

## LOJİSTİK SÜREÇLERDE DIŞ KAYNAK KULLANIMI: FREIGHT FORWARDER FİRMALAR

*Outsourcing in Logistics Process: Freight Forwarder Companies*

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### ÖZ

Günümüzde artan rekabet ve küreselleşme koşulları işletmeleri hızlı olmaya sevk ederken; alanlarında daha yüksek bir uzmanlık seviyesine çıkmalarını da zorunlu hale getirmiştir. Bunun yanı sıra tüm bunları gerçekleştirirken işletmeler için maliyet unsuru önemli bir yer tutmaktadır. Bu koşulları sağlamak adına işletmeler kendilerine rekabet avantajı sunan temel yetenekleri dışında kalan konular için bu hizmetleri veren firmalarla iş birliği yapmaktadırlar. Bu iş birlikleri firmanın uzmanlık alanı hariç tüm faaliyet süreçlerinde ortaya çıkabilmektedir. Ortaya çıkış sebebi maliyeti azaltmak olan dış kaynak kullanımı (outsourcing) kavramı günümüzde de firmalara hem rekabet hem de maliyet avantajı sağlamaya devam etmektedir. Firmalar temel yetenekleri dışında kalan tüm masraflı faaliyetler için dış kaynak kullanımı yoluna giderken ilk tercih edilenlerin başında lojistik faaliyetler gelmektedir. Bu faaliyetleri sunan Freight Forwarder firmalar sektör için önemli bir yer tutmaktadır.

### ABSTRACT

Today, increasing competition and globalization are driving businesses to be fast and it has also made it has become a necessity for them to reach a higher level of expertise in their field. In addition to this, the cost element plays an important role for the businesses that implement these. In order to meet these conditions, businesses conduct business with companies that provide these services for those issues other than their core competencies that provide them with competitive advantage. These associations can occur in all operational processes except for the field of expertise of the company. The concept of outsourcing, which occurred in order to reduce the cost, continues to provide both competitive and cost advantages for the companies. Companies are at the top of the list of logistics activities when it comes to outsourcing for all costly activities other than their core competencies. Freight forwarder companies that offer these activities have an important place in the sector.

### 1. INTRODUCTION

Factors such as globalization, acceleration of competition, rapid changes in technology, innovations in logistics information systems, allocating more resources to basic competencies, sharing of possible risks and the desire to convert fixed costs to variable costs are pushing businesses to outsource logistics activities. Depending on all these factors, outsourcing has become an important management strategy for companies. Companies using this method increase their chances of concentrating on their core competence and getting ahead of the competition by using their suppliers' resources. Outsourcing is classified in various forms in the literature such as "outsourcing", "external procurement", "benefiting from external sources". Outsourcing is defined as purchasing some works that are outside the business based on their abilities and skills, from outside the business and from other specialized businesses in their field. In other words, businesses can go for a deal with specialist companies that have the competitive advantage when compared to them, which are difficult to imitate and have the ability to carry out these activities in processes other than their basic capabilities. The initial point companies should pay attention when outsourcing is to determine their basic abilities correctly. After

determining the basic ability, the company may request outsourcing in all processes that are beyond its abilities and create burden on the company in terms of cost and time.

When the basic cost items of the enterprises are considered, it is seen that the logistics activities have an important place in their total expenses. Companies tend to outsource by receiving logistical support because their basic competence and orientation to logistics processes will be disadvantageous for companies. In addition to this, as modern marketing is considered to be a customer-focused approach, customers expect the time they spend to access the product to be shorter. Companies will be one step ahead of their competitors when they outsource in logistics processes and serve customers under faster, more flexible and economical conditions. A company that uses outsourcing for logistics processes is using their expertise by signing an agreement with third party logistics companies. These companies become the collaborators of the main company with their expertise in logistics activities and expertise in support of non-logistics firms. These collaborative companies are Freight Forwarder; and in Turkish they are named as 'transport business organizer'. Forwarders are obliged to fulfill all of the logistics activities in the process until the delivery of the goods to the receiver. These companies undertake important tasks on behalf of the company they collaborate with at the micro level and in terms of the trade volumes of the countries at macro level.

In this study, the concepts of logistics and outsourcing will be examined and it will be followed by information about logistics outsourcing and Freight forwarder companies. Along with this, the importance of freight companies in the logistics sector will be revealed. Although many articles have been published in the field of outsourcing, no clear results have been concluded about the significance of Freight Forwarder companies that act as intermediaries in outsourcing. Therefore, this study conducted a literature search on outsourcing in logistics processes and Freight Forwarder companies.

