Analyzing the Potential of Third Party Logistics Expansion in Cameroon

Che kingsley Chenikwi, Yungho Adamu Bebie

Higher Institute of Transport and Logistics, University of Bamenda, Cameroon

DOI: https://doi.org/10.5281/zenodo.8042016
Published Date: 15-June-2023

Abstract: This study provides a theoretical foundation and empirical literature review of the third-party logistics (3PL) industry in Cameroon. The conceptual framework emphasizes the theoretical foundations utilized in 3PL research, including microeconomics theory, competitive theory, decision theory, and marketing theory. The study identifies key opportunities and challenges associated with 3PL expansion in the country, such as government support, infrastructure development, a complex regulatory environment, corruption, and a lack of skilled labor. The study also provides recommendations for 3PL providers seeking to expand their operations in Cameroon, including diversifying their services, expanding geographically, and embracing technology. The findings and discussions highlight the unique challenges and opportunities for 3PL providers in Cameroon and provide insights into strategies for success in the local market. Overall, the study provides a valuable resource for companies seeking to expand their logistics operations in Cameroon.

Keywords: Third-party, Logistics, Cameroon, Outsourcing, expansion, challenges, opportunities, recommendations.

I. INTRODUCTION

The first 3PL arrived on the scene in the 1970s mainly as a result of diversification by either transportation or public warehousing. (Gattoma, 2009). Giving a history of more than 40 years since 3PLs emerged. In the last 15 years, studies have been carried out in 3rd party logistics providers which provides basic understand on how it functions.

Over the years many companies have become more dependent on 3rd party logistics providers to meet the expectation of customers. These 3rd party logistics providers even go as far as helping companies reduce Lead-time and inventory. The growth of 3PLs attributed to better transportation solutions, greater focus on core businesses, impact of cost reduction improvements in services, development of necessary technological expertise, availability of computerized systems and need for more professional and better prepared logistics services. (Sheffi, 1990). As businesses continue to grow, there is more and more need for 3PLs.

The logistics management industry really started taking off in the 1990s. Countries like India and China had opened their economies as global businesses began attracting cheap labor and locals’ resources (Sean Mueller, 2019). Over the years, supply chain has become more and more complex giving room for 3PLs to evolve. In the 2000’s technological advancement gave 3PL the tools to start streamlining complex communications and supply chains.

Third party logistics involves outsourcing logistics activities to a third party allowing companies to focus on their core competencies. Cameroon, a country in central Africa has been experiencing growth in recent years, and this has led to an increase in demand for logistics services. Third party logistics is a rapid growing industry in Cameroon, with a significant potential for expansion. Cameroon’s economy is one of the fastest growing in Africa, and the growth is driving demand for...
logistics service providers. As a result, many international 3PL providers are already operating in Cameroon and locals are also merging to meet the growing demand. One of the main drivers of 3PL in Cameroon is the country’s strategic location. Cameroon is located in the crossroad of central and West Africa, making it an ideal hub for regional trade.

Additionally, Cameroon have two main ports being the port of Kribi and the port of Douala, which gives Cameroon a competitive advantage in central Africa. These factors make Cameroon an attractive location for logistics providers looking for expansion in Africa. Another factor driving 3PL growth in Cameroon is the country’s improving infrastructure. In recent years, Cameroon has invested heavily in upgrading its roads and other transportation infrastructures. This has lead to improve connectivity between different regions of the country and has also made it easier to transport goods to neighboring countries, some of which are landlocked. The Government of Cameroon has implemented several policies aimed at promoting investment and economic growth for example the government has established several special economic zones that offer tax incentives and other benefits to foreign investment in various sectors of the economy, including logistics. Despite the positive developments, there are still some challenges that need to be addressed before 3PLs can reach their full potential in Cameroon. One of the challenges is lack of skilled potentials in the logistics industry. Many logistics companies struggle to find qualified workers who can handle complex supply chain operations. In addition, there are still some logistics challenges related to custom clearance and border procedures that need to be addressed.

