<td>9</td>
</tr>
<tr>
<td>Consulting services</td>
<td>21</td>
</tr>
<tr>
<td>Purchase of materials</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Lieb and Hickey 2002, 16.

- changes in manufacturing;
- required quality of physical supply or physical distribution (e.g. reducing delivery time, changed incoming/outgoing quantity);
- adapting to the fast growth of sale.

Thus, some manufacturers estimated they would not be able to follow the logistics development. After a thorough analysis they decided to outsource it to the enterprises specializing in logistics.

A German study (Heiner 1996) on outsourcing in logistics tried to discover which logistics services of a firm should be left to external suppliers and what goals are to be achieved by that.

There are some interesting conclusions about the practice of outsourcing in logistics.

Logistics service providers (e.g. specialized logistics firms, especially forwarding agents) are changing their service profile: a shift from the traditional services with emphasis on transportation towards a complex offer of the logistics services is perceived. However, the traditional services of forwarding agents, as for example quality control and warehousing, are still used.

Enlarging the extent of outsourcing in logistics has led to a closer connection between manufactures and logistics enterprises. In purchasing as well as in distribution logistics there is a growing number of permanent services of outsourcing.

The trend of the growing outsourcing is well seen - besides the variety of services offered - in the offer of complex solutions. Optimistic anticipations prove that innovations in logistics sector will increase. The current emphasis of outsourcing lies in the outgoing logistics, but in the future a growth above average is expected in the incoming logistics as well.

In some branches of industry, the most important being the car industry, there is a trend towards single sourcing, which results in reduced number of suppliers and more intensive cooperation with selected logistics enterprises. Outsourcing of logistics services to external producers can help achieving positive effects of the concept of outsourcing (that is in production and logistics). Outsourcing is becoming more and more an instrument of the strategic management. The key issues here are services of logistics counselling.

5. RESEARCH METHODOLOGY

In order to achieve objectives of our paper, we used a stratified sample of 850 Slovenian companies - Intereuropa’s customers. The mailing package included the cover letter, signed by the author stating the purpose of the survey, a seven pages long ques-

Table 2 - Estimates of logistics services outsourced

<table>
<thead>
<tr>
<th>Service</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport</td>
<td>85</td>
</tr>
<tr>
<td>Warehousing</td>
<td>53</td>
</tr>
<tr>
<td>Dispatch</td>
<td>47</td>
</tr>
<tr>
<td>Packaging</td>
<td>33</td>
</tr>
<tr>
<td>Commissioning</td>
<td>33</td>
</tr>
<tr>
<td>Reverse Logistics</td>
<td>32</td>
</tr>
<tr>
<td>Labelling</td>
<td>31</td>
</tr>
<tr>
<td>Customs Clearance</td>
<td>27</td>
</tr>
<tr>
<td>Clearing</td>
<td>12</td>
</tr>
<tr>
<td>Assembling</td>
<td>10</td>
</tr>
<tr>
<td>Quality Control</td>
<td>10</td>
</tr>
<tr>
<td>Financial Services</td>
<td>9</td>
</tr>
<tr>
<td>Organizing of Logistics</td>
<td>9</td>
</tr>
</tbody>
</table>

tionnaire, and self-addressed, return envelope. Covering letters with questionnaires were sent to the corporate directors of Inter Europa top customers. The survey was carried out in November 2003. During the two-week period following the mailing, a total of 299 responses were received that gave a response rate of 37.1%, with no follow-up. A higher response rate was probably impossible because of the length of the research instrument and the nature of the information requested.

The survey mailing resulted in responses from directors and logistics professionals in 850 Slovenian companies, executives who purchase logistics services. Incorporating the 12 undeliverable surveys (e. g., wrong address) and 16 incomplete surveys, a response rate of 37.1% was achieved (315/850). In this research, response rate is defined as the percentage of total questionnaires returned by respondents. However, 28 of these responses were excluded from the analysis because of the excessively missing data or because they had wrong address. Thus, the 315 respondents in the sample may be somewhat unique in their characteristics. The study offers some interesting and significant findings that may be beneficial to managers of logistics companies. The descriptive statistics were compiled from the returned surveys.

5.1. Research sample

In the first part of the questionnaire the respondents were asked some basic facts about the company, its line of business, number of employees, its largest sales markets and respondent’s position in the company.

The returns were dominated by companies of production-oriented business (57.1%), followed by service (13.2%) and commercial (29.6%) oriented business. In our sample we had 58.0% small companies, 20.3% mid-sized companies and the remaining 21.7% were large companies. The position of respondents in the companies was the following: 41% of the respondents were top executives, 34% of the respondents belonged to the middle management and the remaining 25% of respondents belonged to first line management.