## 2. LOGISTICS

Logistics is a military term in origin. The concept of logistics emerged in battle fields and it has played a key role in winning or losing the wars. According to military experts, logistics is one of the basic conditions to win a war (Long, 2016).

Baron Antoine-Henri Jomini, who was employed in the Swiss and French armies, and then in the Russian army and specialized in war management, has defined the term of Logistics in 1862 as the "art of mobilizing armed forces, including exploration, engineering and headquarters." About twenty years later, the term was widely used (Tek and Karaduman, 2012).

"Logistics", which is perceived only as a military concept for most segments of the society in the 1990s, has become one of the most important strategic elements in determining the "competitive superiority" of both businesses and countries today (Tuna, 2001).

Logistics has been evaluated as a part of the management strategy in these years and the first references on logistics in academic studies were seen in the 1960s. It is said that the period between 1966-1970 is the first testing period for logistics. The years 1970-1980 have been the period of institutionalization of logistics with the establishment of a large number of private and public enterprises. The 1980-1990 period has been a process of revolutionizing technological changes in transport regulations, introduction to computer technology and communication. During the end of 20th century and beginning of 21st century, the concept of logistics has started to be referred by the concepts of globalization and supply chain management (Koban and Keser Yıldırım, 2011).

The word is derived from the Greek "Logisticos", which means skill in calculations or arranging finances. It is also stated that the term logistic means a logical account formed by the combination of the words "Logic" and "Statics" in the Latin alphabet (Koban and Keser Yıldırım, 2011). French word of "logistique" means to supply or the barracks-mansion place. The concept of logistics which was influenced by the concept of "military logistics" had a distinct place in the literature as a business discipline after the World War II (Tanyaş et al., 2015).

Logistics is defined as providing the capital, materials, people, technology and knowledge necessary to estimate and meet the possible consumer demands; which is the most comprehensive set of efforts to meet customer demands on time to optimize this data in order to fulfill customer requests. (Coyle et al., 2003). According to another definition, logistics is "The process of strategically planning and controlling the storage, transport, stock management and procurement of semi-finished and finished products using the necessary channels to maximize current and future profitability, keeping costs at a minimum (Christopher, 2011). The main focus in logistics systems is to ensure that the elements of the system can work in a balance. It will be a wrong approach to consider the logistics processes as fragmented structures (Bowersox et al. 2002).

## **2.1. Basic Logistic Processes Subject to Outsourcing**

Logistics is the coordination of movement of goods between their origin and destination points. Activities of the logistics related to the product flow are transportation, warehousing, packing; service flow related activities; customs clearance, insurance, inventory management, order management and customer services.

### **2.1.1 Transportation**

The realization of targeted transportation activities for the business throughout the supply chain is a major area of responsibility for logistics activities. Care should be taken to establish a precise balance between transport costs and service quality during the establishment of the logistics network (Bowersox et al., 2002). Logistics also means moving goods, passengers and information to the consumption points from the production points within the desired time and at an acceptable cost. (Tek and Karaduman, 2012).

### **2.1.2. Warehousing**

The warehouse is an open or closed area where material supplied or finished in production is temporarily stored and protected for using when needed (Bowersox et al., 2002). The main purpose of warehousing is to provide economic reliability to the producers in terms of time and physical distribution. The reason of this is that warehousing creates opportunities for businesses to meet the sudden demands. In the analysis of warehouse business processes, in terms of efficiency, it should be in the form of keeping, monitoring, and evaluation of warehouse movements data. For example; reports such as a damaged or incomplete product report, a goods collection report, a delivery report, a product life report, a location report, etc. should be prepared in a stable manner. Performing studies and preparing reports for productivity will ensure faster results in logistics activities.

### **2.1.3. Packing**

Packing is the coating, covering or joining with a material that protects the product and its surroundings, facilitates its transport and warehousing, and can be completely or partially disposed of in the future (Tek and Karaduman, 2012). It helps the products to be kept in suitable conditions in the warehouse, and it is an important element for the smooth progress of all processes (Acar and Köseoğlu, 2014).

### **2.1.4. Customs Clearance**

Customs clearance is considered as one of complementary services among logistics activities. The first applications of outsourcing were seen in the customs area. Customs procedures that are shaped by customs legislation in the sale and purchase of all kinds of goods and services to be made at outside the national borders or to the outside the national borders are important as a process and this process should be managed correctly (Aker, 2011).

