Chapter 9

Exploring the Sources of the Competitive Advantage of Logistics Service Providers

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ABSTRACT

This chapter describes and analyzes how logistics service providers (LSPs) differ in the resource management decisions they make to gain competitive advantage in a rapidly changing and uncertain business environment. The resource-based theory of the firm and dynamic capabilities are employed as a theoretical backdrop. Using archival data, the authors find that four case LSPs structure and bundle their resource portfolios to build capabilities, which they leverage to create and maintain value for their customers. Leveraging strategies employed by the LSPs are influenced by their environmental contexts, leading to different strategies and performance levels among the firms. This research enhances understanding of the constructive impact that resources and capabilities can have on the performance of LSPs.

INTRODUCTION

A broad definition of “intermediary” includes all of the firms that come between the manufacturer and the customer across distribution channels. Traditional channels encompass the vertically integrated manufacturer, wholesaler, retailer, and, finally, the consumer (Alderson, 1965). Intermediaries are concerned with the transfer of ownership of goods; they may choose or not to take ownership of products by buying them. Modern distribution systems have witnessed the emergence of intermediaries that are specialized...
in providing services. The responsibility of these intermediaries can be limited or broad. The logistics service provider (LSP) is one type of intermediary that has arisen in recent decades (Sheffi, 1990).

Logistics service providers (LSPs), also known as third-party logistics firms, support all or some of their client's logistics activities, allowing clients to focus on their core competencies (Fulconis, Saglietto, & Paché, 2006). Capabilities of LSPs include transport and freight-forwarding, consolidating and moving physical flows (Bowersox, Closs, & Cooper, 2010), negotiating between buyers and sellers, bundling warehousing, transportation, and other value-added services, managing materials and information, and providing one-stop services (Berglund, van Laarhoven, Sharman, & Wandel, 1999). Competition is intense in the logistics industry, and not all users are satisfied with their LSPs (Langley et al., 2007). Most LSP service contracts cover no more than 2 years and concern basic services. Failure to meet client expectations, despite service expansion, prevents many LSPs from maintaining competitive advantage (Min & Joo, 2006).

In today's competitive environment, LSPs must find ways to exploit their full potential to achieve sustainable competitive advantage, by accessing and transforming logistics resources into appropriate services for their clients (Lai, Li, Wang, & Zhao, 2008). Several researchers (e.g., Bienstock, Royne, Sherrell, & Stafford, 2008; Myers, Griffith, Daugherty, & Lusch, 2004) have examined the effects of logistics resources on performance, although not from the LSP perspective (Yang, Marlow, & Lu, 2009). Few empirical studies have explored the competitive advantage of LPSs, and none has addressed the issue via qualitative research or in a dynamic environment. Thus, according to Wong and Karia (2010), there remain "missing links between resource possession and resource exploitation" (p. 62). More research conducted from the perspective of LSPs is clearly needed (Ellinger, Ketchen, Hult, Elmadağ, & Richey, 2008).

Applying case studies of four global LSPs, this chapter endeavors to explain how LSPs manage resources and capabilities to achieve competitive advantage. Three research questions are posed:

1. How do LSPs structure their resource portfolios?
2. How do LSPs bundle their offerings?
3. How do LSPs leverage their capabilities?

THEORETICAL BACKGROUND

LSPs and the Global Environment

Globalization, trade growth, and transport deregulation have placed logistics at the center of corporations' management of flow circulation (Lieb & Bentz, 2005). Firms that previously had competed only on the regional or national level must now strive on the global market stage. Logistics performance is a challenging but key success factor for any corporation involved in global supply-chain management (SCM) (Branch, 2009; Liu & Lyons, 2010). Integrated global logistics systems allow companies to deliver goods or services to customers at the right time, in the right place, and for the right price. As companies seek solutions for coping with globalization in an increasing competitive context (Dornier, Ernst, Fender, & Kouvelis, 2008), they may choose to outsource their nonessential logistics services to LSPs (Wagner & Sutter, 2012). Outsourcing enables companies to enjoy reductions in costs and capital, and achieve nimble supply chains (Bhatnagar & Viswanathan, 2000).