Logistics Focus™

In-house Publication of Transport Corporation of India Ltd. September 2014

4PL/LOGISTICS CONTROL TOWER

Contents

About us

Strong foundation and skilled manpower, TCI offers seamless multimodal transportation solutions. An ISO 9001:2008 certified company, TCIL is listed with premier stock exchanges like NSE and BSE.

The company progressed from being a "One Man, One Truck, One Office" set up to becoming India's leading Logistics & Supply Chain Solutions provider with a Global presence. After 50 years, TCI moves 2.5% of India's GDP by value and is the proclaimed market leader of the Indian Logistics Industry.

TCI Group has an extensive network of over 1000+ company owned offices, a huge fleet of customized vehicles and managed warehouse space of 10 million sq. ft. and a strong work force of 5000+. With its customer-centric approach, world class resources, State-of-Art technology and professional management, the group follows strong corporate governance principles and is committed to value creation for its stake holders and its social responsibilities.

TCI Supply Chain Solutions

With a Mission to be "the most admired service provider of integrated supply chain solutions", TCI Supply Chain Solutions brings a lot of commitment in its partnerships with its clients. Dedicated verticals for Auto, Retail, Telecom, Electricals, Pharmaceuticals, FMCG and Cold Chain offer specialized services to these critical sectors of the economy.

TCI XPS
EXPRESS DISTRIBUTION SPECIALISTS
Domestic | International

TCI XPS an express distribution specialist offers a single window door to door time definite solution for customers' express requirements. Equipped with an ISO 9001:2008 certified operations, TCI XPS delivers consignments of all sizes and weights to 13000 locations in India and 200 countries abroad.

TCI Freight

TCI Freight, the largest division of Group TCI, is India's foremost and Asia's leading surface transport entity. It has a strong backing in terms of its extensive and strategically located branch network and trained work force.

TCI Global
GLOBAL LOGISTICS

TCI Global provides a single window advantage to its customers across all major South East Asian countries through a dedicated network of international offices in the region besides having strategic presence in high growth and emerging markets in Asia, Brazil (Latin America) and Africa. TCI Global offers its customers end to end services ranging from customs clearance, international inbound and outbound freight handling (air and sea), primary and secondary warehousing/redistribution, third party logistics, multimodal (air, surface and sea) services, ODC movements, mining logistics and project cargo.

TCI Seaways

TCI Seaways has well equipped ships in its fleet and caters to the coastal cargo requirements for transporting container and bulk cargo from Ports on the East coast of India to Port Blair in the Andaman and Nicobar Islands and further distribution within the islands.

KNOWLEDGE INITIATIVE OF TCI GROUP
KNIT

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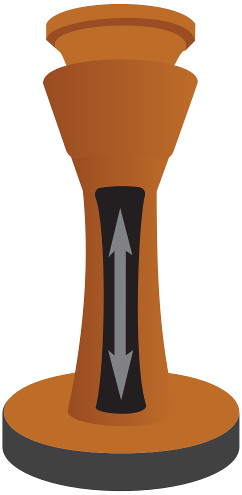
Foreword



Dear Readers,

The journey of Logistics Focus has been satisfactory thus far. The entire fraternity has openly accepted it and the contribution by eminent SCM & Logistics personnel is a testimony to the same. You all will be pleased to note that now Logistics Focus is registered as a Trade Mark and add to it is also available as an APP; available both on the Android and iOS platforms.

This time around we cover in a way a futuristic topic viz. 4PL/Logistics Control Tower/Freight desk, which I believe will be the buzz word in the years to come. Today few companies have adopted it and may sound bit ahead on the curve but this concept is bound to stay put in its original coined form or as a workable version.

Like in previous editions, we have contributions from experienced and knowledgeable practitioners. The edition has its usual share of debates, Q&As, case studies along with usual share of international hue. The attempt is to bring about the aspects of 4PL as a concept, its comparisons with 3PL and more importantly benefits accrued by companies who have adopted this new age practice.

We sincerely wish all a happy reading. More importantly do share your valuable feedback, check the APP and akin for any book we do value your appreciation and constructive criticism as a stepping stone for the next edition.

Thanks for your time.

- 4PL/Logistics Control Tower
- Evolution & Concepts
- Significance of 4PL Logistics Control Tower
- Sector wise View Point
- Case Studies

Yours truly,
Jasjit Sethi

Jasjit Sethi
President & CEO, TCI SCS

Jasjit heads TCI Supply Chain Solutions, which is part of Transport Corporation of India Group. Jasjit is an Alumni of Harvard Business School, Amity Business School, besides short term courses with NITIE, Powai and National University of Singapore, amongst others.

He is Past President of Delhi Roundtable of CSCMP, member of FICCI National Committee on Infrastructure etc.

Evolution & Concepts

The Dawn of 4PL in India

01

Mr. Sankalpa Bhattacharya, Principal - Management Consulting, Accenture
Senior strategy consulting professional with 12 years of experience across 3 continents, and expertise in logistics and manufacturing sectors.

The logistics industry in India has matured significantly over the last 15 years, from a stage where customers were almost exclusively opting for multiple point solution providers (e.g. transportation, warehousing) to a level of development where customers are increasingly opting for fewer, integrated solution providers. Inevitably, this has given rise to the 3PL industry in India, which is currently estimated at USD 2bn, and growing at more than 25% per annum.

Timeline →	Upto 2000	2000-2005	2005-2010	2010-2020	2010-2010
Key customer priority	• Growth	• Growth	• Quality	• Value	• Transformation
Customers' view of logistics	• Cost element • Essential service	• Cost element • Essential service • Reach enabler	• Cost element • Enabler of quality service • Reach enabler	• Value eabler • Business differentiator	• Core business transformer
Critical drivers of success for logistics industry	• Development of point solutions • Price-based competition	• Network expansion • Early experimentation with innovative pricing models	• Network expansion • Early experimentation with innovative pricing models	• Industry focus 'Solution' versus 'service' mentally technology enablement deep customer understanding • Quality of customer service	• Deep integration with customers' • Value sharing with customers • Technology at the core

However, when looking at this development, it is important to understand and define who the 'parties' in this logistics play are: 1PL refers to the consignor / consignee (customer), 2PL refers to the service provider / asset owner (of the truck, warehouse or ship) and 3PL refers to an asset-light integrator (i.e. solution provider). Although several logistics service providers in India claim 3PL capability, in effect, they are 2PLs, by the global definition. Indeed, given the supply side constraints in India, it is difficult to build a fully asset light 3PL play (though there are a few examples of successful logistics companies who have done so), and hence in India, a 3PL can be defined to be an 'industry focused', 'integrated' logistics solution provider – with or without asset ownership.

Today, the industries that have more readily adapted to 3PL service models include auto, retail and IT/electronics/consumer durables, but industries such as FMCG, engineering / capital goods, pharmaceuticals and e-commerce are expected to drive the next wave of growth.

One of the early trends emerging in India is that of 4PLs – defined as a fully asset light, technology- and process-driven outsourced supply chain play. Over the next decade, an increasing number of customers will not view logistics as a cost driver, but as an essential business driver – and this is expected to drive the adoption of 4PL models more readily. By their very definition, 4PLs will never replace 2PLs and 3PLs, but will integrate them to seamlessly manage a customer's logistics needs, through a single window.

A 4PL plays the following key roles in a customer environment:

For logistics companies, the 4PL model will translate into a fundamentally different way of thinking about business, since many logistics companies may ultimately be accountable to a 4PL provider (which, in effect, could be a consulting or outsourced services company).

Type of Activity	Example Processes Handled by a 4PL
Planning	• Procurement planning • Optimal Network design • Load planning • Logistics vendor selection and appointment
Managing	• Dynamically allocating loads to vendors based on capability and cost • Seamless cargo tracking • Customer service on all logistics issues (both voice and non-voice) • Customer service on all logistics issues (both voice and non-voice) • Ensuring adherence to SLAs for logistics vendors • Managing Logistics exceptions (e.g. recalls, re-routing, reverse logistics) • Managing payments and documentation • Constant monitoring and improvement of logistics quality and cost • Generating MIS reports for clients

Here are some examples of this shift in thinking already taking place in India:

A number of logistics companies in India are aiming to be 4PLs. However, there is an inherent conflict of interest in this model (i.e. being both the service provider and the integrator) that logistics service providers need to be aware of, and be objective about. At times, this would imply doing what is right for the customer, even if that means that income from cargo handling is foregone. Herein lies the true spirit of partnership and 4PL.

Industry	Example of As-is Model	Example of to-be (4PL) Model	Example of Impact on Logistics Service Providers
Apparel	Inbound Logistics, distribution and value added services (e.g. bar coding)	Real-time mapping of store demand to production schedules and supply chain, resulting in cost-and time-optimal distribution and high OTIFs	Technology and process integration linking demand and supply
Auto	Speedy imports and customs clearance of automotive components from specified global locations	Constant monitoring of quality and cost for optimal procurement of parts (including vendor / source location changes)	Expansion of global network to cope with dynamic sourcing
Agri	Distribution of agri commodities (e.g. pesticides) to rural locations	Real-time tracking of demand from the field (e.g. distributors, filed sales representatives) and close alignment with demand spikes and troughs	Suitable hub-and-spoke warehousing and tertiary distribution capabilities
IT products	Regional distribution of products	Global sourcing, routing and distribution of products	Ability to manage a global sully chain
Pharma	Temperature-controlled distribution of vaccines	Constant temperature tracking of vaccine batches and automatic recalls of entire batches, in case of product flaws	Real time temperature monitoring of vaccines, tracking of drop-off points for coordinated recall

Here are some key aspects that aspiring 4PL companies need to invest in:

Attribute of 4PL	Commentary
Industry Focus	Like 3PL, 4PL is a complex service, and entails deep knowledge of how specific industries function-which is only way to become a true partner, rather than a service provider, to customers in that specific industry
Process Orientation	Aim to become a process-centric rather than a people-centric organization
Technology Focus	Invest significantly in technology-well beyond 'track and trace' capabilities-that is able to successfully plug into customers' and 4PL's systems and update customers on their cargo status and costs
Consulting Mindset	Develop a consulting mindset-where the customers interests are placed above those of individual service providers, and where the need for constant improvement is kept paramount
Capability Development	Develop the knowledge and capability of planning supply chains, choosing and appointing the right logistics service providers, and closely monitoring execution

In summary, 4PL models are expected to become the norm in India over the next 10 years, and both aspiring 4PLs and logistics service providers need to be aware of what this entails, and prepare for this dawn.

02

"4PL Myth vs. Reality" – A holistic viewpoint.

-Mr. Prem Kumar Verma, CEO, Tata Motors Ltd. Distribution (TMLD)

The man responsible for delivering Tata Motors passenger cars and commercial vehicles, is fluent in logistics, able to describe everything from the minutiae of distribution details to how the industry can enhance the Indian economy.

Unfortunately even now logistics is still seen more as a tool to control and reduce costs and perceived more as an operational function than a strategic one and relegated as a sub function of procurement, finance or marketing.While we have been spending man hours in discussing and debating the criticality of having the hardware in place like infrastructure, good road and rail network, better facilities at ports but we also need to evaluate the software by developing the skills and well equipping the users to efficiently use the same to its optimum utilization.

