

**HOW CAN THE TURKISH THIRD-PARTY LOGISTICS SECTOR
IMPROVE ITS CAPABILITIES?**

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**The work contained within this document has been submitted by the student in partial
fulfilment of the requirement of their course and award**

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EXECUTIVE SUMMARY

The aim of this research is to answer the question of how capabilities of Turkish logistics sector can be improved by using modern techniques such as third party logistics and the investigation will be made sector based. Sector's situation will be explained by facts and figures and comparisons will be made between Turkey and the World. This will provide a clear picture in order to understand the situation better. Turkish logistics is aiming to compete in the world market more effectively. However, the sector needs to develop itself and adapt contemporary logistics techniques and systems in order to compete in the global market.

Third-party logistics' evolved in the 1970s. Early third-party logistics offered basic services such as warehousing and transportation. Today, they can provide services all through the supply chain integration. Third-party can be described as outsourcing an organisation's logistics operations such as IT, tracking and tracing, information management, routing guiding, transportation, inventory management and warehousing to outside logistics providers which are neither consignor nor consignee (Goddard 2005).

Third-party logistics providers have deep market knowledge and access to rare data and they have better facilities than a company that its main business is not logistics. Their physical and technical knowledge help companies operate not just in domestic market but also in foreign markets as well.

However if a company wants to work with a third-party logistics provider and get the benefits it expects, it should specify its requirements from provider before the selection process. At this point selection criteria play an important role. Understanding the companies' selection criteria is crucial for third party logistics providers. Providers can improve their capabilities according to customers' requirement. As a result, sector increases its technical and physical capacity and customer gets a better service. In the literature review this issue will be analysed deeply. Furthermore, what logistics is and the evaluation of logistics in the World and Turkey will be investigated, the condition of transport modes and infrastructure in Turkey will be analysed in depth. It is important to understand them because they affect the success of a country's logistics services. If a country's logistics infrastructure and system is not good enough, logistics providers cannot offer high-quality services and it diminishes the competitiveness of logistics sector.

The methodology chapter will give the information of which data collection methods will be used, research philosophy, research design and sampling issues will be illustrated. In this research an inductive approach will be used. As research design the descriptive research design will be applied. Interviews will be made and these are the primary data for the research.

The findings are based on the interviews with six sector representatives. The questions directed to the sector representatives aim to learn their approaches about third party logistics services and providers, the benefits they obtain for their international and domestic businesses, the problems they have experienced and their selection criteria. This information will help to understand the situation of Turkish third-party logistics sector and how the position of Turkish logistics sector can be improved in the global market place.

2.2. Turkish History

According to the interview results with six different sectors (food and electric, furniture, paper, toy, textile and hardware) representatives, it is understood that each sector has different approach and requirements from logistics providers. Each of them needs providers that are specialized in their sectors. The interview results clarified each sector’s third party provider selection criteria. Furthermore, the sector representatives stated their opinions about problems in Turkish logistics sector and solutions to these problems. Lack of logistics infrastructure and government support and incompetency of third party logistics provider are major issues that mentioned by interviewees

CHAPTER ONE – BACKGROUND

1.1- Introduction

The aim of this chapter is to give information on the background of this study. First of all, this chapter gives brief information on the Turkish history. Then the evaluation of Turkish logistics sector is explained starting from the Ottoman Empire to the Republic of Turkey. Thirdly, logistics, logistics outsourcing and third party logistics are explained. Following, the research's aims and objectives are mentioned. Finally, the chapter concludes with the chapter summary.

1.2- Turkish History

According to the historical researches Turks' ancestors who lived in Central Asia dates back to 2000 B.C. Travelling widely throughout the Asia and Europe, the Turks founded some important nations throughout these continents. During their nomadic life style some Turks travelled to Anatolia. Following the Turkish-Byzantine War in 1071 A.D. Turks settled in Anatolia and founded some small states (Inalcik 2003). These small states created the first Turkish Empire, Seljuk Empire. After the Seljuk Empire the Ottoman Empire was established and it ruled more than 600 hundred years (1281-1923). During the period of time the Empire enlarged its boundaries from Eastern Europe to Western Asia and North Africa. This enlargement policy led them to improve their logistical power (Bayraktar 2002). The Ottoman Navy was one of the most developed in the world at that time. Since the Empire was on the Silk Road it had busy land transportation. But this rapid enlargement couldn't be sustained because of the wars and mismanagement of the Empire. Most of the logistics infrastructures which were established during the rise and growth period of the Empire were destroyed in the decline period. After the First World War the Turkish Republic was founded in 1923 and re-establishment of these strategic infrastructures started. Since the war affected economy deeply the establishment process has taken a long time (Encyclopaedia 2007). Even today, the reason of poor railway and seaway trade stems from the failures and disasters of the past (Wikipedia 2009). It didn't just affect the infrastructure but also the development of logistics systems. Because of that reason country's use of modern logistics techniques is

behind of the world standards. However, Turkey is still maintaining its political and geographical importance as a link between the Europe and Asia.

1.3- Logistics Development from The Ottoman Empire to Republic of Turkey

Logistics system carries a great importance in order to exploit a country's economic resources, establish effective commercial and cultural relationships with other nations. If a country doesn't have a developed transportation system it will weaken its links with other countries, especially in today's fast developing global environment. In addition to the international relationships, lack of transportation systems causes some significant domestic problems as well. Because of that reason countries try to establish efficient logistics infrastructures and systems in order to have competitive advantage against each other (Ertin 1998).

Turkey has been a commercial gateway because of its geographical condition. It also constitutes an important part of the Silk Road. The establishment of commercial highways, seaways and railways dates back to Ottoman Empire. This determined progress of infrastructure establishment increased the Ottoman trade considerably and brought prosperity (Ertin 1998). Because the logistics infrastructure was damaged as a result of the wars the new Republic inherited a collapsed economy with lack of resources. That situation made the country rely on foreign support and it caused many problems in terms of economy and logistical development.

1.3.1- Land Transportation

The oldest road was made by the Hittites in B.C 2000 in Turkish Land. Later new trade routes were built by Roman Empire and Seljuk Period. These trade routes that build up the foundation of commercial and logistical power of the country remained primitive until the Ottoman Empire. After the foundation of the Ottoman Empire country's logistics and logistical infrastructure flourished remarkably. Some facilities were built and bridges were established in order to make the transportation of goods easy (Durgun 2006). Also trade ways were designed to suitably connect the trade hubs to docks and railways. However the First World War affected those crucial trade ways profoundly. The transition from the Ottoman Empire to Republic of Turkey and the Second World War caused political and economical

instability. Because of that reason re-construction of the routes gained importance after the Second World War. However, old vehicles replaced with modern and better quality ones. Some important developments were experienced in 1970s. Highway construction was accelerated and the Bosphorus Bridge which provides link between Asia and European parts of Turkey was built 1973 (Evren 2006). So transportation of goods from Turkey to Europe has become much easier and quicker. These developments raised Turkish economy and enough resources obtained for the continuous improvements for logistic sector.

1.3.2- Railways

The first railway was built in 1856 by an English company. The line was between city of Izmir and Aydin. Both cities are located by the sea and have important ports. On the other hand, these cities have great commercial and raw material potential in terms of agricultural and mineral resources (Insaatmuhendisligi 2009). In this way, it was aimed to obtain some raw materials that were important for British industry. After the right was given to England to establish railway, German and France also started to build up railways in the areas where they had benefits. These countries didn't just build up railways in order to get economic power but also have political control over the country. Ottoman Government wanted to obtain some benefits from proper railway network across the country. But since railway network was designed for the benefit of the foreign countries it didn't bring the expected benefit to Turkey. The reason why the establishment rights were given to the foreign companies was lack of economic resources of the Ottoman Government (Gurbuz 1999).

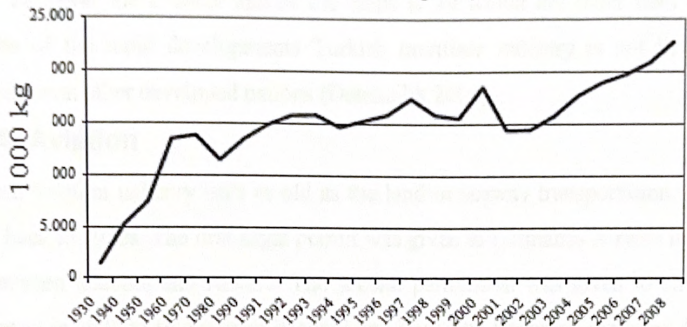
After the foundation of Turkish Republic, the government took the railway rights back from foreign countries and railway formation was based on the benefits of Turkey. The goals of establishment of railways that were set are:

- To link production hubs to the natural resources
- To create links between costumer and manufacturing centres to the seaports
- To connect undeveloped areas in order to increase economic progress across the country
- To enhance national security

Thus, the intention was to close the economic as well as social gaps between the regions and to fulfil economic policies (Durgun 2006).

Today, Turkey has around 11,000 km long railway network which was initially only 4000 km prior to Turkey becoming a republic. In addition, fast train lines have been built up between the commercial centres of Turkey.

Graph 1.1 Turkish Freight Carriages by Railway



Source: (Turkish Railways 2008)

After the 1050 railway policy the freight transportation has increased speedily. As a result it enhanced the trade and employment rate within the country. On the other hand, in spite of the increasing rate in freight transport, the situation is not satisfactory compared to the land transportation rates (TCDD 2008).

1.3.3- Seaway

Because Turkey is surrounded by the Black Seas and Mediterranean Sea and is intersection point of three continents, it has been an important destination for the sea trade. The emergence of navy started in 15th century during the Sultan Beyazid Period. The Ottoman trade ships reached to the Near East and Mediterranean (Oynaogrenegitimi c. 2205). If the development of Turkish sea trade is viewed closely, it can be noticed that it consists of three stages. The first stage starts in 16th century. At that stage foreign vessels were operating in Turkish Waters and France was the most dominant among them. Second stage starts in 19th century and Turkish vessels started to operate beside foreign vessels. The first steam ship was built in 1842 and those ships contributed the Ottoman’s freight and passenger transportation. The final stage of obtaining Ottoman’s own fleets starts with First World War. However it couldn’t last long because of the damages of the war to the Turkish maritime industry (Ayyildiz 2008). After the establishment of Turkish Republic, thanks to the more effective government policies Turkey has partially achieved to create new and modern maritime infrastructure. Number of vessels has increased, technology has been updated and more ship manufacturing facilities have been built (Koralturk 2004). Today Turkish maritime industry

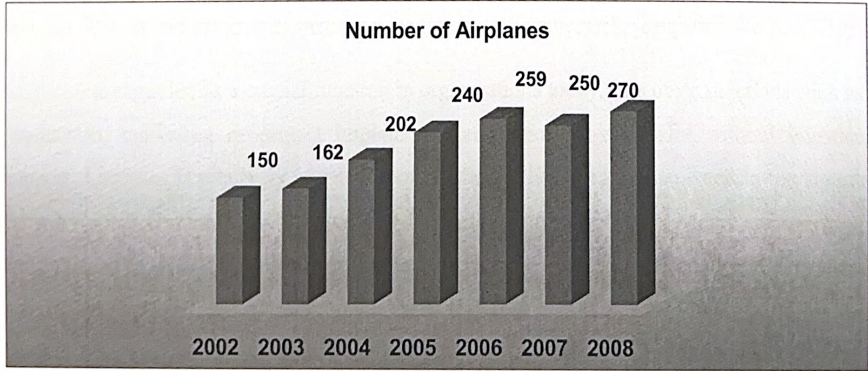
is ranked 25th in the world. Turkish maritime fleet consists of 1650 vessels. There is a remarkable increase at the number manufacturing facilities. It was 45 in 2002 and it is currently 104. The amount of production increased in parallel with the number of the dockyards. While the production was 84,700 Deadweight tonnages, it peaked at 310,000 in 2007. However the average age of the ships is 20 which are older than world standards. Despite of the rapid developments Turkish maritime industry is not in the condition to compete with other developed nations (Denizcilik 2009).

1.3.4- Aviation

Turkish aviation industry isn't as old as the land or seaway transportation. Its establishment dates back to 1920s. The first flight permit was given to Lufthansa Airway in 1925 in order to fly between Istanbul and Ankara. The second permission was given to an Italian Aviation Company in 1926 to fly between Istanbul and Italy. But the most important development was the establishment of Turkish Airlines in 1933. The institution started its operations with 5 airplanes with 23 seat capacity. Because of the political and economical instability Turkey couldn't invest into aviation industry until the end of the Second World War (Korul and Kucukonal 2007).

After the wounds of the war healed, Turkey embarked on establishment of modern and competitive aviation system. The aviation industry was monopolized by government until 2003. But the damage of monopolistic market was noticed and privatisation took place on 20 October 2003. Privatisation increased the competition and quality. Today, Turkey has 270 airplanes (Korul 2009). There is a sharp increase in the number of the airplanes compared to

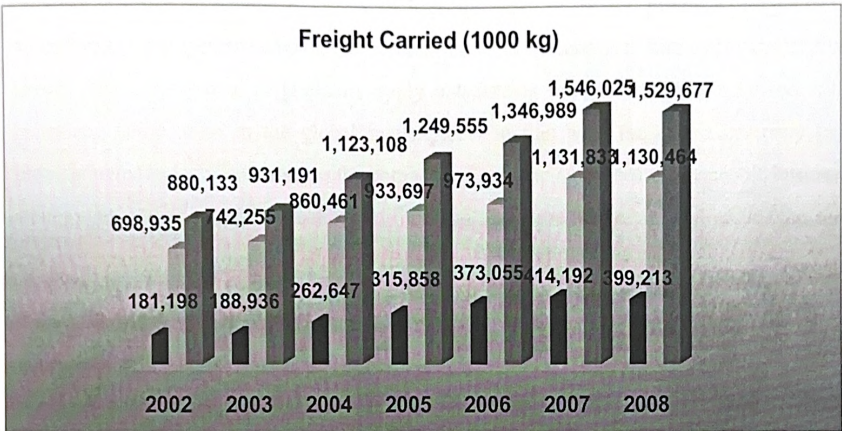
Graph 1.2 **Number of Airplanes in Turkey**



Source: (Ministry of Transport and Communication 2009)

As it is seen the graph 1.3 the amount of the freight carried has increased with the rise in number of airplanes.

