

Importance of logistics management in maritime industry business essay

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Maritime Logistics Management

Importance of Logistics management in maritime industry

For international trade purposes, the maritime transport industry is of utmost importance as most of the cargoes are shipped through the seaports. One of the key areas of concern for this industry is the efficient logistics management especially of the containers so that the transportation becomes cost-effective and enhances the performance of the shipping companies (Ismail, 2009). The latest trend is the outsourcing of logistics to the logistics service providers (LSP) or third party logistics (3PL) service companies who assist an organization in ensuring effective management of their logistics function (Lun, Lai & Cheng, 2010). For this particular study, an analysis of ten research papers is conducted so that the data can be incorporated in the study.

Evaluation of the ten articles

Name of authors

Focus/Scope of the studies

Research Methodology

Findings

Limitations

Bourlakis and Melewar (2011)The aim of the paper is introducing the concept of marketing perspectives for enhancing the logistics service providers' performance. The concept of outsourcing has to be introduced with special focus on logistics outsourcing which is linked to the 3PL (Third party logistics) <https://assignbuster.com/importance-of-logistics-management-in-maritime-industry-business-essay/>

firms. It is a conceptual paper based on the analysis, findings and discussion of the relevant literature. This issue needs to be further researched so that outsourcing avenue can be explored. It even demonstrates the effectiveness of the present literature on this topic. The conceptual paper requires further empirical testing to analyze the effectiveness of the recommendations made in the paper. Cariou and Wolff (2012) Analyzing the growth of the outsourcing trend of the vessel management function in shipping industry to the companies responsible for ship management. About 39, 925 vessels that belonged to 4, 049 various owners of ships were included in the sample size. Each one of them had at two fleets for operation purposes. The key factor studied was the influence of owner on the final decision. For analysis, a mixed logit regression was applied for assessment of the roles of vessels' features on the outsourcing. The main finding of the study was that the firm's size measured in terms of number of vessels and types of vessels influenced the chances of undertaking outsourcing decision. In the paper, other factors were not taken into account such as the information available with the owners, distinction between outsourcing companies such as 3PL and shipping management companies and the range of options available in the market. Chen (2008) The focus is on recommending a model that is customer-oriented and objective-based for evaluation the performance of logistics service providers (LSPs). On conceptual grounds, customer-oriented and objective-based model of LSP is designed. Analysis is done on the basis of its implication in Taiwanese based manufacturing firm. The model provided positive outcomes and was more effective than previous models as ratings were accurate, effective and sensitive. It is tested only in

manufacturing organization. Further tests need to be performed in other forms of organizations. Grawe (2009) The scope of the study is to create a model for logistics innovation on the basis of existing literature on container logistics and suggest areas for advanced research. The articles in journals such as International Journal of Logistics Management, Journal of Business Logistics, International Journal of Physical, Distribution and Logistics Management and Transportation Research were reviewed for extracting the relevant information. Only a limited research is conducted on innovation in container logistics. The pre-requisites and outcomes for this area are identified and only little testing on empirical basis is done. The study is only limited to the top journals. Practical implication is required for validation of the findings. Kroes and Ghosh (2010) The focus of the study is to understand the importance of alignment of outsourcing decisions with the company's strategy for effectiveness of its performance. A set of manufacturing firms operating in US were included in the study. First, survey was conducted for data collection and then structural equation modeling and cluster analysis was done for data analysis. The firm's competitiveness is dependent on five factors i. e. cost, flexibility, quality, time and innovativeness. All these factors are vital for proper alignment of the corporate strategy. There are no studies on strategic congruence between the competitive priorities of the firm and outsourcing decisions. Lau and Zhang (2006) To identify the factors that are driving outsourcing initiatives in China and the obstacles that are being faced by the companies when compared to the Western countries. Case study approach has been used by conducting in-depth interviews with six companies in China. The main factor for emphasizing the importance of

