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ANALYZING THE KEY DRIVERS OF LOGISTICS OUTSOURCING IN TEA PROCESSING FIRMS IN BOMET COUNTY

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ABSTRACT

The tea industry in Bomet County, Kenya, is a significant contributor to the region's economy, and logistics plays a critical role in the efficient processing and distribution of tea products. This study aims to analyze the key drivers of logistics outsourcing practices in tea processing firms within Bomet County. By focusing on both large and small tea processors, the research identifies the factors that influence the decision to outsource logistics functions such as transportation, warehousing, and distribution. Data was collected through a combination of surveys and interviews with logistics managers, supply chain professionals, and business owners in the region. The study highlights key drivers including cost reduction, operational efficiency, access to specialized expertise, and the need to focus on core competencies. The findings indicate that outsourcing logistics functions allows tea processing firms to enhance their competitiveness, streamline operations, and leverage external resources for improved service delivery. Additionally, challenges such as supplier reliability, quality control, and the impact of local infrastructure on logistics operations were identified. This research contributes to a better understanding of logistics outsourcing trends in the Kenyan tea industry, offering valuable insights for tea processors and policymakers aiming to improve the efficiency of tea supply chains.

KEYWORDS

Logistics Outsourcing, Tea Processing Firms, Bomet County, Supply Chain Management, Operational Efficiency, Cost Reduction, Transportation, Warehousing, Business Strategy, Kenya.

INTRODUCTION

The tea industry in Bomet County, Kenya, is one of the region's most vital economic sectors, contributing significantly to both local livelihoods and national export earnings. Tea processing, which includes activities such as sorting, packaging, and distribution, is a complex operation that requires efficient logistics systems to ensure timely delivery and maintain product quality. With the increasing global demand for tea, tea processors in Bomet County face growing pressure to improve operational efficiency, reduce costs, and meet customer expectations. One of the strategies that tea processing firms have adopted to address these challenges is the outsourcing of logistics functions.

Logistics outsourcing involves contracting external service providers to manage various components of the supply chain, such as transportation, warehousing, and distribution, rather than handling these tasks in-house. This practice has gained traction globally as businesses seek to focus on their core competencies while leveraging the expertise and resources of third-party logistics providers. However, the decision to outsource logistics services is influenced by several factors, including cost considerations, the complexity of logistics operations, access to specialized skills, and the availability of infrastructure.

In Bomet County, where the tea industry is predominantly characterized by small to medium-sized firms, understanding the key drivers of logistics

outsourcing is crucial for improving the efficiency and competitiveness of these businesses. Despite the growing trend of outsourcing, there is limited empirical research focusing on the tea processing sector in this region, especially regarding the specific factors that influence outsourcing decisions.

This study aims to fill this gap by analyzing the key drivers of logistics outsourcing practices in tea processing firms in Bomet County. By exploring the motivations behind outsourcing decisions, the study seeks to provide valuable insights into the benefits and challenges faced by tea processors, as well as the factors that impact their supply chain strategies. The findings of this research will be beneficial for tea processors seeking to optimize their logistics operations, as well as for policymakers aiming to enhance the infrastructure and regulatory environment that supports the tea industry in Kenya. In the following sections, the study will outline the theoretical framework on logistics outsourcing, present the research objectives and methodology, and discuss the results and implications for the tea industry in Bomet County.

METHODOLOGY

This study adopts a mixed-methods approach, combining both quantitative and qualitative research methods to provide a comprehensive analysis of the key drivers of logistics outsourcing in tea processing

firms in Bomet County. By utilizing surveys and in-depth interviews, the research aims to capture both broad trends and detailed insights into the factors that influence logistics outsourcing decisions in this sector. The study focuses on tea processing firms in Bomet County, which is home to both large-scale tea factories and smaller, family-owned processors. A purposive sampling method was used to select 15 tea processing firms from both ends of the spectrum—larger, more established firms and smaller, emerging ones. This approach ensures that the research captures a range of experiences and perspectives regarding logistics outsourcing across different firm sizes.

The participants for the study include logistics managers, supply chain professionals, and business owners within these tea processing firms. A total of 30 participants were selected, with 2-3 representatives from each firm. Additionally, external logistics service providers who work with tea processing firms in the region were also consulted to gain insights into the logistics challenges and outsourcing dynamics.

