

Chapter 5

Taking Logistics Service Providers into Account in Industrial Classifications

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ABSTRACT

This expansion of logistics beyond the boundaries of the firm is illustrated by innovative new practices between firms, suppliers, retailers, and service providers. In this respect, many articles tend to present logistics service providers (LSP) in the form of taxonomies, and to highlight their evolution with the help of representative figures. However, there are doubts about the origin and credibility of these figures, because LSP are not clearly identified in the international industry classifications on which they are based. The author's aim is to identify the community of LSP, and 4PL in particular, as it is most immaterial. At first, the chapter briefly reviews the literature on LSP classifications and their limitations when it comes to taking 4PL into account. It then proposes a methodology to address this problem, which is tested through an empirical study, leading to formulate a new definition of 4PL based on the taxonomy, which is discussed at last.

INTRODUCTION

Over the space of a few years, logistics has become essential to the organization of firms and markets, and this development has taken place in several stages. Initially, it was considered as a physical distribution system that could be modeled mathematically. It then evolved towards the estimation, management and coordination of

flows, and the supervision of the global logistics chains thus formed. This expansion of logistics beyond the boundaries of the firm is illustrated by innovative new practices between firms, suppliers, retailers and service providers. Thus, the need to optimize the management of the logistics chain has led firms to adopt various strategies involving the outsourcing of logistics functions to different kinds of logistics services providers (LSP). These new complementary activities, involving several industries, take the form of interlocking services,

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the purpose of which is to satisfy the production and/or distribution of a product. In this respect, many articles tend to present LSP in the form of taxonomies, and to highlight their evolution with the help of representative figures. However, there are doubts about the origin and credibility of these figures, because LSP are not clearly identified in the international industry classifications (SIC in the US, NACE in Europe) on which they are based.

So how can we identify the community of LSP, and 4PL in particular, as its most immaterial form? At first, we briefly review the literature on LSP classifications and their limitations when it comes to taking 4PL into account. We then propose a methodology to address this problem, which we test through an empirical study, leading us to formulate a new definition of 4PL based on their taxonomy at last.

REVIEW OF THE LITERATURE ON LSP CLASSIFICATIONS

The changes that LSP have undergone with the acceleration in the outsourcing of logistic functions cut across all the different categories, as the following literature review will show. The classification of LSP in general and 4PL in particular, is of prime importance, because the group into which a firm is categorised becomes a vector of integration and performance.

The Main Theoretical Classifications

LSPs have diverse origins, and they remain very heterogeneous because of the high level of diversification that characterizes this activity. Nevertheless, they all share the same objective: helping companies to deal with the growing complexity of logistics.

These classifications differ according to the contextual characteristics and theories on which they are based. Over the last ten years, they have become more refined in terms of the services

provided and the way they are controlled. They are representative of a series of international works on this subject by academics, which are similar to the views expressed by practitioners, such as the international observatory Oblog (2007), the Canadian industry report (Pigeon and Sibois, 2010) or the report produced for the European Commission (2001). The definitions are relatively precise for the first levels of logistics services provision, but 4PL are more problematic, and they remain rather unclear. The existing definitions mainly describe the missions of 4PL, the services they offer, and their network organization, but say nothing about their legal form, organizational structure, primary and secondary economic activities, or the size of their market. The best-known definition of 4PL, written in 1996 by the consulting arm of Arthur Andersen (now Accenture Consulting), provides a convincing illustration: “A 4PL is an integrator that assembles the resources, capabilities, and technology of its own organization and other organizations to design, build and run comprehensive supply chain solutions” (Bade and Mueller 1999 ; Stone 1999). Looking at this definition, we can understand the heart of the problem: it is impossible to identify a precise population of firms that can be characterized as 4PL. And yet, in a period of de-industrialization, it is important to be able to evaluate the emergence of new services, new job-creating sectors, and to assess the jobs created in terms of their dynamics (stable or precarious) and their distribution (skilled or unskilled).

Subsequent definitions of 4PL are very similar to the above definition from Accenture. So, for example, according to the European Commission (2001) “Integrated logistics services providers (4PL) manage a wide range of logistics services on behalf of another company, by coordinating the work of several other logistics service providers. They ensure the global management of physical and data flows. They also provide services reaching beyond the simple management of flows, going as far as audit or consulting services. They provide

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