Fourth Party Logistics: The Evolution of Supply Chain Outsourcing
Outline

1. Outsourcing: Third Party Logistics
   - Why outsourcing
   - Outsourcing logistics functions, but which?

2. Fourth Party Logistics (4PL)
   - Definition
   - Example
   - 3 types of 4PL
Outline

3. Technology in the next generation of Supply Chain Outsourcing

4. Supply Chain Value Proposition
   - Revenue Enhancement
   - Operating Cost Reduction
   - Working Capital Reduction
   - Fixed Capital Reduction

5. Potentials and Constrains
1. Outsourcing: Third Party Logistics

Why outsourcing

Advantages expected from outsourcing

- Share risks
- Make capital funds available
- Improve company focus
- Increase productivity and efficiency
- Gain resources not available
- Improve Customer service
- Reduce Operating Costs

www.hiplus.de
2. Fourth Party Logistics

Definition
2. Fourth Party Logistics

- 4PL only work with intellectual capital and computers
- Bird’s eye view of supply chain to seek integration to minimize inventory costs to improve efficiency and to reduce lead times
2. Fourth Party Logistics

- Synergy Plus operating model
- Solution Integrator model
- Industry Innovator model
2. Fourth Party Logistics

- 3 Types of 4PL

Synergy Plus operating model

- Partnership between 4PL - 3PL to market supply chain solutions
- Capabilities and market reach of both partners are combined
- The 4PL provides: technology, supply chain strategy skills, capability to go to market, and program management expertise
2. Fourth Party Logistics

3 Types of 4PL

Solution Integrator model

- Core Model: 4PL operates comprehensive supply chain solutions for a single client.
- Solution encompasses resources, capabilities and technology of the 4PL with complementary service providers
2. Fourth Party Logistics

3 Types of 4PL

Industry Innovator model

- 4PL develops and runs a supply chain solution for multiple industry players with focus on synchronization and collaboration
- This model provides the greatest benefits, however it is complex and a great challenge
3. Technology in the next generation of supply chain outsourcing

Outsourcing logistics functions requires intensified communication and information exchange between the parties involved.

This virtual business environment enables companies to optimize forecasting, order processing, production and distribution collaboratively with suppliers and service providers in the sense of integrated supply chain management.
4. Supply chain value proposition

The key distinction between 4PL and current approaches to supply chain outsourcing is a unique ability to deliver value to client organizations across the entire supply chain.
4. Supply chain value proposition

Supply Chain Value Enhancement

- Profitability Enhancement
  - Revenue Enhancement
  - Operating Cost Reduction
- Invested Capital Reduction
  - Working Capital Reduction
  - Fixed Capital Reduction

- Profitability Enhancement

- Revenue Enhancement

- Operating Cost Reduction

- Working Capital Reduction

- Fixed Capital Reduction

- Profitability Enhancement

- Revenue Enhancement
Revenue Enhancement

Driven by
- enhanced product quality,
- availability and
- improved customer service

With the 4PL focusing on the entire supply chain dramatic customer service improvements can be attained.
Operating Costs Reduction

Driven through
- operational efficiencies,
- process enhancement and
- procurement savings

Savings will be reached through economies of scale by outsourcing the complete supply chain.
Working Capital Reduction

Realized through
• inventory reductions and
• reduced order to cash times

The proactive use of technology to manage orders throughout the pipeline will minimize the amount of inventory required.
Fixed Capital Reduction

Will result from
- capital asset transfer and
- enhanced asset utilization
  (by shifting the supply chain to the 4PL)

This will allow the client to invest in its core competencies.
5. Potentials and constraints

Benefits of the 4PL Concept

- Improved customer service
- Reduced capital requirements
- Economies of Scale
- Increased flexibility
- Manufacturers can focus on core competencies
- Reduced Supply Chain costs
- Combines the advantages of in- and outsourcing
Problems of the 4PL Concept

- Loosing sight of original core-concept of SCM due to loss of control
- Customer relationships should not be dismissed on basis of efficiency
- Resistance to change – the biggest obstacle to implementation of new approaches
- Strict functional organization structure hinders integrated Supply Chains
4PL: The Evolution of Supply Chain Outsourcing

Presentation by Nils Peters

e-Business Seminar
Prof. Dr. H. H. Siedentopf
University of Applied Sciences
Hamburg

Resources soon available at:
www.hiplus.de

Discussion

>>>next presentation

fachhochschule hamburg
UNIVERSITY OF APPLIED SCIENCES

www.hiplus.de