### **2.1.5. Insurance**

It is defined as measures taken against the risks that may arise during the move of the goods. The rapid growth of trade in the world and the increase in the international transfer of the goods, as well as the increasing distance between the supply and distribution centers, have increased the risks that can be encountered. Along with these factors, the concept of insurance has increased in importance (Aker, 2011).

### **2.1.6. Stock Management**

Businesses may need to store their products for long or short periods. Demand continues to be available throughout the year, but it has become a necessity to have stocks in products where the production depends on the season (Karafakioğlu, 2012). Having businesses deliver customer requests at the desired time will enable them to gain competitive advantage in the industry (Bowersox et al., 2002).

### **2.1.7. Order Management**

The physical distribution process begins when the customer order is received. The order management consists of various transactions such as the arrival of the order, the recording, customer intelligence, and accounting, searching for the requested product, or production and loading (Karafakioğlu, 2012).

### 2.1.8. Customer Services

The increase in competition, especially in global markets, has caused customer expectations to change and the concept of "logistical service level" started to gain importance. Customer service level includes availability of stocks at a sufficient level, fast order fulfillment, rapid delivery and accuracy in transactions (Tuna, 2001). In recent years, studies have been increasingly implemented in this area and companies have started to work on customer service management. Many companies have set themselves targets to satisfy their customers with an unconditional customer satisfaction strategy (Orhan, 2014).

### 3. OUTSOURCING

Outsourcing is one of the most popular management practices in the world after the 1990s. The idea that businesses can gain more competitive advantage if they are traditionally outsourced through contracts has become more popular (Fill and Wisser, 2000). In the early years of outsourcing, companies relied on reducing the number of employees and creating cost advantages in business processes. Today, however, outsourcing has become a strategic business that is used not only to reduce costs but also to improve productivity in business processes, making the concept a more attractive management strategy.

Outsourcing can be defined as companies' focus on their expertise areas to be more competitive in the market and making use of the resources of companies that make the best of the rest in the market (Mersin, 2010). In the literature, it is used as "Outsourcing", "external procurement", or "benefiting from external sources", and is defined as "purchase of certain works by businesses from others which are experts in those works"(Özbay, 2004).

According to another definition; it is usually the process of transferring an existing company activity to a third party company together with its related assets and personnel to take advantage of one or more of the following objectives: to focus more on the core activities of the companies, to provide cost advantages, to convert fixed costs to variable costs, (Tanyaş et al., 2015).

In the beginning, the desire of businesses to manage the entire work flow within the organization was considered as an indication of the power of the business. Today, businesses are more focused on the distinction between expertise and outsourced work, with pressure and intense global competition. Previously, the focus was on the external procurement method only to meet the transportation service, and today outsourcing is used in almost all logistics processes (Koban and Keser Yıldırım, 2011). In addition to the fact that conscious customers who are aware of the impact of globalization want to access the products quickly, factors such as sudden fluctuations in the national and global economies have caused radical changes in the management and production structures of enterprises. As a result, businesses have shifted to use of outsourcing with the aim of being able to adapt to all changes, to be less affected by fluctuations, to be able to benefit from the latest technologies and knowledge quickly (Acar and Köseoğlu, 2014).

When carrying out high cost activities such as warehousing and customs, especially transportation activities, these costs are transferred to third party logistics company as well as the risks that they carry. In addition, since the experience of the service provider is also utilized in areas requiring experience such as stock keeping, a large amount of separate investment cost and therefore stock holding cost is avoided at these points.

When we consider the reasons behind the decision of the outsourcing decisions that companies basically apply in order to gain competitive advantage, the following reasons arise (Acar ve Köseoğlu, 2014);

- a) Operational reasons; increasing efficiency by focusing on the best work, increasing flexibility to adapt to changing business conditions, product demands and technology, changing the structure of the business and increasing product and service quality, customer satisfaction and share value.
- b) Developmental reasons; improve the performance of the work, improve the management and control mechanism, improve the risk management, provide new and creative ideas, improve the image and reliability by working with professional suppliers
- c) Financial reasons; to use the resources emerging by reducing investments in other areas, to provide cash through the sale of the goods to the suppliers
- d) Reasons dependent on possibilities; using the business network of the supplier to acquire space and new business opportunities, speed up the development with the help of the



- supplier's high capacity, quick operation and advanced system, increase the capacity without allocating additional resources
- e) Reasons attributable to employees; to provide employees with a wide career prospect, to ensure that employees carrying out auxiliary functions take risks and increase their productivity
  - f) Reasons related to costs; having a built-in and efficient system at low cost, and changing fixed costs to variable costs.