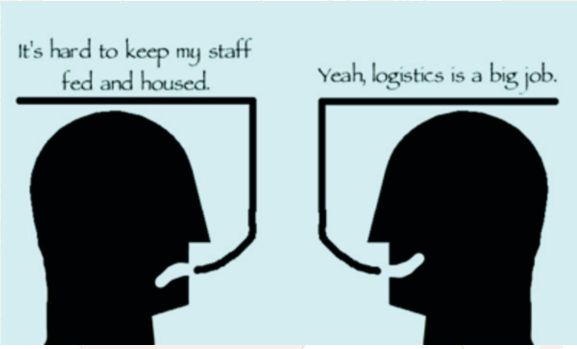
Though it will be foolish to assume that without LSPs, (3 PL or 4PL) we will not be able to optimize but need to analyze the advantages between various fragmented players of various industries and common service provider who could be even common to not only a particular industry but across various industries with similarities in operations.

This flexibility / learnings / best practices of another industry can be emulated through a common LSP – there are umpteen examples where though there were no product or distribution synergies but a common LSP brought improved efficiencies and optimization of resources to the advantage of all stakeholders.

Though old habits die hard but we are now seeing number of instances where premium is being paid on service delivery, quality and transparency in logistics services. While deciding on the compensation for 4PL we need to exhibit greater fairness, transparency and accountability.

The concept of 4PL very much focuses on working together with client through redesigning end to end the supply chain for transformation efficiencies and though the scope of their work will determine how it will shape up but sometimes it may also evolve to overall the business processes and internal organization.

Supply chain management is guided by some basic principles and concepts which have not changed much over the centuries. Napoleon made a remark several centuries ago that "An army marches on its stomach" – he clearly understood the importance of what we call as a supply chain as unless solders are fed, the army cannot move.



Business strategy only constitutes the overall direction an organization wants to go but supply chain strategy constitutes the actual operations of the organization hence extremely important to align supply chain with the corporate strategy – Napoleon and Hitler were defeated on the road to Moscow and Stalingrad – though they both knew the significance of supply chain but same was not aligned with strategy as they overstretched their supply lines.

Concerns

Though it may sound absurd and an imperfect exercise to compare but in today's environment, logistics industry can learn a lot from the organized crime – "rivals cannot be untouchables":

Criminals globally can compete on technology and talents with the erudite logistics specialists of the current generation. They realized the importance of outsourcing long ago and modern organized crime is no more like earlier days of the big boss knowing all and taking all decisions rather they outsource various responsibilities to specialists such as website designers, hackers or special talent in a particular place for money laundering. They never limit themselves by overreliance on in-house talent and rather nurture contractors who can provide the precise skills and logistics requirements that their project demands and concentrate on core competence.

They have been practicing collaboration amongst various splinter groups not only in their own country but even across borders also and do not hesitate to cooperate and collaborate with their rivals as they do not look at their competitors simply as rivals but look for mutual benefits through cooperating and collaborating especially on things like security matters and sharing of critical information even with rivals.

"Collaboration is a need and not a choice and can be achieved through LSPs whether 3 PL or 4 PL – it also does not mean to lose your identity."

Though in some of the industries we do see some collaboration amongst LSPs and OEMs but it is more by default than by design. While there might be some rare examples where OEMs have been able to collaborate with each other without the involvement of LSP but it gets limited to physical distribution and does not get extended for specialized services, knowledge and research. We are still not realizing the importance and advantages of collaboration for all stakeholders – strongly have a conviction that the two "C" – cost and customer service are going to drive the third "C" the collaboration. Though it is not impossible but past experiences clearly indicate that there are not many instances where two large companies of similar or different industry have been able to have effectivesupply chain collaboration without a LSP as it becomes his responsibility to look after the interests of both the parties. As per published report - experiment conducted by the three direct competitors Henkel, Colgate and Reckitt Benckiser is well known since 2005, the three manufacturers have shared the same warehouse to increase delivery frequency to stores without increasing transportation costs – such initiatives have also positively contributed directly and indirectly to the environmental concern.

Certain key enablers to overcome roadblocks in either in collaboration or even appointing 4 PL:

- Multi stakeholder approach - equal participation from allstake holders.
- To be treated as a business objective and not cost erosion exercise.
- It is not only the trust but rather mutual respect which is more critical.
- Though relationship may be of principal and supplier but both should have respect for each other ideas.
- Complete transparency amongst stakeholders and collaborators is inevitable today.
- Being candor can help all collaborators – will help eliminate future obstacles if being discussed openly.
- Need to come out of the traditional view – "for one party to gain leverage, the other must lose."

Do not walk into anything also with eyes closed

- Have well defined rules and responsibilities of all stakeholders – develop safeguards.
- Remain vigilant and always question – keep the due diligence up-to-date.
- Keep exit option clause for both – it will help people participate with more commitment.
- Greater the bilateral dependences, greater the need for preserving continuity.
- Use contract as a framework, not a legal weapon.
- Do not wait for crisis to share information – next one may not be very far.

4 PL can give smaller companies the similar advantages to compete better with large companies and achieve benefits – all cost erosion / efficiency improvement drivers need some form of collaboration with one entity or other to bear fruition

While large companies may be able to afford supply chain professionals and big team to handle it and can get cost and service advantage due to the size and volume of business but small scale companies cannot afford to have the same. They are still dependent on whatever in house talent and expertise is available and is not able to outsource due to low volumes. Though some of the industries especially auto have limited large but big players and they dominate the industry but there are quite a few industries especially for consumer products where combined share of small manufacturers is quite substantial and they need to compete with their big brothers.

Collaboration also does not mean that it has to be within same industry as there is immense potential for collaboration between auto and other industries like durables and white goods.

4 PL – the catalyst of collaborative strategy particularly when they manage modular platforms

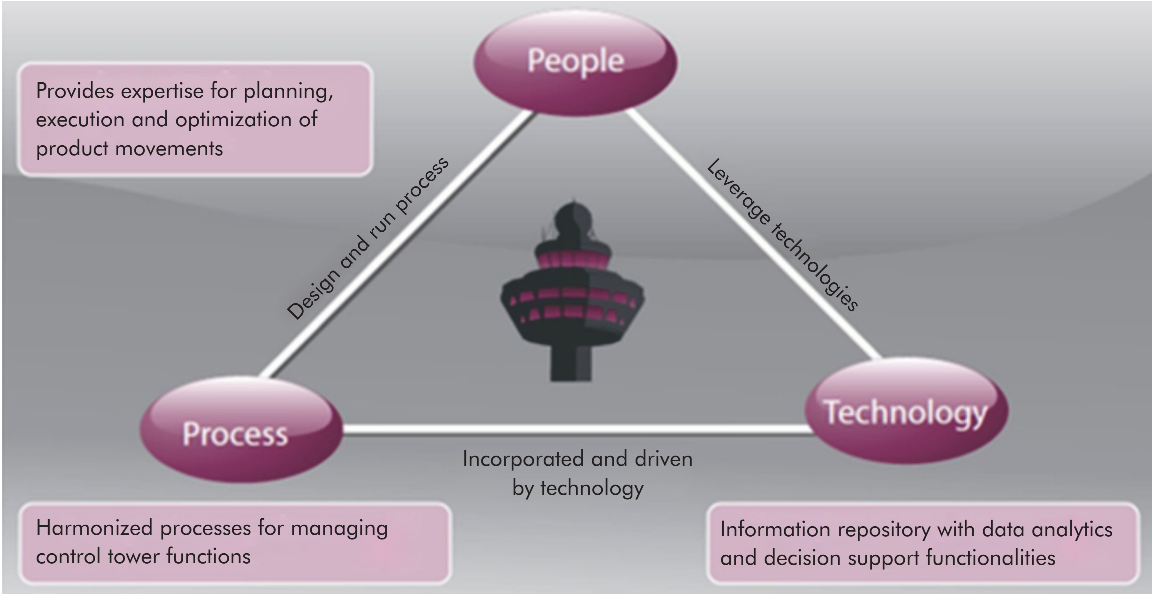
In times to come, while outsourcing their logistics requirements and especially again for smaller companies, 4 PL will also help them to compete with their big brothers / rivals in the industry through the tangible benefits generated by collaborating and offer them the advantages of economics of scales by aligning their logistics requirements with larger players. There have been various examples of collaborative supply chain where LSPs have brought various small scale manufacturers of similar industry or even unrelated one on one platform and have been able to substantially reduce their logistics costs especially in warehousing and transportation and provided improved service levels where LSP has been able to breakdown truckloads into smaller shipments for delivery especially when he has to operate from one large warehouse housing those products and having common information hub. Shrinking supply chain buffers at all levels have put additional pressure on timely delivery of goods and can increase the transportation cost.

While nobody wants to lose sales and why should one but no one is willing to accept that the only way not to lose sales is to work together – do OEMs of various industries interact with each other except for logistics conferences or social evenings and end up doing some common points bashing where none of them is accountable and invariably entire blame would be put on state for all the problems? It may sound very simplistic but the right LSP / 4PL can be the common thread which can run across all these organizations and bring them together, taking care of everyone's interest because he would also have his own vested interest which is nothing wrong till the time he can create a win-win for all.

Either while collaborating or before taking a plunge to take 4 PL on board need to ponder – are we planning only for today and tomorrow or even beyond also – real results will not come in a jiffy – sometimes we end up missing the woods for trees – initially be ready for months of fights though not literally, heartburns, almost divorce kind of stages, huge pressures from sales on your decisions and sometimes you may be doubting your own decision but always remember, gestation period for all such initiatives is long and results will take time. You also need to closely monitor the pre-planned milestones and take corrective actions or even course corrections because both could be on a learning curve - devil is always in detailing and besides in logistics melting pot all cats and dogs will not always do well.

As we move towards next century, 4 PL service providers will leverage their operations for effective back haul management as reverse logistics will start gaining importance and will get lot of attention and is likely to integrate with forward logistics. 4PLs will also have to well prepare themselves to handle uncomplimentary products of their existing customers as new planned products may not be within the confines of your existing supply chain – consider the ramifications of innovations when new products and services are still on the white board and the need to plan.

For any logistics service providers to succeed (3PL or 4PL) before we go for such arrangement, the supply chain has to be aligned with the corporate strategy to avoid disconnect among the various stake holders –



3 Pillars of Control Tower

channel and demand management have to be part of the supply chain. All stakeholders of the supply chain should be aware of the company's goal and their action has to be aligned accordingly – so we do not make the same mistake / wrong assumptions about the potential success of 3PL earlier.

The impending revolution in retail industry either thru FDI or otherwise will also bring with-it the challenges as these set of customers would have already been exposed to much superior and different service levels, sophisticated IT systems and seamless supply chain. Considering the fragmented nature of Indian logistics system, logistics service providers, 4 PL who will equip themselves with the right infrastructure and knowledge and develop strength in a particular type of field will besides having a first mover advantage will also be able to get a major share of the pie.

Current Environment

We are living in an era where products and services are almost becoming a commodity – in one of the session I attended where someone selling DTH connections is comparing his product with commodity like coal as even new innovations are quickly getting copied by the competition which is going to become fiercer and anything which can be copied does not stay as your competitive advantage for long.

That is why everyone is trying to protect its competitive advantage by offering products with some kind of value addition which though not differentiated by product profile but by creating a cluster of services around the products through supply chain to give all its stakeholders a competitive advantage in the market place.