Graph1.3 Turkish Freight Carriages by Airway



Source: (Ministry of Transport and Communication 2009)

Turkey has 40 airports and number of the airports will increase as a government policy. Turkey’s airports are reaching the world standards. For instance, there are two Turkish airports in the ranking of top 100 airports in the world. Istanbul International Ataturk airport is 55th and Antalya International Airport is 80th in the list (DHMI 2009).

1.4- Logistics

Logistics is described as organisation development framework for the managing services, materials, information and capital flows. It consists of sophisticated information, communication and tracking systems needed in current business life (Logistics World 2009).

Logistics is regarded as a crucial function in organisations today. The other functions such as production, marketing or project implementation cannot be successful without logistics support. Logistics is relatively a new term. In fact, it has been implemented in the simple form by some civilised nations. However business environment and systems are changing and logistics as well. The destination between production hubs, raw materials and customers are not necessarily close to each other. There logistics is getting more importance for the success of organisations. In addition, it has an important effect on international trade. The countries that have strong logistics infrastructure and system can expand their markets easily (Zeybek 2007).

1.5- Logistics Outsourcing

Outsourcing is defined as contracts or corporations between producer and logistics service provider in order to provide a variety of logistics services for the producer. Logistics is crucial part of competitive advantage. It determines the success or failure of firms. For that reason companies started to gradually apply outsourcing for their logistics functions with increasing competition in the global marketplace. In this way, the expert company can provide better logistics solutions to the company. Outsourcing is seen as a valuable business strategy since it enables organisations to focus on their core businesses and reduce the risk and cost coming from logistics activities (Bloomberg et al 2004).

1.6- Third Party Logistics

Third party logistics provider is an external logistics contractor that carries out all or some parts of the firm's logistics activities. The application of third party logistics services is increasing significantly since it reduces operation costs and risk, removes the infrastructure investment and enables companies to access the resources that they don't have in their organisations (Nemoto and Tezuka 2002).

1.7- Research Aim and Objectives

Turkey, like many other developing countries is willing to have a sophisticated as well as a competitive logistics system. Because the country has experienced many conflicts, its logistical infrastructure and system were heavily affected. Turkey still suffers from the damages of the past especially on railway and marine transportation. In this section, the evaluation of Turkish logistics will be explained. It will contribute in understanding the current situation of Turkish logistics and how to find solutions to the problems with modern logistics techniques such as *third party logistics*.

The aim of this research is to answer the question of how the capabilities of Turkey's logistics sector can be improved by using modern techniques mainly third party logistics companies. Thus the objectives of this research are as follows:

- 1- To understand logistics development in the world and Turkey.
- 2- To critically analyse the third party logistics.
- 3- To ascertain the situation of third party logistics in the world and Turkey.
- 4- To point out solutions in the development of third-party logistics sector

1.8 Chapter Summary NATURE REVIEW

This chapter analyzed the background of the dissertation. Turkey's general history and logistics history were examined. The historical information starting from the Ottoman Empire to today will provide the understanding of the current situation of Turkish logistics. Also definition of logistics, outsourcing logistics and third party logistics were defined. Finally, the purpose of the study and how to reach the purpose was explained in aims and objectives section.

Today, businesses' expenditure habits are changing and production methods are diversifying. In addition, global strategy is emerging with the increase in the number of companies. Some multi-national companies are getting more powerful than some nations. In order to continue to exist in this environment, organizations are setting up new strategic global logistical networks that can distribute high-quality and competitive products and services to any part of the world market quickly. So they aim to be much more effective and powerful in international arena. This changing nature is regarded as the new competitive power for organizations and also, interest to stakeholders and stakeholders (Borji) Under these circumstances, no country can ignore this new trend and start a serious adapting it.

The rapid growing international trade and the rising of the world market force the companies to consider competition not just within their national borders but also in international markets. Because of this reason, today, companies focus on their core businesses and outsource their logistical operations. Companies outsource logistics to either to provide the raw material they need and deliver produced goods to customers, they can concentrate on their main capabilities and increase their profits (Marin, 2005). This research will examine the situation of logistics sector in the World and Turkey and focus on third party logistics sector specifically.

2.2- What is Logistics?

Extensive activities have increased thanks to the weakened economic and trade boundaries across the globe and the significant support of modern logistics companies. Enhancing of mass production resulted by increase of the consumption level and it has made producers seek to deliver the goods faster, cheaper and cheaper than they used to do. So it has made logistics and logistics companies very famous in trade because they provide cross-border services as well as warehousing, transportation of raw materials and finished products. Moreover, logistics is an essential element of a nation's economy since it has an impact on energy expenditure, productivity and supply efficiency. It also takes part in energy-human safety, diversity in

CHAPTER TWO - LITERATURE REVIEW

2.1- Introduction

International business has been going through a process of rapid change. Developments in Information and Communication Technology, globalisation and *logistics* are restructuring the trading system and eventually the trading flow. The barriers between countries and sectors are diminishing, consumers' expenditure habits are changing and production methods are transforming. In addition, global rivalry is enhancing with the increase in the number of companies. Some multi-national companies are getting more powerful than some nations. In order to continue to exist in this environment organisations are setting up new *strategic global logistics networks* that can distribute high-quality and competitive products and services to any part of the world market quickly. So they aim to be much more effective and powerful in international arena. This distinguishing power is regarded as the core competitive power for organisations and also nations. (Jakubauskas and Vasiliauskas 2007) Under these circumstances no country can ignore this new trend and survive without adapting it.

The rapid growing international trade and shrinking of the world market force the companies to consider competition not just within their national borders but also in international markets. Because of that reason, today, companies focus on their core businesses and *outsource their logistics operations*. Companies outsource logistics in order to provide the raw material they need and deliver produced goods to customers, they can concentrate on their main capabilities and increase their profits (Murray 2008). This research will examine the situation of logistics sector in the World and Turkey and focus on third part logistics sector specifically.

2.2- What is Logistics?

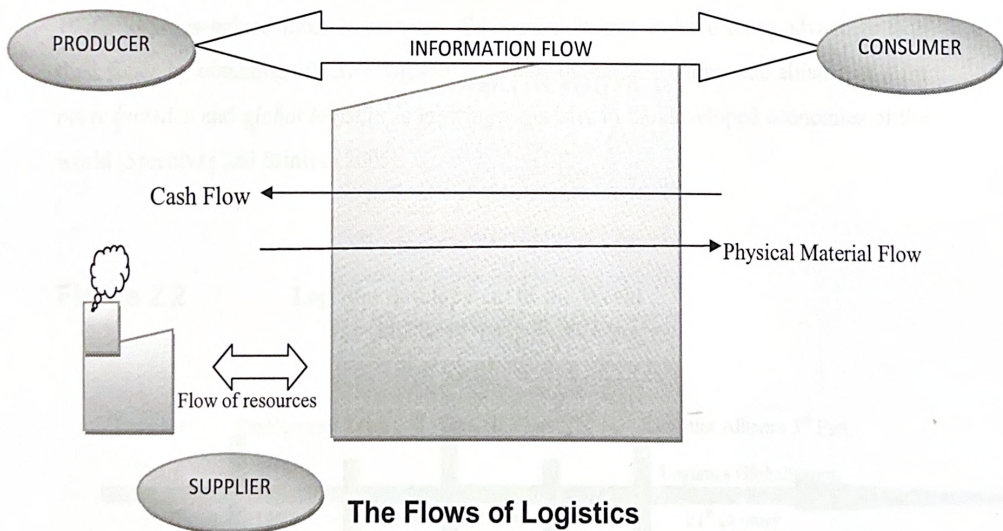
Production activities have increased thanks to the weakened economic and trade boundaries around the globe and the significant support of modern logistics companies. Enhancing of mass production resulted in increase of the consumption level and it has made producers seek to deliver the goods much quicker and cheaper than they used to do. So it has made logistics and logistics companies a key factor in trade because they provide crucial services such as warehousing, transportation of raw materials and finished products. Moreover, logistics is an essential element of a nation's economy since it has an impact on energy expenditure, productivity and supply efficiency. It also takes part in every human activity directly or

indirectly. This fundamental role of logistics was recognized and accepted as a necessary organisational function by developed nations long ago. Beside its general benefits to the nations it also offers some gains to private companies. It enables companies to offer better products to their final customers when they demand them. In addition of this, developed logistics methods reduce the cost of the production. As a result, production companies may obtain bigger market share and sustainability (Tuna 2001).

2.2.1- Definition of Logistics

Logistics as a word originally comes from the French word “loger” which means quartering the troops. The implementation of logistics has existed since the establishment of organized armed forces. The word defines the practice of supply, maintenance and movement of armed forces. The practice of the logistics in business sector started late twentieth century and the first professional organisation was established in 1963. Today, there are many organisations all around the world in order to develop logistics science and industry (Taylor 2008).

Figure 2.1 The Flows of Logistics



Source: (Lundberg and Schonstrom 2002)

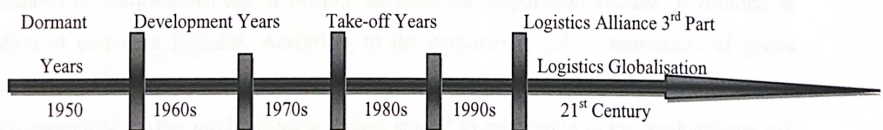
Logistics is defined in various ways. In this section it will be given some definitions.

- 1) It is the process of moving products and materials from the scratch to the end of the manufacturing for the satisfaction of customers and in order to obtain more commercial competitiveness.
- 2) It is the function of planning, implementing and controlling the efficient, forward and reverse movement and storage of goods from the beginning to the final customer in order to meet their requirement.
- 3) It is the discipline of organizing and implementing the purchasing and using resources which are necessary to maintain the operation of business (Logistics World 2009).

2.3- Evaluation of Logistics

Because of the trends in the global economy, the value of logistics management is increasing in various areas since 1950s. (See figure 2.1). For industries, logistics assists to optimize all the aspects of manufacturing and distribution processes by utilizing the same resources with management techniques in order to advance efficiency and competitiveness of organizations. It wasn't an academic term until the late 1960s. However it was recognized as an economic word at the beginning of 1980s. After rising petrol prices and its effects on enterprises in 1970s logistics gained more importance. Companies wanted to have more advantage than their rivals by obtaining effective logistics methods. In the 21st century, the alliance of *third party logistics* and *global logistics* is growing especially in the developed economies of the world (Sreenivas and Srinivas 2005).

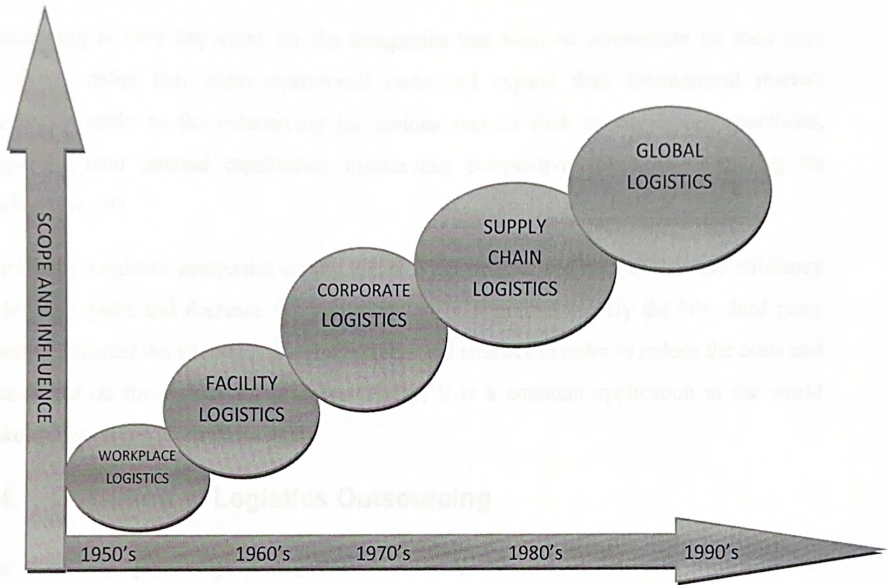
Figure 2.2 Logistics development in the World



Source: (Optimization-online 2005)

In addition to this explanation, how logistics has evolved from an internal factory operation to the global level will be explained below.

Figure 2.3 **Logistics Evaluation**



Source: (Frazelle 2002)

Logistics has experienced some developments from the basic understanding to the today's modern logistics system since 1950s. Firstly, it was implemented as workplace logistics. It is defined as the movement of material at a particular workstation. At the second stage facility logistics was developed. The function of facility logistics was the flow of the materials between different workstations within a production centre. It is also named as material handling. In 1970s, the increase in mass production and the size of organisations brought significant improvements in logistics as well. The understanding of logistics exceeded the boundaries of workstations and it became an issue for corporation success. It resulted in creation of corporate logistics. According to the corporate logistics, movement of goods doesn't take place just between the workstations but also between the facilities and processes of a corporation. After the logistics activities started to go beyond the workstations and become an issue of corporate success it has become more crucial for organizations. As a result the supply chain logistics which is the movements of the materials, money and information between different corporations began. At the fifth stage, global logistics activities started to take place between corporations which are located in different countries (Frazelle 2002).

2.4- Outsourcing of Logistics

Outsourcing is very important for the companies that want to concentrate on their core businesses rather than other operational tasks and expand their international market. Businesses apply to the outsourcing for various reasons such as developing operations, supporting their internal capabilities, maintaining competitive advantage or cutting the production costs.

Third party Logistics companies supply logistics outsourcing and help to increase efficiency in logistics tasks and decrease the transportation of organisations. By the 90s, third party logistics attracted the attention of manufacturers and retailers in order to reduce the costs and concentrate on their main competences. Today, it is a common application in the world (Jakubauskas and Vasiliauskas 2007).

2.4.1- Definition of Logistics Outsourcing

The enhancing popularity of logistics outsourcing has put it into the centre of the development of many organisations. Logistics outsourcing is more and more being applied to success performance improvements in the entire business. When we consider some literatures we can see various definitions of outsourcing.

1) Logistics outsourcing is described as the strategic employment of external professional service providers to implement and control activities and functions that are not the organisation's core business (Onay and Kara 2009).

2) Logistics outsourcing is the operations of third parties rather than internal competence to execute non-core activities. It describes a way that businesses can reduce their financial risks while maximizing the opportunities of developing and relatively a bigger level of competitiveness. Outsourcing commonly engages the transfer of operations and responsibilities to a third party that can use its expertise to provide services (YHC Group 2002).

In the following section the most common outsourcing technique, third party logistics, is going to be explained.

