



Effects of Transportation Outsourcing Costs on the Suitability of the Tanzanian Beverage Industries. A Case of TBL-Arusha

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ABSTRACT

Beverage industries have currently witnessed the increase of outsourcing transportation services. However, while beverage industries enjoy the benefits of outsourcing to some of their non-core activities, it has been established that the outsourcing of transportation service has cost implications which bring a debate to whether outsourcing of transportation impacts the profitability of the beverage industries or not. This study ventures in determining the effects of costs in outsourcing transportation on the profitability of the beverage industries in Tanzania. The study was governed by the Principle of Agency Theory and Transaction Cost Analysis. Case study research design was used for this purpose where TBL-Arusha branch was taken as the case study. Purposive sampling was used to select key informants for this study, while simple random sampling was used to select 30 staff for the study. Unit of analysis was the TBL company-Arusha branch operating in beverage sector and practicing outsourcing of transportation and unit of observation was the TBL staff whereby both qualitative and quantitative data were collected by using self-administered survey questionnaire and key informant interview guide. Collected data were analysed by using descriptive statistics. The study findings revealed that despite that outsourcing of transportation benefits the TBL, the costs associated with outsourcing transportation services impact the profitability of the company. It is therefore concluded that, costs in transport outsourcing affects the profitability of the beverage industry. The study recommends that cost elements of outsourcing transportation service should be reviewed and negotiated in order improve the profitability of the company.

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1. Introduction

Organizations should develop a focus on their core activity if they want to succeed over the long term in a market that is competitive (Magero, 2022). Also, businesses believe they should focus on their core capabilities and outsource non-core operations to generate value, boost efficiency, and increase their competitive edge (Haial & Benabbou, 2021). A few variables that encourage businesses to outsource non-essential tasks and concentrate on core ones include, but are not limited to, market shifts, globalization, the complexity of products and their short life cycles (Ishizaka et al., 2019). There are several ways that organizational decisions about outsourcing have transitioned from tactical to strategic. Typical outsourced duties that are transformed to strategic include customer service, demand forecasting

inventory management, warehousing, packaging, communications, material handling and transportation (Agrawal et al., 2015). Additionally, outsourcing has increased in the marine industry, as the Marine Corps has outsourced the management of all individual issue battle gear since 2000. This contractual outsourcing, known as the CIF from 2001 to 2009, was in charge of handling the distribution, management, and collection of each Marine's ICCE. It was overseen by the neighborhood Marine Expeditionary Force Headquarters (MEF HQ) and Marine Logistics Command (LOGCOM). The program's name was changed to the Individual Issue Facility (IIF) in 2009 (Abercrombie et al., 2016). For more than ten years, numerous authors have advocated that logistics operations should be outsourced to reduce costs and increase responsiveness. By functional activities, we mean those that involve turning raw materials into completed goods while also adding value (Owuor & Zaman, 2019). These include,

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among other things, delivering the goods at the appropriate locations and time and selling them at the appropriate price (Govindan et al., 2017). A survey done by Mimano, (2014) showed that transport was the most important element in logistics, followed by inventory and warehousing, then customer service and lastly administration.

According to several empirical studies, more than 90% of American cargo owners who are engaged in professional cross-border transportation will turn to freight forwarders for assistance. A forwarder who works as a non-vessel-operation carrier typically needs to outsource shipping transportation service to an ocean shipping (OS) company and an inland shipping (IS) firm, respectively, due to differences in shipping services (Zhang et al., 2023). A number of ladders need to be connected via transportation in order for goods to be traded for functional products in the name of the ultimate consumer. To reduce costs and improve customer service, the model of business logistics involves organizing all of these jobs and sub-roles into a system of product movement. Once in place, the structure must be effectively managed (Kherbash & Liviu, 2015). Thus, this paper focused on outsourcing transportation since it is a large contributor to the total logistics cost. Moving raw materials, semi-finished items, finished goods, services, or people from one place to another is referred to as transportation (Haial & Benabbou, 2021). Finding the best option for whether to own or outsource transportation activities presents difficulties for many businesses. Many businesses outsource transportation because it lowers costs, boosts effectiveness and efficiency, improves differentiation, increases flexibility, and fosters revenue growth (Mimano, 2014).

