

## B. Logistics definitions

### 3. Logistics Services / Contract logistics

#### 3.2. VALUE ADDED SERVICES

Value Added Warehousing is provided within distribution centers, mostly outbound but occasionally also inbound, between Original Equipment Manufacturer (OEM) and Distributor.

##### 3.2.1. Value Added Services

Services more related with physical activities: labeling, packaging, assembly, etc.

##### Quality control service

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**Testing and quality inspection/ Technical Inspection**

Quality control (QC) services ensure that products received from vendors into the warehouse or consolidation centers, and dispatched from it, are free from defects and in a suitable condition to meet our customers' quality requirements.

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**Regulatory Compliance**

Ensure that shipment and logistics operations comply with laws and regulations.

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**Packing and Packaging**

Packing of goods should not be confused with packaging of goods. Packing refers to how individual packages of goods are prepared for shipping. Packaging refers to how goods are packed for distribution to the consumer.

However, Packing and Packaging are often used as a synonym.

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**Packing**

Packing entails placing numerous small boxes containing different lines at the interior of an external box to protect them during the subsequent manipulation. Packing is the first link of the transportation chain and is often a key factor for success.

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**Pick/Pack**

Picking of product from inventory and packing into shipment containers. Pick/Pack service entails breaking a pallet of cases and shipping individual cases to fulfill individual orders. This can also entail picking individual items (packs or inner packs) from cases for orders and build new cartons, packs, or pallets to meet customer requirements.

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**Repacking** Refers to activities to repack and resize a product on behalf of a customer to achieve more efficient consolidation, storing, shipping and potentially re-branding, with the goal of improving quality and reducing costs.

**Co-Packing**  
(also called  
**Polybagging**  
& **Shrink**  
**Wrapping**) Packaging operation that is often performed by the Logistics Service Provider in a dedicated zone of the warehouse. It consists of wrapping together different products (for example, bundle a sample of a new product with an old product) or identical products (in the case of promotional offers, for example).

**Packaging (and Repackaging)** Goods should be packaged in a manner that facilitates consumption by end users. As an example, vegetable oil, to be consumed by an individual, may be packaged in a 1 liter container. This same product would be more efficiently packaged in a 5 liters container when targeted for family consumption.

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**Packaging desing** The process of design, evaluation, and production of packages.

#### **Labeling and Tagging**

The application of labels either to the product or its packing - including swing tags, kimball/security tags, Radio Frequency Identification (RFID) tags, price stickers and other promotional labeling - ready for retail display.

Labeling and Tagging are often used as a synonymous terms.

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**Labeling** Display of information about a product on its container, packaging, or the product itself. Labeling provides the consumer with information on the product, such as brand and price.

**Tagging/Price tagging** Label stuck to the goods in a store that includes small capable chips to keep prominent information on the product. These data are read thanks to radio frequency (RF) guns. More advanced activities involve the tagging of units using Radio Frequency Identification (RFID) for distribution or retail purposes.

**Shipping label** An identification label affixed to a container, which specifies contents of the shipping container.

**Location Tag** A bar coded sign, applied to shelves or racking, that indicates where the product is located within the warehouse. The location number can be read from the tag or scanned with an RF gun.

#### Configuration and customization

**Configuration** The arrangement of components as specified to produce an assembly. Configuration of hardware includes printers, computers, mobile telephones, internet routers and TV sets according to customer and/or country-specific requirements, including firmware flashing.

**Customization** Creating a product from existing components into an individual order.  
Synonym: Build to Order

**Assortment** Assortment allows companies to stock a variety of the same type of item and select different pieces for an assorted order. Example: Pen assortment (red, blue, green...pens).

**Bundling (and Unbundling)** A group of products that are shipped together as an unassembled unit. An occurrence where two or more products are combined into one transaction for a single price.

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#### Assembly and Kitting

**Assembly** An assembly is a product that you create as a mix of other products. The old products are removed from inventory to make the new one. Example: Stapler Assembly=1 stapler+2 boxes of staples. An assembly may be an end item or a component of a higher-level assembly.

**Assemble-to-order** A strategy employed in production and light manufacturing environments where complete Subassemblies and components are assembled into a finished product just prior to customer shipment. Synonym: **Finish to Order**

**Final Assembly** The highest level assembled product, as it is shipped to customers. This terminology is typically used when products consist of many possible features and options that may only be combined when an actual order is received. Synonym: **Assemble to Order**.

**Light Assembly** Managing activities within a warehouse on behalf of customers where final assembly activities are done closer to end customers in order to offer a more flexible and reactive supply chain with a higher level of customization.

**Kitting** A kit is a product in inventory that is stocked as several different products and pulled as the kit when it is ordered. Kitting reduces the need to maintain an inventory of pre-built completed products, but increases the time and labor consumed at shipment.

The kitting process is used where finished goods for a client are grouped, packaged and supplied together as a single unit creating a new product. For instance, adding items such as accessories and batteries into the product pack, would fall under the kitting process

**Configure/Package to Order** A process where the trigger to begin to manufacture, final assembly, or packaging of a product, is an actual customer order or release rather than a market forecast. In order to be considered a configure-to-order environment, less than 20% of the value added takes place after the receipt of the order or release, and virtually all-necessary design and process documentation is available at time of receipt of the order.

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#### 3.2.2. Others Value Added Services

More related with administrative services: Order management, Inventory management, fiscal representation, etc.