2.4.2- Overview of Third Party Logistics

A core organisation offering services or products is regarded as the first party or producer; the client is considered as the second party. So the firm that is contracted to do the operations which neither side wants to do is called the third-party. Third-party logistics' evolution started in 1970s because of the enhancing use of IT (information technology) and expansion of globalisation. Firstly, transportation and brokerage services were provided between 1970 and 1980 and this is the first generation third-party logistics. Between 1980 and 1990 third-party logistics experienced its second generation period. At this stage third-party logistics providers were categorized as just asset and non-asset based companies. These companies provided increased service offers. Today, third-party logistics provides services with increasing supply chain integration. They carry out a range of logistics activities and offer tailored services (Regan and Song 2000). The main services that they provide are:

- Inventory management
- Logistics management and consulting
- Reverse logistics and value added services
- Shipment tracking and tracing
- Freight audit and consulting
- Contract transportation and transportation procurement

Third party services provide transportation, financial services and inventory management. In addition, warehousing, information technologies, administrations, import and export activity activities are outsourced to the third party services (Green et al 2008).

2.4.3- Definition of Third Party Logistics

In logistics science, there are different kinds of definitions on issues associated with third party logistics and providers. In this part, it will be given different definitions which are described by some academic researchers.

- 1) Third party logistics are the operations and activities that are accomplished by a logistics service provider for a shipper and it involves at least transportation activities.
- 2) Third party provider is an external contractor that performs all or part of the organization's logistics functions (Cain 2009).

3) Third party can be described as outsourcing organisation's logistics operations such as transportation and warehousing to outside logistics providers which are neither consignor nor consignee (Goddard 2005).

As it is understood from the definitions there is not a direct relation of third party logistics with an organisation's main business. This is a just external business and offered by third party service operators.

2.4.4- Importance of 3PL and 3PL Providers

In supply chain management logistics has a crucial role for many businesses. Since the raw materials or finished products should be delivered to customers on the time with low costs, it is regarded as the fastest way to improve an organisation's ability to compete in the marketplace.

Third party logistics providers have deep market knowledge and access to rare data and can adapt the changing market conditions quickly. Also, because they invest all their capital into their core business, logistics, they have better facilities than a company that its main business is not logistics. This helps companies not just in domestic market but also in *foreign markets* as well.

Another benefit of outsourcing is cost reduction. Because many organisations don't have the capability to handle logistics activities internally, the lack of the physical and organisational resources results in ineffective logistics operations. So it increases the operation cost (Regan and Wang 2003).

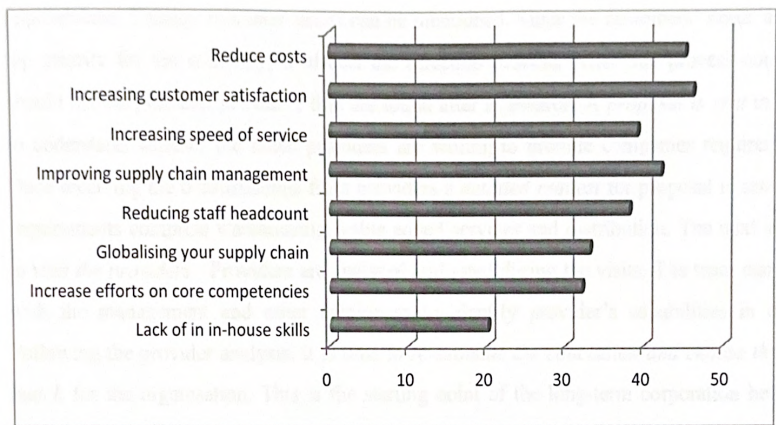
Third party providers can supply sufficient storage capacity according to the customer's demand.

Also customer service can be increased by using the third party logistics providers. Third party providers can deliver company's products more frequently. If it has multiple distribution centres, the lead times to customers can be decreased by being closer to the clients.

Today, third party logistics provider can help organisations in *overseas markets* as well. Organisations are keen to extend their markets outside of domestic markets. However, many organisations don't have distribution channels to operate in overseas markets. But a third

party provider can help the distribution and offer efficient customer services. So companies can enter a foreign market successfully (Tompkins and Smith 1998).

Figure 2.4 Key Drivers in Choosing 3PL



Source: (Goddard 2005)

2.4.5- Types of Third Party Logistics Providers

Standard providers: The providers which are in this category offer minimum level services such as transportation and warehousing.

Service developer: This kind of providers offer more value added services such as track and trace, IT, cross docking and packaging.

Customer adapter: They are providers that are ready to take over the entire control of the firm’s logistics activities (Fundamental of Business 2009).

2.4.6- Selection of a Third Party Logistics Provider

The selection process

The relationship of company and a third party logistics provider needs a long-term commitment. The key point for success between two parties depends on choosing a correct provider and communicating effectively. In order to select the right provider companies should take into consideration some points.

For example, there ought to be *collaborative work* among different departments within an organisation, the organisation needs can be understood by every department clearly. *Setting objectives* is another critical issue. Objectives such as cost reduction, targeting new markets or focusing on main business can be set according to the provider that matches company requirements. Thirdly, *customer needs* can be mentioned. Since the customers' needs are the top priority for the company, it affects the selection process. After this process company should *list the potential providers* that are found after a research. A *proposal is sent* in order to understand whether the listed providers are willing to provide companies requirements. Once receiving the confirmations from providers a *detailed request* for proposal is sent. The requirements comprise warehousing, value added services and distribution. The next step is to *visit the providers*. Providers are analysed and rated during the visits. The team can meet with the management and other employees to identify provider's capabilities in detail. Following the provider analysis, it is time to *re-examine the conclusion and choose the best match* for the organisation. This is the starting point of the long-term corporation between organisation and the provider (Green et al2008).

The expected capacity and capabilities from provider

The process which mentioned above is about the selection process and which way companies should follow when they select third party logistics provider. The compatibility of the provider's capacity and capability is seen a critical issue because it provides success and long term relationship. The expected capacity and capabilities from provider during the selection process will be mentioned below.

For instance, *the size and quality of fixed asset* that provider obtains should be evaluated. The amount and quality of provider's physical equipment is assessed since it helps to perceive how much efficient service can be received by a provider. In addition, enhanced delivery quality results in flawless delivery and customer satisfaction.

The other issue that should be mentioned is *the quality of management*. It is considered as the assurance to high-quality service. It also assists to make strategic decisions in the long term relationships. Moreover, quality of management affects excellence of service, IT capacity and other criteria.

Information technology capacity is regarded as a crucial criterion when selecting provider as well. IT capability refers to the sophisticated software such as ERP, simulation software

electronic data interchange networking, vehicle routing packages etc. A high-quality service is provided to customers by using tracking and tracing devices. IT capacity of the provider also increases the ability to provide considerable development in financial stability, cost reduction and operational performance in the long run (Kannan 2009).

Because timing is very important for all businesses *delivery performance* holds importance in every step of business process. Therefore timely delivery and retaining consumer satisfaction has a priority for businesses. Delivery performance refers to speed and reliability. As it affects the customer satisfaction it also affects company reputation. Because of that reason delivery performance is a fundamental criteria in selection of third party logistics provider.

Another criteria that should be required from service provider is *the information sharing and trust*. A service provider must be truthful and open to share necessary information. Providers should allocate information to help companies control their inventory.

The operational performance is regarded as the guarantee of third party logistics provider's efficiency and effectiveness. Precise objectives in terms of quantitatively assessable and significant performance enhance long-term relationship. It increases the capability to solve potential problems, privacy of sensitive data, comprehensive accounting information and performance-assessing ability. The capability to obtain quantitatively assessable performance is one of the most vital criteria when choosing a third party logistics provider.

Financial stability of a business has a crucial role in order management. It is mentioned among the top ranking criteria. Companies select providers providing exceptional customer service and certainly obtaining concrete financial stability for a long-term business success.

Companies that want to operate in a large market and also extend it are looking for providers with a *large geographical spread*. In addition, they require *variety of services* in this wide geographical spread. This is another key factor to be considered when selecting a provider (Sevim et al 2008).

The provider reputation gives confidence in terms of reliability, quality of service, contract fulfilment and customer satisfaction. It satisfies companies because they don't worry about the service offered by the provider.

In this economic environment companies are struggling to sustain in their markets. Of course, the increasing cost of production and services play important role. Because of that reason

companies want to work with *low cost* providers. However its importance, cost issues come after, for instance, compatibility and operational performance.

Surge capacity is another issue to be discussed. It gains more important when logistics requirement of company increases. Therefore, companies look for providers that have enough resources to respond to their urgent needs. For this reason, surge capacity is important.

Flexibility of provider attracts companies to work with it. Flexibility refers how much a provider can tailor its services according to its customer's requirement. It is important because market conditions are in a constant change and whoever adapts these conditions become successful (Gulen 2005).

Long-term relationship brings benefits to businesses. It provides more understanding of each other's needs and generates mutual confidence to both parties. This successful corporation has some advantages such as tailoring the company's needs effectively, access to the provider's information systems and evaluating the efficiency in the long-term. Since it has some benefits companies keen to work with providers that want to work long-term with their customers.

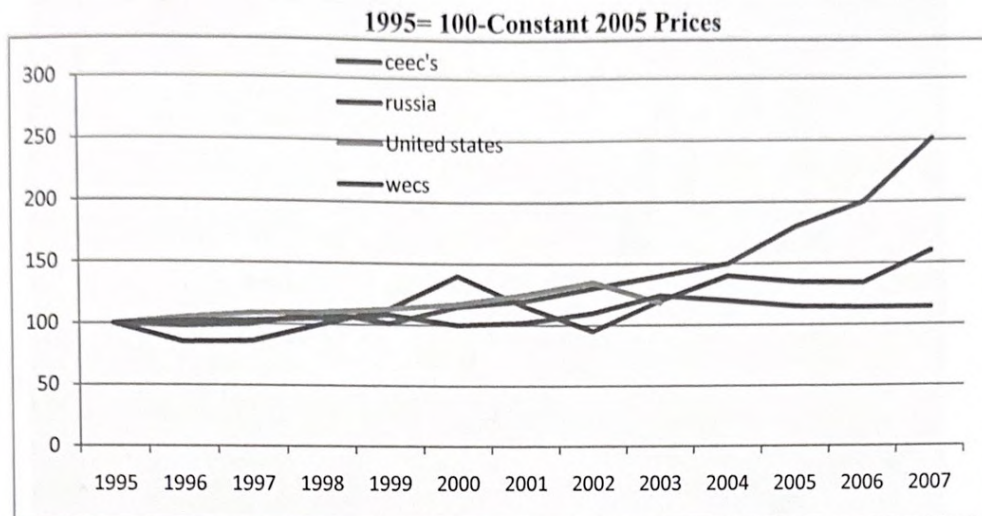
Finally, after these criteria analysis, *compatibility* is a crucial step in choosing third party logistics provider. Compatibility matches the company cultural and philosophy with providers. It makes them able to work together efficiently. It is also essential for the future relations of two sides (Green et al 2008).

2.5- Logistics in the World and Turkey

Globalisation has immensely increased the volume of the global trade and enhanced the size and sophistication of supply chains. Furthermore, because of the shrinking of the global market place and speed of transportation global logistics market is developing fast.

Consequently, there has been a boost in demand for global logistics services provided by the logistics service providers. The increasing amount of international trade and demand to the logistics services drive nations to invest more in logistics activities.

Figure 2.5 Investment In Inland Transport Infrastructure



Source: (International transport forum c. 2008)

According to the graph 2.5 there is a significant investment by all countries. However West Europe Countries are leading in transport infrastructure investment.

As a result, these major investments create a massive market all around the world. Today world logistics value is estimated to have reached \$5 trillion. Logistics sector is one of the fastest growing sectors in the world. For instance, it has growth rate of %7-9 in the Europe. The leading logistics countries are the USA, United Kingdom, Japan, Holland, Germany and France. Besides the USA and European countries that hold more than %50 of logistics market, Dubai and Hong Kong logistics market are growing rapidly as well (Euro Insight 2006).

Turkey's location is between Asia and Europe and it has a bridge function in terms of cultural and economical. Its location gives a big advantage to the country's transportation and logistics sector in order to serve major markets of the world such as Europe, the Middle East and North Africa. Turkey's logistics volume is 20 billion Euros. It is invested \$5 billion every year and creates job opportunities to 400.000 people (Derinalp 2007).

Figure 2.6



Source: (Foreign Trade logistics 1992)

Also it is considered that Turkey has a great potential to be a logistics hub in the future. Since Turkey is in a stable growth it attracts many foreign investors as well. Many countries such as the USA, Europe, Russia and Middle East are increasing their investments in Turkey. However, the modern Turkish logistics sector has just 15 years experience and it doesn't have enough capabilities to apply contemporary logistics techniques (Babacan c. 2007).

The logistics capacities and development vary between different countries. Also logistics growth differs by transport mode as well. The situation of the World and Turkey's transport modes is going to be discussed in the following section.

2.6- Transport Modes in the World and Turkey

Logistics infrastructure is important for third party service providers because it affects their efficiency in their services. If logistics infrastructure is good enough they can provide high-quality and cheaper logistics services.

2.6.1- Seaway Transport

Situation in the World

80% of international trade is carried out by sea. Maritime logistics is therefore considered as the backbone of international trade. The world sea freight market generates approximately 300 billion U.S Dollars. It has increased 8% since 2002. Also the containerized maritime

trade has grown in parallel and the world maritime fleet enlarged by %7.2 in 2007 (United Nations 2008).