Organizations are moving away from forecasting model which is gradually losing its significance to demand driven planning model and some are even with adopting a replenishment model for certain fast moving categories. Though it may sound simple but not easy to implement especially in a developing country where demand variation at retail level is quite uneven.

Learning by trial and error method is too risky in current environment especially with wafer thin profit margins and with the learning curve becoming much steeper and organizations globally are realizing the same and are moving away from the one-off transactional benefits to long term sustainable partnerships with the service providers.

Role of LSP / 4PL

LSPs / 4 PL vision has to be backed by the ability and potential to be seen as a game changer - the need to recognize the impact their ability can make to the business, industry and along with it to the community and environment and work towards making it positive and better for all.Their role is quite complicated and with increased volatility in economic environment with high expectations from all stakeholders they may even end up carrying the cross of others wrong doing – to have the necessary wherewithal as he may need to counter balance the situation of poor planning or inefficiencies even.

While it may sound preposterous but multimodal transportation and its benefits in a real sense can be made into a reality through LSPs only who are supposed to have the wherewithal and expertise to handle the same.

Progression of LSP is through interface and integration between clients and various 3 PLs who are responsible for various activities such as transportation (through any mode) and warehousing. LSP / 4 PL must learn and understand the market and services its client is servicing and needs to have a pragmatic approach in integrating and managing the resources, its IT and other capabilities and marry the same with other complimentary service providers.

Logistics fraternity including various industry manufacturers and even academia has always been overcautious in their forecast for the 4 PL market and its future growth potential though research after research has shown the huge potential and demand especially in verticals like auto, pharma, retail etc.Though some of the Doubting Thomases have already written the obituary of 4 PL but it is one concept whose time has come now and it will be a major next step in the evolution of logistics industry.

More and more companies require outsourced partners who will share the risks and gains and will take them to places where they have never been before as they would like to concentrate on their core competency. 4 PL can ideally be described as a Super Provider who besides procuring services from various service providers has the expertise to manage resources, handling various logistics process including IT and who is a single point of contact for the organization. He does not compete with 3 PLs rather various 3 PLs

3PL Firms Evolving to 4PL Status

could be part of its pool of service providers and with 4 PL leveraging the solutions shaped by 3 PL without owning much of assets.

With today's market increasingly looking for solutions as opposed to just services it becomes the responsibility of 4 PL to act as an industry innovator besides being the lead logistics provider and solutions integrator.

To conclude, Key distinction between any LSP and proposed 4 PL has to be his unique ability to deliver his client the value across the entire supply chain - 4PL should be seen as a referee capable of proposing original solutions to potential conflicts of interest among various partners / stakeholders.

He should not make the same mistake which many 3 PLs have made - One of the reasons some of the 3 PL did not succeed in the past has been undercutting others and promising moon –

"4 PL should not commit to champagne taste on a beer budget."

Freight Bill Payment Services

-By Editorial

03

Freight payment/audit providers scrutinize shipper invoices using detailed reporting, sophisticated technology, and international capabilities. Here's a close-up look at how they discover savings and efficiencies.

In today's economy, freight charges represent up to 10 percent of a company's total expenses. Fuel surcharges are driving that cost even higher, and shippers are looking to get a handle on the numerous expenses that are adding to their freight costs.

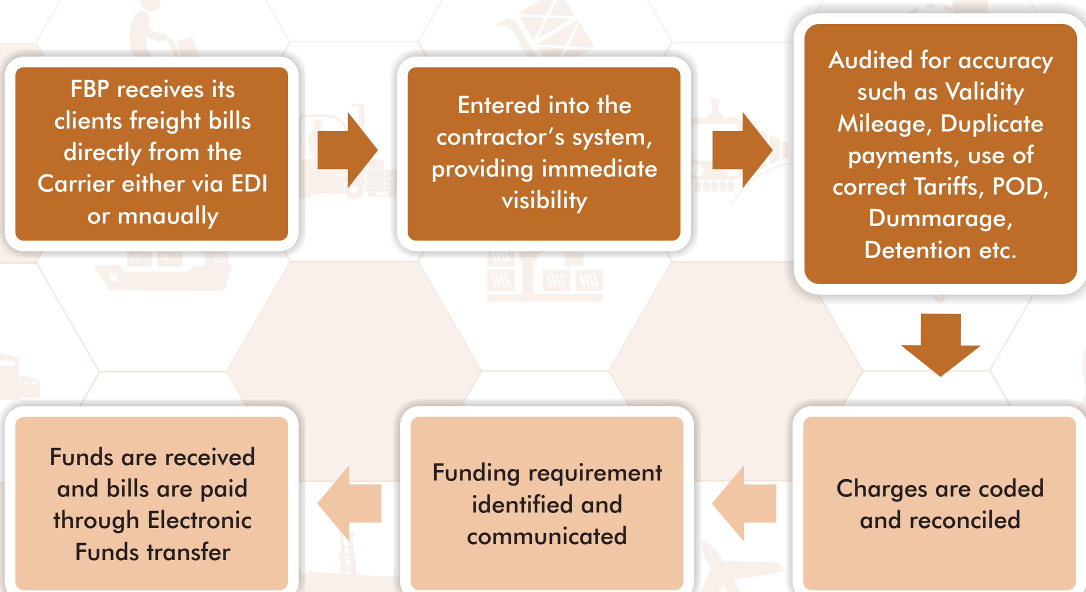
Many shippers are turning to freight bill payment and auditing services to gain insight. Traditionally a misunderstood part of the supply chain, freight bill audit and payment (FBAP) may be viewed as a mundane clerical process, but smart shippers recognize it as a source of business intelligence. While some choose to maintain control of this process internally, industry data shows that outsourcing freight payment is becoming the preferred option.

The Industry generally considered to have originated about 1956 in USA. Credit regulations were very stringent, requiring payment of Freight bills within 7 days and rail bills needed to be paid within 5 days of the postmark of the invoice. To meet this requirement the banking community, shippers, and carriers formed what was known as The National Association of Freight Payment Banks. With Deregulation of the transportation industry in 1980 this began to change. The process has become much more robust and witnessed a significant number of firms began to enter the market.

The Industry: The best estimate is that there are over 300 U.S. firms (majority are small & unsophisticated) providing these services. In the U.S. Freight Bill Payment firms pay 20 to 25% of the total intercity freight bill to the tune of $625 billion. This reflects the size of the Freight Bill Payment market is approximately $125 to 156 billion. According to the "10th Annual Study of Third-Party Logistics," freight bill auditing and payment is the seventh most outsourced logistics activity. Freight Bill Payment Industry is growing at an average rate of 20% per annum.

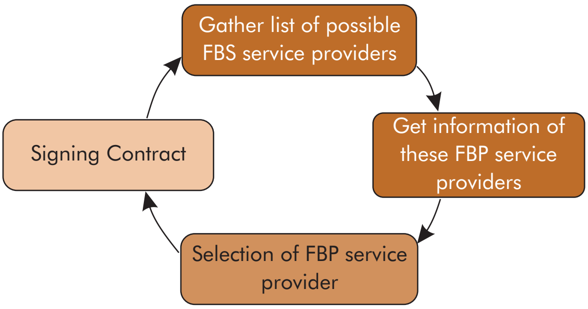
HOW IT WORKS

To begin the auditing process, a freight bill payment company receives its clients' freight bills directly from carriers. When the bills are received, either via electronic data interchange (EDI) or manually, they are entered into the contractor's system, providing immediate visibility. Once the bills are entered, they are audited for accuracy. Auditors verify the bills' validity, mileage, duplicate payments, accessorial charges, and use of correct tariffs. After auditing, the charges are coded and reconciled, and the bills are paid. So A



Freight Bill Payment process

- Financial stability. This factor is especially important in today's economy, as a lot of money will flow through the operation. How long has the provider been in business? Does it have the resources to survive economic downturns?
- Business experience. What is the provider's experience in the industry and with other clients? How many bills does it pay annually and for whom?
- Commitment to technology. Is the provider committed to offering the most current technology and maintaining systems that can be integrated with the clients' solutions? Is the technology scalable? Does the company have the resources to continually invest in updated solutions?



- Reputation with other clients. Ask for a client list of five names with contacts and telephone numbers. Also, don't be afraid to request the names of former clients to find out why they no longer conduct business with the provider.
- Continuous improvement programs. Is there a formal quality or performance enhancement program in place?
- Growth potential. Is the payment company in a position to support growth through excess capacity or new services?
- Security. Information systems must be fully protected from outsiders. If your company is publicly traded, it is bound by the Sarbanes-Oxley (SOX) Act. While the provider is not bound by the act (unless it is publicly traded), make sure it is SOX-compliant.
- Customer support. Will an individual account representative be assigned to your company? Do you need to schedule an appointment to get assistance or is daily help available?
- Corporate culture. Find a provider that shares your business philosophy.
- Employee-to-customer ratio. Does the provider have enough employees to support all its customers?

FBP Service Provider Evaluation Summary Sheet

Criteria	Weight	Service Provider Scores		
		A	B	C
Financial Stability	10			
Business Experience	10			
Management Depth and Strength	10			
Reputation with Clients	10			
Physical Facilities and Equipments	10			
Information Technology	10			
Quality Initiatives	10			
Growth Potential	10			
Security	10			
Cost	10			
Total	100			

What about cost? Experts say FBAP service pricing should not be the foremost consideration. When shopping for a new car, you wouldn't buy the cheapest one on the lot, the same holds true when shopping for a FBAP company. Tough the pricing structure is as follows:

freight bill payment company receives its clients' freight bills directly from Carriers, checks for accuracy, collects funds form Shippers and pay to Carrier.

Benefits of Outsourcing Freight Bill Payment Services

Cost Reduction

- It costs a large company about $11 to process and pay a freight bill internally. If the FBAP pays the same bill, the cost to the company will be 5 to 10 percent of the internal expenses. Subtract another 2 to 5 percent by reducing incorrect or duplicate bills, and the savings can be significant.
- Eliminates compliance errors that can hurt company's bottom line.
- Reflects a savings of approximately $1.57 per bill

On time Payment

- Organizations with significant logistics expenses can greatly improve their cash positions by making payments almost precisely when they are due.
- Paying too early means, you're not taking advantage of extended terms that may have been negotiated
- Paying too late means, you may not only lose any early-pay discounts, but you might also jeopardize the relationship in the supply chain, which could stall manufacturing processes or delivery of goods.

Benchmark

- Due to broad client base, an Organization can identify the prevailing freight rates which can be benchmarked against those firms consign comparable products

Consultancy

- Rate information for each client enables the provider to offer consultancy service with out expensive data collection
- Will help Clients to negotiate better rate contracts, select the right carriers and optimize packages or routes.

Reporting

- Robust reporting and data flow of transportation activities.
- FBP companies deliver information in usable forms, such as graphs and charts, pivot tables, and e-mail reports on a scheduled basis so that more intelligent business decisions can be made concerning transportation activity.

Enhance Efficiency

- Outsourcing freight bill processing and payment saves time and expenses while reducing errors like duplicate billing, overcharges, incorrect freight rates, pending and disputed claims, and more.
- Free personnel to focus and work on their core competence, while saving you thousands of dollars in freight bill processing.