outsourcing is economic aspect along with strategic considerations and environmental concerns. The key obstacles faced by Chinese companies are poor management, lack of quality service providers, below average infrastructure and lack of measurement for post-outsourcing. There is dearth of performance measurement models that can be applied for assessment of effectiveness of logistics outsourcing. Sanches-Pedregosa, Gonzalez-Zamora and Machuca (2011) The primary focus of the study is evaluation of the logistics outsourcing in the maritime transport industry. An analysis of the research papers published in last fifteen years relevant to the topic were analyzed and performance measures were extracted for evaluation purposes. There is a lot of theory-based models and indicators available for performance measurement but there is lack of practical implication. The models and frameworks are present in the literature but their applications have not been studied in the logistics industry. Sanches-Pedregosa, Gonzalez-Zamora and Machuca (2010) The main area of focus is on studying the importance of effectiveness of container logistics outsourcing decision. The analysis of the previous research papers relevant to this topic was conducted to identify the key elements and their implications for the firm's effectiveness. The decision of a firm is dependent on its business requirements and the demands of the customers. Outsourcing is highly dependent on its contribution in the firm's enhanced performance. There is lack of proper conceptual framework for assessing the performance of outsourcing initiatives. Thai (2008) The main scope of study is to develop a new conceptual model for extending the service quality knowledge so that it can be defined and managed in relation to the transport of container in

maritime sector. In this study, about 197 freight forwarders, port operators and shipping companies were included for data collection. More than 120 questionnaires were filled via mail survey and 25 in-depth interviews were conducted. SPSS software and thematic analysis were used for data analysis. The service quality is composed of six dimensions i. e. outcomes, process, image, resources, social responsibility and management. It revealed that the customer satisfaction is the main area of focus as it enhanced the total quality of the logistics company. It is the first stage of a comprehensive area of study and it focused only on the service providers. Yang and Wei (2013)The primary focus of the study is on empirical investigation of the key dimensions of management of security in the shipping sector of Taiwan especially for container logistics along with assessment of these factors on security performance . For this study, questionnaire method was employed. The exploratory factor analysis was done for identification of the crucial dimensions in the shipping sector for containers. Simultaneously, multiple-regression analysis was done for examination of the effectiveness of security management on the performance of security. The four main dimensions identified for security management were management of cargo and facility, prevention of accidents, management of partner relationships and IT management. IT management and partner relationship management had significant impact on safety and customs clearance performances. It simply focuses on security management and its impact on security performance. Further study can reveal the barriers and drivers for ensuring compliance with supply chain security.

Implications of the studies for the business research topic

In order to ascertain the importance of container logistics, the crucial elements are the quality and efficiency of container logistics so that all of its five dimensions are effectively managed. From the analysis of various papers and studies in research journals, it is evident that there are various models and frameworks available that can be implemented for the container logistics enhancement (Blecker, Jahn & Kersten, 2011). However, it is important to ensure that this aspect is properly aligned with the business operations so that the overall corporate strategy is effective and produces the desired results.

Explanation of the importance of logistics in maritime

Since containers are the main components used for the transportation of raw materials, finished goods and cargoes, only those companies can survive in this tough business environment who employ a well-integrated and efficiently coordinated framework for container logistics (Cariou & Wolff, 2012). Initially, the companies relied on the shipping firms who had specialty in maritime transportation but the latest trend is of outsourcing the container logistics either to shipping companies or 3PL who help their clients in curtailing down the costs. With the advent of time, the technological field has grown significantly and it has developed the latest systems for efficient management of business operations (Theofanis & Boile, 2009). Among the most effective solutions, the 3PLs and LSP have ensured that they have the comprehensive system in place which will take account of all crucial elements required for enhancing the logistics framework of their clients.

These specialist firms ensure that the customers are provided top quality

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services so that they can control their costs, employ the flexible patterns of production, take advantage of logistics innovation and get relieved of their worries related to warehousing of inventory (Lau & Zhang, 2006).