The results show that the largest respondent sales market is the market of commercial enterprises that is profit motivated. The next large sales market is the consumer market, followed by market of institutions (non-profit motivated organizations) and government (state or local politically oriented organizations).

5.2. Knowledge of logistics companies in the Slovenian market

We have examined the knowledge of logistics companies in the Slovenian market. Respondents had the possibility of choosing among different answers. The results show that the logistics company Intereuropa is highly recognized by its customers (98.9%). Other logistics companies have reached high recognition, too. The results are represented in the table.

The trend of globalization, which has already been successfully reactivating the currents of international markets in the last ten years, recognizes an important role for logistics and transportation activities. The buyers of logistics services always demand higher...
quality, reliable and efficient transport of goods; therefore, the service providers must ensure complete execution of all logistics and related activities. A global perspective is important because global demand offers economies of scale to the seller, which is the key to cost savings and price reductions to buyers. The complexity of logistics services suggests specific communication strategies. The increasing rate of the globalization of markets makes business-to-business marketing communications an important issue in today uncertain and challenging economic environments. Today, managing international freight movements requires more skills in business-to-business marketing. Company may rely on personal selling and other sales promotion tools to inform customers. These represent the worldwide basis for informing the customers.

6. PERCEIVED VALUE OF LOGISTICS PROVIDER

It is frequently assumed that the only cost that the customer bears is the financial one, but this is not so. There are time costs involved: how long did it take to investigate the particular product or service offered together with its competitors? Psychological costs occur also: if the potential purchase is an expensive one, there will undoubtedly be some natural apprehension or worry that the customer is making the right decision etc. Any notion of value is that which is perceived by the customer, having weighed the perceived benefits of the product or service with the perceived sacrifice.

The purpose of our study was also to measure the perception of respondents about different characteristics of logistics provider. Selecting the right list of factors can be difficult. Within any organization, there will be differences of opinion about the key buying factors, their importance, and how well the company performs on each factor. However, organizations need to have a consistent set of weights and performance ratings on which everyone in the business unit team agrees. One of the major challenges of services marketers is the assessment of the quality of service offered. Because of the general nature of services (i.e. intangibility, inseparability, heterogeneity, and perishability), the service quality is usually difficult for customers to evaluate (Hutt and Speh 1998). Customer's perception of quality can be influenced by different communications tools.

It has been posited that different instruments of marketing communications targeting business customers have more of an informational and supportive role than marketing communications targeting general consumers. Business customers have also been characterized as being more technical and more information-seeking than the mass consumer. For these reasons the business-to-business marketer generally places a higher level of importance on utilitarian factors like price, productivity, reliability of delivery, and superior quality (Corliss 1998).

The respondents were asked to indicate on a 5-point Likert scale, the importance (5 = "extremely important" to 1 = "of little importance") of characteristics of logistics provider. The research suggests that the respondents were giving more importance to the following characteristics of logistics companies: the reliability of logistics services offered, the on-time delivery, the speed of delivery and qualified personnel. Since these characteristics of logistics services, particularly reliability of service have been considered important to business customers, they should be incorporated into the communication messages targeting this segment of customers.

Then, the respondents were asked to assess the perceived quality of characteristics in the case of the logistics company Intereuropa. Thus, it is also important to examine whether logistics service company targeting business customers is communicating the right quality of service characteristics previously identified by business customers as being important. The difference between the lowest value (mean value = 3.31) and the highest value (mean value = 4.18) is small. The following characteristics of the logistics provider Intereuropa were given the highest value: payments under agreement, good reputation and tradition, complete range of logistics services offered, reliability and accessibility of services offered. Results show that reliability and on-time delivery were the most important characteristics of logistics provider (mean value = 4.9). But the biggest difference between perceived and importance value of characteristics was found exactly in those two most important characteristics. We assume that the company can affect the customer's perception of logistics services by marketing communicat-
Table 4 - Importance and perception of characteristics of logistics provider