While some businesses have outsourced their logistics operations, others prefer to handle them internally. The extent of outsourcing depends heavily on the organization's size, resources, flexibility, and type of business. The trend is further supported by Deloitte report stated that more than 85% of companies with a net worth of over \$1 billion engage in strategic outsourcing. In terms of cost savings, order fulfillment, shorter lead times, and enhanced relationships with supply chain partners, businesses profit from outsourcing (Deloitte Development, 2019). Outsourcing is used in Tanzania on both a public and private level (Kimambo, 2019). Some businesses choose to outsource all their operations to a single company, while others outsource to a variety of businesses (Karamaşa et al., 2020). In this regard, outsourcing is now seen as a strategic choice rather than a managerial one. It all started when businesses began to distinguish between subcontracting and outsourcing, when strategic alliances are formed for improved supply chain performance rather than just delegating duties to specialists (Mageto, 2022).

Many manufacturing companies in Tanzania have embraced the idea of outsourcing transportation. Contrary to expectations and recommendations from many studies, it has been discovered that transportation is one of many manufacturing enterprises' top expenses even if it is still outsourced. Poor infrastructure is a major factor in this since it increases expenses by around four times compared to developed nations (Lau & Zhang, 2006; Mageto, 2022). As a result, this study evaluates how transportation outsourcing impacts the productivity of manufacturing companies in Tanzania, notably in the beverage sector. The study specifically looked at how outsourcing transportation affects cost, lead-time, and service quality. The study applied the following theories to evaluate the effects of cost in outsourcing transportation on the profitability of the beverage industries in Tanzania;

1.1 The Principal of Agency Theory

The Principal of Agency Theory is built on the premise that a group of third parties (agency) enters a contract with the group's owners (principle) in exchange for various incentives to carry out daily activities. Between the

agents and the principle, ownership is divided in this (Wambua, 2017). Several academics in fields ranging from political to economics have employed agency theory. Agency theory is frequently used in the supply chain to manage disagreements, risks, outcomes, and relationships between the parties involved, such as suppliers, buyers, and management (Matinheikki et al., 2022). To demonstrate the link between Tanzania Breweries Limited (TBL) and the third party to whom the owner has delegated his tasks, agency theory was used in this study. Disputes, risks, outcomes, and relationships between the parties involved, such as suppliers, purchasers, and management, are regularly managed in the supply chain using agency theory (Matinheikki et al., 2022). Agency theory was utilized in this study to show the connection between the owner, Tanzania Breweries Limited (TBL), and the third party to whom the owner has outsourced their tasks. A business will undoubtedly choose to do a certain activity or cost study.

1.2 Transaction cost

According to the theoretical underpinnings of Transaction Cost established by Coase in 1937, which were elaborated upon by Williamson (1998), transaction cost was primarily created to evaluate the effects of a make-or-buy decision on an organization and the market. The five main determinants of Transaction cost (TC) are transaction frequency (based on the level of interaction between parties in a contract), asset specificity (a unique investment in a partnership that cannot be changed), uncertainty (considers behavioral and environmental uncertainty), bounded rationality, and opportunistic behavior. From the perspective of resources, timely investments, and long-term relationships, the logistic context focusing on outsourcing growth is significantly impacted (Gates, 1989). The relevance of the theory is to provide essential reasons and important decisions that stakeholders in the beverage industry should consider for efficient and effective outsourcing. This led to the proposed hypothesis H1 on the impacts of costs in outsourcing transportation on the performance of beverage industries.

H1: Costs in outsourcing transportation do not impact the profitability of beverage industries in Tanzania.

According to studies, outsourcing logistics is a means to lower costs, boost productivity, raise service standards, and ultimately increase customer happiness. Yet, due to several factors pertaining to the selection of alternatives, choosing between outsourcing and insourcing is a highly difficult logistical process. When we consider the operations of a distribution centre, where the governance structure in Brazil addressing logistics operations must consider a significant utilization of personnel, this option is also not simple to answer. In order to advise the decision-maker on whether to insource or outsource the logistics operations of a Brazilian company, we employ methods based on multi criteria decision analysis (MCDA) (Silva et al., 2019). Likewise in the case of Tanzania, Mchozi (2013) investigated the efficiency of outsourcing logistics work in construction industry. For a construction company, the movement of laborers and raw supplies is crucial to completing the construction task. The study's main goals were to confirm the strategic justifications for outsourcing and to guarantee customer happiness while keeping an eye on service provider performance. According to the study's findings, when the company decided to include outsourcing as a part of their work process, performance increased by an average of 75%. Moreover, inadequate quality management of the equipment results in excessive flue consumption and maintenance, which threatens to drive up costs and, as a result, reduce performance.

