Third-party logistics strategic orientation towards the reverse logistics service offerings

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Abstract: This paper aims to propose a conceptual framework to study the strategic orientations of Third-Party Logistics (3PLs) relating to the reverse logistics service offerings. 3PLs play an important role with respect to the efficiency and effectiveness of customers’ logistics and supply chains function, which is explicitly explained in respect of the relevancy of their existence until to the present point of time. Nevertheless, the growing demand in reverse supply chain services has prompted a review of 3PLs, its present strategic orientation and its response to the demand of reverse supply chain services. In this context, three major green orientation strategies have been identified from the literature – innovation-based, efficiency-based and reputation-based. The institutional theory is used to provide a reasonable base for explaining the need for 3PLs to have the right strategic orientation to provide organisational positioning in delivering effective and efficient reverse supply chain services. Drawing on the proposed framework, both new and established researchers are expected to benefit from the frame of reference for future research.

Keywords: 3PLs; strategic orientation; reverse supply chains; green orientation strategies; services.

1 Introduction

Logistics service is a distinctive intermediate service between three parties – manufacturer, service provider and customers – that is receiving increasing recognition for its significant contribution to the successful operations of the supply chain (Stank et al., 2003). This is because superior logistics services could increase business performance (Daugherty et al., 1998; Cronin and Taylor, 1992; Davis and Mentzer, 2006) through the leveraging of the relationship between the sellers and the customers (Davis and Mentzer, 2006). In many cases, high-quality logistics services can be observed from the ability of the service provider to meet functional aspects, such as timely delivery and ordering process, and technical factors, such as correct order and supply (Gronroos, 1984; Mentzer et al., 1999). Hence, such superior logistics services have become the strategic focus for firms in their effort to continue building relationships with the customers for a better business performance outcome, and, eventually, to nurture a sustainable business worldwide.

Logistics managers are always committed to achieving internal operational efficiency, and, to a certain extent, they may forget about value of providing the delivery to the customers. However, in this case, support from the Third-Party Logistics (3PLs) provider is important to ensure that the customers are receiving excellent care. Nevertheless, not all providers are in the best position to provide solutions to their customers, leaving the managers with the increasing burden of managing the operations as well as building relationships with the customers. A report of 16th Annual Third-Party Logistics Study released by Langley and Capgemini LLC revealed that one of the key issues behind the drawback of 3PLs services, as mentioned by the Head of Distribution of a telecom
company, is that 3PLs are not proactive in offering new logistics solutions, and that new ideas were consistently on the basis of ‘shippers own generated’ (Langley and Capgemini, 2012). The logistics service industry has been regarded as lacking innovation, which accounts for the available substantial research that merely reports on the industry’s trends (Selviaridis and Spring, 2007) and often overlooked on the innovation concept in the logistics research (Flint et al., 2005). This is despite the fact that 3PLs play a major role in providing complete services in product logistical and supply chain functions (Wagner and Franklin, 2008). As a result, in China, there is still a shortage of specialised 3PLs that handle the reverse supply chain services, thus forcing many shippers to manage their own in-house reverse flow chains at a higher cost (Wang et al., 2013).

Therefore, new service developments and innovations are essential to mitigate the issue of deficiency in service offerings among 3PLs. Such efforts by 3PLs are important in view of the increasing needs of the distinct logistics services by the different customers (Van der Veeken and Rutten, 1998). The growing demand for services has substantiated the reason why 3PLs are focusing on developing and innovating new services (Chapman et al., 2003) that suit the needs of the customers. In relation to this, the motivation behind the enhancement of service offerings by 3PLs is more towards the value-added strategies and improved relationships with the customers (Van Hoek, 2000). Only those 3PLs that can collaborate with the customers are more likely to be able to design effective logistics solutions that can best serve their own customers (Flint et al., 2005). This includes the focus towards developing services that can effectively meet the customers’ specific desires or changes rather than following what the competitors offer in the market (Flint and Mentzer, 2000).