Figure 2.7

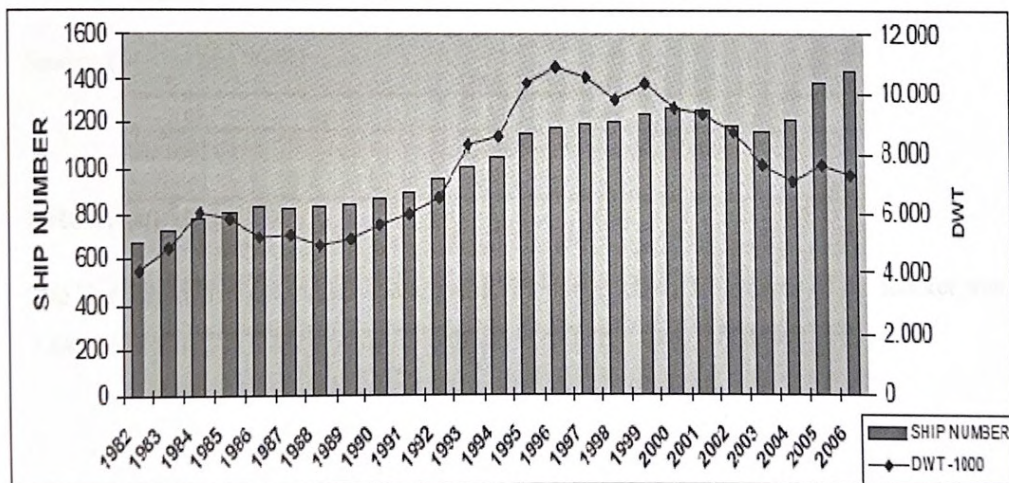
WORLD MERCHANT FLEET- THE TOP TEN COUNTRIES OF MANAGEMENT As at January 1st, 2008- rank in 2008 (in 2007) and thousand (ships of 1,000 gt and over)					
DWT-rank 2008 (2007)	Country of Management	Total fleet- 1,000 DWT 2008	% share on The Total World Fleet Reported in 2008	Growth Rate 2007/2008	Growth Rate 2004/2008
1	Greece	175 711	17.4 %	3.2%	12.4%
2	Japan	160 722	15.9%	9.4%	46.7%
3	Germany	94 513	9.3%	10.8%	95.5%
4	China	83 084	8.2%	20.3%	82.3%
5	Norway	45 118	4.5%	-5.9%	-11.2%
6	Korea	36 760	3.6%	15.9%	45.0%
7	Hong-Kong	33 782	3.3%	-25.2%	7.7%
8	US	32 999	3.3%	-27.3%	-27.2%
9	Singapore	28 262	2.8%	13.3%	22.6%
10	Denmark	26 573	2.6%	25%	62.3%
Total Top Ten Countries Management		717 504	70.9%	3.7%	30.0%
	Other Countries	294 265	29.1%	11.6%	25.7%
Total World Merchant Fleet by Country of Management		1011 769		6.4%	28.7
Total World Merchant Fleet (including fleets for which the Country Management is unknown)		1071 034	3630 ships for 59.6 million dwt reported		

Source: (IUMI 2008)

One of the most important developments in the sea trade is containerization. With this important innovation goods can be transported from one point to another safely. It has encouraged companies to use and invest more in the sea transportation. As it is seen from the graph 2.8 the international containerized trade reached from 58 million TEU (twenty foot equivalent unit) in 2001 to 114 million TEU in 2008.

Figure 2.8**World Container Volumes (yearly)****Situation in Turkey**

Although 87 per cent of the Turkish foreign trade (export and import) is carried out by sea, Turkey has just 1 % contribution to the 300 billion dollars world sea trade market. The share of Turkish licensed ships in Turkish sea trade percentage is just 23%. However Turkish logistics has a stable development in sea logistics. The number of ships is increasing (UTIKAD 2007). In addition, Turkish maritime fleet is considered as the world's twenty-sixth biggest fleet.

Figure 2.9**Progress of Turkish Merchant Fleet**

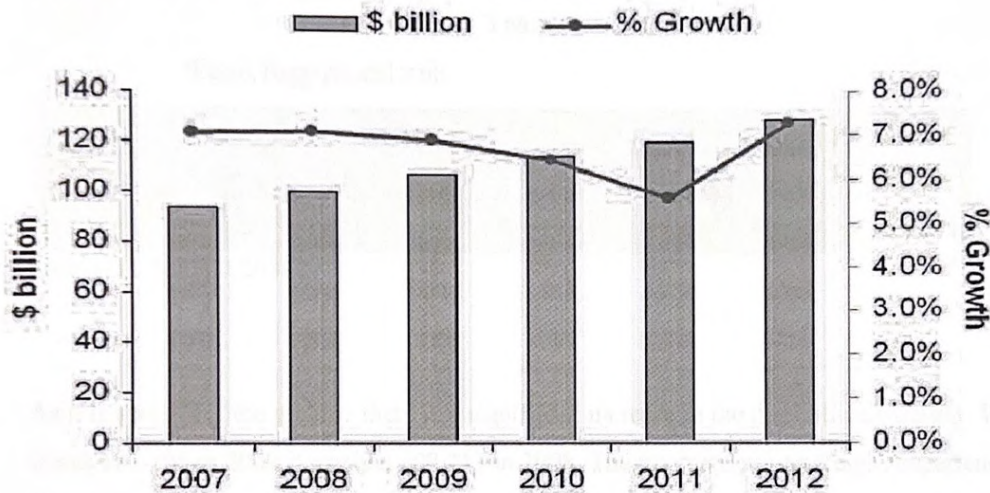
Source: (Istanbul Chamber of Commerce 2008)

2.6.2- Air Transport

Situation in the World

The air freight industry is one of the leading logistics modes. The global air freight market has expanded by 5.3 per cent and its volume has reached \$100 billion in 2007. The global air freight market is estimated to grow by \$129.1 billion in 2012. The USA is considered as the largest air freight market in the world with 51.5 percent and Asia-Pacific holds the 29.4 per cent of the market (IATA 2008).

Figure 2.10 Global Air Freight Sector Volumes



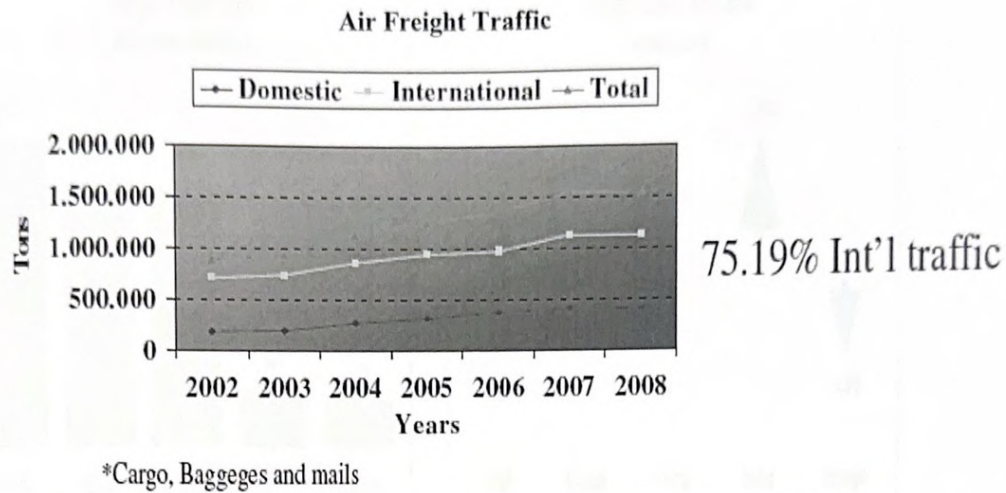
Source: (Marketline 2008)

Situation in Turkey

The Turkish air freight logistics is a fast developing sector. The volume of the market was \$ 7.843 billion in 2007. Turkey has 34 airports in different sizes (UTIKAD 2008).

Figure 2.11

LOGISTICS – AIRPORT FREIGHT VOLUME



Source: (UTIKAD 2008)

As it is seen from the graphic there is a significant increase in the domestic air freight. While it was 181.198 in 2002 it reached 399.213 in 2008. The international air freight experienced a drastic increase as well. The 2002 volume was 698.935 in 2002 and it increased to 1.130.464 in 2008.

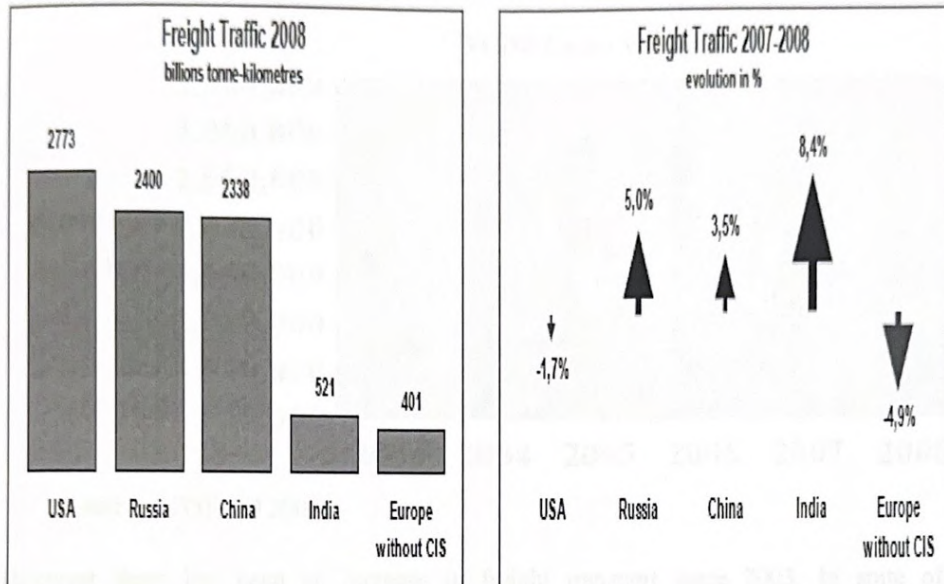
2.6.3- Rail Transport

Situation in the World

The rail freight industry is a crucial part of the countries freight transportation system. It is also vital for the economy. The rail freight transportation offers some benefits such as cost-effective transportation, reducing the congestion and highway costs and supplying transport links for international trade (AASHTO 2008).

Figure 2.12

Freight Traffic 2008

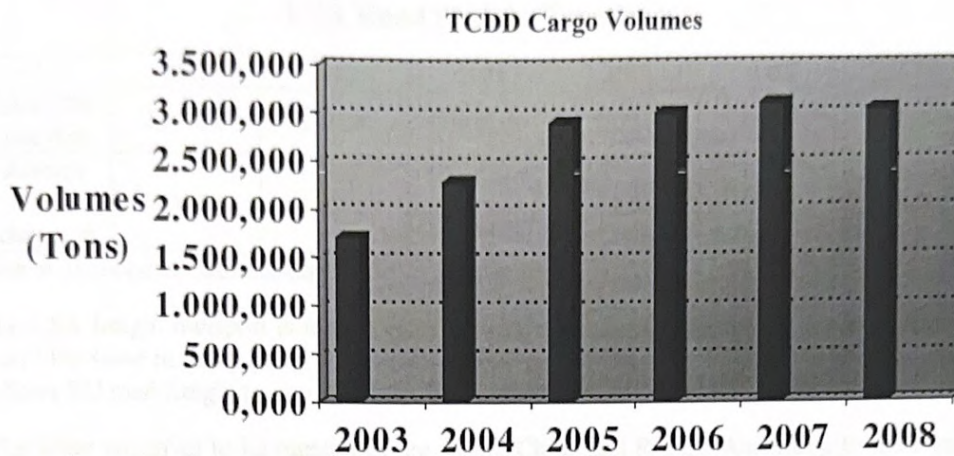


Source: (UIC 2009)

The European rail freight sector had a decline in 2008 and it worsened since October 2009 because of the world economic crisis. The European rail freight sector decreased 5% at the end of 2008. There was an increase in rail freight sector in the USA until the late October. However the US sector finished the the year with -1,7 per cent growth. In India, there was a significant 8.4 per cent increase. Also Russian rail freight industry grew by 5 per cent.

Situation in Turkey

The Turkish rail freight industry's situation is not satisfying compared with the European rail industry. Because of the old infrastructure and lack of government interest railways contribution is significantly low to the Turkish logistics sector. The rail freight industry has %1.3 share in foreign trade transportation in 2008.

Figure 2.13**LOGISTICS – TURKISH RAILWAY TRANSPORT**

Source: (UTIKAD 2008)

However there has been an increase in freight transport since 2003. In spite of the unsatisfying investment to the sector the cargo volumes increased from around 1.600.000 tons to 3000.000 tons over the five years.

2.6.4- Land Transport

Situation in the World

The road freight sector is a key factor for logistics, supply-chain management and for all kinds of physical distribution. It provides links between railway and airway transport (Dutz 2005). The situation of road transport will be demonstrated by graphs as follows.

Figure 2.14**EU National and International Road Transport**

	2000	2001	2002	2003	2004	2005	2006	2007	Change06/07 %
EU/1000mi o tkm	1518. 7	1556.2 6	1605. 8	1625. 4	1747. 2	1800. 2	1854. 6	192. 7	3.9

Source: (European Commission 2009)

Today Europe's road freight industry's value is around 500000 billion Euros. It has been in a development since 2000. As it is seen in the graphic there is 3.9 % growth even between 2006 and 2007. When we look at the figure 2.16 EU again is leading the world market (European Commission 2009).

Figure 2.15

USA Road Freight Transport

	2001	2002	2003	2004	2005	2006
USA 1000 mio tkm	17771.3	1818.5	1846.5	1871.1	1885.6	1889.9
Average annual change %	1.7	2.7	1.5	1.3	0.8	0.2

Source: (European Commission 2009)

The USA freight transport is in a constant development like EU. However, the growth rates aren't the same in every year. There is a negative growth between 2005 and 2006. The USA follows EU road freight transport in the world arena.

The other countries to be mentioned are Japan, China and Russia. According to the figure 2.16 China has the third biggest road freight transport figures. After China Japan and Russia are other countries that have significant figure in the world.

Figure 2.16

Comparison World and EU

Road Freight Transport

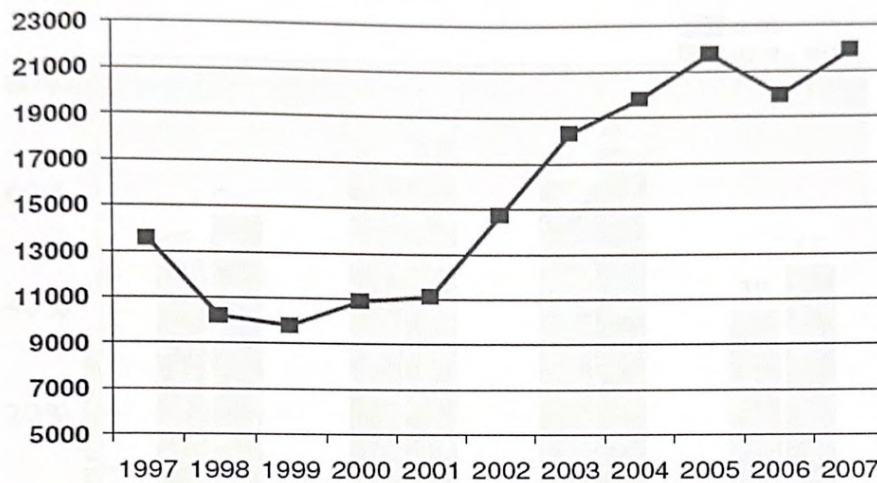
	EU	USA	JAPAN	CHINA	RUSSIA
billion tkm	2006	2006	2006	2006	2006
Road	1927.4	1889.9	347	975.4	206

Source: (European Commission 2009)

Situation in Turkey

Land transportation has 11 % share in foreign trade and 94 % share in the domestic trade. Land transport occupies a huge place in Turkish transportation industry as well. In 2008, sector's total truck capacity was 1194880 tons (Ministry of Transport and Communication 2009).