**PROBLEM STATEMENT**

Implementing 3pl is a critical success factor in the development and growth of companies and organizations in Cameroon. 3PLs in Cameroon face their own issues. Some of these issues cause a setback in their performance preventing them from performing at their optimum best. The 3PL is quite a recent field in Cameroon. Most companies carrying out 3PL services are still trying to stand their ground, and they are new to the market. Even companies like Bollore Transport and Logistics that was established in Cameroon a long time ago still face a lot of setbacks when it comes to performing 3PL services. Companies that are based in other parts of the world and have established their branches in Cameroon sometimes face challenges in understanding the Cameroonian economy. Companies that carry out transportation services face the challenge of poor route networks and narrow roads. Roads in Cameroon are not the best, this slows down the rate of delivery and causes a lot of bottlenecks across the supply chain. Not only the routes but there are equally a lot of challenges associated with transporting goods via the Douala seaport which is Cameroon’s main sea port. A publication by (The World Bank, 2015) says that, as a natural hub for the Central African region, due to its strategic location, inefficiencies at the Port of Douala represents a major constraint to growth. Another major problem for 3PL companies in Cameroon is the ongoing Anglophone crises. The crises have affected so many companies directly and indirectly. With the on-going crises, it makes it unpredictable to transport goods into/out of and within the Anglophone regions. A good number of companies transport their goods by road to neighboring countries like Chad, DRC, Nigeria and to do this, they have to navigate through some towns and villages of the Anglophone regions. The fact that companies and travel agencies can only operate from Tuesday is equally a setback as they cannot carry out their activities on Mondays which are declared “ghost town”. Sometimes even finding the right trucks to transport goods is a problem. Some goods require very specific type of trucks for them to be transported with ease. Some of these trucks are either unavailable, scares or very old. This in turn can lead to choosing other available alternatives which are not the best for the transportation of the goods at hand. Moreover, 3PLs in Cameroon face the issue of little or no automation. This involves especially warehouses. A lot of warehouses that carry out 3PL services are still local, some of them still use local methods of counting inventory. This is a big issue because some of them are comfortable doing things the old fashion way because of the expenditure and dedication to learn that comes with automation. With the way the world is evolving, implementing information technology is very vital for 3PLs to carry out their activities smoothly. This then gives rise to the next issue which is lack of trust. For companies to be in partnership there has to be a certain level of trust. Companies do not find 3PL services in Cameroon very competent and so it’s difficult to trust them fully with the handling their activities. In fact some researchers like( Ellram and Cooper, 1990) say that, the most frequently cited problems associated with 3PL partnerships are associated with trust, loss of control over the logistics function, loss of in-house capability and customer contact. Companies all over the globe are outsourcing part of their functions to other companies within and without their geographical area. It is difficult for some companies in Cameroon to outsource their activities to 3PLs in Cameroon due to fear of incompetence and it extends to companies and organizations outside of Cameroon.
II. LITERATURE REVIEW

CONCEPTUAL FRAMEWORK

Logistics is the management of the flow of goods, information and other resources, including energy and people, between the point of origin and the point of consumption in order to meet the requirements of consumers. Logistics involve the integration of information, transportation, inventory, warehousing, material-handling, and packaging” (Wikipedia).

Logistics is defined as the planning, organization, and control of all activities in the material flow, from raw material until final consumption and reverse flows of the manufactured product, with the aim of satisfying the customer’s and other interest party’s needs and wishes i.e., to provide a good customer service, low cost, low tied-up capital and small environmental consequences” (Jonsson, Mattsson, 2005).

Also, Logistics is defined as those activities that relate to receiving the right product or service in the right quantity, in the right quality, in the right place, at the right time, delivering to the right customer, and doing this at the right cost (The seven R’s)” (Shapiro, Heskett, 1985).

Murphy and Poist (1998) define third party logistics as a relationship between a shipper and third party which compared with basic services, has more customized offerings, encompasses a broader number of service functions and is characterized by a longer-term, more mutually beneficial relationship'. This implies that business relationships, integrated services and length of contract are also key aspects of 3PL. Papadoppulo (2001) adds an ownership dimension: ‘third party logistics providers are independent companies providing single or multiple logistics services to a purchasing company. Third party logistics providers, although they do not hold ownership of the product for distribution, are legally bound and responsible to perform the requested logistic activities of the purchasing company. The relationship between the two parties is long-term and beneficial’.

A third-party is a firm that can do which those first or second parties aim to do. In logistics business environment, Coyle, Bardi, and Langley (2003) mentioned that the term ‘the third party logistics services’ has been defined in very similar way as an external supplier, which the company outsources to perform some portions or all of logistic activities. Tian et al (2010) defines 3pl companies as the external logistics service providers to business. They provide management, control and delivery of logistics activities. Bolumole (2003) claims 3pl companies perform all or part of other companies logistics operation.