Recent developments in the area of reverse supply chains, particularly in the 21st century (see, for example, Dowlatshahi, 2000; Rogers and Tibben-Lembke, 2001; Kocabasoglu et al., 2007), have increased the demand for related new services from 3PLs. In this case, the automotive, garment and electronics industries are among the high users of reverse logistics services (Langley and Capgemini, 2013), which include managing post purchase services, such as handling defective products, repair and returns to the OEM. A research conducted by Langley and Capgemini (2012) revealed attractive business options in reverse supply chains services (defective products, repair and return) into which 3PLs could venture (Langley and Capgemini, 2013). Although the statistics recorded a drop in the demand for the overall 3PLs services including the reverse logistics in the past three years (especially in 2010, 2011 and 2012), as a consequence of the economic volatility and uncertainty in the global business market, 3PLs are relentlessly providing strategic and operational value to shippers in reverse logistics services. Figure 1 shows the percentage of the surveyed respondents based on each region from 2006 until 2013.

Figure 1 shows that, overall, the outsourcing of the reverse supply chains is placed in sixth position behind the 3PLs traditional services of transportation, warehousing, freight forwarding and customer brokerage. This clearly indicates that although the shippers continue to rely on the traditional forward logistics services, such as transportation and warehousing services, the demand for reverse logistics services over the years from 3PLs is increasing (Shaharudin et al., 2014). According to the report by Langley and Capgemini in 2013–2015, reverse logistics services were recorded as the highest demanded services compared to the other five types of value-added services offered by 3PLs, which are cross-docking, freight bill auditing and payment, final product finishing
services, transportation planning/management and consultancy services (Langley and Capgemini, 2014; Langley and Capgemini, 2015; Langley and Capgemini, 2016). In Malaysia, reverse logistics services are one of the top ten value-added services outsourced to 3PLs in 2010 (Frost & Sullivan, 2011). In fact, a survey conducted in 2009 indicated that reverse logistics services were one of the prime services that shippers are looking for in the future (Langley and Capgemini, 2010), which emphasises the need for 3PLs to offer more valuable services in this area. Hence, 3PLs are seen as a tool to achieve environmental sustainability objectives, as they are capable of playing a critical role in organising, managing and creating more sustainable supply chain services to the customers (Evangelista et al., 2010; Anttonen et al., 2013).

**Figure 1** Demand for 3PLs forward and reverse logistics services from 2006 until 2013 (all regions)

However, the 3PLs invention in reverse logistics services has prompted further investigation in view of its prominent role in supporting the Green Supply Chain Management (GSCM) initiatives (Zailani et al., 2011). It is important to understand the respective strategic orientations that can drive 3PLs decisions towards developing and offering reverse logistics services, especially when this service is considered to be a new stream of logistics management services. In fact, despite the many past studies on environmental issues in diverse industries, there is still inadequate knowledge pertaining to the environmental issues in logistics and 3PLs (Lin and Ho, 2008; Fürst and Oberhofer, 2012). The perceived issues of green performance and assessment have been considered as basic and important by several researchers like Cucek et al. (2012), Scipioni et al. (2012), and Stechemesser and Guenther (2012); however, in contract logistics the related study is still insufficient in the present body of literature (Colicchia...
et al., 2013). Specifically, from the review of the available literature, it was discovered that studies relating to the new service and innovation by 3PLs in the logistics sector (Cui et al., 2009) are lacking, including the issue pertaining to how 3PLs could strategically be managed in a way that could effectively provide the services demanded by the customers (Hum, 2000).

Thus, the purpose of this study is to explore the literature concerning the strategic orientations engaged by 3PLs in offering reverse logistics services, and to propose an appropriate conceptual framework at the end of study. Applying the lens of institutional theory (INT), this theory provides a reasonable base for explaining the need for 3PLs to have the right strategic orientation to provide organisational positioning in delivering effective and efficient reverse supply chain services. Drawing on the proposed framework, the new and established researchers are expected to benefit from the frame of reference for research to be carried out in the future. This paper is organised in five sections. In Section 2, the definition and overview of 3PLs and the strategic orientations are presented, in which the sources are taken from the literature. The conceptual framework and development of the proposition are described in Section 3, and the discussion and implications are presented in Section 4. Section 5 provides the conclusion of the study, and, finally, suggestions for future research are discussed at the end of the paper.