Figure 2.17 Development of Turkish Road Freight Transport



Source: (UTIKAD 2007)

Road Freight Transport (1000 tons)

According to the graph 2.17 the volume of road freight transport was in decline between 1997 and late 1999. However, after that point road transport started to improve. There is a sharp increase between 2001 and 2006. This figure shows the country's efficiency in road freight transport.

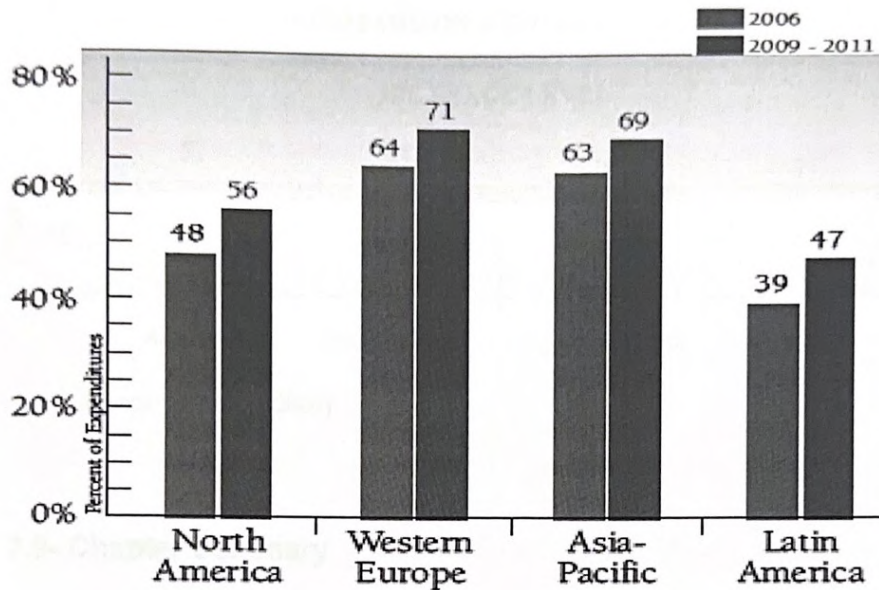
2.7- Outsourcing in the World and Turkey

2.7.1- Third-Party Logistics

Situation in the World

Because of the complexities of dealing with logistics processes most businesses prefer to hire a 3PL provider to control their transportation, clearance, warehousing, and shipment. In 2006, the total revenue for the 3PL industry was \$110.6 billion and total industry growth rate was 11.9%. The projections are that by 2010 the market will reach \$ 140 billion (Articlebase 2008).

Figure 2.18 Current and Projected Logistics Expenditure Directed to Outsourcing



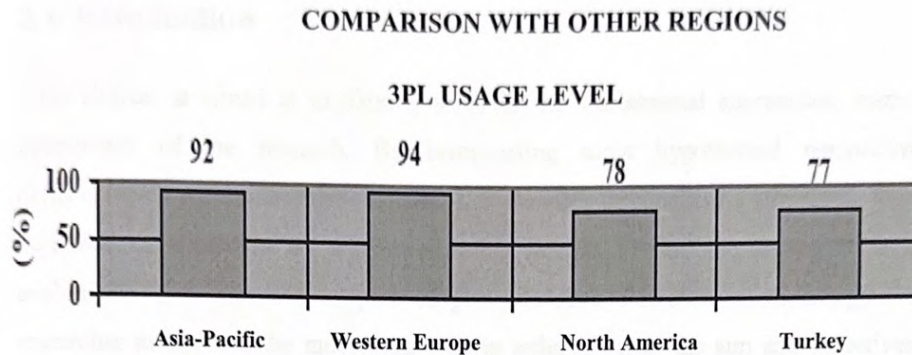
Source: (3PLstudy 2006)

The graph 2.18 illustrates how much different countries have spent so far and how much are expected to spend on third party logistics services in the future. This information gives an overall picture of third party logistics service usage in the world. Western Europe and Asia-Pacific companies spend significantly more money than North America and Latin America. As a future prospect there is an increase in the use of third party logistics for all regions mentioned in the graphic. This demonstrates the increasing need and development in this sector.

Situation in Turkey

The third party logistics sector is developing in Turkey as well. However Turkey's ranking is not as high as other developed nations, it is very close to North America with 77%. Turkish companies mostly requiring transportation, warehousing and managing the custom procedures activities from providers.

Figure 2.19



Source: (Akyildiz 2004)

2.9- Chapter Summary

This chapter analyzed the logistics term including the evaluation of logistics in the world and the common definitions. Following, logistics outsourcing was explained and third party logistics was investigated in detail. When third party logistics was investigated the definition, importance of third party logistics, types of third party logistics and how to select a provider were explained. After that fourth party logistics and differences between third and fourth party logistics explain were explored.

After theoretical explanations the real situation of logistics industry and third party logistics in the world and Turkey were examined. Transportation modes included and graphics and statistical data were used in order to make clear the explanations. Also comparisons were made in order to perceive the situation between world market and Turkey. The deep investigation of third party logistics and current logistics situation in the logistics industry will help reader to understand the research findings.

CHAPTER THIRD - RESEARCH PLAN

3.1- Introduction

This chapter is aimed at explaining some of the fundamental approaches, methods and instruments of the research. By investigating some hypothetical perspectives and philosophies it will be understood different approaches of conducting a research. Research is described as a process by which researcher intends to find the answer to a question analytically and with the support of provable fact. Therefore methodology will help researcher to find out the methodical way in order to reach the aim and objectives of the research.

This chapter is going to discuss three major research philosophy approaches. They are phenomenology, positivism and realism approaches. After that, research design will be explained and it includes descriptive, exploratory and casual design approaches. Then, data collection methods will be explained then the limitations of the research. In the end, the issues of reliability and validity will be discussed.

3.2- Research Philosophy

Researches can be classified into various approaches. Essentially, research philosophy consists of three core theories such as Phenomenology, Positivism and Realism. Researcher will carry his research based on one of these theoretical philosophies. By doing that, researcher will state a research method and rationalize the research on this particular method in order to enhance the reliability (Saunders et al 2007).

3.2.1- Positivism

The positivist approach in scientific researches is founded on realism as an effort to understand the one real world. Because of that reason, it is often regarded as the same to the quantitative methodology. It uses the method of direct observation and experimental investigation in order to comprehend the real life. On the other hand, positivists perceived the natural sciences as the collection of the facts to obtain scientific law and information (Clark 2006).

3.2.2- Phenomenology Arch Design

Phenomenology points out that any research in order to identify the social reality should be based on people's experiences on this reality. That's why phenomenology persists that we should put aside our existing perception of phenomena and should return our intermediate experiences with the intention that new meaning may come out. The qualitative research techniques are selected to figure out the purpose and meaning of those involved in the research. Phenomenology methods are often integrated with other social research practices rather than functioning as an individual research method (Creswell 2002).

3.2.3- Realism ve Research Design

Realism approach emerged as a reaction to the positivist approach. It aims to understand the process of social structures. It has a reputation because it accepts the temporal causes that affect the particular empirical outcomes. Realist approach has a structural role for the social sciences and it is regarded challenging by researchers. Realist approach differs from the positivist methodology. It doesn't accept the idea that observable regular coincidences are a sufficient conception of causality. Realism goes beyond the formation of regularities in order to see generative mechanisms that create these results. Entities that exist can be discernible or indiscernible and both can be as valid as each other. This approach has an advantage over positivism because research doesn't have to be just relying on observable world.

In this research, we are going to use phenomenological philosophy. This method applies inductive approach in order to carry out the study. Interviews will be made with six corporations in order to gain qualitative data. The intention is to understand what approaches professionals have for the logistics sector and particularly the logistics outsourcing and what kind of problems they come across in their logistics activities (Gray 2004).

3.3- Research Design

Research design is defined as the master plan of a study that gives the processes and methods of obtaining and assessing the information needed. It provides an outline that makes the researchers able to structure the research in a way that research gives sensible and objective answer to the problems and questions mentioned by researcher. There three foremost categorized research design approaches; conclusive (descriptive, casual) and exploratory research design.

3.3.1- Exploratory Research Design

One of the characteristics is that it is flexible and unstructured. Also the results are generally provisional. In exploratory research design, small representative groups are applied qualitative methods, pilot surveys and secondary data in order to identify behaviour of a focus group. It is used when the preliminary research is carried out in order to identify the nature of the problem. Moreover, it is applied to identify key variables and if information is unclear it is used to look for insight into the problem. Its major downside is that it doesn't give conclusive results. However conclusive research design solves this problem.

3.3.2- Conclusive Research Design

Conclusive design is structured and inflexible contrary to the exploratory research design. It is applied when information is evidently identified. The other characteristics are that its results are conclusive and it is formal. It helps the researcher to determine, assess and choose the best course of action in order to understand a given situation. It is used to analyse the hypotheses and study on the relationships.

Conclusive research design includes *casual and descriptive* research designs.

Descriptive Research explains relevant sides of the phenomena of interest to the experimenter. Also it assists to understand methodically various points of a group in a given situation, it provides ideas for further investigation and it helps make some straightforward decisions. Surveys, panels and scanner data methods are used in descriptive research (Creswell 2002).

Casual Research intends to have information concerning cause and effect relationships. In casual research essential method is regarded as experiment. It is used to identify which variables are causes and which variables are the effects. It has also planned and structured characteristics (University of Leithbridge 2009).

Our study entails in-depth insight in the business conditions. Because of that reason descriptive research design is selected in this research. Descriptive research requires a broad knowledge about situation. In addition details hold an important role in the study. Understanding the problems well will assist research to advise to case companies associated information and data that they need for their improvement.

3.4- Data Collection Methods

Science is cumulative and also it improves itself on previous studies and researches. Primary and secondary data collection methods are used together by many researchers in their researches. Therefore previous studies help current studies and confirm research's credibility.

3.4.1- Secondary Data Collection

Secondary data is essential for researchers. Secondary data is the information that is collected by someone else. It can be used as the main resource of the study. In addition, it confirms researchers' samples. Because of that reason it is vital to record secondary data resources in order to refer to the research. There are many resources in order to get information as secondary data; books, data bases, case studies, internet and government publications. However secondary data has some advantages and disadvantages.

Advantages of secondary data:

- It saves resources such as money and time
- It can be gained rapidly
- It can provide insight into research during the examination of the problem
- It acts as a base of comparison of other data
- It provides some information which is just available as a secondary data

Disadvantages of secondary data:

- The information obtained may be inaccurate
- It can be outdated
- The data gathered may not be directly relevant to the research question
- Information quality can be questionable
- The data needed may not be available (George Mason University 2009)

3.4.2- Primary Data Collection

Gathering secondary data is recognised as more reliable, comprehensive and cheaper than the data researcher collects by him. However secondary data sometimes is not adequate and researcher has to apply primary data. Primary data is comparatively more expensive, difficult to obtain and time consuming than secondary data. On the other hand it gives the information

that cannot be obtained by secondary resources and first hand information in order to achieve the research objectives. Hence we need to use primary research methods for this research. There are three most important social research methods available including interviews, observation and questionnaires.

Firstly, interviews are one of the essential data collection ways in qualitative research. It has great importance in order to understand interviewee's ideas, perceptions and meanings. There are many interview techniques such as structured or unstructured, video interview, telephone interview, face-to-face interview or e-mail interview. Interviewer chooses which technique is the best and suitable for research and him. Interviews have some advantages such as good respond rate, in-depth questioning and motives and feelings can be investigated (McNeill, Chapman 2005).

Another primary data collection technique is questionnaires. A questionnaire is described as a form including a series of questions and containing space for respondents' answers. It is generally applied when the research area is vast and interviewees are scattered widely. Large amount of data can be gathered at a relatively low cost by using questionnaires. In addition questionnaire gives enough time to respondent to think and answer the questions. However there is no control on interpretation of questions by respondents, response time can take long time and response rate are low. Finally, observations is a method of data collecting in which an experienced person observe, or present inside, the real processing related to research.

In this research both primary and secondary data collection is going to be used in order to obtain wide range of information. Secondary data will aid to understand background of the topic and primary data will aid to identify the current situation in the market. Interviews are going to take place with top company representatives to find out their ideas and applications in Turkish logistics sector. As a result researcher can recommend some applications to the sector operators (Clark 2006).

3.5- Interview Guide

It is important that interview is designed according to the objectives of the research, elements of analysis, proposal and logic connecting the data to the proposal and criteria in order to understand the findings.

In this research, researcher is going to use qualitative research method to conduct the interviews. Interview questions are designed as open ended type and participants is asked to tell their own opinions about the subject.

Interview comprises three sections. Interview guide/questions are appended end of the paper as an Appendix 1.

3.6- Sampling Considerations

Sampling makes researcher able to investigate a certain part of target group. Therefore it is critically important for the research's progress. Sample group doesn't reflect the whole group's opinion but provide appropriate data about the target group. On the other hand less time and resources are used.

Saturation point should be considered during the data collection process. For example, researcher makes interview so long as he finds new information. However researcher stops getting new information from participants and it shows that saturation point is reached. It should be borne in mind that it is a subjective decision and researcher decides it (Bryman and Bell 2007).

3.7- Sampling Technique

It is described as an array of methods to lessen the amount of information to be gathered by regarding only data from a subgroup not from whole group. There are two kinds of technique; probability and non-probability techniques. In probability technique each member of the population has the same chance of selection. It is suitable to be used for geographically dispersed area.

In contrast, non-probability sampling doesn't allow probability samples that are used in a large-scale area. Non-probability techniques are generally applied in qualitative examination and exploratory research. One of the techniques in non-probability sampling is the purposive or judgemental sampling. It is used when researcher is interested in a small part of a large group and when researcher wants to choose the cases that are specifically informative. It permits researcher to apply his decision to choose the cases. For this reason, this sampling is going to be used in order answer research questions and reach the objectives (Polonsky and Waller 2005).