THEORETICAL FRAMEWORK

i. Microeconomic theory in 3PL

According to the study by Defee et al. (2010), the frequency of microeconomic theoretical incidents in 3PL context is 41.2 per cent. 3PL research has utilized different microeconomics theories such as transaction cost economic theory, agency theory, diversification theory, total cost of ownership theory, inter-organizational condition theory and unified integration model theory (Skjoett-Larsen, 2000, Logan, 2000). For example, Williamson (2008) examines outsourcing from a transaction cost economics (TCE) perspective, a microeconomics theory. He describes the process of the contract approach to economic organization and different styles of outsourcing through the lens of TCE theory. Kumar and Kopitzke (2008) have utilized another microeconomic theory, the total cost of ownership as a theoretical foundation for developing an analytical model of outsourcing costs. They examine tangible (i.e. shipping costs, inventory costs, exchange rates, tariffs and taxes) and intangible costs (i.e. political and economic risks, management and control costs) of outsourcing manufacturing from the United States to Mexico and China. The resulting model provides guidance for determining outsourcing costs and their sensitivity to different variables such as production place, type of product to be produced, and product components.

ii. Competitive theory in 3PL

In broader logistics and SCM, resource-based theory is one of the most commonly used of the various competitive theories, and it is also utilized in the context of 3PL. For example, Lai et al. (2008) investigate both the antecedents and consequences of IT capability among 3PL providers by integrating the concept of technology orientation from strategic orientation literature into resource-based theory. Chee and Chew (1999) examine the different strategic postures of logistics providers in Singapore by using Porter's competitive framework, and analyse business performance, technologies, operations
objectives, and future plans. A few 3PL studies have used two theories (grouped under competitive theory) jointly to develop theoretical foundations for analysis. For example, in search of developing new logistics competencies in 3PL relationships Halldórsson and Skjoett-Larsen (2004) utilize both a resource-based view and core competency theory.

iii Decision theory in 3PL

Theories such as auction theory, decision theory, vehicle routing problem optimization and negotiation theory are grouped into the broad category of decision theory. To develop a conceptual model for selecting and evaluating third-party reverse logistics providers, decision theory is used by Meade and Sarkis (2002). As reverse logistic providers’ organizational roles are different from traditional logistics providers’, few 3PL researches have utilized auction theory for the development and negotiation of 3PL contracts.

iv. Marketing theory in 3PL

Marketing theories are heavily slanted toward a few topics such as buyer-supplier relationships, customer attributes, collaboration and alliances, in the 3PL context. Sink et al. (1996), investigate the buyer’s perceptions of third-party logistics services and providers in the United States. Knemeyer and Murphy (2005) provide a comparison of users and providers of 3PL with respect to relationship marketing elements such as trust, communication, reciprocity, attachment, customer recovery and retention; they examine manufacturers as buyers of 3PL services. Knemeyer and Murphy (2004) also take the relationship marketing perspective as the basis for evaluating the perceived performance of 3PL arrangements. Moore and Cunningham (1999) examine social exchange behavior in logistics alliances and Transactional relationships, based on the theoretical background of alliance theory and exchange theory.

EMPIRICAL LITERATURE

i. Opportunities and Challenges for 3PL Company’s Expansion In Cameroon

One of the opportunities for 3PL companies in Cameroon is the country’s strategic location. Cameroon serves as a gateway to Central Africa and has access to major seaports such as Douala, Kribi and Limbe. This makes it an ideal location for companies looking to expand their operations across the region. Additionally, Cameroon has a large and growing population that is increasingly urbanizing, which creates a demand for logistics services such as warehousing, transportation, and distribution.

Another opportunity for 3PL companies in Cameroon is the government’s commitment to developing the country's infrastructure. The government has invested heavily in transportation infrastructure, including roads, railways, and airports. This investment has improved connectivity within the country and with neighboring countries, making it easier for 3PL companies to transport goods across borders.

However, there are also challenges that 3PL companies may face when expanding into Cameroon. One of these challenges is the country's complex regulatory environment. Cameroon has strict regulations governing the import and export of goods, which can make it difficult for companies to navigate the market. Additionally, corruption is a pervasive issue in Cameroon, which can add to the complexity of doing business in the country.

Another challenge for 3PL companies in Cameroon is the lack of skilled labor. The country has a relatively low literacy rate, which means there is a shortage of skilled workers in areas such as logistics management and supply chain operations. This can make it difficult for 3PL companies to find qualified staff to manage their operations.