2. Methodology

For this study, the researchers used a case study design to select subjects, research sites, and data collection procedures. The purpose of the case study method utilized was to describe the features of a specific person or group (Kothari, 2011). TBL-Arusha branch served as a case study for the purposes of this study. The use of TBL as a case study is due to limited number of beverage companies listed on the Dar-es-Salaam Stock Exchange (DSE) with an adoptive outsourcing approach in their supply chain system. As a result, this study's sample is of high quality and was scientifically representative of the overall picture of outsourcing transportation in the beverage industry. The research was conducted using both qualitative and quantitative methods. The combination of both qualitative and quantitative methods allowed for a thorough and expansive interpretation of the results. While on the side of the qualitative method that covered the characteristics of measurable data, the qualitative approach primarily focused on understanding the data in form of graphs, tables, and figures.

TBL is Tanzania's biggest and oldest brewing firm, and it makes, sells, and distributes malt beer as well as non-alcoholic and alcoholic fruit beverages. The following alcoholic beverage brands are used by the corporation to sell its goods: Safari Lager, Kilimanjaro Premium Lager, Ndovu Special Malt, and Konyagi. Under license from SABMiller International BV, Tanzania Breweries also makes and sells Castle Lager, Castle Milk Stout, Castle Lite, Peroni, and Redds Premium Cold. Additionally, it offers worldwide wine and liquor distribution services with permission from Distell (Pty) Limited in South Africa. As a result of the factory's efficient transportation operations and extensive use of outsourcing, TBL-Arusha was chosen as the case study. Due to this, the study area was used as point of reference as it was expected to be full of information regarding the impacts of costs in outsourcing transportation on the organization's profitability. Other factors such as time factors and budget considerations influenced the researchers to choose this study area.

The methods utilized to acquire the data varied, but they mostly depended on what kind of data was being collected (primary and secondary data). The primary data used are those that were gathered over the course of the investigation. These are current data that are of a calibre that meets the needs of the researcher and are readily available when more information is required. Primary data is always quite expensive (personal interview, personal observation, questionnaire). The questionnaires and interview questions were piloted using a sample in the operation department prior to data collection in the field. The goal was to determine whether the data gathering tool's authenticity and dependability were clear. Secondary data, which includes both published and unpublished data, is material that has already been gathered and analyzed by other academics. This data is adequate and easy to access, and when compared to primary data, it is less expensive and offers more options while still having a similar cost base. Tools for both qualitative and quantitative data analysis were utilized in the study to examine the information gathered. In this instance, the data was analyzed using Statistical Package for Social Sciences (SPSS) to compute percentages, frequencies, Means, standard deviations, draw graphs and draw tables and present the information respectively.

3. Results and Discussion

3.1. Demographic results and discussion

A study targeted 30 respondents from a Tanzanian beverage company and

30 from customers, to acquire required information. During the data collection, all the 60 respondents answered all the questionnaires and interviews; this shows a response rate of 100%. According to Mugenda (2008), a response rate of 50% is sufficient for analysis, a rate of 60% is good, and a rate of 70% and more is great, this response rate was excellent and representative. The data collection process, in which the researcher personally distributed questionnaires to the respondents, ensured they were filled out, and then collected them for analysis, was credited with this outstanding response rate. This response rate proved that the research was reliable. Also, very old workers hamper creativity and innovation as well as work pace, which results in low efficacy of outsourced transportation in the TBL organization (TBL, 2021). Youth workers are known for their quickness, precision, inventiveness, and invention. The study's conclusions on the respondents' age distribution. According to the study, the majority of respondents (60%) were between the ages of 25 and 40, while 15.5% were younger than 25 and were thus more creative, imaginative, and energetic. Most (15%) were between the ages of 40 and 50, while the least (9.5%) were above the age of 50 and had experience in the relevant profession. According to the statistics obtained, TBL respondents and consumers were primarily young people.