Other advantages of outsourcing are: the flow of information provided by the supplier firm, the use of new technology, time saving, high quality, flexibility and access to new resources. (Long, 2016)

- Focusing on the main work
- Reducing the costs
- Transforming the fixed costs to variables
- Knowing the costs beforehand
- Determined service levels
- Using expertise in information and communication technologies
- Avoiding cost and technology risks

The disadvantages of outsourcing can be explained; as the risk of customer being alienated from business in case a function of the business is transferred to another business, being dependent on suppliers, lacking the expertise required by the supplier, lack of ability to adapt to change, and losing control over strategically important areas over time.

In order to provide a competitive advantage, today's businesses are reassessing their logistics strategies and there is an increased interest in outsourcing as a result of logistics activities (Tuna, 2001). The present environment requires businesses to move faster in order to meet global competition requirements, to have organizational structures, to have a more agile and flexible structure. Carrying out all the processes in the business brings with it many fixed costs and makes it difficult for the operator to make cost-benefit by making use of economies of scale by making small quantities of production that are not experts. Each business should make the right decisions about which activities to run by itself and which to pay for and outsource from another business (Tek and Karaduman, 2012).

#### **4. OUTSOURCING IN LOGISTICS PROCESSES (THIRD PARTY LOGISTICS)**

Applications that constitute the foundations of today's Logistics Outsourcing (LDKK) extend to the Middle Ages. For example, the first commercial storage activities took place in Venice in the 14th century. In those years, almost all tradesmen used a building for storage and distribution, which can be considered as one of the first examples of logistics outsourcing. In the following years, in the 1930s, Al Capone in USA smuggled liquor from Canada to Chicago, signed a partnership agreement with an enthusiastic service provider that is another example of outsourcing that is aimed at risk sharing as well as getting services. In the 1950s and 1960s, outsourcing in storage and transport increased, with most of them short-lived. In the 1970s, producers had to pay attention to productivity and cost considerations to speed up long-term contracts. For the first time, the entrepreneur named Frederick W. Smith in Arkansas has established the air freight company in 1971, which aimed delivery at night. In 1973, Federal Express started its operations at international airports with 389 personnel and 14 aircraft. In 2000, the fleet comprised of 150,000 personnel, 648 aircraft and 64,000 vehicles in various parts of the world. In the beginning of the 1980s, the service provider firms began to replicate rapidly, adding services such as packaging, support services, stock management that were not provided before (Akyıldız, 2004).

Today, with the rapid increase in interest in logistics, the number of logistic service businesses has also increased. In this case, it was possible for enterprises to carry out many logistics activities with their own possibilities by outsourcing (Tek and Karaduman, 2012). With the increasing diversity of services provided by logistics service providers and the diversification of services provided by logistics service providers, the usage has increased rapidly. Businesses can outsource logistics service such as warehouse management, product shipment, establishment of logistics information system and fleet activities (Tek and Orel, 2006).

Logistics outsourcing is defined as the partnership relationship in which the customers consider each other as business partner, the customers act together for their needs, formulate solutions, determine the success criteria and provide mutual benefit, which requires some part or whole of logistics processes (Akyıldız, 2004).

In the relation between business and customer, the business is the first party and the customer is second party. Enterprises that are defined as third-party logistics service providers act as a support unit for companies that want to focus on their core business (Tuna and Karaduman, 2012). The businesses which are defined as third party logistics service providers act as a support unit for the companies that wish to focus on their on their own work (Tuna and Özer, 2002). Third Party Logistics (3PL) companies are information-oriented companies that offer different transportation and warehousing systems to their customers (Tanyaş et al., 2015).

Typical services outsourced from 3PL suppliers are transportation, warehousing, inventory management, value-added services, information services and design and chain restructuring. The first three logistics activities are the most used 3PL services (Gülen, 2005).

The differences that distinguish outsourcing from traditional logistics service are compared below;

Table 1. Comparison of Traditional Logistics Activities and Outsourcing

Traditional Logistics Services	Outsourcing
Business processes are standard for every customer who is served.	Each customer applies to DKK is offered special solutions.
The service offered is usually one dimensional. E.g. Transportation or Warehousing.	The service is multi-dimensional, such as linked transport, storage, inventory management.
The goal is reducing transportation costs, reducing the number of employees, etc.	It aims to reduce total cost in all processes by providing more flexible and better service.
One or two- year contracts.	Longer contracts negotiated at top management level.
A more limited field expertise requirement.	Requires extensive logistical knowledge and analytical capabilities.
The bond between the companies is weak, it's easy to cancel the deal.	There is a strong link between companies and it is a difficult process to terminate the contract.

