EVALUATION OF THE LOGISTICS COST AND PERFORMANCE MEASUREMENT FOR THAI PROPERTY SERVICE INDUSTRY:
A CASE STUDY OF OAKWOOD SERVICE APARTMENT

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ABSTRACT
Thai logistics system can easily connect to the neighbor countries and others in the Southeast Asian region. Logistics system could be easily connected to efficient transportation through several infrastructures, such as motorway, waterway, or airway. According to the above reasons, many local and international real estate firms have invested in building “Serviced Apartment” in Thailand to supply foreigner’s demand. About 90% of the foreigners have come to Thailand in order to launch their businesses or find out the employment in short-run or long-run conditions. Serviced Apartments business still has many risk factors, which can affect the capacity of entrepreneurs. One of the reasons is that if the economy gradually declines, it will directly affect to foreigners who interest to invest in Thailand. The objectives of the study are as follows: (1) To develop logistics cost model in service, (2) To develop logistics performance measurement in service and (3) The case study of Oakwood service apartment in Bangkok.

KEYWORDS
Logistics Costs, Performance Measurement

1. Introduction

When considering about logistic management and associated logistics cost, it is usually relevant to the production industry. Nowadays, many studies have shown the logistics cost is not only concerned with the transportation cost, but it is also focused on the warehouses cost, customer service/order entry, inventory carrying and administration. At the present, most of the business areas have an attempt to create the competitive advantage by decreasing the cost or/and increasing the efficiency of production, however, the specific part of cost is considered at the part of logistics cost. The reason is to evaluate the process that can measure the whole cost of the business and increase an efficiency and effect of the business in an appropriate way. At this time, the researchers in Thailand are trying to study about the concerned cost in order to apply the methodology to find out the real logistics cost in each company and industry. The benefit of this logistics cost survey is focused on the competitive advantage of product and service in Thailand. This methodology is in the range of wide spread in many countries. Therefore, the study of logistics cost in each business would help to know obviously about the cost. The result of this study could be used as a reference and a plan of product and service.

More than 1,600 units of service apartments are being planned completely in 2006, represent almost 20% of the present stock. However, rental and occupancy rates will likely maintain its stability in this year (Jones Lang LaSalle research, 2006).

Oakwood Apartment

Oakwood city resident (Bangkok) is a new property being built with the latest design concept for the Oakwood Apartment brand. This apartment provides one stop service such as room service, security, mate, and shuttle bus with a rental contract agreement of 1 year.

Unlike most serviced apartments, the Oakwood collection is specially designed to meet the needs of international travelers who desire the best in service, and at the same time wish to enjoy the privacy and comforts of home. They have developed an exclusive collection of serviced residences at locations across the USA, UK, Europe,
Japan, China, Korea and the Philippines with further developments planned across the globe.

2. Literature Review

In recent years, effective logistics management has been recognized as a key element in improving both the profitability and the competitive performance of firms. In the late 1980s and early 1990s, Customer service took center stage in many organizations. Even organizations that had previously adhered to the marketing concept were reexamining what it meant to be customer driven.

A natural definition of property rights was advanced by John Locke advanced the theory that when one mixes one’s labor with nature, one gains ownership of that part of nature in which the labor is mixed. This theory has been associated with the labor theory of value (Wikipedia, 2006).

Customer service is a process, in which three personalities are included, 1) Buyer 2) Seller 3) Third party. The process results, which is in a value added to the product or service exchange. This value added in an exchange process might be short term as in a single transaction or longer term as in a contractual relationship. In a process view: Customer service is a process for providing significant value added benefits to the supply chain in a cost effective way. (La Londe, et., al, 1988)

Smith (1991), defined that logistics in service industries defined that many activities included within Logistics management. Logistics start with inputs that how to logistics process including natural, human, financial, and information resources. Suppliers or delivery people will search for resources, then it comes to management systems, started from resources searching, production until in-process inventory and finished goods. The directors will prepare Logistics operation from planning, operation and monitoring. The outputs of the logistics system include competitive advantage for the organization resulting from a marketing orientation and operational efficiencies and effectiveness, time and place utility, and efficient movement to the customer.