This shows that First TBL has neglected the importance of age grouping, which must be considered when providing successful outsourcing transportation services because older people have more experience than younger people. This shows that TBL Corporation preferred to hire people of diverse ages to promote the business's flexibility, effectiveness, and profitability. The category of education of the respondents in this study was significant because it gave the researcher assurance that the respondents could understand the research questions based on the diversity of responses they provided. As a result, reliance and reliability of the data were attained.

3.1. Understanding of items or services to be outsourced to the third-party providers

To lay the groundwork for addressing the study's objectives, the researcher first gathered data by measuring how well the phrase "outsourcing" was understood. 90% of the respondents out of a total of 60 had a favourable understanding of services that would be outsourced to third parties (Fig 1). The definitions were attained using interview question, the examples of the definitions are such as but not limited to: *Outsourcing is being able to trust and allow other company or personnel to conduct your company activity on your behalf; Outsourcing is hiring a third party to act like an agency on certain activities.; Process of allowing any specialized firm to conduct a certain activity within your company for the purpose of cost reduction, capability and capacity is commonly known as outsourcing.* Several of the respondents, in a particular way, cited transportation as the primary illustration of the services that TBL frequently outsources. Other examples include, but are not limited to, warehousing, security, catering, information systems, and packaging. Yet, 10% of those surveyed were unaware that certain products or services were outsourced (commonly with the individuals with non-formal education). As a result, it was possible to separate the desired respondents who will contribute to the data collection from those who will make no contribution at all by evaluating the respondents' understanding of the outsourcing topic. This helped the data's dependability to be attained. This finding is in line with Ngonela et al. (2014) who supported that outsourcing helps organizations succeed in today's competitive markets because they must focus on their core competencies and use outsourcing as a strategic method to improve service quality and reduce costs. Furthermore, manufacturing companies that make

food and beverages, like TBL, performed internal logistics activities that were essential to their operations and in which they were knowledgeable (Owuor & Zaman, 2019).

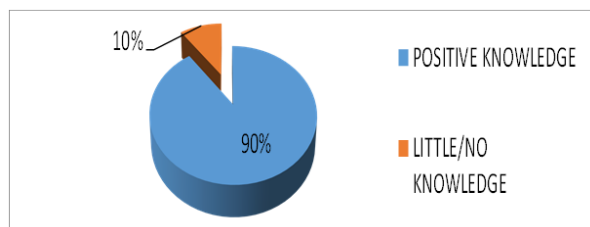


Fig. 1. Knowledge on outsourcing from the participants.

3.2. Decisions to consider before outsourcing Transportation

Depending on how the foundations for outsourcing that operations were established, outsourcing transportation can increase the profitability of a beverage firm. Most of the time, the factors or significant choices that were taken into consideration help determine the extent and value of outsourcing to a company. A higher proportion of respondents (85%) agree that outsourcing transportation is not merely a chance decision made by a manager or business while they were sleeping over night while 15% disagree on that specific problem (Table 1). The researcher additionally questioned the respondents who mentioned potential significant decisions that TBL had to think about before outsourcing to make this interesting.

Table 1. Aspects suggested by each department before outsourcing.

Department	Aspect to consider
Finance and investment	Cost
	Resource availability
	Capability
Quality assurance	Service quality
Logistics	Lead time
	Equipment

First, respondents who relied on the finance department for their decision-making stated that cost is the main consideration when outsourcing transportation. Because a company like TBL started performing things internally and noticed that costs were not decreasing but rather rising, the company began to consider other solutions like outsourcing. Also, it will be detrimental to a company if the cost of performing an activity outside of a firm where professionals are involved is higher than when it is performed within (Kimambo, 2019). The respondents from the finance department stated that a second factor to consider before outsourcing is capability. This is due to facilitating the activity to have the desired output by the firm since the outsourced firm should have all the necessary knowledge and capacity to conduct the activity (Liyanagamage & Ranasinghe, 2020).