Source: Razzaque, M. A. and Sheng, C.C. (1998): "Outsourcing of Logistics Functions: A Literature Survey" *International Journal of Physical Distribution & Logistics Management*, Vol. 28 No. 2, 1998, p:91.

3PL companies are rapidly developing as a result of ever-increasing logistical service demands. As globalization begins to get more and more intense and the time is short in the procurement process, businesses are customer-focused and outsourcing is increasingly driven by the 3PL companies. As a result, the role of logistics service providers is becoming more and more important (Bowersox et al., 2002). Organizations that provide logistics solutions for businesses have a much larger scale than any of their customers alone. For example, it is possible to consume resources more efficiently with minimum cost by consolidating multiple companies' requests. Factors such as lack of information or lack of proper infrastructure related to this market as a result of the opening of the companies to the markets in different geographies have led the enterprises to use third party logistics companies. The volatility in the markets and the changes in demand force the companies to avoid high investments and to make the most of fixed costs. Instead of investing in future activities, companies aim to transform fixed costs by using the resources of a third party and paying as much as they can (Babacan, 2003).

## 5. FREIGHT FORWARDER

The pressure that competition with globalization has on firms has led many organizations to focus on their own capabilities and outsource some of their functions beyond their core capabilities to companies that can do it better. As a result, a number of logistics companies have emerged that provide these combined services to senders (Long, 2016).

Companies that are defined as "Freight Forwarder", "Transportation Organizers", "Transportation Contractors" in the literature, provide logistic services besides land, air, sea, railway and combined transportation as well as logistics services (Utikad.org.tr) Freight forwarder firms are not self-contained in their own structures, but also ship, truck, warehouse, insurance, container and similar services that provide services to customers by outsourcing equipment or services such as outsourcing, sharing information between customers, transporters, customs brokers, suppliers, producers and academics, and adding their own profits on all these transactions. It is also called as freight broker due to the profit added to the services provided (Edge, 2015).

The transport business brokers, also called transport contractors, are responsible for providing transport equipment's and solutions, providing support to senders in storage and packaging issues, advising on the choice of economic transport and vehicle selection, carrying out transport insurance and customs affairs, (Tuna, 1999). Forwarders in the modern supply chain, which developed due to the development of world order, have a very important role to play in sector knowledge and expertise.

Freight Forwarder is an organization that serves import and export companies in wholesale leasing and customer retail sales methods within the market, without using the consignment in any type of transportation; it is the shipping commissioner in Turkish. This is the future occupation in the world. But it is a new sector in Turkey.

According to another definition; Freight Forwarder is the organization that organizes the logistics activities for the sender and delivers it to the desired point in the safest way as soon as possible. Freight Forwarder businesses operate on land, sea, air, railway, combined, etc., on behalf of the sender, which allows the circulation of certain quantities of cargo either internally or internationally. **They** are contractor organizations that create added value by producing logistics services by utilizing the transports (Çancı and Erdal, 2003).

This has changed quite a lot now as freight forwarding organizers have included shipping, storage and transfer functions within their classic services. Freight Forwarder has expanded its areas of responsibility and responsibilities in a competitive environment with the fast and intense tempo of today's business world. Freight Forwarder is a company that develops builds and organizes all transportation and logistics systems on behalf of its customers (Çancı and Erdal, 2003).

Table 2. Operation Fields of Freight Forwarder Companies

International and domestic transportation	Preparation of transport documents	Warehousing
Export and import transactions and customs clearance	Tax legislation and transactions	Handling
Consultancy services on international legislation and implementations	Cost planning	Packaging, barcoding and labeling
Transport management and selection of carrier	Operation and shipment management	Insurance
Determination of transport contract and its scope	Determination of transport type	Customer Relations Management
Ensuring coordination and communication among all units by using information technologies.	Banking transactions	Marketing

Source: Association of International Forwarding and Logistics Service Providers (UTİKAD), <http://www.utikad.org.tr/>

In the logistics industry, customers benefit from services they receive for their needs and needs, and they need to be satisfied. In this respect, the basic expectation of the customers from Freight Forwarder Company is to meet the primary need (Çancı & Erdal, 2009)

The roles and importance of the Freight Forwarder companies in global economy are; (Koban and Keser Yıldırım, 2011).

