

3 P & 4 P Logistics in E – commerce

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Abstract: E- Commerce means using online electronic data communications to perform the transactions relating to the business. This paper has given an overview of the role of e - commerce in 3 PL & 4 PL logistics. E - Commerce is the buying and selling of goods and services or transferring data through an electronic network, i.e., Internet. These business transactions may occur at different levels like business to business, business to consumer and consumer to consumer. Logistics is the process of managing the resources requirement. It involves the process of acquiring, storing and transporting to the destination whenever the need felt so. Third - Party Logistics (3 PL) provides integrated outsources logistics services in the process of procurement of goods and fulfillment of needs of the end users. Fourth - Party Logistics (4 PL) assembles and manages all resources, capabilities and technology of an organization's supply chain. If the business houses can't maintain the store houses, they have to rely on the services of 3PL or 4PL to keep in track with the needs of end users and its fulfillment. Thus, The back - end Supply Chain Management is a crucial component in all the businesses especially in e - Commerce.

Keywords: E-Commerce, Third party logistics, Fourth party logistics, Supply chain management.

INTRODUCTION

Logistics is the process that includes purchasing, storing, transporting and distributing the goods and services. It requires proper planning, implementation and controlling procedures for the transfer of goods and services including distribution of required information from the point of origin to the end users. Fulfillment of ultimate consumers' requirements is the main goal of logistics management. It plays a pivotal in process of reaching the goods to the end users enable the concerns to gain competitive advantage in the global market i.e., it acts as an intermediary between the producer/manufacturer of goods and the ultimate users of goods and services. Procurement of goods from the suppliers and delivering the same to the end users is the actual process in the meanwhile the inventory management is also taken care by the logistics management to keep the goods intact with its quality.



Whenever the business houses can provide all the services on its own through their efficient manpower, there is no question of intermediaries. On the other hand, if they can't maintain their own storehouses for any reason it may be, they should rely on the services of agents available in the market. The outsourcing of services is termed as 1PL, 2PL, 3PL, 4PL and 5PL services.

OBJECTIVES

- To study about 3PL and 4 PL
- To analyze a comparative study between 3PL and PL
- To check the process and role of E – commerce in 3PL and 4PL logistics services

Review of Literature

Steve Norall in his article “3PL vs 4PL: What are these PLs, and the Layers of Logistics”- 2014 has explained that he has seen the generation of 4PLs growing to an extent from the legacy of 3PLs. The basic concepts of 3PLs are assets-based providers and the evolution to extend services as a 4PL will be the deciding factor of many shippers and stand on in their selection of a provision partner. There is a spin-offs again, from a 4PL pint-of-view, whereby some retain specialty in specific knowledge & skill-sets, but yet there are many of the 4PLs who would be entrenched in the general provisions as “3PL managers” to co-ordinate the overall fulfillment processes B2B2C ultimately.

Patrick Burnson in his article “Global Logistics: Demystifying the 4PL”- 2013 stated that it is very difficult to make the distinction between a 3PL and a 4PL, as said by Rosalyn Wilson, senior business analyst at Delcan Corporation, a supply chain consultancy in Vienna. During the recession everyone was trying to grab onto anything that would get them more business. Even small trucking companies were trying to get in on the action by saying they offered 3PL and 4PL services, but most were well out of their element.

Research Methodology

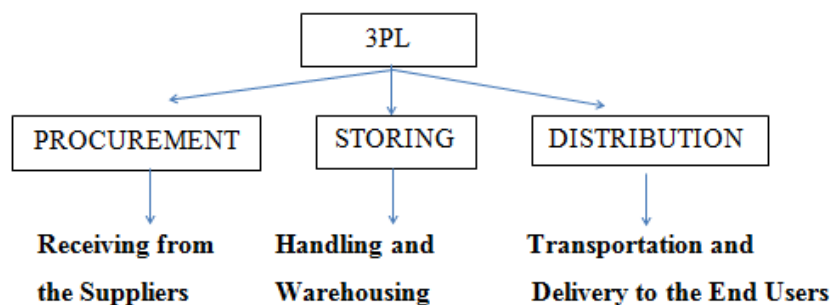
It is a theoretical study. Secondary data collected from journal, books, newspaper and websites. In globalised world, technology has grown and customers go for e commerce. 3PL and 4 PL play a vital role in the growth of e commerce

THIRD PARTY LOGISTICS (3PL)

3PL is an outsourcing service forming part of logistics management now-a-days. The companies who offer 3PL services handle outsourced procurement, transportation and distribution for their clients. Depends on the requirement of the clients the services provided by these companies may vary. They may offer various services like, warehousing, transportation and distribution to end users. Amazon is the best example of 3PL service provider.

Functions of 3PL

- Warehousing Services
- Transport Services
- Cross Docking Services
- Packaging and Distribution Services.



