

QUANTUM LEAP FORWARD

Inspired by world ranked supply chain management companies, including Li and Fung of China, Arshiya International is a supply chain management company with a difference.

President Paul Bradley told the 2008 Supply Chain Business Forum that the Bombay stock exchange listed multinational is set to take India and the Middle East by storm.

The two-year old company already has a market cap exceeding USD 350 million.

Bradley, who has worked closely with Li and Fung's Dr Victor Fung, told the panel investigating new supply chain business models that he was approached by another transformational thought leader, Ajay Mittal, from one of India's top business families, to help build a new supply chain model for India. Mittal, Arshiya's Chairman and Managing Director was faced with a challenge.

"India is about to rise and the market potential in the Middle East is also growing," Bradley says. "In four and a half years, 10 per cent of consumer purchasing in India will take place in retail malls, 800 of which are currently under construction.

That will make India the fifth largest retail market globally, equating to more than USD 124 billion in consumer spending."

Rather than incrementally improving logistics in India, Bradley says he and Mittal searched the world for the most radical ideas and how they could be integrated.

As an example of the results, Bradley says Arshiya are now 'inside' four separate Indian retailers, including a major group which has outsourced its supply chain to the company.

"Our new 4PL entity is offering Indian CEOs and Presidents the opportunity to have a strike team of supply chain professionals from the Arshiya Group fully analyse their product life-cycles, and map current processes and product distribution across their networks," he says.

"After gaining full access to a company for a month, including all its costs, salaries, product, manufacturing, interest rates, logistics, forecasts, minimum order quantity - everything, we provide the ideas to completely redesign the customer's supply chain processes and practices," Bradley says. "And we do it for free."

"But if we can show that we've achieved savings and efficiencies by the end of that month, our customers agree to outsource supply chain control to

us on a long-term basis, typically 3 - 5 years."

"If we exceed certain KPIs, customers give us a special bonus each year," Bradley adds. "If we can find new ways to save money, a client will share part of it with us for the first year. This is a completely new concept for India."

"Our clients have very visionary CEOs at the helm who are embracing new approaches to achieve competitive advantage," Bradley says. "They provide us with information a traditional logistics company would never usually have access to."

"There are no hidden spreads, but we charge a management fee which is allocated against our senior management cost, where the real knowledge lies."

With the exception of a few such as Arshiya, the creation of new business models is not occurring on a very wide scale. To date, for example, the 4PL model described by Paul Bradley is still misunderstood within the Logistics industry.

These days, the term usually denotes a kind of 'super 3PL' which manages other providers and offers a wide variety of 'value add' services.

Internationally recognised supply chain expert and panel chair John Gattorna, whose initiative was behind the invitation-only Forum was one of a team from Andersen Consultants (now Accenture) that jotted down the initial 4PL idea on the back of a napkin in 1994/5.

He says it was intended to do away with inflexible contracts, replacing them with a more collaborative, equity-based relationship.

"You can't 'tender' for a 4PL according to the original concept," Gattorna emphasises. "Companies that choose to develop a 4PL based on contractual relationships find it difficult to function, because if difficulties arise, finger-pointing begins rather than focusing on getting to a solution." According to Gattorna the true 4PL, or Joint Services Company (JSC) as he prefers to call it these days, is a joint venture between a group of organisations, initiated by two or more companies as the owners and ultimately controllers of the business.

These enterprises might be competitors or have dissimilar markets, but they must have a compatible culture and vision.

These businesses form a consortium or joint venture where 3PLs continue to provide the physical assets such as warehousing and transport, but the 4PL manages them.

