Chapter 14
The Roles of Logistics Service Providers and Supply Chain Integration in Global Supply Chain
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ABSTRACT

This chapter explains the overview of logistics service providers (LSPs); LSPs’ competitive advantage and logistics performance; LSPs, city logistics, and freight distribution in megacities; LSPs and cloud computing utilization; LSPs, green supply chain, and environmental sustainability; the prospect of supply chain integration (SCI); and the important aspects of SCI in global supply chain. LSPs can share responsibility for managing global supply chain, keeping stores properly stocked, and delivering the perfect order every time. Carriers and logistics intermediary perform more roles than what people think they do, because network connection and the ambition to remain competitive make them to take up value-added services. SCI is a network of businesses and contractors that provide raw materials, transportation, manufacturing, distribution, warehousing, and retailing services. Through SCI, operating flexibility and tight inventory management lead to a lower cost structure, which results in higher profit margins.

INTRODUCTION

Transportation and logistics are increasingly relevant to the rapid economic growth of emerging economies (Hirschinger, Spickermann, Hartmann, von der Gracht, & Darkow, 2015). The growing demand for logistics outsourcing and the increase in the number and type of logistics service providers (LSPs) emphasize the increasing importance of the LSP evaluation and selection process (Alkhatib, Darlington, Yang, & Nguyen, 2015). Due to the increase in outsourced activities at the global level, LSPs play an important role for enterprises to improve their supply chain operations (Lun, Lai, Wong, & Cheng, 2015).

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Foreign LSPs need to adapt to the host market environment during internationalization in order to develop the capabilities associated with competitive logistics services (Darkow, Weidmann, & Lorentz, 2015).

Supply chain management (SCM) requires supply chain integration (SCI) for both internal integration (e.g., across functions) and external integration with suppliers, customers, and other supply chain partners (Vickery & Droge, 2011). In recent years, companies across different sectors have been facing a new competitive environment, characterized by an increase in the number of competitors, shorter product cycles, and changing customer demand (Palma-Mendoza & Neailey, 2015). In order to cope with these challenges and to achieve competitive advantage, companies are engaged in alliances and partnerships with other organizations and closer collaboration with suppliers and customers through SCI. The goal of collaborative execution in global supply chain is to establish the smooth flow of information up the supply chain from customers to suppliers and the smooth flow of products and services down the supply chain from suppliers to customers (Kasemsap, 2016a).

This chapter aims to bridge the gap in the literature on the thorough literature consolidation of LSPs and SCI. The extensive literatures of LSPs and SCI provide a contribution to practitioners and researchers by explaining the important aspects of LSPs and SCI in order to maximize the impact of LSPs and SCI in global supply chain.

BACKGROUND

Since recognized as a new industry in the late 1980s, the logistics service industry has been experiencing growth (Sheffi, 1990). Managing the supply chains is the core business of retailers because retailers experience value addition in moving product from manufacturers or suppliers to the point of consumption (Singh, Sandhu, Metri, & Kaur, 2014). LSPs are professionals who serve clients, such as manufacturers, raw material suppliers, distributors, retailers, and shippers within the supply chain (Chow, Choy, Lee, Chan, & Lam, 2005). In the past decades, many LSPs have been engaging in the combination of organic expansion, merger, acquisition, and alliance. Through these activities, LSPs acquire or gain the access to various resources, such as logistics hubs, aircraft, skilled workforces, track and trace software, logistics expertise, and knowledge in order to achieve business growth and competitive advantage (Wong & Karia, 2010).

Effective SCM is a source of sustainable competitive advantage for organizations (van der Vaart & van Donk, 2008). Mushaluk and Chen (2014) indicated that supply chain function is based on three fundamental pillars (i.e., integration, collaboration, and coordination). For companies competing in highly dynamic markets, coordination is considered as a fundamental component for achieving a higher level of supply chain efficiency (Evangelista, 2011). Companies have turned their attention toward improving the management of their supply chains to achieve competitive advantage through SCI (Prajogo & Olhager, 2012). SCI is recognized an important factor to attain superior supply chain performance (Radhakrishnan, David, Hales, & Sridharan, 2013). Companies link their internal process to external suppliers and customers, with different levels of integration, to reduce cost and improve responsiveness and service level (Mozafari & Tafazzoli, 2012).