Merits of 3PL

3PL enables the customers to save time and money through economies of scale in operations and offers speedy delivery from multiple storage locations. This is suitable for the products with durable and inflammable goods.

Demerits of 3PL

In spite of the positive aspects, it has some weak aspects like, Less control over inventory due to multiple storage options and becomes an costlier affair for the orders in smaller quantity. It is no way suitable for perishable and flammable products.

FOURTH PARTY LOGISTICS (4PL)

4PL is also an outsourcing service gained momentum in logistics management. This 4PL provider normally manages resources, infrastructure and technology in addition to the services provided by 3PL including legal aspects and decision making. Deloitte is the best example for 4PL service providers.

Functions of 4PL

- i. Logistics Strategy;
- ii. Consultancy Services;
- iii. Network analysis and design;
- iv. Inventory Planning and Management;
- v. Business Planning and
- vi. Reverse Logistics.

Merits of 4PL

4PL service providers added some points in their favour like outsourcing the entire logistics services, taking the advantage of strategic advice whenever the need arises and good in solving the legal problems associated with the transfer of goods and services.

Demeritsof 4PL

It lacks few of the points as there is less control over Logistics, time and cost consuming process and too expensive comparing to 3PL services.

COMPARISON OF 3PL AND 4PL

Both 3PL and 4PL are helping the clients to serve better their ultimate customers. But they are different from each other in some of the areas.

3PL is a traditional concept but 4PL is relatively new concept. 3PL is suitable for small sized businesses but 4PL is suitable for medium and large size business concerns. 3PL offers logistics solution from the operational perspective whereas 4PL from both operational and strategic perspectives. 3PL involves in storing and moving of goods, on the other hand 4PL provides the services of managerial control in addition to the services offered by 3PL. In other words, 4PL is an extension of 3PL and managerial control.

E- COMMERCE (EC)

E – Commerce is the buying and selling of goods and services or transferring data over an electronic network, i.e., Internet. It is the application of advanced information technology to increase the effectiveness of business transactions. It offers the chance of buying and selling of goods and services on the Internet and through other online services. These business transactions may occur at different levels like, business to business, business to consumer and consumer to consumer. Online shopping becomes increasingly popular now-a-days in B2C dealings.

This paper throws light on the impact of E-Commerce in the process of 3P and 4P Logistics. E – Commerce is the application of advanced technology in the process of retail marketing especially assists the business engaged in outsourcing of goods and services. GIS technology is used in the fleet management which helps to determine the location of stolen items in case of theft. GPS technology is also used to determine the position/location of object/carrier with utmost accuracy. These technologies assist the logistics companies to improve their client's service in such a manner to achieve satisfaction.

E – Commerce helps the business to expand through the usage of internet, helps to expand the sales network outside the local area, reduces the direct marketing expenses like flyers and pamphlets printing and distribution and provides enhanced customer service and satisfaction.

Process of EC and 3PL &4PL

- i. Visiting website of the vendors
- ii. Placing of orders in EC system by the customers
- iii. Receiving orders from the EC system
- iv. Processing order information
- v. Shipping of goods
- vi. Settling payment process through agreed terms.

ROLE OF E – COMMERCE IN 3P AND 4P LOGISTICS SERVICES

The traditional logistics issues are simplified by the e – Commerce venture. The main company outsources the shipping work to this 3PL / 4PL providers and get it done for a fee. Business houses choose EC because of the availability of good combination of support, flexibility and cost-effectiveness services provided by these PLs. With growing globalization E-Commerce entered into the phase to assist in the process of logistics management.

- i. Shortens the procurement cycle through online search, ordering and payment settlement;
- ii. Increases the speed of communication ;
- iii. Reduces the delivery time drastically in case of digitized products which is reduced to seconds;
- iv. Provides the easy and quicker way of communication and thereby reduces the cost also;
- v. Promotes close relationships between customers and suppliers and thereby saves the cost of delivering the information;
- vi. Enhanced customer service and satisfaction by enabling detailed information to customers online;
- vii. Induces the customers to move to online services rather than the traditional offline services;
- viii. Reduces the level of risk of small retailers in the market through outsourcing;
- ix. Enables the uses of multi modal transportation for the prompt and speedy delivery;
- x. Makes the people move towards digitalization and reduces the risk of money handling;
- xi. Enables the small players in the market to exploit the business opportunities created.

CONCLUSION

Many business houses create a separate wing in their business as 'E - Commerce Logistics Provider'. E – Commerce has spread rapidly in the recent years, which increases huge business opportunities with the help of Internet and other computer technologies. The success of this application is purely based on the strategies used by the parties involved in the concerned process. Hence, an attempt is made in this paper to highlight the scope of E – Commerce in the 3P and 4P Logistics service providers.

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