#### **Order Management**

The process of managing activities involved in customer orders, manufacturing orders, and purchase orders. For customer orders this includes order entry, picking, packing, shipping, and billing. For manufacturing it includes order release, routing, production monitoring, and receipt to inventory. For purchase orders (POs) the activities are order placement, monitoring, receiving, and acceptance.

#### **Inventory**

Components, raw materials, work in process, finished goods and supplies required for the creation of goods and services. It can also refer to the number of units and/or value of the stock of goods held by a company.

#### **Stock Keeping Unit (SKU)**

Warehousing item that is unique because of some characteristics (such as brand, size, color and model) and must be stored and accounted for separate from other items. Every SKU is assigned a unique identification number (inventory or stock number) which is often the same as, or is tied to, the item's EAN (International Article Number) or Universal Product Code (UPC).

#### **Inventory control**

Complete system of inventory that includes existence levels, reorder points, hand balance, physical description of articles and rotation, among others.

#### **Inventory Management**

The process of ensuring the availability of products through inventory administration

#### **Vendor Managed Inventory (VMI) and Co-Managed Inventory (CMI)**

Procurement management mode in which the distributor agrees to transmit warehouse issues and stock levels to the producer in real time (generally by EDI) so that the producer can make a replenishment proposal according to the rules previously established in the specifications. This proposal is considered either as firm (Vendor Managed Inventory or VMI) or submitted for validation by the distributor (Co-Managed Inventory or CMI). Its goal is to increase retail inventory turnover and reduce stock-outs.

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#### **Inventory Planning (IP)**

IP is management of inventory planning activities on behalf of a customer, to determine the right quantities and timing of inventory to meet production or sales demands, with the goal of improving efficiency and minimizing inventory holding costs.

#### **Replenishing**

Replenishing refers to relocating material from a bulk storage area to an order pick storage area, and documenting this relocation. The process entails moving or re-supplying inventory from a reserve (or upstream) storage location to a primary (or downstream) storage/picking location, or to another mode of storage in which picking is performed.

This is the movement of goods in larger order quantities, for example a whole pallet at a time, from reserve storage to order picking, to ensure that order picking locations do not become empty. Maintaining stock availability for order picking is important for achieving high levels of order fill.

#### **Fiscal Representation**

Companies that are not established in the EU and have to carry out transactions which are subject to local VAT (as import operations) are required to appoint a fiscal representative in the state in question and be registered for VAT in that state with a local VAT number.

Functions of the Fiscal Representative (FR):

The FR makes sure that you comply with the tax legislation and ensures that you fulfill your local VAT obligations.

The FR takes care of all your VAT returns including your refund claims and the Intrastats.

The FR takes care of setting up your account with the tax authorities, your VAT situation and monitoring your VAT payments.

The FR handles all your correspondence with the local tax authority including in the event of a tax audit.

If appropriate, the FR can also appoint a VAT respondent.

The FR is liable to the authority for the companies that it represents.

#### **Billing**

Process of generating an invoice to recover sales price from customer. Also called Invoicing.

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#### 3.2.3. Complex Value Added Services

It includes services packages that are a mix of basic, value added warehousing and transport services.

**Fulfillment** The act of fulfilling a customer order. Fulfillment includes order management, picking, valued added services (packing & packaging, etc.) and shipping.

**E-Fulfillment** E-Fulfillment entails technology solutions to support e-Commerce models for customers, including extensive value-added service requirements to support these types of models usually focused on business to consumers.

**Merge In Transit** This concept refers to the process of combining or "merging" shipments from multiple suppliers, which are going directly to the buyer or to the store, bypassing the seller. Effectively, merge in transit refers to a "drop shipment" from several vendors to one buyer, which is being combined at an intermediary point, prior to delivery. Some of the products will be held in inventory until all components of the order have been received and consolidated.

**Cross-Dock / Cross Docking (XD)** Cross-dock operations in a warehouse involve moving goods between different trucks to consolidate loads without intermediate storage.

A distribution system in which merchandise, received at the warehouse or distribution center, is not put away, but instead is prepared for shipment to retail stores. Cross docking requires close synchronization of all inbound and outbound shipment movements. By eliminating the put-away, storage and selection operations, it can significantly reduce distribution costs.

**Transformational Cross Docking (TXD)** TXD is a delicate logistics service with an additional charge, where shipments from multiple providers are immediately received, broken, and staged for one or multiple outbound shipments to end customers based on specified order details. It includes performing additional value added services such as repackaging, labeling, etc.

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#### **Postponement (PP)**

Postponement is a business strategy that maximizes possible benefit and minimizes risk by delaying differentiation of a product until the last possible moment. It implies the delay of final activities (i.e., assembly, packaging, etc.) until the latest possible time. As such it is a strategy used to eliminate excess inventory in the form of finished goods that may be packaged in a variety of configurations and to maximize the opportunity to provide a customized end product to the customer.

When the product differentiation operations are assigned to a Logistics Service Provider it can be called Post-Manufacturing.

#### **Technical Services**

Finished goods are customized just before they are shipped to the final address and returned goods are recovered and repaired, just after collection from the end-user.

#### **Direct Store Delivery (DSD)**

DSD is the process of shipping direct from a manufacturer's plant or distribution center to the customer's retail store, thus bypassing the customer's distribution center.  
Synonym: Direct-to-Store Delivery

#### **Consultancy**

Advise in logistics distributions issues rendered by the logistics service provider.

#### **E-commerce logistics services**

Applying logistics concepts and services to the e-commerce business.