

Planning a Logistics System

Let's say we just got some good news: A client has just given us the assignment to plan a logistics system for a large food distribution contract they are bidding on. WOW! Where do we start?

Lets start by planning how we are going to plan!

In planning logistics operations, 'To plan or not to plan' should not be the question." Instead, companies must know that failing to plan can have dire consequences. The first step in planning is understanding and analyzing operational data to build a foundation for a solution.

Mission (Who, What, When, Where, Why)

If you ask a dozen practitioners, list to a dozen speakers, read a dozen books, and go to a dozen university classes you will get dozens of ideas on how to plan a logistics operation. Not saying mine is the best, but I emulate the military. Why? Because they have been successful at logistics planning.

WHO: ClientCompany has a very successful track record supplying goods and services to similar entities.

WHAT: Contract calls for delivering food and food-related products on a daily basis.

WHEN: Begin approximately three months after contract award.

WHERE: Over 100 locations throughout the United States.

WHY: A well-designed and operated system will generate a high ROI to ClientCompany.

Now, what else do we know?

Warehouses: ClientCompany depends on public warehouses, space in under-utilized warehouses; and is willing to build and operate where necessary. The goal is to have a warehouse located no more than 100 miles from each facility.

Logistics / transportation: ClientCompany owns no trucks. ClientCompany has its own logistics subsidiary that is essentially a 3PL.

Suppliers: ClientCompany has over 2,800 suppliers; all are linked to ClientCompany via EDI (some through a VAN, most through a PC-based system supplied by ClientCompany).

Electronic Commerce / EDI: ClientCompany owns its own electronic commerce subsidiary.

Now we are going back to what we talked about last issue: 4pl 5pl 6pl

A good 4PL is competent in service sourcing and performance monitoring, as well as routing the shipments. Most 4PLs have no assets, instead they provide services based on knowledge of how to fulfill customer requirements. The physical movement of goods is outsourced to

3PLs

Where a 5PL differs from a 4PL in such case would be establishing and sustaining an inter enterprise online transparency capacity and capability integrated into the outstanding infrastructure of the client enterprise, and to interface with the logistics service providers' infrastructures as part of the requirement criteria for the service provider candidates. A 5PL would stay actively engaged in interfacing between the enterprises and their suppliers, customers alike.

Again, a 5PL with many clients is better positioned to engage the service carriers with consolidated freights, while performing the logistics management of great complexity with optimization based planning.