Evolution of the container logistics

As logistics outsourcing is heavily demanded by the manufacturing companies, they are looking for those sources who can help them in producing the superior quality products and services at reasonable prices. The main aim of these outsourcing service providers is to ensure that the corporations are relieved of the concerns related to inventory and security of the containers (Brown & Wilson, 2005; Kreowski, Scholz-Reiter, & Thoben, 2011). Most of the organizations are concerned about the security management of the containers as they want to get access to the containers in an easy and convenient manner (Rushton, Croucher & Baker, 2011). According to Yang and Wei (2013), the effectiveness of containers logistics is measured in terms of the security management because the clients want to have a smooth path to access their containers. Along with the security measures, the service quality is of utmost importance for the firms. Only those shipping companies are able to expand their customer base who can satisfy their customers efficiently. From the study of Thai (2008), it is evident that there are six key dimensions that are mandatory requirements of service quality in maritime industry. When the service quality is enhanced, the firms are able to save huge amount of cost, increase the inventory turnover rate and make effective use of the flexible system. On the other hand, there are certain stringent rules and regulations imposed by the governments of various countries on the maritime sector. These regulations

have proven to make the maritime transportation an expensive option because the respective governments are trying to provide support to their local firms rather than international companies. For instance, the EU government has developed an extraordinary intermodal infrastructure for its local manufacturing companies that allow them to avail the opportunities of enhancing production within the local boundaries (Thore & Ionanne, 2010). However, the companies have to evaluate the alternatives available in the market such as whether to outsource the logistics function to service providers or enhance the existing logistics management system.

Important areas for the study

In most of the container and general logistics studies, it is evident that the firms have to ensure that they develop their logistics framework in accordance to the form of the business. In order to make effective use of the opportunities those are available in the maritime transport industry, it is required by the organization to assess the importance of the efficient logistic framework for its performance enhancement (Sola & Oba, 2010). One key area of concern for each company is the performance measurement criteria; there is lack of literature about the indicators that can be utilized for assessing the performance of the container logistics (Grawe, 2009; Thai, 2008). Although Chen (2008) has tried to produce a model for performance measurement but it needs to be implemented and further refined so that the overall corporate strategy is supported (Sanches-Pedregosa, Gonzalez-Zamora & Machuca, 2011;). In addition to the service quality and cost-effectiveness, there are various factors that have to be incorporated in the assessment criteria of the container logistic management (Polansky &

Waller, 2011). Therefore, every firm has to first evaluate its requirement level for logistics efficiency, the desired results that have to be achieved, ensure proper alignment between outsourcing logistics and company's overall business strategy and set a performance criterion for assessment of the container logistics effectiveness.

Justification of the research

The findings of the studies stress the need of understanding the importance of logistics strategy that has to be complemented with the firm targeted objectives. There has to be clarity about the key factors that will be employed for ensuring cost-effectiveness, development of a well-integrated IT network design, efficient transportation and warehousing facilities for enhancing the complete logistics required for container shipping (Kroes a& Ghosh, 2010). As the main focus of the study is on making the container logistics efficient and developing a performance measurement framework for evaluation of its effectiveness, the variable related to service quality and outsourcing will ensure that the container logistics is efficiently performed. All crucial factors such as network design, cost, inventory management, transportation, warehousing and flexibility in business operations will be studied in detail in this study. It will ensure that the research objectives of the paper are successfully attained and make valuable contribution in the research field of logistics.

Conclusion

A detailed analysis of the existing body of literature on maritime transport industry assisted in understanding the dynamics of the container logistics. It

even shed light on the factors that have to be critically analyzed for efficient management of containers so that the clients are provided with excellent service quality. With the help of these studies, a performance monitoring model can be developed for assessing the effectiveness of the container logistics. As a result, the findings of the study will provide adequate and worthwhile information to the companies which are facing problems related to the logistics outsourcing.