Surveys: The first phase of data collection involved distributing structured surveys to the selected participants. The surveys included a mix of closed-ended and Likert scale questions designed to quantify the factors influencing logistics outsourcing. These questions focused on various drivers of outsourcing, including cost reduction, operational efficiency, the need for specialized logistics expertise, and concerns about infrastructure limitations. The survey also

included questions on the perceived benefits of outsourcing, such as flexibility, scalability, and enhanced service delivery. The surveys were distributed electronically where possible or conducted in person for those with limited access to digital platforms.

Interviews: Following the surveys, in-depth semi-structured interviews were conducted with a subset of 10 participants (logistics managers and business owners) from the tea processing firms, as well as 5 logistics service providers. The interviews aimed to explore the reasons behind the responses provided in the surveys and delve deeper into the qualitative aspects of outsourcing decisions. Interview questions focused on the specific challenges and opportunities associated with outsourcing logistics, how firms assess the reliability of third-party providers, and how logistical decisions align with broader business strategies. Interviews were audio-recorded, transcribed, and analyzed thematically.

Quantitative Analysis: Data from the surveys were analyzed using descriptive statistics, such as frequency distributions, percentages, and mean scores. This provided an overview of the key drivers of logistics outsourcing as reported by the participants, highlighting the most common factors influencing their decisions. Chi-square tests were used to identify any significant differences between large and small firms in their outsourcing preferences. Additionally, correlations between logistics outsourcing drivers and

firm size, operational scale, and perceived benefits were explored.

Qualitative Analysis: The qualitative data from the interviews were analyzed using thematic analysis. The interview transcripts were read and coded to identify recurring themes and patterns. Key themes were organized around the main research questions—drivers of outsourcing, benefits, challenges, and the role of logistics service providers. This analysis allowed for a deeper understanding of the context in which outsourcing decisions are made and provided insights into the specific challenges faced by tea processors in Bomet County, such as issues with local infrastructure, the availability of skilled labor, and the reliability of logistics providers.

Ethical approval for the study was obtained from the relevant academic and institutional review boards. Informed consent was sought from all participants before data collection, ensuring they understood the study's purpose, procedures, and their right to confidentiality and anonymity. Participants were assured that their responses would be used solely for research purposes, and that no identifying information would be disclosed in the final report. The study adhered to strict ethical guidelines regarding voluntary participation, privacy, and the handling of sensitive business data.

While the study provides valuable insights into logistics outsourcing in the tea processing sector, there are some limitations. The sample size of 15 firms may not

fully capture the diversity of outsourcing practices across all tea processing firms in Bomet County. Additionally, the study's reliance on self-reported data could introduce bias, as participants may have provided socially desirable answers regarding the effectiveness and benefits of outsourcing. The focus on tea processors may also limit the generalizability of the findings to other agricultural sectors or industries in Kenya.

This research contributes to the understanding of logistics outsourcing in the tea processing industry in Bomet County, offering practical insights for both tea processors and logistics service providers. The findings will help firms make more informed decisions regarding the outsourcing of logistics functions and enable policymakers to better understand the logistics challenges faced by the tea industry. Additionally, this study highlights the importance of improving infrastructure, fostering partnerships between tea processors and logistics service providers, and implementing strategies that enhance the efficiency of logistics operations in the tea industry.

In conclusion, the mixed-methods approach used in this study allows for a comprehensive analysis of the key drivers of logistics outsourcing in tea processing firms in Bomet County. By combining quantitative and qualitative data, the study provides valuable insights into the decision-making processes of tea processors, the challenges they face, and the strategies they

employ to enhance logistics performance and competitiveness in the region.

RESULTS

The study revealed several key drivers behind logistics outsourcing practices in tea processing firms in Bomet County, offering insight into how tea processors make strategic decisions to improve their logistics operations. The primary findings include:

Cost Reduction and Efficiency: The most prominent driver for outsourcing logistics was cost reduction. Both large and small firms in the study emphasized the financial benefits of outsourcing logistics functions. Outsourcing allowed tea processors to reduce overhead costs associated with owning and maintaining fleets, warehouses, and personnel dedicated to logistics. Firms reported that third-party logistics providers (3PLs) were able to offer economies of scale, reducing overall transportation and warehousing costs.