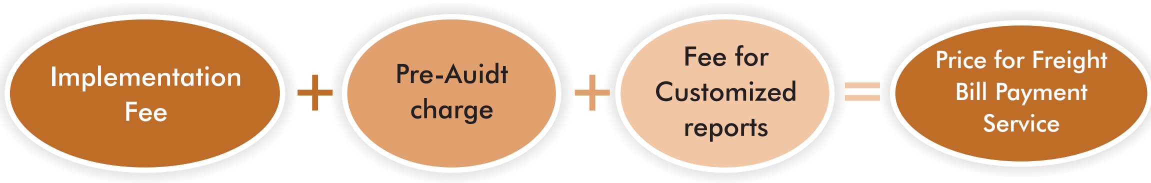
Freight Audit

- The cost of freight has been rising due to the increase in oil prices and all freight cost is highly dependent on the cost of transportation which relates directly to fuel prices.
- With high fluctuations of fuel costs, low visibility of the future freight costs and high complexity of the freight quotes, often leads to errors and misquotes, this requires proper auditing to ensure that the organization does not overpay for services it did not incur.

FINDING A PROVIDER

Choosing an FBAP company requires some research. Once you assemble a list of possible service providers, learn as much as you can about them. Some issues to consider include:

a) Implementation Fee:- This includes, cost of FBP personnel, customized programming, edits, safeguards etc.



b) Pre-Audit Charges:- This is an individual charge that covers pre-audit, processing and payment of each individual bill. Pricing will be higher for manual bills than EDI invoices. For both an additional charge will be levied.

c) Fee for customized report:- A certain number of reports will be provided at no charge, but customized reports or services will be available for a small fee.

Consider cost along with all the other information you've gathered about your prospective providers. "Don't base the decision on cost alone. Don't give your business to the lowest-cost provider. The value of outsourcing FBAP is in the service and the business intelligence that you receive.

To conclude, outsourcing a Freight Bill Payment service provider is a lot more than roping in a service provider. It means selecting a custodian for millions of dollars. The unfortunate reality is that Freight Payment Industry has witnessed a few noteworthy incidents of Fraudulent & Financial Bungling in its past. Nonetheless, Freight Bill Payment and Auditing services can save shippers significant labor and other internal costs. Managers need to be careful and vigilant while selecting FBP service provider.

Significance of 4PL

04

4PLs Take Control

-Mr. Pramod Sant, Vice President - SCM, Siemens

He has been working in Siemens since June 1989.He is the force behind complex logistics functions at Siemens.

Why is the flight delayed? Where is the aircraft? When will it arrive? At one time or another, everyone asks these questions. But answers rarely come fast enough from detail-oriented airline attendants, and arrival and departure boards don't display the specifics.

Above the fray, however, a wealth of real-time information crisscrosses the skies at "mach speed". With sweeping panoramas of runways and airspace, and constant contact among airlines and airport authorities, air traffic controllers always know what's going on. They have visibility and communication. They have control.

In logistics, Shippers and consignees often have similar questions and shared challenges trying to uncover answers deep within complex global networks. It's why some seek control-tower visibility by partnering with fourth-party logistics providers (4PLs) and lead logistics providers (LLPs) that can broadly glean and communicate data among myriad supply chain partners. (See sidebar, left, for an explanation of the differences in provider types.) The more they see, the better businesses can cope with exceptions, identify redundancies, create synergies, and communicate details to logistics operations on the ground.

THE 4PL EVOLUTION

If this distillation sounds over-simplified, consider how the 4PL concept evolved. In 1996, Accenture (then Andersen Consulting) divined the idea after consolidating, then managing, a multinational company's freight forwarder base. Strip away the marketing artifice of a neatly coined acronym and you're left with a supply chain contractor barking out assignments and looking for answers from a motley logistics crew. In theory, not much has changed during the past 15 years.

In practice, however, the idea of creating multi-tiered supply chain networks administered by one point of control is picking up pace. As best-of-breed outsourcing— in terms of transportation and logistics function, vertical specialization, technology sophistication, and geographic coverage— continues to grow and add layers of complexity to the extended value chain, visibility and accountability need to be centralized in a common nexus.

Among 1PLs (shippers), 2PLs (asset-based carriers), and 3PLs (functional service providers), 4PLs and LLPs are the newest debutantes at the supply chain party. They are sophisticated and Socratic, yet oddly plebeian as logistics service providers go.

Fourth-party logistics is an elite outsourcing capability that is shared by many a common 3PL. Nearly 75 percent of 3PLs provide lead logistics and 4PL capabilities, according to Inbound Logistics' 2010 3PL Perspectives market research report, which surveyed more than 300 service providers.

Outsourcing in general provides shippers with the means to gain better control of transportation and logistics operations and costs. As 3PLs seek to grow their value proposition, they are investing in technologies, services, and new locations to help take customers beyond tactical optimization to strategic business process improvement. They are taking the lead by chasing demand.

What makes the 4PL model so fluid is that the idea is in constant flux. Shippers want customized outsourcing solutions that float between non-asset-based objectivity and tactical execution. Demand is engineering how 3PLs, 4PLs, and LLPs continue to evolve in an overlapping triple-helix process of convergence and separation.

DISTILLING THE FOURTH ELEMENT

A number of factors inside and outside the enterprise make 4PL-managed networks effective. At the root, businesses want more authority over operational costs. Using a supply chain management strategy that targets silo optimization, without sacrificing end-to-end visibility and control, presents an obvious advantage.

"A company's willingness to consider a 4PL arrangement is due to internal cost pressures and the strategic importance of logistics activities," says Mr. Pramod Sant, Vice president, Siemens India. "Internal pressures can include changes within the organization such as an acquisition, divestiture, new market or product introduction, and supply strategy and management."

4PL & IT

MEETING MARKET DEMANDS

Apart from these corporate-driven impulses, market pressures such as fuel cost increases and capacity restrictions can trigger a similar need for 4PL partnerships. As a recent example, the recession presented ripe conditions for businesses to consider hierarchical outsourcing strategies capable of flexing with, and absorbing, market volatility. More specifically, companies needed a widespread agent that could affect positive change across the supply chain.

"Companies may have well-organized and optimized customer-facing distribution, but limited control over their inbound supply chains, potentially buying from suppliers on a landed cost basis, thereby missing opportunities to un-bundle part price and logistics expense, for example," says Sant. "They can gain better control of the logistics spend and execution through a 4PL."

At the same time, decreased product life cycles and inventory carrying costs can also be supported through global direct-ship and build-to-order models that need very tight order and transportation management, using merge-in-transit and cross docking to achieve reliable, short lead times.

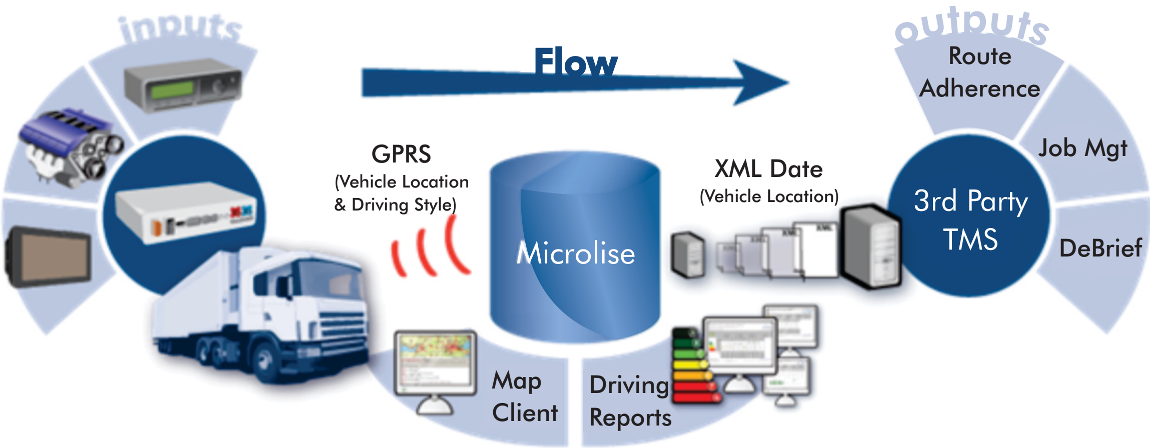
A global 4PL or lead logistics provider allows companies to react faster to trade swings— and more quickly and efficiently than relying on a disparate band of service providers that are optimizing logistics functions in situ. The inevitable costs and inefficiencies of doing so without proper oversight are prohibitive.

"It takes talent and time to establish a proven network," explains Pramod. "When these two variables are not aligned to provide a response to a competitive opportunity, the 4PL model can be an excellent alternative."

The technology and consulting firm knows this firsthand. In 2008, IBM divested its global logistics arm to Geodis Wilson. As part of the agreement, the French 3PL (with U.S. headquarters in Iselin, N.J.) became IBM's sole lead logistics provider, managing the company's worldwide asset recovery services, service parts logistics, and flow management of all hardware and software products. The strategic move was an effort to separate non-core transportation and logistics functions so that IBM could focus on its primary business.

"The 4PL model is, at its core, variable and flexible, so it provides many C-suite executives with an alternative, especially when capital is tight," says Pramod. "IBM has developed a perspective that logistics is critical to our overall business success, but it should not be a strategic investment area for the company.

"Logistics is important in our demanding global supply chain; however, it is of significantly greater value to



A Typical Flow of Information Through IT

have a 4PL partner such as Geodis to provide the operational expertise and make the required investments," he adds. "This allows IBM to invest in its core businesses and let our logistics partner make the necessary outlay to keep its logistics capabilities world-class."

For some industries, the transition to a 4PL-managed outsourcing model has simply been a matter of time. Automotive, for example, has a legacy in regionalizing supply chain networks to more quickly source, manufacture, and assemble a wide array of moving parts just-in-time. Decentralization is a common strategy for locating resources closer to demand, thereby increasing responsiveness and time to market, and reducing transportation costs.

Over the past few years, supply chain localization has become a favored approach for consumer product industries as well, especially where demand sensitivity is a competitive differentiator.

"Many large multinational companies are decentralized and operate on different ERP systems. Therefore, they have difficulty gaining supply chain efficiencies across the entire enterprise," explains Pramod. "A 4PL can be the integrator for multiple business units and geographies, and be a change management agent."

WHAT RIGHT LOOKS LIKE

Locally or globally, technology integration and compliance can stimulate a change in how businesses organize supply chain networks. Some 3PLs have become de facto 4PLs because of their IT sophistication, serving up proprietary logistics solutions to other service providers who leverage these capabilities among their own shipping customers. Transportation management and freight brokerage are other areas where 3PL asset and expertise stratification has allowed for multi-tiered partnerships.

But even these instances offer only a small slice of what 4PLs are truly capable of. Many global 3PLs see the lead logistics role as an opportunity to help customers understand the value proposition of outsourcing by making functional improvement more strategic— by integrating logistics best practices across the supply chain.

"The 4PL establishes what 'right' looks like for any part of the supply chain," says Pramod. "4PLs use analytical tools and processes to assess supply chain design and performance, identify disconnects, and define the optimum supply chain design based on changing economic, market, and business conditions, and customer demand.

"The 'set it and forget it' methodology is a common trap companies fall into, whether it's a business line, region, or global," he continues. "As a 4PL, we first establish a true understanding of how the supply chain machine works, then find ways to lean it out and optimize it.