2 Literature review

2.1 Defining 3PLs

Many authors in the past have defined 3PLs as ‘the use of external companies to perform logistics functions that have traditionally been performed within an organisation. The functions performed by the third party can encompass the entire logistics process or selected activities within this process’ (Lieb, 1992). Several other authors have substituted the term as ‘logistics outsourcing’, ‘logistics alliances’, ‘contract logistics’ and ‘contract distribution’ to explain the outsourcing logistics functions that used to be performed by the organisation internally (Aertsen, 1993; Bowersox, 1990; Lieb, 1992; Sink et al., 1996). Basically, the distinct definitions signify the different outsourcing arrangements with the shippers, and outline the responsibilities and tasks assumed by the 3PLs in the logistics or supply chain, in general.

3PLs play an important role in the efficiency and effectiveness of the customers’ supply chain (Maloni and Carter, 2006). As globalisation is growing significantly, the pressure on companies to achieve a competitive advantage is inevitable, as the competition is getting robust. Hence, the need for 3PLs has increased tremendously to ensure that products and services are delivered as quickly as possible to the market.

2.2 3PLs service offerings

Generally, 3PLs comprise several players and provide a number of services ranging from basic transport services to a broad range of logistics services with a variation in the portfolio of interest (Carbone and Stone, 2005; Larson and Gammelgaard, 2001; Dobie, 2005). The variety of services provided by 3PLs, as indicated by the literature, is quite
extensive. For instance, Tian et al. (2010) explained that despite assuming the traditional logistics activities, such as transportation and warehousing, 3PLs could also provide other value-added services, such as logistics management, inventory management, transport selection, reverse logistics, integration of supply chain, freight forwarders, fleet management, and fulfilment of manufacturing orders.

In another study by Lai (2004), four types of 3PLs were proposed – traditional freight forwarders, transformers, full service and nichers. Traditional freight forwarders are those firms that carry out the ordinary functions of transportation and warehousing services. In addition, this type of 3PLs is characterised in such a way because of its limited capability for executing value-added and technology-related logistics services. The transformers are able to offer freight forwarding and technology-based logistics services. Although this type of 3PLs is capable of carrying out value-added services at the medium level only, they appear to have taken the initiative to increase the service offerings to achieve the level of the comprehensive 3PLs services. On the other hand, the full service providers are capable of offering a broad range of logistics services, in which their service level is considered to be comprehensive with the ability to provide freight forwarding, technology-enabled service and value-added service at a higher scale. Finally, the last type of 3PLs is called nichers, who demonstrate a specific weak tendency towards the freight forwarding service but show great performance and capability in executing the value-added and technology-enabled logistics services (Lai, 2004).

Despite several 3PLs concentrating on offering standard services on a big scale, there are many 3PLs that have made the effort to expand the range of their service offerings (Murphy and Daley, 2001). The growing inclination towards the development of customised services is to enhance the service levels (Daugherty et al., 1992) and to fulfil the customers’ growing demands (Berglund et al., 1999; Mortensen and Lemony, 2007). In addition, an increase in the value-added service offerings could help the 3PLs to achieve service differentiation (Evangelista, 2004) and improve their relationship with the customers (Skjøtt-Larsen, 2000). The pressure on 3PLs to develop more customised services has led to the strategic influences to change the overall orientation towards the market coverage, service-level enhancement and flexibility adaptation to the customers changing requirements (Hertz and Alfredsson, 2003), especially the call for services that can support the reverse supply chain operations.

2.3 Reverse logistics service

The reverse supply chain relates to the management of the return flow of products from the end-users to the initial producers for the purpose of capturing the value or for proper disposal (Rogers and Tibben-Lembke, 1998). It involves the functions performed for the recovery of used or unused products from a customer for the disposal, reuse or resell of the products (Guide and van Wassenhove, 2009) and is categorised as one of the functions in GSCM (Hsu et al., 2013). The product returns rate can reach up to 40% or higher in certain product categories by European online retailers (Accenture, 2012) and can incur an excessive handling cost of $6–$18 for each of the returned items (The Economist, 2013).

The reverse flow is a growing trend due to several reasons, such as the increase in online marketing, catalogue purchases, self-service stores, and buyers who are uncompromising on quality, which, so far, has only been successfully addressed by a few
companies (Stock et al., 2002). Hence, effective reverse flow chains can be made through engaging the 3PLs (Lee et al., 2007), especially for companies that have not established the reverse flow chains in their organisations.