- a) **Manages Supply Chain;** the role of Freight Forwarder is to ensure that market demand develops. Simply moving the load from point A to point B is a small component of the services provided by Freight Forwarder. The use of new skills and modern technology has become necessary for Freight Forwarders to control and manage the entire supply chain spanning the globe. By effectively managing the supply chain, it constantly improves processes, protecting costs and targeting productivity.
- b) **Makes the Trade Easier:** World economies are at many different levels of development and this often leads to results such as delayed goods and increased costs for the customer. The Freight Forwarder helps to overcome these obstacles, helps them to get the information they need in the quickest time and develops the techniques to move the goods quickly, and avoids waste of time.
- c) **Freight Forwarders are:** The biggest solution partners in the trade. One of the most important activities in foreign trade is transportation. Freight Forwarder's handling information, versatility and the variety of services offered make it an ideal partner for international trade. Freight Forwarder's greatest responsibility is to protect the interests of its customers.
- d) **Delivers the Products:** Freight Forwarder is very rarely the only carrier of goods within the transport chain. It usually organizes different services. The logistics service chain has a complex structure and it requires logistic planning. For this reason, the trend for Freight Forwarder is to be expressed as 'Logistics Service Provider' or 'Transportation Business Organizer'.
- e) **Generates Employment:** Delivery of goods creates new business areas and employment opportunities in the world of millions of business areas and rapid quantitative and qualitative development in trade.
- f) **Manages the Technology:** The cost of not investing in the latest technology by some companies in their own fields can prevent commercialization. The Freight forwarder carries out these

investments in order to provide information to various organizations, such as banks, carriers and customs authorities, within the currently developing and growing systems.

- g) **Helps the Improvement of Environment:** Increasing sensitivity to the environment and taking the necessary precautions and sanctions in this direction are common practices in recent times. Steps such as the use of environmentally friendly modes in transport systems and the use of vehicles with high Euro standards in order to reduce the effects of toxic gases stored in long-haul vehicles are among the factors that pay attention to freight forwarders.

Forwarders offer services under four main headings;

- a) **Single Service Providers:** They provide general logistics services to one or more large companies, including land, sea, rail or air transport, warehousing, customs, insurance. Despite the limited number of customers, the duration of business relationships varies depending on their qualifications.
- b) **Private Service Providers:** It provides customized project based logistic services for the goods carried out from general logistics services. The customer profile is limited and is based on long-term business relationships.
- c) **Connected Service Providers:** It includes the activities of establishing and / or operating linked systems within a specific service or project. The customer profile is usually made up of companies of different sizes. The relationship with the customer is variable and short term. The activities of connected service providers; pallet, container, transportation vehicles, packaging supply service, recycling and production waste collection, quick courier, package services related to combined transportation.
- d) **System Service Providers:** These Forwarders offer a holistic perspective on closed system configuration and operation according to customer requirements such as supply systems, distribution systems, logistics centers, and business logistics. The majority of customers are small-scale firms, and business relationships usually last long (Çancı and Erdal, 2003).

## 6. OUTSOURCING IN LOGISTICS PROCESSES; THE IMPORTANCE OF FREIGHT FORWARDER COMPANIES

As businesses move towards their own specializations, they are shifting away from core competencies in order to capture cost advantage in logistics processes, adapt to information and technology changes, intense competition, legal regulations and logistics service providers having quality physical tools and equipment. When the logistics processes are carried out by outsourcing activities such as warehousing, inventory management, packaging, insurance and custom clearance, which are mainly transportation, the cost advantages are not provided and at the same time problems and risks arising from these activities are removed from the company. In addition, companies that will take steps such as creating new products or setting new target markets will benefit from suppliers' knowledge and distribution channels and faster response to customer requests and faster response to customers' requests through outsourcing.

Today, outsourcing has increased rapidly since 1990s, as businesses tend to be more interested in external procurement and have diversified and developed services provided by logistics service providers. Businesses can outsource logistics service such as warehouse management, product shipment, establishment of logistics information system and fleet activities (Tek and Orel, 2006). Companies that choose the target market with outsourcing spread to the market faster. Businesses use their suppliers' warehouses and distribution centers to respond to customer needs more quickly. When high-cost works such as warehousing and customs clearance are carried out by suppliers, the costs and risks of these works are transferred to the logistics company. What matters is the way in which the suppliers will be selected and their qualifications.