"Next, we put measures and controls in place so we can identify and understand when a problem is occurring. Once identified, we adjust or tweak the machine to return performance to optimum levels. This experience is true across all industries," Pramod says.

Put simply: the 3PL is the logistics engineer; the 4PL/LLP is the supply chain strategist; and in between, customer demand takes all parties in any number of directions.

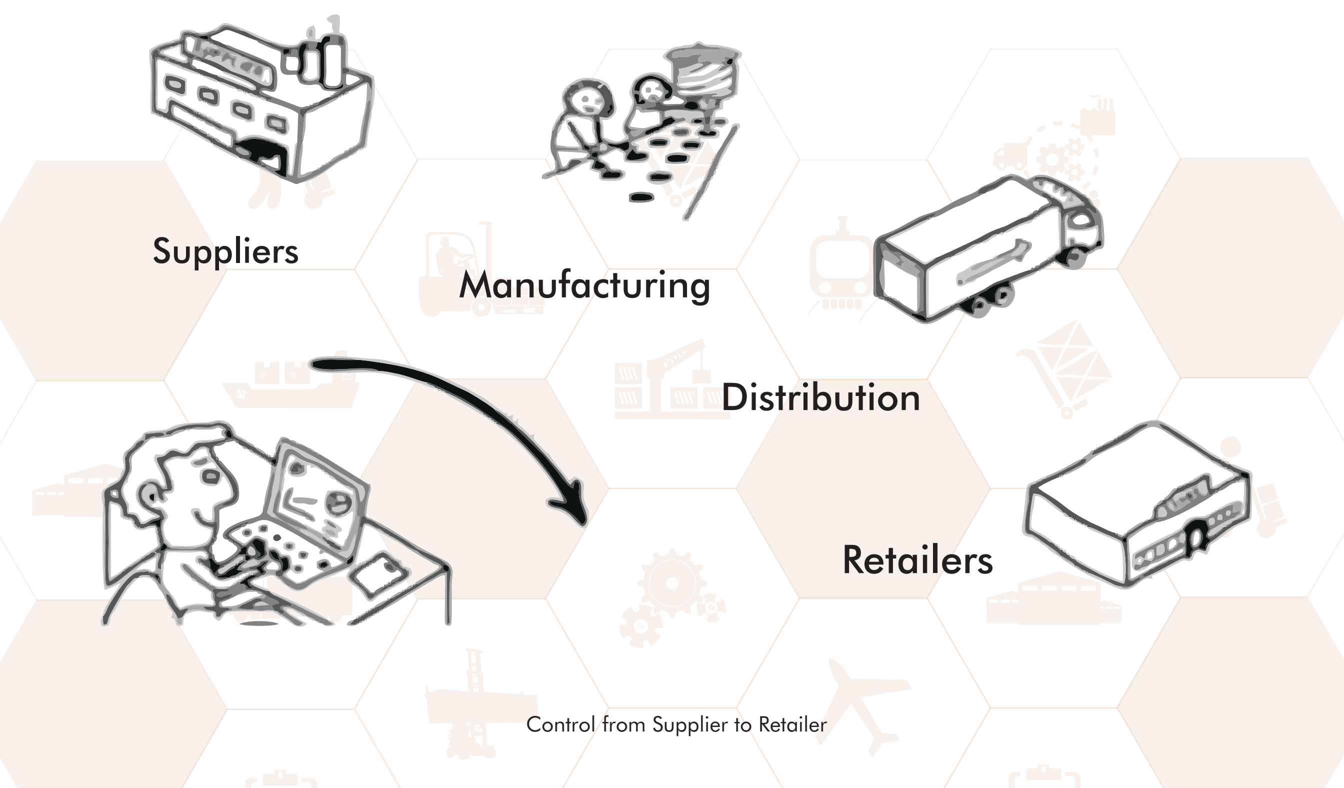
From its inception, the 4PL model was meant to control variability. There's no greater variable than globalization, and as a consequence, multinational businesses have been likely disciples of 4PL and LLP outsourcing strategies.

"For companies with a well-developed logistics organization and proven global processes that have maximized their value in terms of control and scale, the 4PL model provides an opportunity to expand that value by playing on a much larger field, and therefore providing greater economies of scale," says Pramod.

CENTRALIZED CONTROL

From an organizational perspective, it makes sense to have centralized strategic command over localized day-to-day operations. When you expand this business model globally and across multiple vertical organizations, a horizontal layer of control— driven by technology, geography, or corporate governance— is often compulsory. Different cultural dynamics around the world shade how businesses approach organizational hierarchy.

The 4PL idea has been more widely accepted and adopted in Europe and among global supply chain

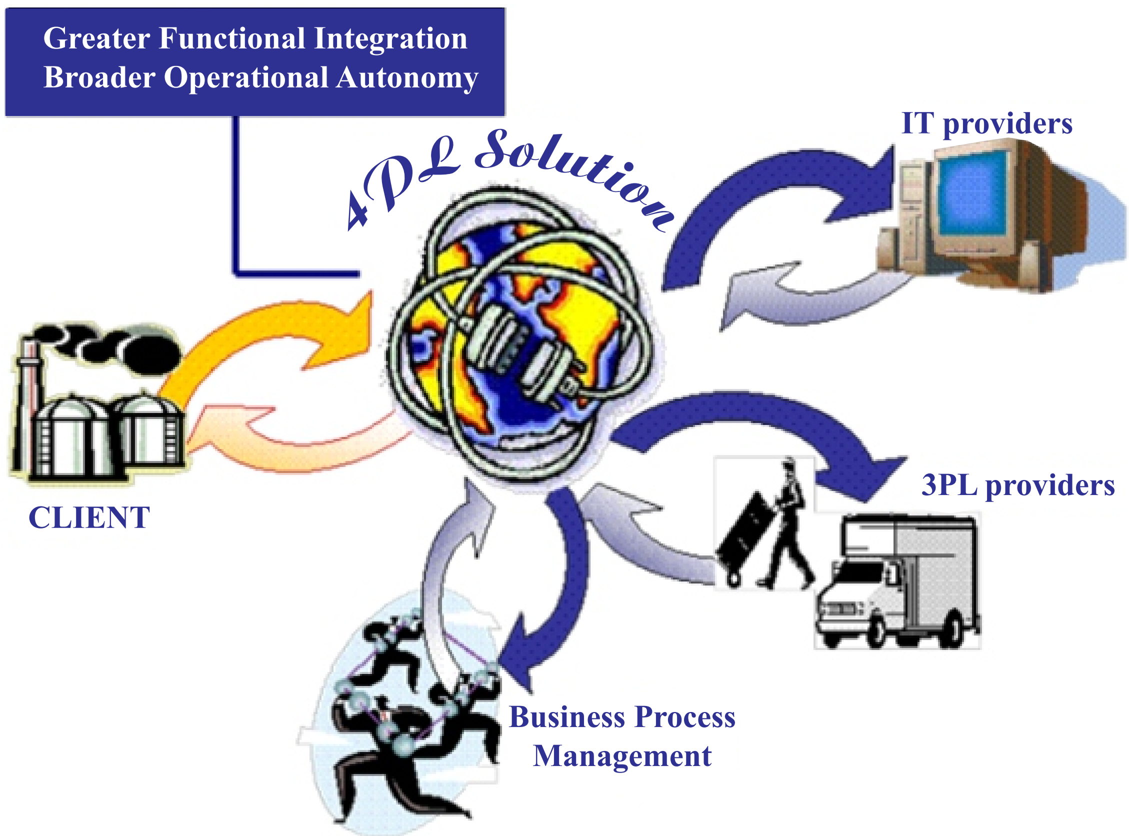


Control from Supplier to Retailer

networks than as a pure-play U.S. solution. Culture, politics, business practices, and geography are primary reasons for this divergence.

"From a cultural perspective, U.S. companies are less willing to give up control over carriers than European companies," says Pramod. "In Asia, local companies are less agreeable to outsourced management services. They focus instead on transactional execution."

DIFFERENT DEFINITIONS



4PL Controlling all Important Parts Supply Chain

Europe and Asia have social structures that are far different than the United States, and these differences sometimes place their definitions of fourth-party logistics at odds.

"In Europe, a 4PL is typically defined as a manager of other service providers. Transportation management, for example, is often considered a 4PL activity," says Pramod. "In the United States, we view transportation management as a 3PL engagement that is less strategic and more tactical.

"The 4PL may operate parts of a supply chain, but its primary objective is to create and implement a comprehensive strategy based on the continuous flow of value and removal of waste in a supply chain," he continues.

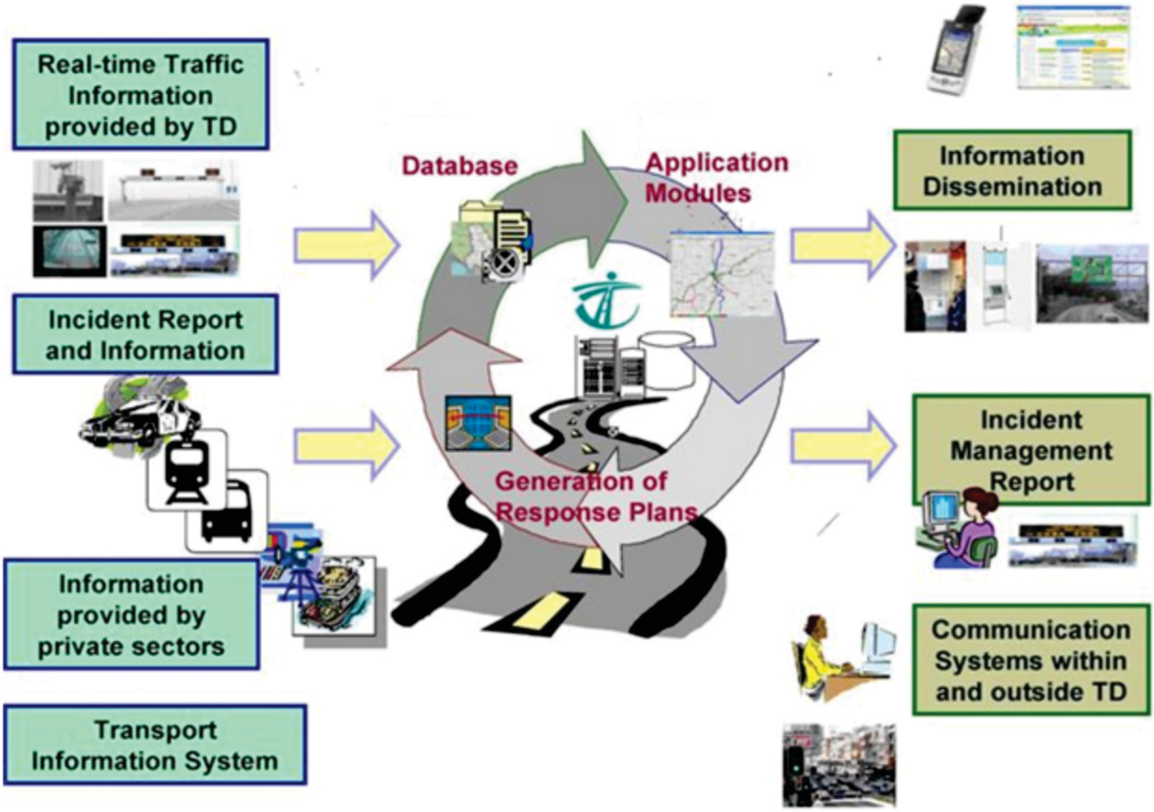
Pramod agrees there are fundamental distinctions between U.S. and European perspectives, but believes the reason is less cultural and more operational.