The emergence of the 3PLs reverse logistics service is derived from the existence of manufacturing, distribution and customers’ returns, for which the 3PLs have become the centre for customers to contact for all returned products in the reverse supply chains. The arrangement for the returns can be undertaken either through collection by 3PLs or through the customer’s own initiative. Upon reaching the 3PL warehouse, 3PLs normally liaise with the manufacturer/brand owner on the treatment of the returned product. In many cases, the 3PLs will return the faulty products to the manufacturer/brand owner due to their limited role in only providing transportation and warehousing functions. The potential for the products being damaged is higher when it involves additional handling by 3PLs to the manufacturer/brand owner. This will impede the overall objective of cost reduction and savings. For warranty claim products, the overall process of repairing is time-consuming, and, to resolve the issue, the manufacturer/brand owner has to ensure that the location of testing and repairing is close to the customers. In some cases, the manufacturer or brand owner will outsource the function to 3PLs; hence, the repairs will be undertaken in 3PLs warehouses worldwide.

According to Mahmoudzadeh et al. (2013), besides the conventional logistics activities of transportation and warehousing, reverse logistics involves high investment cost on disassembly devices, communication systems and others, especially for the distinctive activities that manufacturers are not capable of providing. In this context, 3PLs normally focus on the core reverse logistics operations and enhance the services from time to time. Similarly, Min and Ko (2008) state that 3PLs are capable of handling reverse logistics by having wide-ranging connections and vast experience in reverse operations with the adequate information systems. Moreover, 3PLs are able to leverage their services by serving many products to optimise the risk and marginalise the economy of scale operations (Adebanjo and Xiao, 2006).

2.4 Strategic orientations

Researchers in the past have defined orientation as a primary consciousness or underlying philosophy that influences the way that firms conduct their internal and external activities (Borch, 1957; Peterson, 1989; Miles and Munilla, 1993; Kotler, 1997). In other words, orientation is about how firms believe and respond to the conditions of the business environment. It is considered as the organisational culture and disposition to meet certain objectives (Deshpande and Webster, 1989; Han et al., 1998). Hence, a firm’s orientation can provide exceptional enhancement to its operations and competitiveness (Mello and Stank, 2005). For instance, in their study, Hult et al. (2002) discovered an orientation-cultural competitiveness that can enhance the cycle time in the supply chains. By positioning the right strategic orientation for the organisational culture, firms are able to reap the benefits by improving the productivity, which can lead to higher firm performance and competitive advantage.

2.4.1 Strategic green orientation

A study by Hong et al. (2009) clearly described the definition of strategic green orientation. According to them, strategic green orientation is related to a firm’s long-term
commitment through the continuous adoption of environmental programs in order to produce environmentally friendly products and services. These products and services are important to alleviate the firm’s performance through the internal integration and external coordination with the suppliers and customers (Seuring and Muller, 2008). Hence, strategic green orientation is not only applicable for the adjustment of past green activities but also required to motivate firms in respect of the continuous adoption of environmental efforts for its sustainability and long-term planning (Hong et al., 2009).

From another perspective, a study of GSCM by Noci (1997) divided the supplier’s selection process into two types of green strategy – reactive strategy and proactive strategy. However, Gyöngyi (2005) defined the supply chain green strategy orientation according to four factors – resistant adaption, seeking eco-efficiency, environmental reputation and eco-entrepreneurship. In a subsequent study by Simpson and Samson (2008), they suggested four approaches to the GSCM strategy – risk-based strategy, efficiency-based strategy, innovation-based strategy and closed-loop strategy. Finally, Testa and Iraldo (2010), in their latest study, attempted to accurately assess the determinants and motivations for the adoption of GSCM, and proposed three strategic approaches mostly favoured by firms – reputation-led, efficiency-led and innovation-led.

2.4.1.1 Reputation-led strategy
The reputation-led strategy involves the strategic orientation to improve the whole product or service life cycle that can increase environmental performance. For example, implementing and collaborating with the suppliers to mitigate pollution through the reduction of transport emissions, eventually, could improve the overall corporate image. In this strategy, 3PLs are able to increase the reputation competitiveness at the international level and reduce the cost of operations by enhancing the environmental performance through an efficient and streamlined reverse supply chains processes (Ismail et al., 2015). In fact, reputation-led strategy facilitates the aim of firms to achieve market differentiation by portraying positive environmental image and trustworthiness in the market.

