

THE NEW LOGISTICS METHODS

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Abstract

Logistics sector has a very important position in the world market, it can be said that countries and firms work in harmony with the logistical firms to achieve a high market share. Due to the new trends in the logistics sector, firms can concentrate on production and product development as what they should do. By providing logistical assistance via outsourcing, it can be said that firms can concentrate on their own products and they can develop the products so that they can compete more successfully with the world market.

The logistical understanding of today is immensely different than the previous ones. Previously, logistics was understood just as shipping, but now, logistics can provide many operating activities like services before production, order processing, planning and surveillance of the demand, customs clearance, insurance, packing, stocking, storing, transmission to distribution channels, sales, services after sales. Lately emerged outsourcing methods like 3 PL, 4 PL and 5 PL show that the only things firms should concentrate are production and product development, and logistics should deal with the other things, so that firms can look for answers on how to produce the best products with the best prices. To find ideal combination of products, firms can control the market and have a chance to direct it.

New outsourcing methods like 3 PL, 4 PL and 5 PL are not widely used in Turkey. The logistics sector in Turkey, which just met with the 3PL, does not use 4PL and 5 PL at all. P's represent the parts in logistics, and they increase in number gradually. Thus, the responsibilities on the firms can be said as decreased, and now and then they do not need to waste time on matters other than production. Now the logistical firms aim to relieve the burdens of the firms with new logistical methods and they can support the firms in areas that they have no expertise.

The firms in Turkey to professionalize and for them to be a part of the world market, they have to effectively make use of the new logistical methods. It can be said that the export rate has been increased in the later years in Turkey because of government incentives on getting a good deal on raw materials, on credits, etc. In order to raise the export rate, companies should be supported on the activities other than production, and they should determine the logistical firms that can best serve their interests. In order companies to have a say in the world market, instead of traditional logistical firms, they should work with the logistical firms which follow the latest developments and which render quality services by specialized people.

Keyword: Logistics, Supply Chain Management, 3PL, 4PL, 5PL

1. THE GENERAL VIEW OF LOGISTICS AND OUTSOURCING

“Logistics is the process of planning, implementing and controlling procedures for the efficient and effective transportation and storage of goods including services and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements and includes inbound, outbound, internal and external movements” (CSCMP; <http://www.cscmp.org>).

Logistics is integration of all materials movement in the supply chain, from the starting point to the destination

point of good and service. The logistical understanding of today is immensely different than the previous ones. Previously, logistics was understood just as shipping, but now, logistics can provide many operating activities like services before production, order processing, planning and surveillance of the demand, customs clearance, insurance, packing, stocking, storing, transmission to distribution channels, sales, services after sales. Because of these activities firms have huge advantage in the world market.

Logistical firms' goal is to achieve a high market share and to make profit for all times, but it is not easy to profit in the world market that has many partnerships. Because of these reasons, companies use new strategies like diversification of products, low cost, quality product etc. In order to use new strategies, firms can concentrate on production and product development and they get help from the outsourcing firms for other business functions. By providing logistical assistance via outsourcing, it can be said that firms can concentrate on their own products and they can develop the products so that they can compete more successfully with the world market. Companies work with outsourcing firms for logistical functions because logistical firms have specialized stuff for operating activities. (Rushton ve Walker, 2007: 6). Logistics outsourcing is important for firms because;

- World market is growing day by day and there are lots of competitors in the world market. On these conditions companies compete with the other competitors for having a big market share and they should produce differentiated products with reasonable price. Thus, companies should use all resources for production and they should concentrate on production.
- Every market and product has their own rules and legislation. Companies cannot know every rule and legislation, and it is not possible to specialize on the rules and legislations of each market for companies. So to get help from outsourcing firms is easier and less costly for companies than they do themselves.
- If companies can only concentrate on specialized business functions and they can get help from the outsourcing firms, they will reduce the risks and the mistakes.
- Companies do not have to invest in the services they are getting from the outsourcing firms so they reduce supplementary cost and raise their marginal profits.
- If companies can get help from specialized outsourcing logistical firms for inventory tracking, the inventory costs will reduce significantly.
- Because of the specialized outsourcing, companies do not have more employees, so the cost of employment will reduce.

Considering all these benefits, we can say that outsourcing logistical firms helps to focus on production and product development, to reduce the costs, to transfer supplementary costs into variable costs, to predict the costs of the services which companies can get from outsourcing firms, to get quality service, to use information technologies correctly, to have a big share in the world market.

Table 1: Differences between Traditional Services and Outsourcing

Traditional services	Outsourcing
Not tailored	Tailored
Usually one-dimensional – trucking or warehousing for example	multi-dimensional, linking transportation, warehousing, inventory management, systems and others
Shippers aim to lower transportation cost through a contract	Goal is to lower total cost while providing better service and more flexibility
Contracts tend to run for a year or two	Contracts are more likely to be of longer duration, multi-year arrangements negotiated
Require expertise in, say, transportation of packaged materials	Requires broad logistics and analytical skills
Contracts generally take less time to negotiate	Contracts generally take more time to negotiate
Simpler arrangement and relatively low switching costs	Complexity of arrangements leads to higher switching costs

Source: Adapted from Jon Africk of A.T. Kearney consultants, quoted in Bradley (1994c)

1.1. The Structure of Outsourcing Logistical Firms

If we want to understand this structure of outsourcing, firstly we need to know what is the meaning of 'part' in

logistic. (Erdal ve Çancı, 2013:45). (translated by me)

1.1.1. First Party Logistics (1PL)

It represents the main firms which getting the logistic service. This firm may be producer, also shipper or retailer. First Party Logistics (1PL) are firms, which do their own logistics activities. In logistics first party firms do not get help from outsourcing firms.