"The development of pan-European logistics capabilities has been rapid and largely successful based on business and economic drivers rather than any type of social-driven requirement," he explains. "The complexity of cross-border logistics in Europe is the perfect microcosm for a global 4PL model, and that is why we see far greater readiness in Europe compared to the United States.

"This was the path of IBM's 4PL logistics evolution. It was tested it in Europe for several years with Geodis, then they took it to the global level once the proven capabilities were in place," adds Pramod.

Operating in multiple countries and managing a supply chain that needs to be much more global is a complicated proposition often not found in the United States. The 4PL concept is more acceptable in Europe because supply chains have to deal with inter-country trading. The European Union has helped standardized currency and Customs policy but there are still inconsistencies— taxation, infrastructure, logistics expertise, and leadership— among the 27 member states and countries outside the trading bloc.

"If we look at overland-based supply chains, the U.S. market is much more homogenous than Europe, and



Role of IT in 4PL

the 4PL holds less value compared with the European distribution model," says Pramod. "Most of our 4PL and LLP services growth occurs with global or multi-region supply chains."

For Pramod, the difference in the United States is mass and concentration. "The sheer flow through the supply chain is greater than other countries, so service providers have to support different types of supply chain dynamics," he says.

TUNING THE SUPPLY CHAIN

What's remarkable about the 4PL/LLP evolution is that wildfire anticipation and tepid acceptance created a supply chain legend long before it even came of age. As with just-in-time, the 4PL idea grew up as a rarified component of complex, parts-driven industries. It had its merit. Beyond these instances, however, it was viewed as yet another layer of unnecessary bureaucracy. That opinion is swiftly changing— about as quickly as outsourcing companies redefine 4PL and LLP expectations.

Equally significant, these managed supply chain arrangements vary widely. Outsourcers and 3PLs alike are creative in how they spin and execute the concept. This fluidity is appealing to some; to others it is hard to grasp.

"What makes it hard to grasp is that there are models in between where customers are looking for an integrated LLP, but also want to keep certain 3PLs or carriers and have those managed in a neutral model," says Pramod. "The advantage of this flexibility is that a 4PL/LLP can provide a customized solution that fits specific customer needs and can accommodate cultural or regional differences."

4PL-managed outsourcing isn't for every company. But for consumer-facing businesses sensitive to shifts in consumption, and where supply chain decentralization has become a preferred strategy for pulling product to demand and reducing total logistics costs, the 4PL is the logistics model of the future.

"No matter how demand-driven an industry is, a 4PL partnership can help companies better understand, respond to, manage, and measure challenges and changes— then adjust to keep their supply chain in tune by eliminating waste, reducing costs, and operating at the optimum level necessary for the business," says Fowler. "The 4PL is the conductor of the orchestra, making sure that all the instruments are playing along to the same song sheet."

Keeping the supply chain in tune is a shared objective at IBM. "The 4PL model is analogous to a symphony conductor," notes Pramod. "Geodis stands at the global podium and orchestrates function across all the various logistics service providers in a way that balances customer and supply chain requirements and results in satisfied clients and repeat business for IBM."

However industry or media attempts to spin the 4PL model, there's no getting around the fact that logistics service providers of all sizes are playing to a growing audience. Precision and harmony go hand-in-hand with visibility and control.

In time, there will be different flight patterns for global outsourcing and new entrants will shake up the establishment. But receptive shippers will always expect another encore from their 4PLs.

To conclude, the above are learning's from the international markets, Indian context remains different and complex especially considering the fact that industry is so fragmented, users complex and always driving costs and entire operations at transaction level, a concept such as 4PL/Control Tower/LLP is few years ahead and would need a strategic approach. However large companies would have to adopt this strategy sooner than later!!

3PL vs. 4PL vs. LLP

Editorial

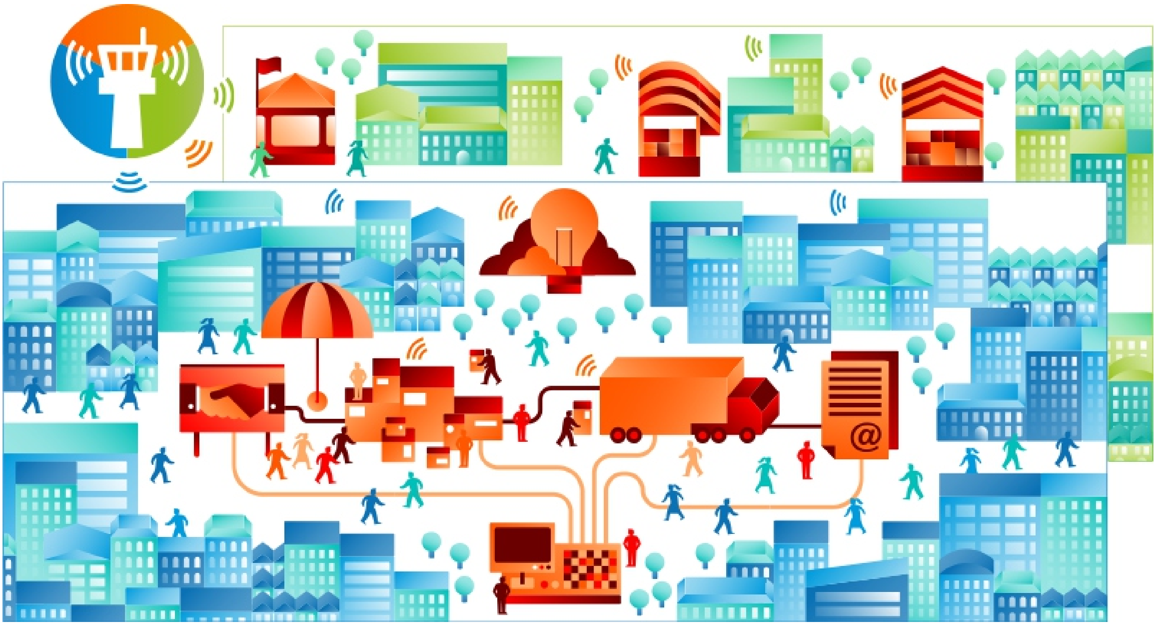
05

Learning the difference between a 3PL, LLP, and 4PL can be confusing. Here's a simple definition of each,

A 3PL operates or manages a specific node of the supply chain, such as a warehouse.

An LLP executes and/or manages multiple nodes or networks.

A 4PL sits on top of these networks and acts as the overarching entity. It identifies what nodes and networks should look like and who should manage them, then establishes the processes and governance for each supply chain node.



4 Steps to Making a 4PL Work for You

Companies look to fourth-party logistics (4PL) providers for a broad set of supply chain capabilities —from providing leading-edge technology and management expertise to unique specialization such as disposal of controlled materials. When it comes to high-level, value-added services, seamless integration without business disruption is key.

But how do you find the 4PL that's best for your organization?

Step 1: Seek out providers specializing in your industry. Many providers don't have the expertise or resources to be all things to all companies. But you need a provider with knowledge of your business, products, processes, and markets from day one. Increasingly, 4PLs offer specializations that extend far beyond standard 3PL responsibilities of fulfillment, warehousing, and/or distribution activities.

For example, some highly specialized automotive 4PLs offer detailing and finalization of options as a standard part of their car delivery services. And logistics providers that serve the food industry are taking on other responsibilities, such as becoming ingredient and food suppliers.

Find a provider with functional specialization in your vertical and ask what high-value, cost-effective services it can offer to help improve your margins. Depending on your industry, keeping an open mind can help; in some sub sectors, distributors, group purchasing organizations, and even original equipment manufacturers are emerging as 4PLs.

Step 2: Ask for true plug-and-play technology. Today, there's no reason to buy and implement your own supply chain systems. Ask a 4PL for more than the detailed traffic reports you may be accustomed to. True plug-and-play technology from 4PLs can support sophisticated planning and forecasting, inventory

management, customer relationship management, and more.

A good 4PL can help you easily and seamlessly integrate plug-and-play software into your operational systems and processes, enabling your management to get its own extension team out of a provider that understands and acts on critical information —rather than simply reporting on it.

Step 3: Make sure your provider can shift with market dynamics. As globalization continues to shape the competitive landscape, your provider must be able to change directions as quickly as your markets and individual customers do.

Further, you need a provider able to open up new markets and opportunities for you, as quickly as your company identifies them.

Your 4PL should be agile enough to move swiftly from low-cost offshore markets to near-shore sources and back again.

Step 4: Look for a provider with demonstrated supply chain competence. Directing transportation well and running an efficient warehouse do not always indicate skill in managing an end-to-end logistics operation. Your provider should add value to your core business in a way that boosts margins.

Outsourcing companies that are most successful as 4PLs typically have a strong management team that commands credibility, possesses demonstrated experience, and has a proven record of delivering on service commitments.

Management competence is a two-way street. Evaluate potential providers against your own corporate culture to be sure they have a complementary operational mindset. Make sure your company has people dedicated to working with the provider to ensure seamless integration. Be sure you can manage your 4PL with metrics and program alignment to relinquish control of logistics to them.

And, have realistic expectations; you can't expect your provider to deliver both the lowest cost and premium service —find the right balance between the two.

4 Reasons Why You Might Need a 4PL

1. Higher order-to-delivery cycle times, and order-to-cash cycles that are increasing in length. Order-to-cash cycles affect other areas of the company and can be one big area where improvement can free up cash for important enterprise initiatives such as research and development.

2. The need and demand for IT resources. Lack of IT infrastructure to support an expanding global supply chain can inhibit growth. And in many companies, supply chain operations IT investment is a low priority.
3. Global growth, more inventory in more places, and a shifting revenue recognition point. Companies often lack the ability to generate substantive supply chain performance improvement on their own. There's lack of leverage in the supply chain.
4. Global expansion. Companies wanting to get into markets they have not been in before need flexible, effective supply chain processes to be successful. If you struggle with your supply chain in the United States, you will really struggle when you try to go global.

To conclude, Indian manufacturers need to move ahead from the regime of cost plus pricing, have to adopt 4PL/LLP strategy more so for companies having complex& multiple supply chains spread in India and across the world. Value adds don't remain mere a fad word but a necessity for survival in the market place and 4PL in itself is such a "value". Debate is definitely on!!!

Sector wise view point

6. How to transform your supply chain through a 4PL approach

   -Lt Col. Vijay Nair, Head –Distribution and Logistics, Reliance Digital

7. Building a Supply Chain Control Tower: What it takes and what it gets you

   -Mr. L. Sundar Rajan, Vice President (Commercial), Somany

How to Transform Your Supply Chain through a 4PL Approach

06

-Lt Col. Vijay Nair, Head –Distribution and Logistics, Reliance Digital

Colonel, as he is popularly known in Retail SCM circles, has over 28 years of experience. He is presently working on restructuring and modernizing of the Logistics setup to support the fast paced expansion of Reliance Digital retail chain

India is coming of age with regard LSP maturity, in that, trust of customer on LSPs and confidence on improved capability of LSPs to Deliver has gone up many fold. Perhaps it is time that engagement of 4PL can become an accepted practice and part and parcel of business planning process.