3.8- Sampling Size

When statistics is used in researches there are generally requirements for sample size. The sample size should give adequate data for analysis and it is expected to be as large as necessary. For logical assessment and statistical calculation it is needed to adjust sample size with the research. This research needs more non-statistical assessment than statistical calculation. Sample size consists of 6 organisations from various sectors (Babbie 2009).

3.9- Research Reliability and Validity

Reliability and validity concern is about the quality of information obtained and suitability of techniques used in a research project. Also it is expected to show readers that the methods used are reliable and results are valid.

Reliability

It is described as the level that conclusions are consistent over time and a correct representation of the group under examination is referred to as reliability. If the research results are able to be produced under a similar methodology, the research is regarded as reliable. In order to have a reliable research, measurements should be consistent.

Our research is based on some previous studies to understand new directions in the sector. Moreover, the study is focused on specific sector perspective to specify the topic. This is a factor that increases research's reliability.

Validity

Validity shows if the research really measures the thing it was intended to measure. The degree of validity is associated with truth. Research should be managed with applying correct instruments in order to investigate results properly. Some instruments don't illustrate people's real ideas, attitudes or beliefs. However qualitative research, interviews assist to comprehend samples correctly (Cano 2009).

3.10- Chapter Summary **RESEARCH FINDINGS**

The section explained the selection of descriptive, qualitative method to manage interviews for fulfilling the aim of this dissertation. Data collection, analysis and sample selection was examined. In addition, sampling techniques, sampling size, reliability and validity issues were discussed.

4.2- The Comparisons and Analysis of Common Criteria in Choosing a Third Party Logistics Provider

The common criteria concerning companies' assessment and choosing a 3PL provider are discussed in a separate chapter. They are generally over financial matters such as reducing the costs and pricing. In addition, quality of service provided, time performance and reliability issues are critical for the winning success of the both parties (Gohar 2008).

4.2.1- Quality of Service

The third party logistics market is highly competitive in logistics sector for this reason, service providers need to improve their service quality. Otherwise they may not survive in this market place and compete with other providers. The literature results show that third party logistics choose their on the basis of the service quality. Including the goods receiving at the companies' yards provide reliable and value to both sides.

It is suggested that some companies have to pay more in order to improve the service quality and they have an awareness of it as an use of technology. Technology is highly critical in logistics industry. The use of bar code and GPS is the example that are widely used in logistics sector. The development of the hardware and the facility for increasing productivity is a must to reduce the cost. Another key use of the hardware is storage of goods in warehouse. This provides an increase in the efficiency of companies' operations and handling of goods and materials. It is recognized as a key activity for the

CHAPTER FOUR – RESEARCH FINDINGS

4.1- Introduction

The findings of the research are argued in this chapter. The primary data examination was carried out by in-depth interviews as it mentioned in Research Plan chapter. The section begins with by arguing the key criteria for choosing a third party logistics service provider. After that, the sector-specific criteria for choosing a third party logistics provider are discussed according to the current findings. The industries of the interviewed companies are stated in the methodology section as food, paper, furniture, hardware, textile and toys. The chapter ends with the summary of the overall examination.

4.2- The Comparisons and Analysis of Common Criterion in Choosing a Third Party Logistics Provider

The common criteria concerning companies' assessment and choosing a 3PL provider are discussed in Literature Review chapter. They are commonly about financial matters such as reducing the costs and pricing. In addition, quality of service provided, time performance and reliability issues are crucial for the enduring success of the both parties (Gulen 2005).

4.2.1- Quality of Service

The third party logistics market is highly competitive in logistics sector. For this reason, service providers need to improve their *service quality*. Otherwise they may not continue to exist in the marketplace and compete with other providers. The interview results show that third party logistics users stress on the value of the service quality. Distributing the goods according to the companies' needs provide substantial value to both sides.

It is mentioned that some innovations have been made in order to improve the logistics process and they have an important effect on the use of Information Technology in logistics industry. One of the fundamental trends is that computer hardware technology has become smaller, cheaper and faster. The decreasing of the hardware size also brought the increasing processing speed. As a result it reduced the costs. Another benefit of the hardware systems is hand-held barcode scanners. This provides an increase in the utilizing of automatic recognition and labelling of goods and locations. It is recognized as a key enabler for the

improvement of logistics information systems. Because of that reason companies should be able provide this service to their customers. However, because some companies are not able to provide it, they don't have long term relationship with their customers (Hammant 1995).

According to our interview with H. Deyarbakerlioglu, Saapan Electronic Industry Ltd.'s Manager, the service quality issues are important for the company.

Saapan Electronics Industry Ltd. experienced some problems with their service provider. The service that they were getting didn't satisfy them. However the provider realised its incompetence and developed its hardware technology in time. After provider understood the customer's demand, Saapan Electronics Industry Ltd. started to receive a better service.

Another important issue in *quality of service* is the demand of high-service quality by customers. Customers are expecting from providers competence in the implementation of 3 PL services they offer. At this point it is important to select a provider that has a strong background in management, execution competence and project start-up capability.

As Uguur Hirdavaci Production and Marketing manager O. Ayveci stressed on the importance of quality of the 3 PL services in the interview. He mentioned that when they decided to hand over the company's logistics services to a provider they made a deep investigation in the third party logistics sector. They consider the track record of the potential service provider. The crucial indicator was the success of the provider with other companies and their capabilities to provide flawless performance. It took almost three months to find a correct provider that fulfils their requirements.

4.2.2- Reliability

One of the main criteria that companies take into consideration when choosing a third party logistics provider is the reliability. However companies assess third party provider before starting a corporation, they still experience some difficulties to evaluate the reliability. Wilding and Juriado emphasise the importance of reliability in outsourcing (Aguzzoul 2007).

Some researchers downplay that outsourcing of logistics activities is a learning practice for companies. However it is a challenging process for almost 70 per cent of the companies to find the correct logistics provider. It brings up to the issue of how the learning experience can be less harmful to the both sides, company and the provider.

On the other hand third party logistics sector's reputation and reliability is increasing. This has diminished the concerns of companies for providers' reliability. Nevertheless there are still some problems in the foreign markets. For instance, while Saapan Electronics Industry Ltd. has a provider in the domestic market, it is experiencing difficulties to find a right third party provider for its Malaysian market. H. Deyarbakerlioglu, the Saapan Electronics' manager, summarizes their condition as following:

Our company requires well positioned logistics providers in foreign markets in order to provide us a flawless service. Since we have been operating in Europe we have a relatively successful provider in this region. However we are expanding to the new markets like Malaysia and we want to have reliable third party logistics providers.

Since company sells its products to foreign markets heavily, the reliability to providers in unknown markets is very important for Caagdash Socks A.S. The foreign trade manager I. Kacar mentions company's view for reliability:

Because the trends are changing often and responding them on the time is important, we need to have an effective logistics system. Otherwise the company loses its, especially, foreign markets easily. Because of that reason reliability to the logistics provider carries a great importance for us. So we can focus on our core business and we can find new markets to sell our products.

As it can be understood from the comments of the company representatives reliability is essential for the successful, long term logistics operations. Therefore the measurement of the reliability becomes necessary before handing over logistics operations.

4.2.3- Price

Price is considered as a critical factor in the third party logistics provider selection process. The cost of logistics activities affects the selling price of the final product. For this reason, companies look for a relatively cheaper provider to run their activities. However it is crucial to reduce the costs and increasing the profits, it is also important to obtain successful logistics services. Otherwise it could cause irreversible results for companies in their markets. According to Aicha Aguezzoul (2007) the price as a selection factor has been more important in the competitive market environment for the last ten years.

However, when we look at the statement of Isill Plastic Production and Trade's manager A. Guler price issue isn't recognised as the foremost concern:

Since we export our products to different countries we need to work with many logistics providers. We are working with some recommended logistics providers. However our preference is to work with companies that provided us logistics services before. Particularly we prefer providers that are professional on carrying our products, offers customer support services and low price. But the price criterion is listed after reliability and quality service criteria.

The sales manager of RMG Istanbul, D. Cedeci, made a similar explanation for their selection criteria.

First of all, reliability plays the most important role in our business like others. Long run corporations are very important for our company. Particularly, our relationships with logistics providers that deliver our products to domestic and foreign markets have a crucial place. After reliability, price can be mentioned as the selection criteria. In addition, service variety offered and provider's capabilities are important matters as well. If company doesn't have enough capabilities to handle our demands and is not reliable, low prices don't attract us to work with this provider.

4.2.4- On-Time Performance

Organisations are under great time pressure to deliver their products to their customers. In order to be sustainable in the marketplace and reach their desirable market position, they need to have effective time management. At this stage logistics plays an important role for the success of organisations. A successful logistics management entails reducing the overall supply chain lead times and inventory. On-time delivery is required at every phase of the trade because it enhances business performance and adds significant value.

For instance, on-time business performance is associated with supply time in textile industry as well. As a successful company in its market, Caagdaz Socks works with European fashion companies. Achieving on-time performance enhances its relationships with its customers all the time. Also Canem Toy Ltd. manager I. Ayden talks about their on-time performance as followed:

It is very important for them to keep in contact with their overseas agents. So they can always reserve containers for delivery of the products. Also he mentions that their agents do it quite successfully that they haven't received any complaint by customers. For this reason, on-time performance is a key issue for the success of third party logistics activities.

4.3- The Criteria Comparison and Analysis of Industries in Choosing a Third Party Logistics Provider

Each industry has different demands from third party logistics providers. Some of them require management assistance; on the other hand others need technical support. Interviews with six industry representative were taken place in order to identify each sectors preference when they select a provider. Each industry is going to be examined separately.

4.3.1- Hardware Industry

The industry produces small and big size of products according to the demand. Delivering goods requires require flexibility and technical capability for different kind of products. Companies export their products to different countries. Because of that reason location advantage plays an important role. The criteria is mentioned above by Uguur Hirdavaci Production and Marketing. In addition, manager O Ayveci mentions that:

The effective communication between the provider and our company helps us to run our core business efficiently and increased our relationship with our customers. The successful integration with our third party logistics provider develops the company's operations. Particularly, the capabilities of the provider and the variety of locations that they operate in add value to our business as well.

According to the sector representative's answers we can list the key and secondary criteria as following:

The Most Important Criteria
➤ To have a successful communication
➤ To have location advantage
➤ Provider's track record
➤ To have reasonable price
➤ Reliability
➤ Flexibility

Secondary Criteria
➤ Customer support
➤ General reputation
➤ Experience in the same industry
➤ Cultural fit
➤ Asset ownership

4.3.2- Textile Sector

Turkish textile industry produces high-quality, competitive products. In the industry, while some companies focus on specific products, some others produce broader range. Also, because of the quality of the goods sector highly export. For instance, Caagdas Socks advanced its business operations from just manufacturing socks to marketing and logistics service activities over the thirty years. But company wanted to focus on their core businesses more and began to outsource its logistics activities. Following the outsourcing logistics activities company's problems about labour issues reduced and spared more time for their main company activities. The manager I. Acar explains:

The third party logistics provider that we work helped us in order to integrate with our customers. In addition, their location advantage is wide enough in order to serve our customers effectively. We have been working with our provider for ten years. The provider is developing itself according to its customers demand and developments in the logistics sector. We have been working efficiently for a long time thanks to its reliability.

According to the sector representative's answers we can list the key and secondary criteria as following:

The Most Important Criteria
➤ Reliability of provider
➤ How much supports it provides to its customers
➤ Locations it operates
➤ Price it offers
➤ On-time performance

Secondary Criteria
➤ Reputation of provider
➤ Personal relationships with the company
➤ Special expertise
➤ Asset ownership

4.3.3- Furniture Sector

Since furniture is a delicate good it is required to be transported carefully. For this reason, technical competence and special expertise in how to transport the product is very important.

Also the exporting the product quickly and safely depends on provider's location capacity. The manager of Isill Plastic Production and Trade A. Guler says:

Our company gives great importance to deliver the furniture on the time and without any damage. So we want our provider to operate on the time and reliably. Moreover, it is experienced in furniture transport. Because of that reason we are happy to work with our existing provider. In addition their prices are relatively cheaper than others. It is very important for us in this economic climate.

The Most Important Criteria
➤ The technical competence the provider has
➤ The location it operates
➤ Special expertise
➤ On-time performance
➤ Variety of services

4.3.5- Paper Sector

Secondary Criteria
➤ Management quality
➤ Its reputation
➤ Cultural fit
➤ The price it offers

4.3.4- Toy Sector

Delivering the toy products requires market knowledge. Delivering the products to the correct customers on the time is a crucial issue. Moreover, the price issue carries an important part in toy industry as much as others. Canem Toys Ltd's manager I Ayden the industry's view on the 3 PL selections:

On-time performance is a vital point in order to run the operations flawless. This also requires a perfect information flow between customer and provider. Provider's market knowledge helps to maintain this process. The products aren't just sold in domestic market but also in foreign markets as well. So providers are expected to offer a good service in a wider area. To work with providers that can provide these services decrease the costs and expand companies markets easily.

The Most Important Criteria
➤ Location advantage
➤ The price it offers
➤ Customer support
➤ Speed of service
➤ Market knowledge

Secondary criteria
➤ Provider's reputation
➤ Asset ownership
➤ Increased competition
➤ Flexibility

4.3.5- Paper Sector

Since the sector produces different kind of products with high technology, providers' adaptability and flexibility to the changes are important. Market knowledge and information flow between both parties affect companies' businesses in terms of finding and delivering goods to final customers. RMG Paper's manager D Cedeci tell their views as followed:

Because there is a high competition in the market and the trends are changing quickly we consider a provider that can provide us flexible service with reasonable prices. In addition, the sector knowledge and technical capacity of the provider brings a great advantage to our

business. In order to maintain our customer portfolio providers communication skill with us and our customers are highly important.

The Most Important Criteria	
➤	Successful information flow
➤	Flexibility
➤	Technical competence
➤	Market knowledge
➤	Long-term relations

4.3.5- Difficulties Experienced During the Selection Process

The selection process is more demanding and costly. Therefore, companies pay attention to

Secondary Criteria	
➤	Price offered
➤	Reputation
➤	Cultural fit

4.3.6- Food Industry

Food transportation is very risky because it is highly regulated because of health conditions. Because of that reason, the speeds of service and expertise issues are vital for the success of business. Moreover the reliability of provider is crucial to make sure the products are delivered in a suitable condition to customers. Saapan Food and Electric Industry's manager H Deyarbakeroglu explains:

It is a difficult and time consuming process to import food products. International trade regulations on food sector make it hard. All these standards must be fulfilled to deliver the products to the last customer. So it makes the role of logistics providers more important. Their performance and reliability affects our business directly. Any delay or damage on the products causes loses to our company. Because of that, we can mention that food industry should have more specialized provider in Turkey.