<table>
<thead>
<tr>
<th>Characteristics of logistics provider</th>
<th>Importance Mean</th>
<th>Importance Std. Deviation</th>
<th>Perception Mean</th>
<th>Perception Std. Deviation</th>
<th>Difference Perception - Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-time delivery</td>
<td>4.90</td>
<td>0.36</td>
<td>3.87</td>
<td>1.00</td>
<td>-1.03</td>
</tr>
<tr>
<td>Qualified personnel</td>
<td>4.67</td>
<td>0.50</td>
<td>3.95</td>
<td>1.08</td>
<td>-0.72</td>
</tr>
<tr>
<td>Price</td>
<td>4.52</td>
<td>0.64</td>
<td>3.31</td>
<td>1.02</td>
<td>-1.21</td>
</tr>
<tr>
<td>Adequate vehicles and equipment</td>
<td>4.08</td>
<td>0.88</td>
<td>3.97</td>
<td>1.02</td>
<td>-0.11</td>
</tr>
<tr>
<td>Simple ordering of logistics services</td>
<td>4.28</td>
<td>0.76</td>
<td>3.95</td>
<td>1.05</td>
<td>-0.33</td>
</tr>
<tr>
<td>Reliability</td>
<td>4.89</td>
<td>0.38</td>
<td>4.01</td>
<td>1.08</td>
<td>-0.88</td>
</tr>
<tr>
<td>Possibility of transportation of goods multiple times a week</td>
<td>3.99</td>
<td>1.02</td>
<td>3.89</td>
<td>1.09</td>
<td>-0.10</td>
</tr>
<tr>
<td>Payments under agreement</td>
<td>4.29</td>
<td>0.82</td>
<td>4.18</td>
<td>1.16</td>
<td>-0.11</td>
</tr>
<tr>
<td>Complete range of logistics services</td>
<td>3.86</td>
<td>1.01</td>
<td>4.13</td>
<td>0.98</td>
<td>0.27</td>
</tr>
<tr>
<td>Door-to-door service</td>
<td>3.70</td>
<td>1.06</td>
<td>3.92</td>
<td>1.04</td>
<td>0.22</td>
</tr>
<tr>
<td>Accessibility</td>
<td>4.02</td>
<td>0.89</td>
<td>3.99</td>
<td>1.12</td>
<td>-0.03</td>
</tr>
<tr>
<td>Speed of delivery</td>
<td>4.70</td>
<td>0.51</td>
<td>3.77</td>
<td>1.10</td>
<td>-0.93</td>
</tr>
<tr>
<td>Good reputation and tradition</td>
<td>3.31</td>
<td>1.24</td>
<td>4.18</td>
<td>1.11</td>
<td>0.87</td>
</tr>
</tbody>
</table>

The marketing function involves selecting and targeting specific types of customers and creating relationships with them by delivering a service package.
7. CONCLUSION

The third-party logistics industry has become relatively stable in the USA and in Europe. Successful logistics outsourcing can provide significant benefits to firms and to third-party logistics providers. However, there are some hidden risks in logistics outsourcing. Identifying hidden risks and preventive measures can help build successful logistics outsourcing partnerships.

Purchasing industrial services, especially logistics services, is a time-consuming, complex, and expensive activity. Purchasing plays a key role as it seeks out reputable sources on different basis. Customers may well purchase on a regular basis, but only because there is an absence of current alternatives. One source for identifying the logistics provider is the perceived value of logistics services offered. The attention is focused towards identifying the buyers' perception factors of logistics services to select the right logistics provider.

This paper created a framework for selection of the important and perceived characteristics of logistics provider relevant to customer in the process of selection of the logistics supplier. The research suggests that respondents attributed more importance to following characteristics of logistics companies: the reliability of logistics services offered, the on-time delivery, the speed of delivery and qualified personnel. Because these characteristics of logistics services, particularly reliability of service have been considered important to business customers, logistics providers should incorporate them in communications messages. These factors are important to customers in the process of selecting the logistics provider.

tailored to their values. The determinant competencies needed for this function are proposed as communication - the ability to draw consumer attention (Aung and Heeler 2001).

The literature suggests that advertising performs different functions when targeting business customer as opposed to general consumers. Because the decision to buy industrial products is usually made by professional purchasing agents that place great importance on cost, marketers assume the decision is based mainly on factual information rather than emotional appeals (Burnett and Moriarty 1998). The business customer is more of an information seeker than the general consumer and looks for information that will make business more efficient.

POZEZETEK

POVEZANOST ZAZNANE VREDNOSTI LOGISTIČNIH STORITEV IN ZUNANJEGA OSKRBOVANJA LOGISTIČNIH DEJAVNOSTI


KLJUČNE BESEDE

logistika, logistične storitve, zunanje oskrbovanje, zaznana vrednost

LITERATURE

Traffic & Transportation, Vol. 18, No. 4, 261-270

K. Logozar, B. Zavrsnik, D. Jerman: Relationship Between Logistics Service’s Perceived Value and Outsourcing of Logistics Activities


