

Glossary of Supply Chain Terms

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A

Accessorial Charges: A carrier's charge for accessorial services such as loading, unloading, pickup, and delivery, or any other charge deemed appropriate.

Accountability: Being answerable for, but not necessarily personally charged with, doing specific work. Accountability cannot be delegated, but it can be shared. For example, managers and executives are accountable for business performance even though they may not actually perform the work.

Accounts Payable (A/P): The value of goods and services acquired for which payment has not yet been made.

Accounts Receivable (A/R): The value of goods shipped or services rendered to a customer on whom payment has not been received. Usually includes an allowance for bad debts.

Accreditation: Certification by a recognized body of the facilities, capability, objectivity, competence, and integrity of an agency, service, operational group, or individual to provide the specific service or operation needed. For example, the Registrar Accreditation Board accredits those organizations that register companies to the ISO 9000 Series Standards.

Accuracy: In quality management, the degree of freedom from error or the degree of conformity to a standard. Accuracy is different from precision. For example, four-significant-digit numbers are less precise than six-significant-digit numbers; however, a properly computed four-significant-digit number might be more accurate than an improperly computed six-significant-digit number.

Acknowledgement: A communication by a supplier to advise a purchaser that a purchase order has been received. It usually implies acceptance of the order by the supplier.

Activity: Work performed by people, equipment, technologies, or facilities. Activities are usually described by the action-verb-adjective-noun grammar convention. Activities may occur in a linked sequence and activity-to-activity assignments may exist. (1) In activity-based cost accounting, a task or activity, performed by or at a resource, required in producing the

organization's output of goods and services. A resource may be a person, machine, or facility. Activities are grouped into pools by type of activity and allocated to products. (2) In project management, an element of work on a project. It usually has an anticipated duration, anticipated cost, and expected resource requirements. Sometimes major activity is used for larger bodies of work.

Agent: An enterprise authorized to transact business for, or in the name of, another enterprise.

Air Cargo: Freight that is moved by air transportation.

Air Cargo Agent: An agent appointed by an airline to solicit and process international airfreight shipments.

Air Cargo Containers: Containers designed to conform to the inside of an aircraft. There are many shapes and sizes of containers. Air cargo containers fall into three categories: 1) air cargo pallets 2) lower deck containers 3) box type containers.

Air Carrier: An enterprise that offers transportation service via air.

Air Waybill (AWB): A bill of lading for air transport that serves as a receipt for the shipper, indicates that the carrier has accepted the goods listed, obligates the carrier to carry the consignment to the airport of destination according to specified conditions.

Algorithm: a clearly specified mathematical process for computation; a set of rules, which, if followed, produce a prescribed result.

All-Cargo Carrier: An air carrier that transports cargo only.

Allocation: 1) A distribution of costs using calculations that may be unrelated to physical observations or direct or repeatable cause-and-effect relationships. Because of the arbitrary nature of allocations, costs based on cost causal assignment are viewed as more relevant for management decision-making. 2) Allocation of available inventory to customer and production orders.

American Trucking Association: A motor carrier industry association composed of sub-conferences representing various motor carrier industry sectors.

A/R: See *Accounts Receivable*.

Arrival Notice: A notice from the delivering carrier to the Notify Party indicating the shipment's arrival date at a specific location (normally the destination).

Assignment: A distribution of costs using causal relationships. Because cost causal relationships are viewed as more relevant for management decision making, assignment of

costs is generally preferable to allocation techniques. *Synonymous with Tracing. Contrast with Allocation*

Audit: In reference to freight bills, the term audit is used to determine the accuracy of freight bills.

Auditing: Determining the correct transportation charges due the carrier; auditing involves checking the freight bill for errors, correct rate, and weight.

B

Back Order: Product ordered but out of stock and promised to ship when the product becomes available.

Backhaul: The process of a transportation vehicle returning from the original destination point to the point of origin. The 1980 Motor Carrier Act deregulated interstate commercial trucking, thereby allowing carriers to contract for the return trip. The backhaul can be with a full, partial, or empty load. An empty backhaul is called deadheading. *Also see: Deadhead*

Backorder: (1) The act of retaining a quantity to ship against an order when other order lines have already been shipped. Backorders are usually caused by stock shortages. (2) The quantity remaining to be shipped if an initial shipment(s) has been processed. *Note:* In some cases, backorders are not allowed. This results in a lost sale when sufficient quantities are not available to completely ship an order or order line.

Bale: A large compressed, bound, and often wrapped bundle of a commodity, such as cotton or hay.