1.1.2. Second Party Logistics (2PL)

It represents that first-party defined as firms refer directly to customer. These firms buy the products and services from the first party firms. Logistical activities are required to provide these products and services. A second party logistics (2PL) provider specializes on one particular area of the supply chain, usually transporting goods from one point to another. This company owns the means of transportation.

1.1.3. Third Party Logistics (3PL)

These firms are the logistic service provider. As they provide the logistics services (shipper, warehouse operators etc.), they may be brokerage firms and organizer for supplying logistics services. 3PLs provide the management skills along with the physical assets, labor, and systems technology to provide professional logistics services, relieving companies of the responsibility of performing these services themselves. 3PLs typically can provide transportation, warehousing, pool distribution, management consulting, logistics optimization, freight forwarding, transportation management, rate negotiations, cost evaluations, and contract management services.

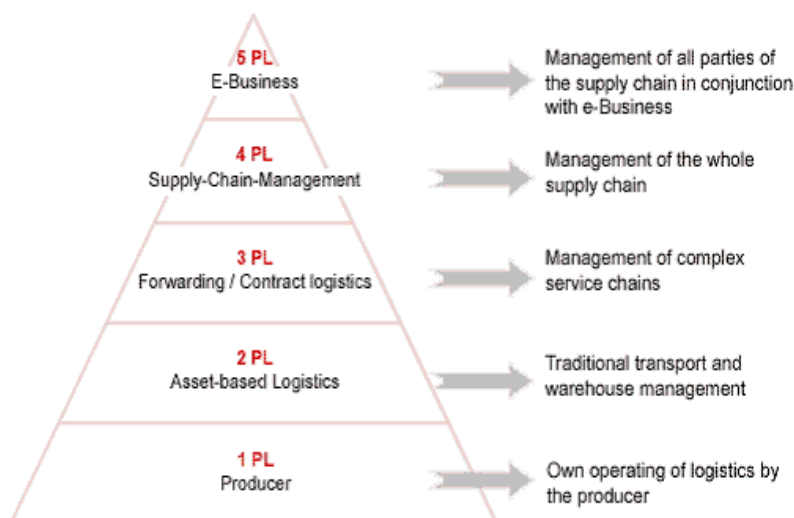
1.1.4. Fourth Party Logistics (4PL)

These firms provide logistics functions also they present the logistics solutions for companies. 4PL companies provide logistics solutions that are built around the domain knowledge provided by third party logistics companies. Thus 4 PLs have emerged out of the vacuum created by 3PLs. Fourth Party Logistics (4PL) is the integration of all companies involved along the supply chain. 4PL is the planning, steering and controlling of all logistic procedures (for example flow of information, material and capital) by one service provider with long term strategic objectives. Fourth party logistics (4PL) has evolved as a breakthrough supply chain solution comprehensively integrating the competencies of third party logistics (3PL) providers, leading edge consulting firms and technology providers.

1.1.5. Fifth Party Logistics (5PL)

These firms are more advanced than 4PL and they focus on providing integrated logistics solutions within the scope of the supply chain. Supply chain management is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating and integrating these flows both within and among companies. At every stage of the supply chain integrated logistics services is called the fifth party logistics (5PL).

Table 2: 1PL, 2PL, 3PL, 4PL, 5PL



Source: <http://www.lomag-man.org>

2. THE NEW LOGISTICS TREND IN TURKEY

Turkey still has the traditional understanding of logistics. Companies do not get help from the outsourcing firms for the most of the business activities. Companies just met third party logistics firms in Turkey. They only get help for shipping, insurance, packing, stocking, storing from the outsourcing firms.

Companies in Turkey are not informed about the fourth party logistics which is frequently used around the world and the fifth party logistics which is the new in the world. Companies still have very traditional conception of logistics and they cannot get help for logistical services. Because companies want to be independent for business actions, Turkey do not have enough specialized logistics firms. Especially in the developed countries, companies want to concentrate on their own production and they use all resources for it.

Third party logistics are specialized on topics of implementation and execution, fourth party logistics of managers and consultants are specialized on topics of strategy and technology. Forth party logistics help companies to benefit from the logistics firms' knowledge, experience and technology for designed the new business process.

Fifth party logistics firms help the traditional large-scaled companies with purchasing and other logistics functions, so companies eliminate their responsibilities with the exception of production and they only concentrate on production and have specialized for product. Because of the fifth party logistics firms, companies do not use their capital for long term investment so they can distribute the risk. Fifth party logistics firms are not a common in Turkey but the developing countries prefer the fifth party logistics firms.

The firms in Turkey to professionalize and for them to be a part of the world market, they have to effectively make use of the new logistical methods. It can be said that the export rate has been increased in the later years in Turkey because of government incentives on getting a good deal on raw materials, on credits, etc. In order to raise the export rate, companies should be supported on the activities other than production, and they should determine the logistical firms that can best serve their interests. In order companies to have a say in the world market, instead of traditional logistical firms, they should work with the logistical firms which follow the latest developments and which render quality services by specialized people.

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