

EVOLUTION OF LOGISTICS & THE TERMS

In the 1970's deregulation (the act or process of removing or reducing state regulations) saw the introduction of Intermodal Marketing Companies (IMC's). Many of these companies didn't own their own trucks or trains (non-asset based transportation firms). IMC's would buy space off carriers and sell them to clients at rates cheaper than they could negotiate independently. In this context the carriers became 3rd party to the contract and thus the term 3PL was coined.

Contracting freight out (outsourcing) to third parties soon extended to contracting out the warehousing/fulfilment functions.

3PLs today provide multiple logistics services for use by customers. Preferably, these services are integrated, or "bundled" together, by the provider. Among the services 3PL's provide are: transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding.

In 1996 Accenture (formally Anderson Consulting – one of the BIG 5) introduced the term 4PL as, "A supply chain integrator that assembles and manages the resources, capabilities, and technology of its own organization with those of complementary service providers to deliver a comprehensive supply chain solution."

FUTURE OF LOGISTICS

At SCS our view of the future is that market leaders must have extensive Supply Chain capability.

Historically products competed. Increasingly, today and in the future, it is now supply chains that compete and products are being recognised as a critical sub component OF the supply chain. Over the next 20 years we see the 'logistics' industry splitting into the following:

- 1 Traditional large scale asset-based logistics providers (freight and warehousing) who will supply services directly to:
 - a. Large enterprises who can afford internal Supply Chain resource have extensive systems capability and the customers are large enough to have scale with which to negotiate competitive transport rates.
 - b. Niche logistics providers.
 - c. Supply Chain Management companies.

- 2 Niche logistics providers who operate hybrid 2/3 PL asset and non-asset based solutions for low technology customers across all company sizes.

- 3 Supply Chain Management companies who have evolved from traditional logistics providers into full scale operations/SC partners that deliver mass customisation solutions and provide Supply Chain expertise, systems capability and control large freight networks. They add the highest value to SME because they act in both a strategic and a tactical capacity.

The model for the successful companies of tomorrow will lie in their adoption of Supply Chain strategies today in conjunction with their core sales, sourcing and marketing skills.

Supply Chain Solutions is a Supply Chain Management company. The services from Supply Chain Solutions have the assurance of guarantee, competitive advantage, the lowest TCO and future proofing.

To read more about Supply Chain Solutions and our services, kindly visit us at: www.supplycs.com

SUPPLY CHAIN TERMS & CAPABILITIES

DEFINITIONS	CAPABILITY									SCS
	IT CAPABILITY			PROCURE TO PAY		ORDER TO CASH		TRANSPORT	FACILITIES	
	EDI	ERP	B2B/C	Demand Planning	AP	CS	AR			
1PL SHIPPER OR THE CONSIGNEE										
2PL ACTUAL CARRIERS								✓	✓	
3PL (Standard) WAREHOUSE, CARRIER, COURIER <i>Basic pick, pack and distribution. 3PL is not main function.</i>								✓	✓	✓
3PL (Service Developer) TRACK'N'TRACE, CROSS DOCK <i>Advanced value add.</i>	✓							✓	✓	✓
3PL (Customer Adapter) NOT INTEGRATED <i>Complete control of customers' existing logistics activities.</i>								✓		✓
3PL (Customer Developer) HIGHEST LEVEL <i>Perform detailed and exhaustive tasks across the physical logistics scope of a business.</i>	✓							✓	✓	✓
4PL CONSULTING FIRM OR SC INTEGRATOR <i>Extensive knowledge across the entire SC.</i>				✓	✓	✓	✓			✓
5PL IT PROVIDER <i>At the highest level it pulls disparate logistics systems into one platform.</i>	✓	✓	✓							✓