Russell (2000) defined that in the part of customer of logistics, that getting the right product, to the right customer, in the right quantity, in the right condition, at the right place, at the right time, and at the right cost (called the “seven Rs of Logistics”) logistics can be defined as having the right quantity at the right time for the right price. It is the process of in which it incorporates all industry sectors. A goal of logistic work is to manage the fruition of project life cycles, supply chains and resultant efficiencies.

Stock & Lambert (2004) studied that marketing management concept from the marketing concept is a marketing management philosophy that holds that achieving organizational goals depends on determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors (Phillip Kotler and Gary Armstrong, 1999). In other words, the marketing concept holds that a business exists to meet customer needs. The three critical elements of the marketing concept: Customer satisfaction, integrated effort, and company profit.

![Figure 1: Marketing and Logistics Management Concept](image1)

![Figure 2: Logistics Costs Relationship](image2)
3. Conceptual Framework

Based on the logistics cost model of the Japan External Trade Organization (JETRO) (The Small and Medium Enterprise Agency – Japan Small and Medium Enterprise Corporation, 2005) and serviced apartment model to creating concepts, the researcher has developed a conceptual model for serviced apartment business in Oakwood City Resident services Co., Ltd. as shown in Figure 3.

![Figure 3: Conceptual Framework in Logistics Cost and Logistics Performance Measurement in Serviced Apartment](image)

Development of the model is called the serviced apartment model. Figure 3 shows the logic of the process of development. The process is started from the concept based on previous models and also identified the internal operation expense influence on serviced apartment. This model is mainly based on the logistics cost and evaluation cost of model proposed by Japan Small and Medium Enterprise Corporation (2005). However, the independent models mentioned earlier to describe and to intend for providing general ideas of the relationship between these four factors, and to support the conceptual framework of the serviced apartment model.

The flow theory is characterized by completing concentration and involving in the activity. Moreover, the flow theory defined how the suppliers’ chains are completely immersed in their work. The small and medium enterprise agency, Japan Small and Medium Enterprise Corporation (2005) suggested the model on flow theory were used the consideration of both the selected data and collected data the total of all other financial expenses (including the service price) in which the financial outlays were associated with purchasing and consuming a service.

At present the surrounding situations about logistics matter of each enterprise would later be limited so the increasing of the efficiency in each logistics is such the important aims of the firm’s administration but in the real situation many firms cannot handle the logistics management or their owns by correcting and matching with their purpose.

Sources of data

The study was used two main sources of data: secondary and primary data:

Secondary data: The data collection of serviced apartment companies at Oakwood City Resident Services Co., Ltd. was explored based on annual reports, balance sheet and income statement.

Primary data: This source includes in part of interviews and questionnaires. Interviews were implemented 10 company’s expert suppliers who are concerned with the operation of Oakwood City Resident Services Co., Ltd.

Questionnaires were sent directly to 121 company’s expert suppliers. The time for conducting questionnaires was among 1st to 30th December 2006. In this study 121 sample populations at 95% confidence level and accept 5% probability error, this calculation from Yamane formula

Rationale behind the Questionnaire

When integrating SC with the service, another contributory factor that vitally needs to be considered is a sense of logistics performance measurement. The research undertaken by the Small and Medium Enterprise Agency, Japan Small and Medium Enterprise Corporation (2005) approaches the problem of understanding logistics performance measurement and the need to derive a rating for SC.
Table 1: Summary of Overlapping between Supply Chain and Logistics Performance Measurement

<table>
<thead>
<tr>
<th>Supply Chain</th>
<th>Logistics Performance Measurement</th>
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<tbody>
<tr>
<td>1. Information &amp; Web Site</td>
<td>1. Information &amp; Web Site</td>
</tr>
<tr>
<td>2. Technical Support</td>
<td>2. Technical Support</td>
</tr>
<tr>
<td>4. Stock Control</td>
<td>4. Stock Control</td>
</tr>
<tr>
<td>5. Order Processing</td>
<td>5. Order Processing</td>
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<tr>
<td>9. Inventory Management</td>
<td>9. Inventory Management</td>
</tr>
<tr>
<td>10. Distribution</td>
<td>10. Distribution</td>
</tr>
<tr>
<td>11. Transportation</td>
<td>11. Transportation</td>
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<tr>
<td>14. Inter-Organizational Alignment</td>
<td>14. Inter-Organizational Alignment</td>
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