



Fourth Party Logistics (4PL): The Strengths of a Managed Logistics Service



Consisting of an estimated 11,492 active providers, the Managed Service Provider (MSP) sector is a significant contributor to the UK economy. According to research published by the Department for Science, Innovation and Technology (DSIT), the MSP sector generated a combined annual revenue of £52.6bn from managed services activity across 2022, with a further £29.1bn added in direct Gross Value Added (GVA). [1] While the most prevalent form of MSP tends to exist within the management of IT services and systems, a whole range of managed services fall under the umbrella.

Within the logistics industry, a MSP constitutes a third-party organisation which assumes the day-to-day responsibilities and maintenance over a specific subset of tasks and functions on behalf of another organisation. While that might appear to describe the majority of service providers across the logistics industry, it's important to distinguish those organisations which assume complete accountability (in the form of strategic and managerial oversight) of the logistics function over those that provide important logistics services, as managed by a company's own internal teams. Serving as perhaps the most accurate example of an logistics MSP would be that of Fourth Party Logistics (4PL) services.



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FOURTH PARTY LOGISTICS (4PL) VS THIRD PARTY LOGISTICS (3PL)

As outlined, there is a critical distinction between the capabilities of a service provider and those of a Managed Service Provider (MSP). While Third Party Logistics (3PL) predominantly focuses on the completion of specific logistics operations, Fourth Party Logistics (4PL) delivers the strategic oversight and management of the complete logistics supply chain. In essence, while 3PL would be considered effective in outsourcing specific logistics functions, many businesses may find that these services fall short of addressing their wider operational needs. We'll take a closer look at the whys and hows of that very shortcoming.

To best frame the difference between 4PL and 3PL service providers, it's important to first note the critical infrastructural difference between the two. As a traditionally asset-based business model, 3PL providers typically own and operate a variety of logistical assets (including trucks, trailers, and warehousing facilities). Utilising their own fleet and facilities, 3PL providers boast a rich understanding of their capabilities, scheduling, and workforce to provide a reliable service backed by well-informed communication.



The strength within the model ultimately lies within the strength of the fleet, the talent, and the warehousing infrastructure that a 3PL provider can make available. That said, pre-existing infrastructure can and often does cause friction when attempting to integrate 3PL services into existing operations.





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In contrast, 4PL providers operate on an asset-light or asset-neutral approach, often maintaining little-to-no physical assets whatsoever. While certain 4PL providers will operate a small fleet for specific clients, the vast majority of work is undertaken through a network of logistics partners. In contrast to the 3PL model, this means that goods will often be handled by a multitude of different carriers, all with their own distinct composition of fleet, talent, and warehousing infrastructure. On the one hand, this does reduce familiarity with a particular carrier and their respective infrastructure. On the other hand, clients are no longer limited by the capabilities of an individual logistics partner and can instead enjoy an infinite level of scalability, depending on the scope of the 4PL network.

At this point, the strengths of a 4PL service over that of a 3PL service become quite evident. With little-to-no asset base under direct management, 4PL service providers can be vastly more flexible in the scale of service and are able to support periods of peak demand without necessarily straining client relationships during periods of reduced activity. With a far greater capacity (afforded to it by the 4PL network), availability and scheduling challenges are also no longer constraints on the organisation's ability to deliver service. This allows clients to benefit from a logistics function that is acutely tailored towards their needs and remains cost efficient regardless of scale.



Vic Faulkner, Operations Director of X2 (UK) explained:

“By working with a Fourth Party Logistics (4PL) specialist, businesses are able to overcome many of the limitations that they may experience with a particular 3PL provider. When a client comes to us with a particular requirement, we don't need to hire or acquire any new equipment to fulfil their needs, nor do we need to force clients to change their operational processes so that they align with ours. We can be as flexible as required and tailor the scale of support around a customer's present needs, whatever those may be.

“At face value, I think this can sometimes scare people though. 4PL specialists such as ourselves are able to offer such vast capabilities and agile responsiveness that, until you've experienced the service first-hand, it can look a bit too good to be true. The reality though is that we can connect clients up with a partner network of over 1000 different logistics partners, each of which we work alongside as if they were a part of our very own team. We're not offering a service that takes away the benefits of a 3PL, we're simply unlocking the potential of the supply chain.”



Further strengths of the 4PL model can also be found in its resilience towards some of the industry's foremost challenges, including both the prominence of labour shortages across the logistics industry and the need to drive carbon reductions without restricting access to growth opportunities. In both respects, 4PL specialists are able to leverage the strength of the partner network to shield clients from these challenges and allow them to focus on the provision of a strong service and the pursuit of their own commercial growth.