The third factor to consider was the availability of resources, as respondents from the finance industry felt that having resources would help the task be completed. Also, respondents stated that the availability of resources affects how long or little time it takes to complete a task or activity. The other respondent, who works in the quality assurance department, stated that the TBL's capacity and ability to execute transportation is its best feature. Other options will be taken into consideration if the TBL lacks capacity and capabilities. Additionally, she added that it serves no purpose to outsource transportation to a party with weaker capability and capacity in terms of

resources. The logistics and transportation respondent, on the other hand, made a comment based on the lead time. It was highlighted that it doesn't make sense to outsource transportation to a third party whose lead time is longer than when the activity is conducted in house. The priority of the logistics department is time since delivering the goods to a client when there is a high demand for the product results in customer satisfaction, which in turn increases demands. The second factor that logistics departments should consider while outsourcing is equipment. The way the product is handled significantly affects whether it is destroyed or kept in its manufactured state. The product will be safe during transit till it reaches the consumer if there is sufficient equipment.

3.4 Reasons for TBL Company to outsource Transportation

The study also sought to understand the factors that caused the beverage industry to outsource its transportation operations. The researcher used questionnaires and observations to query the respondents to find an answer to that question. Due to the nature of the questions and the target audience, the results based on 30 respondents from TBL varied according to the respondents' opinions. According to the push or pull factors that cause transportation to be outsourced, the opinions were divided into categories. According to the report, 50% of respondents said pull reasons are the main drivers of outsourcing transportation, while 50% of respondents said push reasons are the main drivers of outsourcing transportation.

3.4.1 Push reasons contributing to outsourcing Transportation

For the objective of grabbing the market, beverage companies like TBL frequently sell their products at extremely low prices. Push factors or justifications are what push TBL to outsource; in other words, the company believes that outsourcing transportation is its only alternative. According to 15 TBL respondents, the company outsourced transportation because there was no other choice because of factors like lower costs and higher productivity, among others.

a) Reduction of cost

A business's goal is to run profitably while incurring the fewest costs possible. In addition to other cost components like storage, inventory, and overheads, are one of the costs that are difficult to control is transportation because they include components like car cost, ongoing fuel price fluctuation, payroll, and maintenance. To meet consumer demands at an affordable price that is mostly being moderated by cost variance, TBL Company has decided to outsource transportation to a third-party service provider. As a result, outsourcing has direct negative impacts on profit since rising costs have an influence on customer purchasing power, which automatically lowers sales and reduces profit. According to research done in Kenya and Sri Lanka, organizations' perceptions of the cost-effectiveness and risks of the outsourcing process were found to be two of its key determinants. Businesses may eliminate unnecessary expenditure and develop quick, easy production methods that enable them to effectively manage a limited quantity of their resources when they become aware of how much cheaper it is to outsource logistical activities than to conduct them internally (Liyanagamage & Ranasinghe, 2020).

b) Increase in production

The manufacture of beer for its consumers is TBL Company's main business. The company must outsource other supporting activities like transportation to ensure that the production (core) increases first and for the

most part. Overall, 15% of respondents concur that outsourcing transportation is important for increasing production through bettering employee knowledge, skills, and working capacity. Additionally, outsourcing ensures delivery of assured and reliable services that satisfy customer demands at the appropriate time from the perspective of the organization. By achieving high levels of customer satisfaction, you can easily enter new markets and eventually go global. It was also observed in Nairobi, Kenya, as the researcher noted that transportation outsourcing has a favourable and significant impacts on the performance of the firms. The management of large retail firms in Nairobi County should focus on improving transport outsourcing methods. The management can achieve this by putting in place transportation outsourcing procedures that transfer the risks connected with transportation operations to the logistics provider, safeguard the company from fines, provide the specific data you need, enhance operational control, and guarantee that transportation operations are never harmed by the dynamic supply chain environment (Owuor & Zaman, 2019).

3.4.2 Pull factors that lead to outsourcing Transportation

On the other hand, there are compelling reasons for the company to outsource transportation. The factors go beyond the third party's skill and competence in the transportation sector. The primary factor in the transportation business is referred to as the capacity and capability of third parties. According to accepted practice, outsourced enterprises should be judged on their ability and capacity to carry out the activity in comparison to the original firm. The appeal of the third-party transportation business is what drew TBL to outsource transportation. Many third-party companies are working hard to establish an inviting atmosphere that will allow beverage enterprises to recognize their potential due to market competitiveness. This enables the firm to acquire quality products, adequate human and non-human resources and equipment's without forgetting having convincing technology, mission, vision, strategies and objectives that are demanded by many beverage firms.