Bar Code: A symbol consisting of a series of printed bars representing values. A system of optical character reading, scanning, tracking of units by reading a series of printed bars for translation into a numeric or alphanumeric identification code. A popular example is the UPC code used on retail packaging.

Bar Code Scanner: A device to read bar codes and communicate data to computer systems.

Bar Coding: A method of encoding data for fast and accurate readability. Bar codes are a series of alternating bars and spaces printed or stamped on products, labels, or other media, representing encoded information which can be read by electronic readers called bar.

Barrier to Entry: Factors that prevent companies from entering into a particular market, such as high initial investment in equipment.

Base Currency: The currency whose value is "one" whenever a quote is made between two currencies.

Basing-Point Pricing: A pricing system that includes a transportation cost from a particular city or town in a zone or region even though the shipment does not originate at the basing point.

Benchmarking: The process of comparing performance against the practices of other leading companies for the purpose of improving performance. Companies also benchmark internally by tracking and comparing current performance with past performance.

Benefit-Cost Ratio: An analytical tool used in public planning; a ratio of total measurable benefits divided by the initial capital cost. *Also see: [Cost Benefit Analysis](#).*

Best in Class: An organization, usually within a specific industry, recognized for excellence in a specific process area.

Best Practice: A specific process or group of processes which have been recognized as the best method for conducting an action. Best practices may vary by industry or geography depending on the environment being used. Best-practices methodology may be applied with respect to resources, activities, cost object, or processes.

Bilateral Contract: An agreement where-in each party makes a promise to the other party.

Billing: A carrier terminal activity that determines the proper rate and total charges for a shipment and issues a freight bill.

Bill of Lading (BOL): A transportation document that is the contract of carriage containing the terms and conditions between the shipper and carrier.

Bill of Lading Number: The number assigned by the carrier to identify the bill of lading.

Blanket Rate: A rate that does not increase according to the distance a commodity is shipped.

Blanket Wrap: A service pioneered by the moving companies to eliminate packaging material by wrapping product in padded "blankets" to protect it during transit, usually on "air ride" vans.

BOL: See [Bill of Lading \(BOL\)](#).

Bonded: See *Bond, In.*

Bonded Warehouse: Warehouse approved by the Treasury Department and under bond/guarantee for observance of revenue laws. Used for storing goods until duty is paid or goods are released in some other proper manner.

Booking: The act of requesting space and equipment aboard a vessel for cargo which is to be transported.

Booking Number: The number assigned to a certain space reservation by the carrier or the carrier's agent.

Bottleneck: A constraint, obstacle, or planned control that limits throughput or the utilization of capacity.

Boxcar: An enclosed railcar used to transport freight

Bracing: To secure a shipment inside a carrier's vehicle to prevent damage.

Break-Bulk: The separation of a consolidated bulk load into smaller individual shipments for delivery to the ultimate consignee. The freight may be moved intact inside the trailer, or it may be interchanged and rehandled to connecting carriers.

Break Bulk Cargo: Cargo that is shipped as a unit or package (for example: palletized cargo, boxed cargo, large machinery, trucks) but is not containerized.

Broker: There are 3 definitions for the term "broker": 1) an enterprise that owns and leases equipment 2) an enterprise that arranges the buying & selling of transportation of, goods, or services 3) a ship agent who acts for the ship owner or charterer in arranging charters.

Bundle: A group of products that are shipped together as an unassembled unit.

Bundling: An occurrence where two or more products are combined into one transaction for a single price.

Business Plan: (1) A statement of long-range strategy and revenue, cost, and profit objectives usually accompanied by budgets, a projected balance sheet, and a cash flow (source and application of funds) statement. A business plan is usually stated in terms of dollars and grouped by product family. The business plan is then translated into synchronized tactical functional plans through the production planning process (or the sales and operations planning process). Although frequently stated in different terms (dollars versus units), these tactical plans should agree with each other and with the business plan. (2) A document consisting of the business details (organization, strategy, and financing tactics) prepared by an entrepreneur to plan for a new business.

Business-to-Business (B2B): As opposed to business-to-consumer (B2C). Many companies are now focusing on this strategy, and their web sites are aimed at businesses (think wholesale) and only other businesses can access or buy products on the site. Internet analysts predict this will be the biggest sector on the web.

Business-to-Consumer (B2C): The hundreds of e-commerce web sites that sell goods directly to consumers are considered B2C. This distinction is important when comparing web sites that are B2B as the entire business model, strategy, execution, and fulfillment is different.