The Most Important Criteria	
➤	Speed of service
➤	Quality of service
➤	Special expertise
➤	Reliability
➤	On-time performance

CHAPTER FIVE CONCLUSION AND RECOMMENDATIONS

Secondary Criteria
➤ Cultural fit
➤ Provider's reputation
➤ Asset ownership
➤ High technical competence

4.4- Difficulties Experienced During the Selection Process

The selection process is time consuming and risky. Therefore, companies pay attention to find a right provider. However they experienced some difficulties during this process.

Canem Toy manager says that: "The research process was very difficult for us because there isn't enough competent logistics provider in Turkish logistics industry."

Saapan Gida manager shares the same idea: "Most of the providers are lack of experience, facilities and managerial capabilities. Secondly, some providers are not reliable. They overestimate their services and abilities. This also misleads us in the selection procedure."

Because of the lack of the providers and their services some companies attempted to find foreign providers. But language and communication caused problem to work with a foreign provider.

4.5- Chapter Summary

This chapter analyzed the criteria that are used by different industries when they select their third party logistics providers. The analysis of findings related to the literature review. As a result of interview results it can be said that each sector's preferences are different from each other. However, reliability, service quality, market knowledge and location advantage are the most preferable criteria among the sectors investigated.

CHAPTER FIVE - CONCLUSION AND RECOMMENDATIONS

This chapter begins with the analysis of the findings. After that, some recommendations are going to be mentioned which are related to the third party logistics services in Turkey. Finally, the chapter finishes by mentioning the importance of future studies about this topic. In addition the limitations for this research are mentioned as well.

5.1- Conclusion

Logistics term and its application is almost a new in Turkey compared with other developed nations. Country experienced some wars and economic turmoil that destroyed its transportation system which is the backbone of logistics activities. The problems, especially, in the rail transport sector are being criticised and the investments are still not enough to support the sector. On the other hand, air freight transportation is significantly developing. Also investments are encouraged by the government. However the services provided and volume is considerably lower than the point that is wanted to be reached. Road transportation has been one of the old transportation systems since the Ottoman Empire. The road transportation with Europe and neighbour countries constitute a large volume in this sector. Finally, sea transportation is the second oldest transportation way. However, the sea trade's history goes back to the Ottoman Empire, the capacity and services of the sector are relatively poorer than some other countries. The main problems of the transportation systems in Turkey are the infrastructure and the services such as warehousing, IT systems, packaging and inventory.

The importance of the transportation system is that it provides a strong and proper environment to the logistics service providers such as third party logistics providers. The weaknesses of the system are directly affecting the performance and variety of the services they offer. In the literature review this issue was investigated by comparison with other countries.

In literature review the third party logistics were investigated in depth. Under this topic the definition was given, importance of third part logistics was explained, the different types of providers was mentioned and the selection process was examined. In addition, the situation of Turkish and the world third party logistics was illustrated by graphs and explanations. As it

can be seen from the data, the use of third party logistics is 77 per cent. This is very close the level of North America.

The findings chapter comprises the results and analysis of interviews about the third party provider selection process. Interviews were made with six different sector representatives. The sectors are food and electric, furniture, paper, toy, textile and hardware. According to the findings each sector has different approach and requirements from providers. The reason is that they produce different kinds of products and they operate in different markets. Moreover, the interviews investigated the benefits of the third party logistics sector to the companies' international businesses. As a result, most of the participants mentioned that they get significant benefits from their providers' support. In that way, they can expand their market, focus on their core businesses and improve their customer relationships. However, in the interviews they mentioned the problems that they have experienced with finding provider.

In brief, the study investigated the third party logistics and its situation in Turkey by examining six Turkish companies that receive third party logistics services. Understanding the selection criteria identifies how Turkish third part logistics can improve and companies get more benefit for their international business activities.

5.2- Recommendations

The research examined the logistics, third party logistics in the world and Turkey. Turkey's situation was examined deeply with interviews. The findings explained the Turkish companies' criteria, benefits they get for their export, import activities and problems they have experienced. However there is a development in the sector in general, the problems haven't been sorted out in order to reach developed countries level. Because of that reason sector needs to find urgent solutions for the future success.

First of all, the country's logistics systems and infrastructure problems should be informed by logistics organisations. So government can be more aware of the urgency of the situation. This can encourage more foreign and domestics companies to invest in Turkish logistics sector.

In terms of third party logistics services, the providers need to improve their facilities. Also the need to understand the customer needs to respond their needs. The other thing that

providers need to take into consideration is that they should follow the logistics trends in the world.

The third party logistics user companies needs to determine their requirement before finding a provider. In this way they will know what they find and they will not lose time when they search an appropriate provider. In addition, other main selection criteria should be considered by companies. The global market is shrinking. Companies should consider nit just domestic providers but also foreign logistics providers as well. This can provide them to penetrate foreign markets more efficiently.

5.3- Limitations

There some limitations of this study. Firstly, since the author lives in England he couldn't conduct face-to-face interviews. Because of that reason, interviews were made by phone. Secondly, the interviews were made with six companies that use third party logistics services. The results of the research may not reflect the broad view of Turkey's situation. Thirdly, during the analysis qualitative research technique was applied. This can be found as subjective analysis.

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Interview Questions

- Could you tell about your company history?
- Do you export your logistics activities? Why?
- How do you assess the contribution of third party logistics provider's contribution in your company?
- How do you choose your third party logistics provider?
- How efficient the criteria mentioned above is order to select the right third party logistics provider for your company?
- What are the services?
- Have you experienced any difficulties during the selection and what are they?
- What is your opinion about the reasons of these difficulties?
- What are the solutions to solve these problems?
- How do you describe your logistics provider's performance?
- How do you select your foreign provider?
- Could you tell about the benefits that your third party provider brings particularly into your international shipping?
- Do you think that Turkish logistic infrastructure and system is good enough to support third party providers?
- How do you evaluate the situation of third party logistics providers in Turkey?
- Do you think that government support is enough to support logistics sector?

Appendix 1- Interviews

The interview questions intend to examine how companies (sectors) choose their third party logistics providers and what their criteria are.

Company information

- **Name of the company:**
- **Date of foundation:**
- **Number of employee:**
- **Annual turnover:**
- **Interviewed person in the company:**

Interview Questions

- Could you talk about your company history?
- Do you outsource your logistics activities? Why?
- How do you assess the contribution of third party logistics provider's contribution to your company?
- How do you choose your third party logistics providers?
- How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?
- Who selects the provider?
- Have you experienced any difficulties during the selection and what are they?
- What is your opinion about the reasons of these difficulties?
- What are the solutions to solve these problems?
- How do you describe your logistics provider's performance?
- Have you worked with a foreign provider?
- Could you talk about the benefits that your third party provider brings particularly into your international business?
- Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?
- How do you evaluate the situation of third-party logistics providers in Turkey?
- Do you think that government support is enough to support logistics sector?

Appendix 2-Isill Plastic Industry

Name of the company: Isill Plastic Industry A.S

Date of foundation: 1978

Number of employee: 180

Annual turnover: 20000000 USD

Interviewed person: Aysem Guler

Interview Questions

- *Could you talk about your company history briefly?*

Isill A.S started its business by producing plastic furniture in 1987. The company continued its production in the same facility until 1993 in Istanbul. As Isill Plastic we own 20.000m2 contemporary manufacturing facility. Our production is divided into two categories; domestic and garden furniture. We produce chairs, tables, lounges, barstools and armchairs. We sell most of our productions, 70 per cent, to over 60 countries. Europe has the largest share in our export.

- *Do you outsource your logistics activities? Why?*

Yes, we do. The reason of logistics outsourcing is that we are not as capable as a professional logistics provider. Logistics providers have enough facilities and knowledge to operate more efficiently.

- *How do you assess the contribution of third party logistics provider's contribution to your company?*

Like every business we want to focus on our core business and be successful in our market. As a company we provide our raw material from different countries and export them. It is a time consuming and costly process. So it is beneficial to outsource our logistics services.

- *How do you choose your third party logistics providers?*

We need to work with many 3 PL providers because of our export volume. We have selected some providers that were recommended to us. However, our preference is to work with providers that we have been together before. Particularly, providers that offers cheap price,

have customer support services and experience in furniture transportation. Certainly, reliability and service quality are the factors that we consider first.

- *How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?*

We don't have a certain criteria assessment process. As long as provider matches our needs and objectives we carry on working with it.

- *Who selects the provider?*

Our general manager points some staff experienced in logistics services and me, as an international trade manager.

- *Have you experienced any difficulties during the selection process and what are they?*

As company we didn't experience many difficulties because we selected our provider according to the recommendations.

- *What is your opinion about the reasons of these difficulties?*

The main problem is the lack of the number of providers that are capable of offering high-quality services. It makes us rely on a limited number of providers.

- *What are the solutions to solve these problems?*

Turkish logistics providers should follow the developments in the world. For example, they can improve their technological capabilities or they can adapt modern logistics techniques.

- *How do you describe your logistics provider's performance?*

Our provider is a reliable company because of that we have been working for a long time. Also they deliver our furniture with great care to our customers. In addition our provider's on-time performance is another factor that keeps us happy to work with them. As a successful company it improves its technical capacities in order to deliver a successful service.

- *Have you worked with a foreign provider? Why?*

No, we haven't. The main reason is the communication problem. Also they cannot provide domestic services as efficient as domestic providers.

- *Could you talk about the benefits that your third party provider brings particularly into your international business?*

Our customer and market profile are expanding. We don't just operate in domestic market but also in foreign markets. However, we don't have enough market and domestic knowledge for new markets. What third party logistics providers offer us is that sharing their market knowledge, dealing with warehouse, transportation, custom procedures etc. This enables us the chance to focus on more market research and customer relationships.

- *Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?*

The timing and cost efficiency are very critical issues for logistics. But the country's infrastructure is far behind the expectations. The inefficient railway system, developing airway transportation and the conditions of highways increase the costs and time of transportation. This major problem affects third-party logistics providers and inevitably us.

- *How do you evaluate the situation of third-party logistics providers in Turkey?*

I reckon that it is in its infant stage. However some of them provide successful service their services are not as comprehensive as developed countries' providers.

- *Do you think that government support is enough to support logistics sector?*

From my point of view government realized the importance of the logistics services and working hard to improve the logistics infrastructure and sector. But more investment should be made to keep up with the world.

Appendix 3- CAAGDAS SOCKS

Name of the company: Caagdas Socks A.S

Date of foundation: 1977

Number of employee: 300

Annual turnover: 3500000 USD

Interviewed person: Irem Kasar

Interview Questions

- *Could you talk about your company history briefly?*

Caagdas Socks was founded by Gulerr family as domestic manufacturer. Company started its first export in 1985 to Germany, UK and Denmark. In order to increase the domestic and foreign sales company set up another department to deal with sales and export activities. Manufacturing facilities were extended to meet the demands. Company developed a fully integrated production gradually. Moreover, machine capacity rose significantly. This dramatic development led company to establish a new production facility with 20000m2 closed area. Thanks to the consistent developments company was accredited ISO 9001 Quality management in 2005. Our major foreign markets are Europe and USA. We have very successful companies in client list; Mothercare, Marks and Spencer, New Look and Peacocks.

- *Do you outsource your logistics activities? Why?*

We use logistics outsourcing. By using third-party logistics we decrease our costs and focus on our main business.

- *How do you assess the contribution of third party logistics provider's contribution to your company?*

As a producer and exporter logistics services are very important for the company. We need flawless logistics services in domestic market as well as in the international market. Because we don't have expertise in logistics we want to outsource it. Outsourcing our logistics operations gives some benefits such as avoiding extra costs and reducing the employee problems. However the company had its own transportation department until 1990 in

domestic market. The decision of outsourcing this department increased our focus on our business and we have grown significantly.

➤ *How do you choose your third party logistics providers?*

At the moment we are pleased to work with our existing provider. However, when we need to find a new provider we will look for the same service we are offered by the current provider.

➤ *How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?*

We consider reliability for a successful, long term business. Especially on-time performance is very critical for the operations of the business and satisfaction off our customers. Also the area that the provider operates leads us to extend our market less costly. As long as our demands are fulfilled the provider reputation is not a big issue for us. In general, we find the criteria as a right match for our company.

➤ *Who selects the provider?*

The top management gives the last decision.

➤ *Have you experienced any difficulties during the selection process and what are they?*

It was a difficult process for us. Since we operate in domestic and foreign market we were looking for a provider that covers our both markets. While some companies are just operating in Turkey others operates in just foreign markets. Because of that it took a long time to find a provider that fulfils our requirements.

➤ *What is your opinion about the reasons of these difficulties?*

I think professionalism and lack of understanding the logistics systems are the main problem.

➤ *What are the solutions to solve these problems?*

Competing in the world market requires improving yourself technically and psychically. Turkish provider can improve their warehouses, fleets and adapt the systems to operate them efficiently. Also, companies can merge with some international companies in order to expand their markets.

➤ *How do you describe your logistics provider's performance?*

We run our logistics operation with the same provider in the USA and Europe. The provider is a Turkey oriented. But it is located in different countries and offer international logistics services. It is advantageous to work with one major provider because it decreases the general operational costs. Since they own their warehouses in these countries and it makes easy to sort out storage problem. Our provider helps us for customer support operations, too. Because the provider operates in a wide area in Turkey we can reach our customers quickly. We have been working with the same provider for 10 years and it shows that we are satisfied with their services.

➤ *Have you worked with a foreign provider? Why?*

No, we haven't. Our provider has the capability to cover our foreign and domestic markets.

➤ *Could you talk about the benefits that your third party provider brings particularly into your international business?*

We dominantly operate in the USA and Euro as foreign markets. Both markets are different from each other in terms of distance and customer requirements. Since our providers are located in different countries it gives us to expand our markets. Also providers on time performance give a good reputation in foreign markets.

➤ *Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?*

Turkey experienced many wars and conflicts in the recent history. They destroyed countries' logistics infrastructure heavily. After the establishment of Turkish republic it started to develop significantly. Today, it is not at the level of developed nations. But it is still in the development phase.