3.5 To examine the influence of cost on the profitability of TBL company

The movements of raw materials and components between suppliers are part of transportation. In addition, reverse items from suppliers and customers are transported as well as finished products to suppliers and various customers' locations. The goal of the study was to determine how transportation costs affected TBL Company's profitability. This goal was accomplished by examining the TBL financial accounts and determining the effects that cost increases and decreases had on profitability. The costs of transportation are included in the statement of profit and loss account in TBL financial statements, although it is categorized under the selling and distribution cost category before being described in the financial statement. Given that transportation has been outsourced in TBL, the findings presented in below imply that the costs of transportation have fluctuated between increases and decreases. This indicates that over the TBL financial years, the costs of transportation were unable to remain constant or decrease but instead fluctuated. For instance, from 2016 to 2019, transportation costs decreased as shown in the Table 2, but in 2020, they increased by 31771 because of the addition of new partners for distribution centres. Additionally, the overall TBL had a challenging year with a 6.2% decline in revenue (TBL, 2016:2017:2018:2019:2020:2021). Performance was negatively impacted by the year's second half's declining beer market,

unanticipated severe rains in Q4, and continuous pressure on disposable income. Additionally, the global COVID-19 pandemic affected the company's revenue. Despite this decline in earnings, the company is still pursuing its phased execution strategy, utilizing its Core+, Core, and Affordable portfolio, as well as better brand positioning insights, superior media plans, and the creation of transformative innovations (Liyanagamage & Ranasinghe, 2020).

According to the findings in Table 2, the total cost of selling and distribution in 2021 was 219,668 M TZS, with transportation costs coming in first with the highest costs and selling costs making up the largest portion of this total. The Managing Director stated that the depreciation of the Tanzanian shilling and fuel variations were the main causes of the cost increases in the financial report. The manager added that the COVID-19 pandemic caused a more than 40% decrease in net earnings. The brewer's financial statement shows that in December, net profit dropped from the 150.21 billion reported in 2019 to 89.08 billion. TBL, one of the most valuable listed businesses at the Dar es Salaam Stock Exchange (DSE), reported a slight reduction in total revenue, but costs and expenses devoured almost two-thirds of the money made (TBL, 2021). The global Covid-19 pandemic's effects on revenue led to an overall decline in earnings, according to TBL's Managing Director. In the second half of the year, COVID-19 has subsided nationwide, showing signs of improvements. In comparison, spirits had single-digit growth in April and May of last year, when beer sales and volumes were most significantly impacted. Operational overhead, as well as sales and distribution costs, increased during the year primarily due to central costs and extraordinary items.

The brewer's financial statement also made clear that the pandemic had a negative impact on operating and gross earnings; the stock was trading at \$10,900/-million on the Dar es Salaam Stock Exchange at the time (DSE). From 220.07 billion in 2020 to 163.39 billion in 2021, operating profit declined by 26%, and from 397.67 billion in 2021 to 364.76 billion in 2022, gross profit decreased by 8%. Revenues decreased because of the illness, which mostly decreased operating profit. In contrast to 21.5 % the year before, operating margin was 17.0 %. Total assets, total equity, and total liabilities all increased by 1% for the company. TBL reduced its capital investments during the year from 67.1 billion to 39.7 billion. TBL reported cash from operations of 253.4 billion, of which 82.1 billion was used to pay corporate income tax, 39.7 billion to cover capital expenditures, and 7.3 billion to fund operations (TBL Report, 2020). Also, the value of the Tanzanian shilling continues to influence the price of imported goods, and the ongoing rise in import duties added to the cost increase. The imported commodities are assessed the import duty. The chairman said in the 2019 - 2021 financial statements that TBL was able to boost revenue thanks to a strong emphasis on routing and scheduling of the items to reach the consumer at the proper moment. Also, the growth of sales revenue by 10% same year distribution initiatives such as the use of fleet logistic optimization, ensuring proper mapping of routes and renegotiating of low fuel prices in the process of enabling effective, efficient and cost reduction. Nonetheless, based on the interview questions, respondents who were required to participate concur that costs have an impact on the company's profitability. This is to state that TBL, a growing firm, has numerous hurdles in both the existing and new markets. By being able to maintain costs, however, TBL will be in a better position to increase profits and keep its stronghold. The operating officer of TBL, who emphasized how costs could affect the ultimate pricing and, consequently, the level of profitability, strongly backed this. On the other side, the variations of cost of transportation may result by the outsourced company through low performance of outsourced company in terms of equipment's, routes