Today with the economy once again showing some positive signs, we could be faced with strategic business process changes, radical growth projections, coupled with risk of market volatility. Its perhaps time to step back and review all aspects of business that will significantly include supply chain performance issued.. It is a bane that often supplies chain inputs are not considered while drafting business objectives, these results in either modifying deliverables at a later stage or it is left to the SCM team to “manage”. It is here that partnering with a fourth-party logistics (4PL) provider strategy can help align and guide projects in a more wholesome manner.

Companies will have goals and objectives, albeit the end results would be blurred if interdepartmental and inter - functional inputs are not factored right through the planning stage. The 4PL should be engaged from the time of drafting of the business strategy to enable him to formulate a supply chain strategy that gets aligned to the business goals. Its his expertise that would define an approach that would define the supply chain capabilities and establish the methodologies necessary to drive results.

The second part of a 4PL strategy is establishing a governance process—ensuring key stakeholders are involved with reviewing projects, opportunities, and standard methodologies. This includes project, financial, and implementation management.

One would need to understand when the services of a 4PL is obtained/ approached, We are seeking asymbiotic relation with a partner, who may be as big as the customer or even bigger both in terms of business experience and corporate structure. He brings with him organizational and structural expertise the customer can benefit from.

Leveraging on this advantage, the customer can progressively work towards other business goals and while leaving Supply chain aspects to the 4PL that will permit concurrent multi directional, multi track approach to goals by fast-tracking quick wins—transportation rates and optimization, as well as DC network rationalization and other such Supply chain advantage 4PL would bring to table.

As an organization streamlines its supply chain, it frees up cash that can be injected elsewhere. A successful 4PL engagement blends strategy and execution, with each feeding the other.

A methodology must be in place to set goals, measure performance, and progress toward bigger gains by meeting more easily recognized goals.

The last part of the 4PL implementation involves aligning capabilities to demand. Functional needs change as the company and provider accumulate quick wins and move toward achieving their vision. Scope will change with different ebbs and flows, and resources will flex according to different skill set requirements.

Progress toward an enterprise's goals is never a straight line. It changes because the business will inevitably change. Having an independent structured 4PL assisting the Supply Chain aspects permits mid course correction and seamlessly align the company to revised objectives and prevent financial leakage through a mismanaged supply chain.

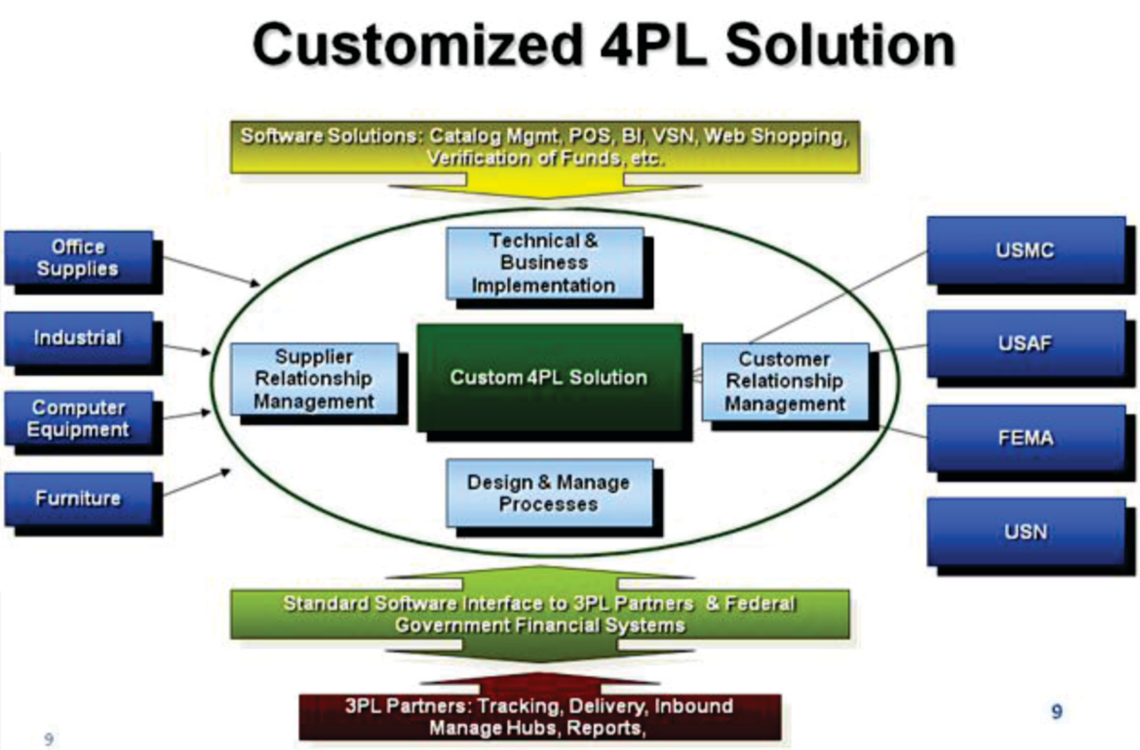
A company could benefit from working with a 4PL partner in any of the following business situations

- Change in a company's position in the market or in the market itself can be a 4PL trigger. If there is a lot of consolidation, new entries and competition, or a series of acquisitions and accumulated resources, companies may consider driving transformational change in order to meet market or competitive requirements.
- A commonality of resources and skill sets — or a lack of diversity in talent and expertise—may require an infusion of fresh thinking and new scenarios to take the organization to the next level.

3 Situations a 4PL Can Improve

A company could benefit from working with a 4PL partner in any of the following business situations

- Change in a company's position in the market or in the market itself can be a 4PL trigger. If there is a lot of consolidation, new entries and competition, or a series of acquisitions and accumulated resources, companies may consider driving transformational change in order to meet market or competitive requirements.
- A commonality of resources and skillsets—or a lack of diversity in talent and expertise—may require an infusion of fresh thinking and new scenarios to take the organization to the next level.
- Supply chain disorder is a sure sign that a 4PL could be of use. Is the supply chain highly decentralized and difficult to manage? Does a company run all its warehouses the same way, or does each have its own processes? How lean is the supply chain? If there are big gaps between goals and reality, a 4PL approach can help accelerate migration toward better standards and greater efficiencies.



4PL in Retail Chains

Retail is a function of "Buy-Move- Sell". Buy and Sell is intrinsic to Retail followed by Move Function. The move function is predominantly Supply Chain management involving procurement and distribution and logistics function.

India is known for its challenging Supply chain environ. Companies that recognized this challenge have either built structure within the organizations, created supply chain companies within the group or have gone for large scale 3PL operations. Certainly this would have cost a handsome investment.

A decade back, when the LSPs in the country did not have the expertise 4PL was not considered an option. Some retail companies that perhaps did not have the vision of how scales would impact Supply chain operations and did not structure itself, sunk in SCM quagmire.

Having come a long way today we have the option to engage 4PL in three functions of the "Move" function of Retail ops viz, procurement (order planning/procurement and inventory management), Network planning of distribution Center networking (Warehousing operations) and transportation (Distribution).

To conclude, While not taking anything away from the current LSPs, they would need to demonstrate their capability and gain confidence of the retail players to engage them as 4PL to Support in any or all of services mentioned above.High Service levels to match best in class or set new bench marks, inventory correctness and optimization at the best possible costs would be the defining elements backed by objective contract formulation or drafting will bring about winning engagement.

07

Building a Supply Chain Control Tower: What it takes and what it gets you

-Mr. L. Sundar Rajan, Vice President (Commercial), Somany

He is taking care of Supply chain functions at Somany and has taken up the challenges to establish smooth distribution operation in a complex & competitive Indian tiles market.

The concept of a Supply Chain Control Tower is getting some major buzz among leading global manufacturers. In fact, many of my recent conversations with customers have been dominated by the topic – What does it take to build a Control Tower? How much does it cost? How quickly can I expect to see returns on my investment? And while I could easily bore everybody to tears with the details (after all, who isn't totally jazzed about the idea of a Control Tower?), I'll try to stick to the basics.

Generally speaking, the stated "goals" of a Supply Chain Control Tower program can be grouped into two major categories:

- End-to-end supply chain visibility: A Supply Chain Control Tower is able to discern real-time key performance indicators (KPIs) populated by data from across the entire extended supply chain. From inventory positions to late shipments to impending part shortages at critical component suppliers, the Control Tower provides real-time insight into the performance and vulnerabilities of the extended supply chain.

- Exception-based management and problem resolution: Once access to timely, end-to-end information is established, the focus shifts to identifying and resolving potential problems. The Control Tower makes this possible by providing information in an exception-based framework – alerting team members to those issues requiring immediate resolution. Integration and real-time data exchange with external partners allow team members to take corrective action before effects are felt downstream.

So what does it take to actually build one of these miracle-workers? A lot – both in terms of internal restructuring and external investments in leading-edge systems and technology. That being said, a Supply Chain Control Tower is hands-down the best investment you can make as a supply chain professional – both for your career and the future profitability of your organization. Let's take a closer look at what it takes to get started:

- Cross-functional business processes and program governance: Everyone knows that supply chain management is a multi-functional discipline. Yet few organizations take advantage of cross-functional teams when it comes to resolving critical supply chain problems. For Supply Chain Control Tower programs to be successful, full-time representation from the planning, order management, order fulfillment, and logistics functions – as well as members from key trading partners – is imperative. Furthermore, this dedicated team needs the authority and proper escalation procedures necessary to make final decisions and ensure expediency.

- KPIs and dashboard: A dashboard with meaningful KPIs allows the Control Tower staff to monitor the "heart beat" of the supply chain, providing a view into key facilities around the world – to track inventory levels, output targets, planned and in-transit shipments, critical orders, etc. When it comes to defining KPIs, quality over quantity is the modus operandi. Your goal is to product meaningful, manageable data – not to track every detail of every operation. Next, an exception management framework needs to be properly defined and built. This includes the metrics to be tracked based on pre-defined business needs and the tolerances that trigger alerts. A continuous-improvement mind set is critical to ensure that this exception-handling model is constantly assessed and improved.

Information Flow in 4PL

- Supply chain execution and problem resolution capabilities: Execution is key! A perfect plan is useless if it cannot be properly executed within a defined period of time. For this reason, a problem resolution screen is typically positioned at the center of the Control Tower – bringing together relevant data to understand business context and make intelligent decisions. Once a decision is made (e.g., a re-route or transportation mode change at the next milestone), work flows should be executed to take the appropriate corrective actions.
- Real-time data enabled by trading partner connectivity: This is an area that is often overlooked, but cannot be stressed enough! Given the fragmented nature of today's global supply chains, centralized data aggregation and decision making requires a truly multi-enterprise solution. A solid integration back¬bone that accommodates various information systems and data formats is a foundational aspect of any effective Supply Chain Control Tower program.

So there you go – a quick-and-dirty outline of what it takes to build a high-performing Supply Chain Control Tower. So what are you waiting for? I'm headed back to Asia tomorrow – where the Control Tower concept is equally buzz-worthy – but would love to keep the conversation rolling. Is a Supply Chain Control Tower on your organization's radar? Do you think of your current supply chain as a competitive differentiator?

