

## Logistics & Supply Chains -Wrong Definitions

Ask a hundred different people in our industry to define the term “Logistics” and “The Supply Chain” and you will probably get a hundred of different explanations.

If you can, get hundreds of different explanations; then may be, people really just do not know what logistics and the supply chain is about? This can be very dangerous especially when many 3PLSP's (third party logistics service providers) actually see they are “into” logistics. In addition, some are now seeing themselves as “supply chain” companies; strange to me, but there you have it.

### The Supply Chain

The term Supply Chain is the process, which integrates, coordinates and controls the movement of, goods and materials and related information, from a supplier to a customer to the final consumer. The essential point with a supply chain is that it links, all the activities between suppliers and customers to the consumer in a timely manner. Supply chains therefore also involve the activities of buying/sourcing, making, moving, and selling.

Therefore, the supply chain “takes care of business” following from the initial customer/consumer demand. Nothing happens with supply until there is an order; it is the order that drives the whole process. Indeed some people logically argue that the term supply chain be called the demand chain. Additionally as supply chain management is all about the flow of goods and information, then perhaps a better analogy than chain is a pipeline as this better emphasises flow.

It is also important to realise that each company has not one supply chain, but many, as it deals with different suppliers and has different customers. For each finished product, whilst some of the buying, making, moving and selling processes will be identical or very similar, the total supply chain for each product will be different. Multiple supply chain management is therefore a better description but it is a cumbersome one. In supply chain management therefore, there are many different supply chains to manage. For example, this can therefore mean using many different methods of arranging transport.

### Clarifying thought or more confusions

Definitions can be important to clarify thought and are especially so, when one

person understands a term to mean one thing, but then another person understands the same term differently. This has been happening for example, in the UK in recent years with the word Logistics. This term, which originally encompassed the whole supply chain, as with the previous definition of the supply chain, logistics is now being referred to by many companies as a new name for transport, or for warehousing/stores or for distribution. Third party transport companies are also beginning to call themselves supply chain management companies. Confusing is it not? In the UK, one can observe the new name on a freight transport vehicle that before was called "Fred Smith Transport," is now called "Fred Smith Logistics". Third party service providers really need to see that there are therefore numerous ways in which customers do "Logistics". Simply choosing a more "sexy" name is not I believe useful.

Logistics is now a confusing word, and additionally, some people use the term logistics to describe their own internal company process, and use the supply chain term, when they are dealing with external suppliers/customers. At the risk of further confusion, others also call their internal logistics processes, their internal supply chain!

Distribution is meant to be about delivering the right goods to the right place at the right time and at the right cost. This definition is the "rights of distribution" and represents in a simple way, the objectives for distribution. Distribution therefore involves the combining of transport with warehousing, and is a term that is often applied to mainly finished goods. However, it may also be used by suppliers who are delivering product to their customer, perhaps of raw materials and semi-finished work-in-progress goods. Suppliers are also concerned with getting the "rights" correct and as far as that supplier is concerned, the raw materials can be for them, the finished goods.

### Testing understanding

So, when we hear the three terms of logistics, supply chain and distribution, we need to ensure we have a full understanding of what the originator means when they are using the word. This can be very important and prevent confusions; for example, "Fred Smith Logistics" is unlikely to have a clue about whether to outsource the manufacture of sub assemblies or whether these be manufactured internally. This would often be a strategic supply chain decision, (but then again, some would say it is a strategic logistics decision).

Logistics service providers are only just one part of a supply-chain cycle involving buying, making, moving and selling; Transport and Warehousing are only part of a wider supply chain process. Logistics and The Supply Chain is a process not owned by 3PLSP companies-they can only influence it. However, to even influence logistics and the supply chain, they really need to understand what it is, how it affects their clients and how it influences and changes what their clients do.

Logistics Service providers need to see that:

- Different customer sectors have different requirements.
- A good knowledge is needed of the customer's products, sources and markets.
- Current offerings will most likely need adapting.
- Services will be offered that are provided by other operators, as the logistics service provider / forwarder cannot do everything, everywhere.
- Strong links and relationships are needed with many different people in the client company as logistics goes beyond the usual contacts.
- Information technology will be appropriate at whatever level is needed to "integrate, co-ordinate and control".
- The traditional role changes from freight movement to one involving progress chasing, monitoring and managing the supply chain of their customers.

Then and only then, will some service providers be "into" logistics, by providing a service that meets the clients supply chain needs. In so doing, I would like to think that they also move from substituting the word forwarding or transport, shipping, airfreight, or warehousing with Logistics or the Supply Chain.

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