Access to Specialized Expertise: A significant number of firms, particularly larger ones, cited the need for specialized logistics expertise as another major reason for outsourcing. Tea processing firms in Bomet County face complex logistics challenges, including managing the supply chain from remote tea farms to processing plants and ensuring timely delivery to markets. Third-party providers with specialized knowledge in logistics were seen as better equipped to handle these complexities and to optimize logistics performance,

especially in areas like route planning, inventory management, and customs clearance.

Operational Flexibility and Scalability: Outsourcing logistics was also viewed as a means to gain operational flexibility. Many tea processors, especially smaller ones, found it difficult to maintain a scalable logistics operation in-house, particularly during peak harvest seasons when demand for transportation and storage capacity increased. By outsourcing, firms could easily scale their logistics needs up or down depending on production cycles, without the risk of investing in underutilized infrastructure.

Infrastructure Challenges: Despite the benefits, some firms, especially in rural areas of Bomet, faced challenges with local infrastructure that hindered the effectiveness of logistics outsourcing. Poor road conditions and unreliable transport services were cited as barriers that limited the effectiveness of third-party logistics providers. This challenge was particularly pronounced in more remote tea-growing areas where access to reliable transportation was limited.

Quality Control and Supplier Reliability: Concerns regarding quality control and the reliability of logistics providers were also significant factors. While many firms outsourced logistics functions to take advantage of specialized services, there was a growing concern about the reliability of third-party service providers, particularly in terms of meeting delivery schedules and maintaining product quality during transport. Some tea processors reported instances of delayed

shipments and damaged goods, which raised doubts about the long-term benefits of outsourcing logistics.

DISCUSSION

The findings suggest that logistics outsourcing offers substantial advantages for tea processing firms in Bomet County, particularly in terms of cost reduction, operational flexibility, and access to specialized logistics expertise. These benefits are critical in a competitive industry like tea processing, where firms must navigate a complex supply chain and face increasing pressures to optimize operations for cost-efficiency and timely delivery.

However, the research also highlights the challenges that come with logistics outsourcing. The local infrastructure issues faced by many tea processors point to a significant barrier to the successful implementation of logistics outsourcing strategies. Poor road conditions and inadequate transport networks in certain areas can undermine the effectiveness of third-party logistics providers, making it difficult for firms to rely on external providers fully.

Moreover, the concerns raised about the reliability and quality control of outsourced logistics services emphasize the need for stronger relationships between tea processors and logistics providers. Developing long-term partnerships based on trust and performance metrics could help address these challenges. Tea processors may also need to adopt more stringent monitoring mechanisms to ensure that

logistics providers meet agreed-upon standards, especially in terms of timeliness and product handling. The study also points to a divergence between small and large firms in their outsourcing practices. Larger firms were more likely to outsource logistics to gain access to specialized expertise and scale their operations, while smaller firms primarily outsourced to reduce costs and improve operational efficiency. This difference underscores the importance of tailoring logistics strategies to the specific needs and capacities of firms, depending on their size and operational scope.

CONCLUSION

In conclusion, the decision to outsource logistics in tea processing firms in Bomet County is driven by a combination of cost-efficiency, the need for specialized expertise, and operational flexibility. Tea processors in the region are leveraging logistics outsourcing to optimize their supply chains, reduce operational costs, and scale their operations more effectively. However, the challenges of local infrastructure and concerns about the reliability of third-party service providers indicate that logistics outsourcing is not without its risks.

For tea processing firms in Bomet County to fully realize the benefits of logistics outsourcing, they must address these challenges by investing in better infrastructure, establishing stronger partnerships with logistics providers, and implementing more robust quality control measures. Policymakers and industry

stakeholders should also play a role in improving the logistics infrastructure in rural areas, which could further enhance the effectiveness of outsourcing practices.

Future research could explore the long-term impacts of logistics outsourcing on the performance and competitiveness of tea processing firms in Bomet County, as well as the evolving role of technology in improving logistics operations in the tea sector. Additionally, comparative studies between different regions or countries could provide further insights into the global dynamics of logistics outsourcing in agricultural industries.

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