FOURTH PARTY LOGISTICS (4PL): MITIGATING RISK & THE IMPACT OF SEASONAL DEMAND

Aside from the day-to-day benefits, 4PL services are also highly attuned to the needs of seasonal businesses. Especially within the retail industry, seasonality is a prominent concern both in terms of fluctuating sales volumes and the balance between traditional retail and ecommerce activities. Indeed, between June 2023 and July 2023, shoppers switching to online shopping due to poor weather conditions and increased promotions led to an increase from 26% to 27.4% in online sales; furthermore, food store sales volumes reportedly fell by 2.6% in the same period [2], followed by a record drop of 3.3% in December 2023 and an immediate rebound by 3.4% as of January 2024. [3]

While seasonality is an issue at all operational levels, scaling the logistics function in response to significant monthly variation is a challenge that plagues retail businesses across: food and drink; textile, clothing, and footwear; household goods; and automotive fuel to name but a few. The most likely outcomes of an inability to scale logistical operations effectively come in the form of a bloated and inefficient logistics operation or that of a logistical operation unable to support significant peaks in market activity. Neither of these outcomes are particularly beneficial, but addressing these issues internally is far easier said than done.



So what's the answer to this problem? While we could easily state that 4PL provides the answers and hope that you heed these words, why don't we look at the activities of some of the world's leading brands to see how they've adapted and modernised their logistics supply chain with 4PL?



With reported revenues of circa \$50bn for 2023 (up from \$47bn in 2022) [4], Mars is amongst the USA's largest and most recognisable confectionery groups, including 12 brands that generate more than \$1bn dollars in annual revenue. As of 2019, the responsibility of leading the company's global digital supply chain transformation has fallen to Will Beery, Vice President and Global Chief Information Officer for Mars Wrigley, who has taken the company on a transformational journey to: improve customer service, achieve cost reductions, and improve supply chain productivity.

Embarking on a transformational digital supply chain strategy, Mars has since adopted a multi-faceted approach including emphasis on data analytics, AI, improved supply chain planning and, most importantly, the development of new 4PL partnerships which could offer the organisation cutting-edge transportation management and visibility solutions. At present, Mars is working with a range of partners to revolutionise the management of its supply chain, with 4PL serving as the infrastructural backbone through which both agility and resiliency can be assured. Notably, early reports indicate the strategy has been incredibly successful thus far, with truck utilisation rising from mid 80s to over 95%, a reported 2% improvement in customer service levels, and purportedly reduced transport costs and emissions across the operation. [5]



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Similarly, X2 (UK) has its own experience of working with organisations trying to achieve similar ambitions. This includes the likes of ADM Oils, one of the world's largest nutrition companies and a leader in both human and animal nutrition. Unlocking the power of nature and transforming crops into ingredients and solutions for foods, drink, and supplements on a global scale, ADM Oils touches millions of lives every day. As of 2022, the company reported annual revenues of \$101.55bn, making it one of the most prolific grain traders and processors in the world.

According to sources at ADM Oils, the inherent complexities of managing multiple supplier relationships was a key factor behind the relationship with X2 (UK), alongside the flexibility and scalability that a 4PL solution such as X2 (UK)'s can offer. What's more, X2 (UK) made a conscious effort to understand the innermost workings of ADM Oil's operations and tailor the logistics function around the ever-changing needs of the business. Already, the partnership has delivered in returns for ADM Oils, with the company reporting reductions across both fixed overheads and variable costs while ensuring a reliable and efficient logistics function. [6]



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Ian Cramb, Managing Director at X2 (UK) commented: “Businesses like ADM Oils are a perfect example of where Fourth Party Logistics (4PL) solutions such as ours can make a significant contribution to operational efficiencies. Especially when you are operating across multiple international markets in a business prone to seasonal variance, there’s an awful lot that can go wrong in the logistical function. And while it’s by no means impossible to integrate the strategic insight required to mitigate these risks, the practicality and cost of doing so makes us an excellent fit to provide that flexibility, reliability of service, and cost-competitiveness that businesses like ADM require.



To a degree, it boils down to knowing what your business is best at, where your expertise lies, and how best to use the resources at your fingertips. 4PL solutions offer the strategic and management expertise to handle the complete logistics supply chain. We become fully accountable for the performance of operations within the logistics function, offer complete transparency to clients, yet ultimately use our vast industry expertise to transform the complexity of supply chain management into a single point of contact: X2 (UK).”

X2 (UK) has also worked with some of the biggest retail brands in the UK, including the likes of Sainsbury’s. Similarly to ADM Oils, Sainsbury’s business was inherently exposed to seasonal variance and challenges within what is understandably a very complex supply chain. Through making available X2 (UK)’s network of over 1000 partner hauliers around the UK, Sainsbury’s were able to flex far more effectively in line with seasonal demands and provide supply chain stability through challenging times. [6]

Both within X2 (UK)’s own work and demonstrably across some of the world’s leading brands and organisations, 4PL solutions are increasingly becoming recognised for the flexibility, agility, and resiliency that they can offer. Combined with the sheer simplicity of service integration and the provision of a single point of contact, it’s of no surprise that organisations now look towards 4PL providers such as X2 (UK) to unlock their supply chain potential, mitigate cost and risk, and allow them to focus on the core commercial activities that drive growth.

Whether for ad-hoc loads or full logistics management, to see how partnering with a 4PL like X2 (UK) can benefit you – get in touch via our [Contact Form](#)

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