At the same time, customers know that when something goes wrong, the Freight Forwarder will immediately actively control the situation and create a new and viable solution. Forwarders strive to identify and understand the needs of their customers. In addition, forwarders should do the following (Çancı & Erdal, 2009);

- Learning the customer's special needs
- Providing individual attention
- The recognition of permanent customers

The best example of outsourcing service providers is Freight Forwarder companies. On this basis, businesses will transform the fixed costs of logistics activities beyond their basic capabilities into variable costs, as well as benefit from the expertise, technology and know-how of the forwarder



companies. The use of forwarders in logistics processes has changed considerably compared to the first years. Businesses have increased habit of using forwarders. Even as it is in the process of development in brokerage services, companies have employees like freight forwarders who can carry out their own organization under the name of logistics units in their own structures.

Today, along with the increasingly widespread line transportation, products and services subject to production, which is the main function of logistics in general terms, have survived to be in the scope of unit. More specifically, it is not necessary to unitize the products subject to transport. These products can also be found partially. In the recent past, with a concept of carrying out at least a full unit, transportation has gained the capability of responding more quickly to all kinds of companies' needs with the increase of consoles. Whether unit loads or partial loads are present, Forwarder's quick response capacities and a more flexible usage area for companies those are more flexible than line companies. Flexible solutions that traditional logistics companies cannot offer, easier payment, maturity, extensive logistics and analytical capabilities, Freight Forwarders provide major advantages for businesses they serve.

According to a recent study by Northeastern University and Accenture covering 500 companies in fortune magazine, 83% of these companies benefit from 3PL and 60% of them benefit from about 3PL service providers. According to the Georgia Institute of technology and Cap Gemini Ernst Young's global 1,000 company survey, while large us firms spend 49% of their entire logistics budget for outsourcing, this remains at 65% for European firms (Kayabaşı, 2010) In today's market where production costs are at the same level, logistics activities are important factors for enterprises to compete with their competitors. The outsourcing of businesses in their logistics activities helps both to use their resources more efficiently and to focus on their expertise.

Containers were first used in Transatlantic traffic in 1965. Estimated 70-80% of container traffic in the world is controlled by transport contractors. Today, it is assumed that more than 2 million containers, approximately 20', 35 'and 40' are used. The size of the world logistics market is around 5 trillion dollars, and at least 25 percent of every \$ 1 Value produced in the world is derived from activities within the scope of logistics. The size of the European Union logistics market is worth about 627 billion euros. It is stated that Turkey's share of the logistics sector in Gross Domestic Product (GDP), which was 720 billion dollars in 2016, is over 100 billion dollars and 14% of GDP consists of logistic services. while at the same time (it is also stated demek yeterli), it is stated that the logistics sector employs about 400 thousand people (Deniz Ticareti, 2017).

Turkey Statistical Institute (TÜİK) data; When we look at the Turkey Statistical Institute data of the movement of goods in 2017, Turkey's exports was realized as 157.055 billion dollars with an increase of 10.2%. While imports rose by 17.7 percent to \$ 233.791 billion (TÜİK)

The increase in exports and imports shows an increase in logistics activities. The growth of the logistics sector in a country depends entirely on the growth of Industry and trade sectors. The logistics sector, which has developed rapidly in our country in recent years, has a great proposition with the role played by its critical role and the competitive advantage it provides. The impact of the logistics sector, which has an important share in the service sector, on the national economy, is an important criterion in determining the level of development of countries (Deniz Ticareti, 2017) The Logistics Performance Index (LPI) evaluates countries' performances in logistics such as customs, transport, and infrastructure; It measures logistics growth and quality. According to the results of LPI 2016 published by the World Bank; Turkey was ranked 34th out of 160 countries with by 3.42 degrees. Germany is in the 1st place with 4.23 degrees and Syria is in the 160th place with 1.60 degrees (TÜİK).

The role of forwarder companies in the realization of these export and import activities is very important. Forwarders who play an active role in at least one of the logistics activities ensure the acceleration of business within the sector. The following table shows the quantity of goods transported by the world's top 25 forwarders.