2.4.1.2 Efficiency-led strategy
The efficiency-led strategy is more complicated owing to efficiency improving through specific approaches. It offers a business strategy that could reduce the usage of packaging and allows for an efficient service offering through the selection of an effective mode of transport so that the service charge could be offered at a lower price. As a result, the company will be able to offer cost-saving products or services that are competitive in the market. On the basis of this, 3PLs have to improve the service and cost performance by developing effective transportation, warehouse and information management strategies than can offer higher efficiency and savings to the customers.

2.4.1.3 Innovation-led strategy
The innovation-led strategy is related to the strategy adopted by leading innovation companies, through which their advanced adoption of the GSCM could strengthen their existing leadership over their competitors (Vachon and Klassen, 2007). This strategy is important as the matter of the fact that the present competitive market environment
demands for innovation from the 3PLs, besides integration and quality services, to increase the market acceptance and competitiveness (Wagner and Sutter, 2012). By developing the service and process innovation in reverse supply chains, 3PLs are able to offer environmental beneficial innovations, which could assist to create value for their customers (Panayides, 2006). As a result, 3PLs could be able to strengthen their leadership and increase the business performance for being able to provide unique solutions in green supply chains services.

2.5 Theoretical foundation

This research is grounded on the basis of the theoretical foundation involving the strategic concept of institutional theory (INT), which describes how external pressure could influence firms to adopt organisational activities (Hirsch, 1975; Lai et al., 2006) and conduct the activities strategically (Hoffman, 1997; Scott, 2001; Scott, 2008). The external pressures to adopt GSCM are derived from the government and consumers (Arora and Cason, 1995) and diffused to organisations through coercive, normative and cultural-cognitive isomorphism (DiMaggio and Powell, 1983; Scott, 2001). These isomorphism drivers of INT were the factors incorporated in the organisational strategies, functions and processes and affect the way of the business firms in decision-making (Glover et al., 2014). Pressures from those in power (coercive), stakeholder interests in the organisation (normative) and competition (mimetic) (Zhu et al., 2010) affected the variance of product returns in the firms reverse flow chains (Shaharudin et al., 2015), which are behind the reason for 3PLs to offer services to deal with the high volume of inbound product returns.

Therefore, manufacturers are facing intense pressure to manage their reverse supply chains efficiently. The kind of pressure faced by the manufacturers includes the rampant increase in international competition, reduced product life cycles, increased environmental laws and more consumer-friendly take back policies from the retailers, which can raise the volume of product returns (Guide et al., 2003). However, this is an uphill task as return management activities, such as recycling, are far more complicated than one can imagine (Pagell et al., 2007). Even firms that are excellent in the management of the traditional forward supply chain will find it difficult to optimise the return product efforts as the implications may be both positive and negative to the existing supply chain management (Pagell et al., 2007).

In this case, INT provides a reasonable base for explaining the pressure placed on 3PLs in offering the related services in that many firms are struggling to expand their capabilities in the reverse flow chains but end up being unsuccessful because they are not part of their core competencies. Many firms turn to 3PLs for outsourcing the sustainable services, depending on the type of product (Blumberg, 2005). Managers consider the outsourcing of support services to be more beneficial and less risky to bear, especially for activities that are not within their primary scope of business (Lonsdale and Cox, 2000). This includes working closely with the 3PLs to obtain the best solution for the reverse supply chains that can offer economic advantage, as well as social and environmental protection elements that are so far still insufficient, especially to the existing traditional, conventional and competing offers on the market. In response to the demand for reverse supply chain services, it is essential for 3PLs to have the right strategic orientations, which can provide organisational positioning in delivering effective and efficient reverse supply chain services.
3  Conceptual framework and proposition development

Based on the review of literature, the 3PLs green strategic orientation approach can be categorised into three major business strategies: reputation-led, efficiency-led, and innovation-led. These strategies are expected to improve a firm’s GSCM, and, consequently, can provide green service offerings, such as the functions and activities in reverse supply chains, as discussed in the following sections.

