

## Abstract

Though the concept of outsourcing introduced few decades back it still plays a major role in modern supply chain management. Distribution is known as the most commonly outsourced business function over several years. Even though the outsourcing function of distribution operation has gain revolutionary achievements in worldwide, Sri Lankan third party distribution operation industry is still in a developing stage. This research will aims to identify the key factors those considered by manufacturers when outsourcing this distribution operations to the 3PL companies, and identify the key driving factors those cause to the manufacturers to think about outsourcing of distribution operation. The research was entirely depending on the research question, *“Are there specific facts, driving factors those considered by manufacturing firms when selecting a third party distribution supplier”*.

However there can be specific facts which attract customers to this distribution operations introduced by the 3PL companies with customized vehical fleets in general. Identifying those particulars may very much helpful and significance for service providers to cope with above challenges in a better way.

Data collection has based on questionnaire and semistructured interviews with logistics exporters in the manufacturing companies.

At the end of the research it identified and prioritized the 15 most significant third parties distribution operation selection criterions of Sri Lankan manufacturing firms. From that cost of the distribution identified as a main factor. Other than that in this research analyze about the reasons to why manufacturing companies outsource their distribution operation to the third party. As main driving factor have identified the cost reduction.

Key words: Outsourcing, Third Party Logistics Service providers (3PL)