Despite these challenges, there are incentives available for 3PL companies looking to expand into Cameroon. The government offers tax incentives for companies that invest in the country, and there are also opportunities to partner with local companies to tap into their knowledge of the market.

ii. Fruitful Elements for 3pl Organizations Working in Cameroon

Outsider operations (3PL) is a quickly developing industry in Cameroon, with elements like financial development, framework improvement, and expanding interest in store network effectiveness driving its extension. The effective variables of outsider strategies extension in Cameroon are:
1. Government Backing: The public authority of Cameroon has carried out different approaches to help the development of the coordinated factors industry, including charge motivators, venture appropriations, and the foundation of deregulation zones. These actions have empowered unfamiliar interest in the area and animated the development of nearby operations organizations.

2. Framework Advancement: Cameroon has put vigorously in foundation improvement, including the development of new roadways, air terminals, and seaports. This has further developed network and decreased transportation costs, making it simpler for operations organizations to move merchandise inside the nation and across borders.

3. Expanding Interest for Inventory network Proficiency: As Cameroon's economy keeps on developing, there is a rising interest for store network effectiveness. This has prompted a more noteworthy requirement for coordinated factors administrations like warehousing, transportation, and conveyance. 3PL suppliers are strategically situated to satisfy this need by offering particular skill and innovation arrangements that can improve production network tasks.

iii. Prescribed Techniques for 3PL Suppliers to Grow Their Tasks In Cameroon

3PL suppliers assume a basic part in store network by offering re-appropriated strategic administrations to organizations. As the interest for 3PL administrations keeps on rising, suppliers should foster methodologies to extend their activities and remain serious on the lookout. Here are a few proposals for 3PL suppliers to grow their tasks:

1. Broaden Administrations: One of the best ways for 3PL suppliers to extend their activities is by enhancing their administrations. Suppliers can offer extra administrations like warehousing, transportation, dispersion, and stock administration to address the issues of their clients. By offering a thorough set-up of administrations, 3PL suppliers can separate themselves from their rivals and draw in new clients.

2. Extend Geologically: One more technique for 3PL suppliers to grow their activities is by extending topographically. Suppliers can either grow their current offices or lay out new ones in various districts or nations. This will empower them to serve more clients and arrive at new business sectors. In any case, extending topographically accompanies its own arrangement of difficulties like administrative consistence, social contrasts, and coordinated factors foundation.

3. Embrace Innovation: Innovation assumes a vital part in the operations business, and 3PL suppliers should embrace it to remain cutthroat. Suppliers can put resources into innovation arrangements like distribution center administration frameworks, transportation executives frameworks, and mechanized material handling frameworks. These arrangements can further develop proficiency, diminish expenses, and improve client assistance.

III. FINDINGS AND DISCUSSIONS

The hypothetical establishments used in 3PL exploration, including microeconomic hypothesis, cutthroat hypothesis, choice hypothesis, and promoting hypothesis, give a premise to dissecting and grasping the elements of the 3PL business. Firms and families in the market can help in dissecting the expense structure and deciding the ideal degree of rethinking for a given organization. Serious hypothesis gives experiences into market construction and elements, including the variables affecting contest and firm competition in the business. Choice hypothesis, then again, helps organizations in understanding how to go with ideal choices under states of vulnerability.

Advertising hypothesis can be helpful in creating systems to separate 3PL administrations from bad introductions and to advance the contribution of clients during the time spent planning and conveying coordinated operations administrations. It can likewise be valuable in understanding the advantages of client centered administrations and how organizations can fabricate client faithfulness. By understanding the bits of knowledge of these hypothetical establishments, organizations can all the more likely dissect and comprehend the elements of the 3PL business in Cameroon, prompting more successful procedures, more powerful navigation, and worked on generally execution. For instance, microeconomic hypothesis can assist organizations with understanding the monetary ramifications of reevaluating operations and overseeing transportation costs. Serious hypothesis can assist with recognizing 3PL suppliers from their rivals and gain an upper hand on the lookout. Choice hypothesis can assist with pursuing decisions under states of vulnerability, for example, which activities to situate in Cameroon and which clients to target.
The utilization of observational writing to examine 3PL development in Cameroon features the significance of understanding the nearby setting and economic situations while growing activities. Government support, framework improvement, and expanding requests for store network effectiveness are key elements for fruitful 3PL activities in Cameroon.

The utilization of exact writing to dissect 3PL development in Cameroon features the meaning of appreciating the neighborhood setting and economic situations while growing tasks. Organizations should focus on the special attributes of the market and adjust their systems to fulfill nearby need. For instance, the public authority's help and obligation to foundation improvement had a vital impact in the progress of 3PL tasks in Cameroon. By putting resources into building present day transportation and other coordinated factors, the public authority has set out open doors for organizations to move merchandise productively and cost-effectively. Hence, 3PL suppliers ought to endeavor to satisfy the rising need for store network effectiveness by utilizing innovation, labor force, and client coordinated effort. By taking on methodologies that are lined up with neighborhood economic situations, 3PL suppliers can improve their seriousness and accomplish long haul development in Cameroon.