3.1 Innovation-based strategy

The innovation-based strategic orientation is a type of strategy responsible for guiding the companies into developing services from the perspective of the life cycle and incorporating stricter environmental requirements in the service designs and offerings. This strategy is important, particularly for developing sustainable services with the life cycle as oriented from the three parties – customers, providers and suppliers (Galbraith, 2002) – in order to achieve overall compatibility in the ecosystem (Wolfson et al., 2011). Nevertheless, it is not easy to achieve the innovation-based strategy. 3PLs have to develop new technologies and a different mode of business from the present practices in order to enhance their environmental accomplishments. To a certain extent, firms are forced to engage additional resources and nurture their innovative capabilities in GSCM (Simpson and Samson, 2008). In this way, 3PLs would be able to offer new services as a result of the innovativeness in the field of reverse supply chains. This leads to the following proposition:

Proposition 1: An innovation-based strategy will positively impact the 3PLs service offerings in reverse supply chains.

3.2 Efficiency-based strategy

Generally, the efficiency-based strategy is about the strategy to facilitate companies gaining economic benefits through the use of efficient resources and processes. In this case, the strategy seeks to minimise the cost of operations, among others, by the effective utilisation of energy consumption, and the efficient fleet and human resource management. The recent development of a sustainable service that demands for an appropriate use of natural and environmental awareness in the conduct and action of every firm (Halme et al., 2007) is another example of the efficiency-based strategy that can be applied by 3PLs. As a result, this enables 3PLs to offer service offerings in reverse supply chains due to the ability to effectively use the resources and minimise the service charges. Hence, this leads to the following proposition:

Proposition 2: An efficiency-based strategy will positively impact the 3PLs service offerings in reverse supply chains.

3.3 Reputation-based strategy

The reputation-based strategy concerns the strategy that seeks to implement a green supply chain, make customers aware of such an effort and gain a positive reputation for its adoption. A positive environmental image is pursued by firms to distinguish
themselves from their competitors based on the standing of their environmental image in the market (Brown and Dacin, 1997). This was supported by a survey conducted by Bearing Point and Supply Chain Standards on major global organisations, which discovered that the brand image of firms could be successfully improved as a result of the implementation of GSCM practices. Hence, this has become a major factor motivating firms to undertake green activities (Cognizant, 2008). In this case, the 3PLs reputation-based strategy is expected to determine the level of adoption of green practices (i.e. reduce the transport emissions etc.), which could influence the offerings of the reverse supply chain service. This is because 3PLs are believed to gain some experience from such adoption, which, ultimately, could assist them in drawing the set of services in reverse supply chains. Hence, this leads to the following proposition:

Proposition 3: A reputation-based strategy will positively impact the 3PLs service offerings in reverse supply chains.

In view of the preceding discussions and propositions, Figure 2 depicts the proposed conceptual framework of the study.

Figure 2 Proposed conceptual framework

Based on the proposed conceptual framework, as shown in Figure 2, 3PLs could offer services in reverse supply chains derived from the utilisation of the strategic green orientation, which encompasses the innovation-based strategy, efficiency-based strategy and reputation-based strategy, in their organisational practices and routines. These business strategies could enhance the present level of the GSCM practices, and, consequently, effectively support the service offerings in reverse supply chains to 3PLs customers. As such, this could suggest that 3PLs respond to INT by comprehending the three isomorphisms (normative, coercive and mimetic) in drawing up the service offerings in reverse supply chains. It is argued that the forces which are caused the increase of product returns have open up new business opportunities for 3PLs to reap from the existing as well as new customers. Conventional services such as transportation, warehousing and information management can be extended into the services in reverse logistics by managing the product returns effectively by recapturing value and eventually reducing the write-offs of the returns. Among the services include dismantling the finished goods, returns management, receiving, sorting and verifying the product returns.
from the customers. These services can provide effective management and integration of the returns from different market channels which could assist the customers to reduce waste and increase value of the recovery.

4 Discussion and implications

This study is applicable to the reverse logistics and contract logistics services discipline. The underlying notion of the study is about the intervention of 3PLs in reverse logistics services. The reverse logistics service was found to be the sixth most demanded logistics service and the highest outsourced service in the value-added category. Among the main reasons for the increased demand of this service is the changing trend of business organisations with respect to environmental and sustainability efforts. However, 3PLs are found to have limited services in reverse supply chains, despite highly demanded by customers in Malaysia (Shaharudin et al., 2014). As such, this implies the need for a study, particularly on the strategic factors that could lead to the successful service offerings by 3PLs in the reverse logistics services. Besides the strategic factors, this study also provides the understanding on the innovation of 3PLs in reverse logistics service offerings, as similar study in logistics innovation research is still limited and inadequate.