Case Studies & Glossary

Case Study: 4PL In a Chemical Product Company 08

The company is a manufacturer of chemical surfactants for the Personal and Home care industry. It is a leading supplier to global, regional and local brands. The brand is well known to all the global brands operating in the Hair, Oral, skin & Home care business and it serves the consumers across all walks of life and all across the world.

Need: The Company manufactures chemical surfactants in both liquid and dry form. It has 3 manufacturing facilities at Mumbai outskirts (Tarapur). The company initiated a control tower project to provide more ICT (Information and Communications Technology) support to their transport/ logistics planning process, reduce overall transportation cost, and be prepared for future growth.

Solution: TCI Supply Chain Solution has provided control tower services to the company. As a result of control tower implementation they now have online access to the planning, a huge increase in transparency for all the stakeholders. Users can access and add information, and optimize their role in the supply chain. The areas covered under the service basket are as follows:

- Multi site, multi vendors management
- Criteria for planning: cost, load/unload times, number of orders, availability of drivers and trucks, availability of load/unload material
- Appointment of trucks to loading locations
- Vehicle inspection
- Packaging of material
- Ensuring the right handling process & safety measures.
- No. of dispatch/month
- No of ontime/delayed delivery
- Total damage.
- No. of customer handled
- Typical KPI's

In the past each warehouse or unit did its local planning for their region and regional carrier. With the new concept one central control tower oversee all vendors, units, warehouses, DC's and delivery location & delivery status to customer. This also facilities transportation synergies and provides visibility.

A Typical 4PL Process

4 Drums/Pallet

88 Drums/Container

Lash Strapping

Product in bags

Product Packaging : Drums (Liquid) or Bags (Powder)

Movement: By truck (for Drums & Bags) or **Tanktainers** (for Liquid bulk)

Case study: 4PL In a Mass Product Company 09

The Company is best tile manufacturers in India and one of the best tile companies offering bathroom Tiles, Kitchen tiles, Tile Designs.The Company with the plants in Kadi (Gujarat) and Kassar (Haryana), with the production capacity of 20 million square per annum is the producer of the highest quality of ceramic glazed tiles, vitrified tiles, sanitary ware or porcelain floor tiles. The Company started off with a clear distinctive position, that of being strong, durable and effectively close to the heart.

Need: The company, with the presence in all across India, has outsourced warehouse and distribution activities to multiple logistics service providers. The fragmented landscape of these LSP's added complexity to the supply chain optimization effort.

Solution: TCI SCS helped the company to develop end to end supply chain control mechanism at one of their plant to improve efficiency and reduce cost by using best-in-class carriers and reduce dependency on their LSP's. the list of services includes:

- Managing 40+ vendors
- Type of trucks used
- KPI's
- Total volume being handled
- Delivery locations
- Customer serviced
- Value added services
- OBL software
- Dashboards
- MIS

The solution deployed by TCI SCS is helping the company to build an efficient and integrated organization to increase load efficiency, improve tracking and customer service and enhance transport efficiency using best in class carriers and redesigned transport solutions.

Typical KPI's Format

KPI -1- Plan V/s Dispatch

Month	Apr' 14	May' 14	Jun' 14	Total
Same Day Disp.				
Next Day Disp.				
After One Day Disp.				

KPI-2- Marching to Delivery (ontime)

Zone	Apr, 14	May, 14	Jun, 14	Total
West				
South				
North				
East				
Total				

KPI-3 -Marching to Delivery (Delay)

Zone	Apr, 14	May, 14	Jun, 14	Total
West				
South				
North				
East				
Total				

KPI : Damage Free Delivery

Month	Apr' 14	May' 14	Jun' 14	Total
Total Dispatch				
No of Boxes Dispatched				
Minor Damage				
Major Damage				
total Damage				
Total Damage %				

10 Glossary

A

1. **Acronym:** Combination of letters representing a longer phrase.
2. **Acquisition:** The learning or developing of a skill, habit or quality.
3. **Analogous:** Comparable in certain respects.
4. **Artifice:** Cleverness or skill; ingenuity.

B

5. **Build-to-order:** Custom-made for a specific customer according to what the customer requests.

C

6. **Centralize:** Concentrate or control of an activity or organization under a single authority.
7. **Consolidate:** Combine a number of things into a single more effective or coherent whole.
8. **Convergence:** Two or more things coming together, joining together or evolving into one.
9. **Cross Docking:** A logistics procedure where products from a supplier or manufacturing plant are distributed directly to a customer or retail chain with marginal to no handling or storage time.
10. **Customer Relationship Management:** A system for managing a company's interactions with current and future customers.
11. **C-suite Executives:** A term used to collectively refer to a corporation's most important senior executives.

D

12. **Dangerous Cargo (DC):** Dangerous Cargoes are solids, liquids, or gases that can harm people, other living organisms, property, or the environment.
13. **Daunting:** Seeming difficult to deal with in prospect; Intimidating.
14. **Decentralization:** The process of redistributing or dispersing functions, powers, people or things away from a central location or authority.
15. **Defacto:** Existing or holding a specified position in fact but not necessarily by legal right.
16. **Disparate:** Essentially different in kind; not able to be compared.
17. **Divestiture:** The partial or full disposal of a business unit through sale, exchange, closure or bankruptcy.

E

18. **Ebbs and Flows:** A condition or rhythm of alternate forward and backward movement or of alternate decline and renewed advance.
19. **Estimated Time of Arrival (ETA):** Date and time at which an air or ship journey is expected to arrive at named city or port.

F

20. **Fast Moving Consumer Goods (FMCG):** Typically low priced generic or easily substitutable consumer goods.
21. **Flex:** Bend or become bent.
22. **Fluidity:** Changing or tending to change; variable.
23. **Fourth Party Logistics (4PL):** An integrator that assembles the resources, planning capabilities and technology of its own organization and other organizations to design, build and run comprehensive supply chain solutions.

24.**Fraught:** Filled with something undesirable.

G

25. **Glean:** Obtain information from various sources, often with difficulty.

26.**Governance:** Rule; Control.

H

27. **Hub and Spoke Warehousing:** A system of warehousing where the goods are sent to the hub from different branches and are further sent to the respective hubs and their branches.

28. **Inhibit:** Restrain or prevent an action or process.

29.**Inconsistency:** Irregular or unpredictable; erratic.

30.**Information Technology (IT):** The study or use of systems esp. computers and telecommunications for storing, retrieving, and sending information.

31.**In Situ:** In the original place.

J

32.**Jargon:** Special words or expressions used by a profession or group that are difficult for others to understand.

33.**Just-in-time (JIT):** An inventory control system that controls material flow into assembly and manufacturing plants by coordinating demand and supply to the point where desired materials arrive just in time for use.

K

34.**Key Performance Indicators (KPI):** KPIs help an organization define and measure progress toward organizational goals.

L

35.**Lead Logistics Provider (LLP):** They add real value to streamlining the supply chain, by defining data standardization, managing exceptions and providing a streamlined, clean view of supply chain information.

36.**Localization:** The practice of adjusting a product's functional properties and characteristics to accommodate the language, cultural, political and legal differences of a foreign market or country.

37.**Logistics Service Provider (LSP):** A firm that provides multiple logistics services for use by customers. Preferably, these services are integrated or bundled together, by the provider.

M

38.**Management Competence:** It is an old, widely used practice that consists of all of a company's formal, organized approaches to ensure that it has the human talents needed to meet its business goal.

39.**Management Information System (MIS):** It provides information that organizations require to manage themselves efficiently and effectively.

40.**Myriad:** A countless or extremely great number of people or things.

N

41. **Nexus:** A connection or series of connections linking two or more things.

O

42.**Outbound Logistics (OBL):** The movement of material associated with storing, transporting, and distributing goods to its customers.

P

43. **Panorama:** An unbroken view of the whole region surrounding an observer.

44.**Plug and Play Technology:** Technology or devices that do not need any installation and work as soon as it is plugged in to a power source.

R

45. **Real Time Mapping:** Information that is delivered immediately after collection without any delay and often used for navigation or tracking.

46. **Relinquish:** To retire from; give up or abandon.

47. **Reverse Logistics:** It stands for all operations related to the reuse of products and materials.

48. **Re-routing:** To route or direct in a different direction.

49. **Redundancy:** Repetition.

S

50. **Service Level Agreement (SLA):** A record which defines a set amount of time for a task to reach a certain condition. If the task does not reach the condition by a set amount of time, it is marked breached.

51. **Supply Chain Management (SCM):** The management of the flow of goods. It includes the movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption.

52. **Synergy:** The interaction or cooperation of two or more organizations, substances, or other agents to produce a combined effect greater than the sum of their separate effects.

T

53. **Third Party Logistics (3PL):** A firm that provides service to its customers of outsourced or "third party" logistics services for part, or all of their supply chain management functions.

54. **Triple Helix Process:** Triple Helix Concept symbolizes a union between government, business and university, which are the key elements of innovative system in a country.

V

55. **Vertical Organizations:** These organizations have a structure with power emanating from the top down, a well-defined chain of command and the person at the top of the organizational chart has the most power.

56. **Vulnerability:** Exposed to the possibility of being attacked or harmed, either physically or emotionally.

Disclaimer

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Core Competencies

The core values offered by TCI Supply Chain Solutions are operating on shorter product life cycles, scientifically and professionally managed inventory, supplemented with state-of-the-art material handling equipment warehousing and multi-modal transportation. And also managing and integrating the flow of information amongst hundreds of outsourced supply chain partners and the enterprises that employ them.

Key Industries

Retail / E-tail

- Network Design
- Vendor to DC / Store platform and logistics
- Distribution Centre Design, Management,
- Value Added Services : QC, kitting, packaging
- Distribution - Milk Run, B to C, Collection on Delivery
- Reverse Logistics & Processing

Chemical

Adherence to Statutory Health Safety & Environment Practices

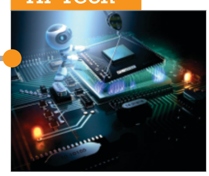
- Solids, Liquids, Gases
- Production Logistics
- Raw Material Stores, QC, Silo Charging
- Finished goods store & Value Added Services
- Freight Desk, Transportation
- EXIM Services : Bonded warehousing, Custom Clearance

Auto

Design to Execution:

- Production Logistics, Returnable Management, Kitting and Line Feeding
- CBU Logistics, Multi-modal Logistics, Yard Management
- Aftermarket Logistics & Distribution Center
- Parts Consolidation Center (PCC) for EXIM

Hi-Tech



Consumer Products:

- Production Logistic, Kitting and Line Feeding
- Distribution for B- B & B-C over surface & air
- Distribution Center Management
- Aftermarket & Reverse Logistics

Projects & Equipment

- Site logistics Plan & Execution
- Yard / Distribution Center Management
- Reverse Logistics

5 Key Reasons to Prefer TCI Supply Chain Solutions

- Partnership Approach for growing your business
- Focus on corporate core competence
- Improve operational efficiency and productivity
- Improve customer service
- Cycle time reduction

Cold Chain

- State of the art Reefer vehicles
- Temperature view over GPS
- City Delivery & Cross Country
- Emerging Cold Room network

Pharma & Health Care

Ambient & Cold Chain

- Distribution Center Management
- Surface & air transportation
- 24 hour Track & Trace
- Advanced monitoring of Temperature sensitive shipments.

TCI Supply Chain Solutions

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