schedule, managements and also in the financial statements the possible courses of the transportation cost to increase are as expansion of the depots and sales points to the interior areas that previously weren't reached earlier where outsourced company have not capacity and capability to handle the changes, increase of number of customer's demands due to quality product produce hence leads to increase in routes thus good route planning lead to minimum trips but bad routing and scheduling leading to high cost or cost variations, coverage of new regions, introduction of new product in the market and price decrease and complexity of infrastructures.

TBL's costs have fluctuated between increases and decreases, but despite this, the company has been able to increase sales every year as it expanded thanks to rising customer demands, the existence of new markets in close-by nations, and a reduction in competition brought on by the introduction of new products. As can be observed from the financial accounts, the variance in rise from year to year means that the rate of sales growth is likewise not consistent. Yet, the rise in sales demonstrates that TBL's market share has been rising because of TBL's ability to compete in new markets and consumer segments. As a result, the researcher asserts that costs in financial statements have effects on TBL profitability, as shown in the sales table and graph representation. Whereas the sales fluctuation is also influenced by the variations in transit costs.

Table 2. TBL transportation cost from 2016 to 2021 (TBL, 2021).

Year	Transportation cost (Million Tsh)	Difference (Million Tsh)
2016	262850	
2017	252692	10158
2018	250491	2201
2019	225261	25230
2020	257032	-31771
2021	219668	37364

4. Conclusion

The goal of the study was to evaluate how outsourcing transportation costs affected the beverage industries' profitability in Tanzania by utilizing the case of TBL. To fulfill its obligation to make sure that outsourcing benefits (the organization's profitability), the study set out to determine the extent to which transportation expenses have impacts on TBL. This will make it possible to lessen, and sometimes eliminate, delivery delays, incorrect routing, and scheduling, as well as boost the firm's competitive advantage. According to the data gathered through questionnaires, interviews, and observations, understanding how outsourcing affects a business will help to ensure that the decision to prioritize outsourcing for the benefit of the company rather than just outsourcing. Also, being aware of the crucial business functions that outsourcing affects will inspire improvement in those functions for the benefit of the company. Additionally, TBL is accountable for the commodity's delivery to the final consumer rather than just the creation of the beer. By stating that the infrastructure issue has significant impacts on the process by which goods are delivered to customers, enhancing, and prioritizing the transport and network system will increase profits and simplify the process for third parties conducting outsourcing. To ensure that TBL Company uses outsourcing to its full potential, the researcher made the following recommendations to the company's management considering the study's findings. The study found that costs had impacts on other beverage sectors' profitability, including

Serengeti Beverage Limited. Hence, the study advises that before outsourcing transportation, the management of various beverage companies should consider cost as a criterion. The report also urges the beverage firm to only think about outsourcing transportation when doing so would be expensive because doing so would directly impact the company's profitability. According to the research, outsourcing transportation should only be done when doing so will result in reduced lead times for things like order fulfillment rate, order processing rate, and delivery speed.

The study also suggests that the beverage business considers hiring outside suppliers who can guarantee that the service provided by TBL continues even when the third party handles the transport activities. The report does, however, consider policy decisions and suggests that they be made in a way that favours the beverage industry, transportation, and third-party outsourcing. Infrastructure, quality standards, import and export regulations, customs tariffs, and import and export regulations are only a few examples. Finally, the study suggests other stakeholders who are hesitant to delegate their work to a third party, enable third-party companies to handle non-core tasks while keeping in mind the costs to maintain the profitability of the business. The study is mostly based on a review of the literature that focuses on costs and theories that support the variables. Hence, an empirical review showed that the beverage sector is profitable based on cost, lead-time, and service quality. The study thus leaves room for further research employing additional factors like risk assessment.

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