Strategies is the administration of the progression of merchandise, data, and assets to address customer issues. Outsider planned operations (3PL) is a connection between a transporter and an outsider that offers more redid benefits and includes a more extensive number of capabilities. Coordinated operations alludes to dealing with the progression of merchandise and assets to fulfill purchaser needs and this can be enhanced if 3PLs offer more customized types of assistance. 3PL administrations should as practiced incorporate transportation, warehousing, customs financier, and stock administration. Organizations utilize 3PL administrations to get particular aptitude and assets while permitting them to zero in on center abilities and save costs.

The applied structure features the hypothetical establishments used in 3PL examination, including microeconomic hypothesis, cutthroat hypothesis, choice hypothesis, and showcasing hypothesis. The calculated structure features the significance of hypothetical establishments like microeconomic hypothesis, cutthroat hypothesis, choice hypothesis, and promoting hypothesis in 3PL examination. These hypotheses assist 3PL organizations with examining the market structure, oversee costs, settle on essential choices, and further develop consumer loyalty. Coordinating these hypotheses empowers organizations to foster viable techniques that address the one of a kind difficulties and open doors present in the 3PL business in Cameroon.

Challenges for 3PL organizations in Cameroon incorporate a complex administrative climate, debasement, and an absence of gifted work. The administrative climate requires consistence with various legitimate prerequisites and regulatory techniques that cause significant expenses. Defilement likewise represents a critical test, while the shortage of gifted work frustrates the development of the business. To conquer these difficulties, 3PL suppliers can put resources into preparing and schooling programs, foster straightforward associations with administrative specialists, and send moral and consistence programs.

Fruitful elements for 3PL organizations working in Cameroon incorporate government support, foundation advancement, and expanding requests for production network proficiency. The progress of 3PL organizations can be improved by government support, foundation advancement, and a rising interest for store network proficiency. The public authority's interest in current transportation and coordinated operations framework and their developed interest in business achievement by investors make Cameroon a profitable climate for 3PL suppliers. By offering some benefit added administrations, for example, stock administration and customs leeway, 3PL suppliers can take advantage of neighborhood interest and accomplish feasible development on the lookout.

The absence of gifted Human resource in business in Cameroon presents a significant test for 3PL suppliers. This prompts a diminished functional productivity and greater expenses. To resolve this issue, 3PL suppliers can put resources into preparing and instruction programs for workers and collaborate with instructive establishments to enlist talented experts. By utilizing a culture of nonstop learning and improvement, 3PL suppliers can foster a skillful labor force to fulfill the needs of the business in Cameroon.
IV. CONCLUSION

The 3PL industry in Cameroon presents opportunities and challenges for logistics providers. Through the integration of microeconomic theory, competitive theory, decision theory, and marketing theory, companies operating in this market can develop effective strategies and improve overall performance. Government support, infrastructure development, and increasing demands for supply chain efficiency are key factors for successful 3PL operations in Cameroon. Challenges such as corruption and a lack of skilled labor can pose significant challenges, but can be addressed through investment in training and education programs and ethical and compliance programs. Diversifying services, expanding geographically, embracing technology, developing human resources, and collaborating with stakeholders are recommended strategies for 3PL providers to expand their operations in Cameroon. The adoption of emerging technologies such as blockchain, artificial intelligence, and the Internet of Things can also enhance the competitiveness of 3PL companies in Cameroon and improve overall supply chain performance. Overall, by leveraging local knowledge and resources and building strong partnerships and collaborations, 3PL providers can achieve growth and success in Cameroon's logistics market.

REFERENCES

[1] E. Achuo, “Improvement of the Quality of Logistics Services; A Case Study of Bollore Transport and Logistics Cameroon”. P. 85, 2022


[43] ”Cameroon Logistics Market - Growth, Trends, COVID-19 Impact, and Forecasts (2021 - 2026)” by Mordor Intelligence


[45] ”Cameroon: Logistics Services Market Study” by USAID West Africa Trade & Investment Hub

[46] ”Logistics Infrastructure Development in Cameroon: Opportunities for Private Sector Investment” by African Development Bank Group


[48] Logistics Management: https://www.logisticsmgmt.com/

[49] Supply Chain Dive: https://www.supplychaindive.com/