➤ *How do you evaluate the situation of third-party logistics providers in Turkey?*

I think that it is in a rapid development. The number of the providers is increasing. However the number of providers is not enough to satisfy the market's needs. In addition, provider companies facilities and services such as warehousing and IT are not satisfying. Some companies perceive that the logistics services just consist of transportation.

- *Do you think that government support is enough to support logistics sector?*

Today, the government investment is much higher than it was in past. The road infrastructure has been advanced and air transport is gaining more importance in the government agenda. But railway and seaway has some major problems. So government support should be increased.

Appendix 4- Canem Toy industry

Name of the company: Canem Toy Industry Ltd.

Date of foundation: 1991

Number of employee: 15

Annual turnover: 1000000 USD

Interviewed person: Ibrahim Ayden

Interview Questions

- *Could you talk about your company history briefly?*

Our company was founded as toy importer in 1991. Despite of the economical crisis and significant decrease in toy industry we manage to maintain our position in the market. We believe that our success in outsourcing some business operations and focusing on our business help us to increase our market share. We have been importing for 10 years from China and it has raises our profits significantly. Certainly our marketing activities and customer network have contribution our success. Some of our product range is; friction toys, baby toys and R/C toys.

- *Do you outsource your logistics activities? Why?*

Yes, we do. The main reason is to focus on our core activities and leaving the logistics activities to an expert company. In addition, it reduces the costs significantly.

- *How do you assess the contribution of third party logistics provider's contribution to your company?*

The provider deals with the transportation of products and we can concentrate on our customer relationship management and marketing. Their success in logistics activities also increases our relations with export company. In addition, we are always in touch with the provider's management and it helps us to track our products.

- *How do you choose your third party logistics providers?*

Our first concern is the reliability and on-time performance. The reason is that we always want to deliver our products to the customers on the time and in a good condition. The other issue that affect our provider choice is the specialty in toy sector.

- *How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?*

We have been working together for five years. Before selecting our current provider we considered our selection criteria. We believe that the criteria we are looking for are the right ones.

- *Who selects the provider?*

Export manager and company owners give the decision.

- *Have you experienced any difficulties during the selection process and what are they?*

Since we determined our selection criteria properly we almost didn't live any problem. Nevertheless, costs and flexibility of the service issues were discussed quite a long time. At the end we reached a decision that benefits both side.

- *What is your opinion about the reasons of these difficulties?*

The main reason is that providers don't pay attention the customers' needs. Also they have limited services as logistics activities.

- *What are the solutions to solve these problems?*

I think it is the responsibility of both users and providers to improve the level of services in Turkey. For instance, companies that want to use third party logistics services should determine their selection criteria carefully. If the company knows what they need, it can find

a correct provider and have a long term relationship. On the other hand, providers should investigate the market's needs and develop themselves according to it.

➤ *How do you describe your logistics provider's performance?*

We work with a domestic provider. They are experienced in toy industry and it helps us reduce the management burden. As a reliable company they also give great attention to the on-time performance. Since it is a domestic company we don't live any communication problem. All in all, we are happy about our provider's performance.

➤ *Have you worked with a foreign provider? Why?*

No we haven't. We only work with a domestic company that knows the market very well.

➤ *Could you talk about the benefits that your third party provider brings particularly into your international business?*

We are domestic company. But we are aware of opportunities that we can benefit from foreign countries. For example, we import products from China because they are cheaper and they have more variety of products. In this sense, receiving our product on the time and cheaply depends on our provider. This encourages looking for foreign markets more and finding new suppliers.

➤ *Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?*

I think that the problem stems from the lack of logistics infrastructure and system. Some logistics providers are keen to develop themselves. But because of that reason they cannot go beyond the certain point.

➤ *How do you evaluate the situation of third-party logistics providers in Turkey?*

Logistics providers are following the trends in the world. They are improving their skills and competences. However, it is not easy to find an expert company for every industry.

➤ *Do you think that government support is enough to support logistics sector?*

I think it is not sufficient. Our logistics industry is not at the level to compete with its European competitors. The Government should increase the incentives and invest more on logistics infrastructure.

Appendix 5- Saapan Food and Electrics Industry Ltd

Name of the company: Saapan and Electrics Industry Ltd

Date of foundation: 2007

Number of employee: 60

Annual turnover: 4000000 USD

Interviewed person: Hakan Diyerbakeirlioglu

Interview Questions

➤ *Could you talk about your company history briefly?*

Our company is relatively a young company. It was established in 2007. The company started its trade by selling frozen sweet corn. We import the product from Malaysia and distribute to the domestic market. We established franchising system and we have 118 franchisees in the domestic market. We also operate in food, electrical equipment and jewellery sector and export these products to Europe.

➤ *Do you outsource your logistics activities? Why?*

Yes, we do. The reason behind is that we operate in two different industry. These industries have different requirements in terms of logistics services. Since we are not expert on logistics sector, we prefer to work with a provider.

➤ *How do you assess the contribution of third party logistics provider's contribution to your company?*

Our provider has a significant contribution to our company. Their location variety, warehouse facilities and other technical capabilities make easy us to improve our customer relationship and offer a quality service to our customers. For instance, their help to import goods from a new market, Malaysia, is a current major contribution.

➤ *How do you choose your third party logistics providers?*

Food transport is a fragile business because of the content of the product. We need to receive and deliver them on the time. So the role of the logistics provider is crucial. For this reason,

on-time performance and reliability is important for us. In addition, expertise and market knowledge is a determinant for our selection.

- *How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?*

In fact, most of our requirements are met by our provider. I think the criteria we set for selection is efficient enough. However, we should focus on price issue more since it affects our profitability directly.

- *Who selects the provider?*

Selection is made by general manager and marketing department.

- *Have you experienced any difficulties during the selection process and what are they?*

Like most of the companies we have experienced some problems during the selection process. Especially cost issue was a major problem for us. Some companies offer the services we need but their prices are high because there is not enough providers that provide same quality of services as they do.

- *What is your opinion about the reasons of these difficulties?*

The main reason can be seen the limited number of specialist companies. In addition, providers are not open to the changes.

- *What are the solutions to solve these problems?*

Logistics providers need to analyse the global marketplace deeply. They should understand that there foreign providers in the market and competition is enhancing every day. If they consider these issues they will improve themselves more and provide better services in international market.

- *How do you describe your logistics provider's performance?*

Our third party logistics provider operates both our export and import operations. They provide various logistics services in Europe. Also their warehouse facilities meet our requirement in our different kind of business.

➤ *Have you worked with a foreign provider? Why?*

No, we haven't. The communication problem is our concern and also we are happy with our providers.

➤ *Could you talk about the benefits that your third party provider brings particularly into your international business?*

Sapan Food and Electric is an importer and exporter. We import our food products. As company pricing issue is very important for us and finding new countries that we can get cheaper products are critical. Recently, we started to import from Malaysia. The market knowledge of provider brought lots of benefits to us.

➤ *Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?*

When we look at the statistics Turkey is behind its competitors. Turkey is located between Europe, Asia and Middle East. I think that there are many things to do for logistics sector and its infrastructure.

➤ *How do you evaluate the situation of third-party logistics providers in Turkey?*

My opinion is that there is a considerable improvement in Turkish third-party logistics sector. Some providers are following the trends carefully and implement it in Turkey. I think it is the situation is getting better.

➤ *Do you think that government support is enough to support logistics sector?*

Government action is crucial for a drastic change in the country. At the moment the governments' actions are promising for a future success.

Appendix 6- Uguur Hirdavaci Production and Marketing

Name of the company: Uguur Hirdavaci Production and Marketing

Date of foundation: 1965

Number of employee: 27

Annual turnover:

Interviewed person: Ozcan Ayveci

Interview Questions

➤ *Could you talk about your company history briefly?*

Uguur Hirdavaci was established in 1965. Company showed a dramatic development in the market in 1970s. We were selling the domestic products and produce our own products in a small scale. After selling the domestic products company started to import business because of the price advantage. Recently we started export our products to the neighbour countries as well. We sell furniture accessories and construction equipment.

➤ *Do you outsource your logistics activities? Why?*

We use provider because we benefit from their foreign market knowledge and expertise.

➤ *How do you assess the contribution of third party logistics provider's contribution to your company?*

As a company that imports heavily for the domestic market, our priority is to receive products quickly and cheaply. The contribution of the providers is satisfying. I can happily say that their customer support and speed of service are meeting our demand. Also their market knowledge helps us to contact to new customers.

➤ *How do you choose your third party logistics providers?*

As I mentioned we provide most of our products from Far East. Because of that we the technical capabilities, location advantage and storage facilities of the provider is crucial. However price is important for us reliability comes first. We take recommendation of our customers as well. One of our providers is our supplier's provider in Taiwan.

- *How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?*

When we look at customer satisfaction and market expansion I can mention that our choice of provider is right. The information flow between provider and us, location advantage and pricing issues are our requirements. These requirements are fulfilled by our providers.

- *Who selects the provider?*

Our export and import experts and company owners involve selection process.

- *Have you experienced any difficulties during the selection process and what are they?*

Yes, we have. We couldn't find a competent company to deal with our Far East market. We had to look for foreign companies.

- *What is your opinion about the reasons of these difficulties?*

I think sector doesn't have enough logistics knowledge and because of that they cannot apply the modern techniques quickly.

- *What are the solutions to solve these problems?*

The number of experts and educated people can be improved. So people who work in the sector may have courage to invest new areas in logistics and use new techniques with confident.

- *How do you describe your logistics provider's performance?*

We don't just work with one provider. We have different providers that operate in various countries. For example we have providers in China and Taiwan. Because they have deep market knowledge and operate in a wide area they perform a successful business.

- *Could you talk about the benefits that your third party provider brings into your international business?*

As I mentioned before, our provider's help in foreign countries are undeniable. Moreover, they help us to overcome the language problem and finding cheaper products to import.

➤ *Have you worked with a foreign provider? Why?*

Yes, we have. The reason is that we found provider that have cheaper services and more market expertise.

➤ *Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?*

I don't think so. Although we are on an important trade route between Europe and Asia our land road infrastructure is not adequate. Also our airports and railways don't have enough facilities to support logistics activities.

➤ *How do you evaluate the situation of third-party logistics providers in Turkey?*

It is a developing sector. Providers cannot apply all techniques and services as it is expected from them. However, I believe that it will be better in the future.

➤ *Do you think that government support is enough to support logistics sector?*

There are some government actions. But I cannot say that they are enough to carry us to level of developed nations.

Yes, we do. We are an international company. We have a large customer portfolio and they have different requirements. We think that it is much cheaper and more efficient to give our logistics services to a professional company.

➤ *How do you assess the contribution of third party logistics provider to performance of your company?*

We use our third party logistics provider to support our business because we are not specialist in logistics and they provide us a sufficient variety of services. However the provider should be better than our own performance. We occasionally experience problem about their services.

➤ *What do you think your third party logistics provider?*

We have people such as experienced employees, market knowledge and flexibility to choose a provider. If provider has the capacity to fulfil our criteria we start a cooperation with it.

➤ *How efficient the pricing is made in order to select the right third party logistics provider for your company?*

Pricing is not a main problem with providers. All of our decisions about it are efficient.

Appendix 7- RMG Paper

Name of the company: RMG

Date of foundation: 1999

Number of employee: 15

Annual turnover: Roxcel –Group's turnover 534 million Euro

Interviewed person: Delek Cedeci

Interview Questions

- *Could you talk about your company history briefly?*

Company was established in 1993. We sell raw material for printing and packaging sector. Our products range includes packaging grades, publication, coated paper products, foil and plastic films. We are targeting final users and businesses. We have a strong worldwide network.

- *Do you outsource your logistics activities? Why?*

Yes, we do. We are an international company. We have a large customer portfolio and they have different requirements. We think that it is much cheaper and more efficient to give our logistics services to a professional company.

- *How do you assess the contribution of third party logistics provider's contribution to your company?*

We see our third party logistics provider important because we are not specialist in logistics and they provide us a sufficient quality of services. However the provider should be better for on-time performance. We occasionally experience problem about this issues.

- *How do you choose your third party logistics providers?*

We have criteria such as technical competence, market knowledge and flexibility to choose a provider. If provider has the capacity to fulfil our criteria we start a corporation with it.

- *How efficient the criteria mentioned above in order to select the right third party logistics provider for you company?*

However we experience some minor problem with providers all in all our selection criteria is successful.

➤ *Who selects the provider?*

Before the selection a board meeting takes place and each department's ideas are taken. After that company executive and foreign trade department gives the last decision.

➤ *Have you experienced any difficulties during the selection process and what are they?*

Our selection criteria are clear. In addition, we give more importance the quality of service than price issue. We prefer to work with successful providers. Because of that reasons, we didn't live a significant problem at this stage.

➤ *What is your opinion about the reasons of these difficulties?*

Unfortunately, the market is dominant by providers that offer limited number of services. Their facilities are not good enough. Most of them don't have the language skill to communicate with foreign customers.

➤ *What are the solutions to solve these problems?*

The logistics education is essential for further development. The number of logistics schools should be increased and companies should be encouraged to send their staff to courses to understand the core of logistics sector and follow the trends in the world.

➤ *How do you describe your logistics provider's performance?*

The communication flow between us and provider is very efficient. They are open to share information. We require flexibility from our providers in terms of time and services and most of the time they can adjust themselves to our requirements.

➤ *Have you worked with a foreign provider? Why?*

Yes, we have. We operate in different countries. In order to reach our customers on the time and fulfil their requirements, we need foreign companies that have better market knowledge and facilities within these countries

➤ *Could you talk about the benefits that your third party provider brings particularly into your international business?*

We are an international company and operate in different part of the world. Our providers' performance in our markets and our corporations located in different countries is one of the crucial parts of our organisation. We believe that we cannot be successful by just producing

paper products but also delivering them flawlessly to different markets. Our providers offer these international services.

- *Do you think that Turkish logistics infrastructure and system is good enough to support third-party providers?*

As a international company we always search other markets. According to our researches and government statistics Turkish logistics infrastructure is not competitive.

- *How do you evaluate the situation of third-party logistics providers in Turkey?*

There are certain services that are adequate to meet our needs. However, sector doesn't focus on IT and other technological services. Also, the reliability and on-time performance are still problem.

- *. Do you think that government support is enough to support logistics sector?*

I reckon that the government is working hard to develop the system. But there are certain issues such as railway and seaway infrastructure that adequate steps haven't been taken yet. Also there is not enough logistics schools and government education programmes to support the sector. In this sense, I don't see it enough.