The proposed conceptual framework of the study comprises the three different green strategic orientations that drive 3PLs in the reverse logistics service offerings. The innovation-based strategy includes the stringent environmental requirements in designing the service designs that are translated into offerings that are promoted to the customers. The efficiency-based strategy focuses on providing operations at the minimum possible cost through the adoption of effective energy usage and resources, while the reputation-based strategy relies on the positive image of the company based on its green service offering efforts. Derived from the three green strategic orientations, 3PLs should be in the best position to offer effective reverse logistics services to their customers. Hence, the findings of this study can be used to strategically guide 3PLs in providing reverse logistics services, which, ultimately, could encourage business organisations without reverse logistics capabilities to pursue their environmental objectives through contract services with 3PLs.

This study has several implications for the 3PLs industry. In general, the conceptual framework provides the fundamental understanding for 3PLs managers and other practitioners in the logistics industry concerning the emerging concepts in reverse logistics so that an appropriate strategy can be applied in designing more sustainable services for the customers. By applying several key strategies, by enhancing the services in the return flow, the level of the logistics industry is expected to reach the advanced level. This is because the focus of many industries today is moving towards sustainability, and, similarly, the expectation that 3PLs are moving in the same direction. Nonetheless, the unsustainable practices hidden in the supply chain have the potential to become public through word of mouth, thereby giving a company a bad image and upsetting the shareholders. Besides that, the study also helps the 3PLs to improve their current value-added services by offering more complete sustainable services to the customers. Although adding sustainability throughout the organisation takes creativity, eventually, 3PLs can learn how to use it to distinguish themselves from their competitors through ultimate service offerings that promote environmental protection, corporate social responsibility and economical services.
From the perspective of the theoretical implications, the use of INT, as the base for understanding the research, is worthwhile for building a conceptual theory, in view of its scarcity in the available body of literature. In INT, the external pressure from the customers influences the 3PLs to continue to innovate by offering services in reverse logistics, especially from customers who are struggling with their ineffective reverse flow operations. In addition, the INT explains the forces behind the differentiation strategy applied by 3PLs in the quest for positioning the reverse logistics services better than that of their competitors and achieving competitive advantage in the market. Hence, it is expected that the study could support the ongoing efforts for theory-building and conceptual development within the field of reverse logistics. In view of the conceptual framework, which is still in the early development stage, the propositions suggested are not final and need to be further tested and improved using both qualitative and quantitative research approaches (Carter and Rogers, 2008).

5 Conclusion

In conclusion, the development of services from 3PLs in reverse supply chains is inevitable despite many shippers placing higher demands on the traditional forward logistics services, such as transportation and warehousing services. This is because many services in this area have been introduced in the 21st century, and the demand seems to be growing fast with the latest standings being in sixth position behind the major outsourcing of traditional forward logistics services, such as transportation and warehousing services. The proposed conceptual framework is expected to provide proper guidelines to 3PLs in their efforts to offer services in reverse supply chains which are contingent to the greater emphasis putting on the innovation-, efficiency- and reputation-based strategy. At the strategic level, 3PLs need a key strategic orientation for the services to be effectively offered and supplied to the customers. In this context, three major green orientation strategies have been identified – innovation-based, efficiency-based and reputation-based. Although these strategies are different from one another, the expected outcome is still the same, which is to lead 3PLs into the position of having the right strategy for the organisation culture, so that the service offerings in the reverse supply chains can be effectively supplied to the customers. Such strategies are important for 3PLs to consider in designing the reverse supply chain services that support the effective use of resources and price competitiveness in the market. Through the proposed conceptual framework, further empirical research is needed to verify the influence of each of the strategies including the most effective strategy that can assist 3PLs in the service offerings in the reverse supply chains.

6 Suggestions for future research

The proposed conceptual framework offers new insights on the services in the reverse supply chains field, which can induce more promising research and practice in the future. The present research can be enhanced by confirming the three strategic green orientations with the professionals in the 3PLs sector. In this case, interviews with people from industry could help to verify the present study variables as well as to gather new variables. Those people who are considered experts are the best to approach and
interview. In this way, the study is expected to have variables that can represent the actual situation in the real settings. Notwithstanding the importance of the above, the present study relies purely on the literature on the basis of exploratory research with the intention for a further explanatory approach in future research.

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Third-party logistics strategic orientation