**Table 3: Top 25 Global Freight Forwarders**

A&A Rank	Provider	Gross Revenue (US\$ M)	Ocean TEUs	Air Metric Tons
1	DHL Supply Chain & Global Forwarding	26,105	3,059,000	2,081,000
2	Kuehne + Nagel	20,294	4,053,000	1,304,000
3	DB Schenker	16,746	2,006,000	1,179,000
4	DSV	10,073	1,305,594	574,644
5	Sinotrans	7,046	2,950,800	532,400
6	Panalpina	5,276	1,488,500	921,400
7	Nippon Express	16,976	550,000	705,478
8	Expeditors	6,098	1,044,116	875,914
9	UPS Supply Chain Solutions	6,793	600,000	935,300
10	CEVA Logistics	6,646	681,600	421,800
11	GEODIS	6,830	690,000	330,000
12	Bolloré Logistics	4,670	856,000	569,000
13	Hellmann Worldwide Logistics	3,443	902,260	576,225
14	Kintetsu World Express	4,373	556,640	495,947
15	Yusen Logistics	4,169	633,056	332,389
16	Kerry Logistics	3,097	1,055,600	282,200
17	DACHSER	6,320	481,400**	272,100
18	C.H. Robinson	13,144	485,000	115,000
19	Agility	3,576	513,500	372,700
20	Hitachi Transport System	6,273	430,000	230,000
21	Toll Group	5,822	542,000	114,000
22	Damco	2,500	659,000	190,000
23	XPO Logistics	8,638	131,500	72,300
24	Logwin	1,095	600,000	140,000
25	NNR Global Logistics	1,676	146,278	286,897

Source: [http://www.logisticsmgmt.com/article/top\\_25\\_freight\\_forwarders\\_2017\\_digitization\\_e\\_commerce\\_continue\\_to\\_reshape](http://www.logisticsmgmt.com/article/top_25_freight_forwarders_2017_digitization_e_commerce_continue_to_reshape)

## 7. CONCLUSION

International competition environment enterprises are forced to devote to professional operations in activities outside their field of expertise. Organizations that find logistics solutions for businesses on the other hand have a much bigger scale in business processes than any of their customers alone. Obligations such as delivering the right product at the right time, in the right place, and at an acceptable cost are a significant financial burden for businesses. As a result, businesses are working with logistics companies that are specialized in logistics, such as increasing the quality of goods and services, reducing the extra costs at the same time, and outsourcing logistics processes. Forwarders are the parties to the contract between the sender and the carrier performing the carriage on behalf of the owner of the cargo. It makes a profit as a result of these transactions.

In this sense, Freight Forwarder companies are confronted as contracting organizations that, while organizing logistics activities on behalf of their customers, circulate within a certain amount of internal or international markets. It is possible to use the resources more efficiently with minimal cost by the functions of the forwarder firm to develop and organize all transportation and logistics systems on behalf of the customer. However, Freight Forwarder companies are ready to change their service conditions at any time because of the possibility of encountering an unforeseen problem during their service because they are specialist organizations in the field of logistics. These functions provide a natural guarantee mechanism for the operators they work with. With this advantage, companies will want to get more services if they are satisfied with the services they receive from the forwarders. Forwarder companies benefit from consolidation, bringing parts loads together, making them larger parts and providing cost advantages. This process makes it easier to send loads and Forwarders offer customers cheaper prices. The forwarder will promote the economy of the country by promoting people and institutions with the facilities they have in the name of trade. In addition, the ease offered to exporters and importers alleviate their workload.

In today's market where production costs are at the same level, logistics activities are an important factor for enterprises to compete with their competitors. The outsourcing of businesses in their logistics activities helps both to use their resources more efficiently and to focus on their expertise. A continuous increase in commodity mobility in trade is one of the reasons for forwarder preference. Given the future product mobility, the importance of both the logistics sector and the organization's operating within this system will increase.

Freight forwarder companies also have significant impacts other than goods movement. Forwarder firms create employment areas. The distribution of goods creates millions of jobs across the globe and ongoing development in the trade industry creates new jobs and employment opportunities. Forwarder firms manage the technology. The cost of some companies investing in the latest technology in their own business can prevent them from doing business. The Freight forwarder is carrying out these investments in order to access the information of various organizations such as banks, carriers and customs authorities in the currently developing and growing systems. At the same time Freight forwarder helps improve the environment. Crowded, pollution, security today are frequently discussed topics. Freight forwarders are helping to protect the environment by choosing the best mode of transport for the environment.

In this study, third-party Freight Forwarders, which provide logistics services between buyer and seller within the supply chain, are described as providing cost and time benefits to businesses and therefore advantage of competition. It has been revealed that the logistics activities of companies which is outside the scope of their basic abilities with high cost are their first choice. It has been concluded that Freight Forwarder companies that supply these activities have an increasing importance in outsourcing in logistic processes.

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