Business Unit: A division or segment of an organization generally treated as a separate profit-and-loss center.

Buyer: An enterprise that arranges for the acquisition of goods or services and agrees to payment terms for such goods or services.

C

Calendar Days: The conversion of working days to calendar days is based on the number of regularly scheduled workdays per week in your manufacturing calendar. *Calculation:* To convert from working days to calendar days: if work week = 4 days, multiply by 1.75; = 5 days, multiply by 1.4; = 6 days, multiply by 1.17

Call Center: A facility housing personnel who respond to customer phone queries. These personnel may provide customer service or technical support. Call center services may be in house or outsourced. *Synonym: Customer Interaction Center.*

Capacity Management: The concept that capacity should be understood, defined, and measured for each level in the organization to include market segments, products, processes, activities, and resources. In each of these applications, capacity is defined in a hierarchy of idle, non-productive, and productive views.

Capacity Planning: Assuring that needed resources (e.g., manufacturing capacity, distribution center capacity, transportation vehicles, etc.) will be available at the right time and place to meet logistics and supply chain needs.

Capacity: The physical facilities, personnel, and processes available to meet the product or service needs of customers. Capacity generally refers to the maximum output or producing ability of a machine, a person, a process, a factory, a product, or a service. *Also see: Capacity Management*

Cargo: Merchandise carried by a means of transportation.

Carmack Amendment: An Interstate Commerce Act amendment that delineates the liability of common carriers and the bill of lading provisions.

Carriage: See *Transportation*.

Carrier: A firm that transports goods or people via land, sea, or air.

Carrier Assets: Items that a carrier owns (technically or outright) to facilitate the services they provide.

Carrier Liability: A common carrier is liable for all shipment loss, damage, and delay with the exception of that caused by act of God, act of a public enemy, act of a public authority, act of the shipper, and the goods' inherent nature.

Cartage: There are two definitions for this term: 1) charge for pick-up and delivery of goods 2) movement of goods locally (short distances).

Center-of-Gravity Approach: A supply chain planning methodology for locating distribution centers at approximately the location representing the minimum transportation costs between the plants, the distribution centers, and the markets.

Central Dispatching: The organization of the dispatching function into one central location. This structure often involves the use of data collection devices for communication between the centralized dispatching function which usually reports to the production control department and the shop manufacturing departments.

Certificate of Insurance: A negotiable document indicating that insurance has been secured under an open policy to cover loss or damage to a shipment while in transit.

Certificate of Origin: A document containing an affidavit to prove the origin of imported goods. Used for customs and foreign exchange purposes.

CFS: See *Container Freight Station (CFS)*.

Chargeable Weight: The shipment weight used in determining freight charges. The chargeable weight may be the dimensional weight or, for container shipments, the gross weight of the shipment less the tare weight of the container.

Chassis: A specialized framework that carries a rail or marine container

Chock: A wedge, usually made of hard rubber or steel, that is firmly placed under the wheel of a trailer, truck, or boxcar to stop it from rolling.

CIF: *See *Cost, Insurance, Freight (CIF)*

City Driver: A motor carrier driver who drives a local route as opposed to a long-distance, intercity route.

Claim: A charge made against a carrier for loss, damage, delay, or overcharge.

Class Rates: A grouping of goods or commodities under one general heading. All the items in the group make up a class. The freight rates that apply to all items in the class are called "class rates."

Classification: An alphabetical listing of commodities, the class or rating into which the commodity is placed, and the minimum weight necessary for the rate discount; used in the class rate structure.

Clearance: A document stating that a shipment is free to be imported into the country after all legal requirements have been met.

Co-Packer: A contract co-packer produces goods and/or services for other companies, usually under the other company's label or name. Co-packers are more frequently seen in consumer packaged goods and foods.

COFC: See Container on Flat Car

Collect Freight: Freight payable to the carrier at the port of discharge or ultimate destination. The consignee does not pay the freight charge if the cargo does not arrive at the destination.

Commercial Invoice: A document created by the seller. It is an official document which is used to indicate, among other things, the name and address of the buyer and seller, the product(s) being shipped, and their value for customs, insurance, or other purposes.

Commodities: Any article exchanged in trade, most commonly used to refer to raw materials and agricultural products.

Common Carrier: Transportation available to the public that does not provide special treatment to any one party and is regulated as to the rates charged, the liability assumed, and the service provided. A common carrier must obtain a certificate of public convenience and necessity from the Federal Trade Commission for interstate traffic. *Antonym: Private Carrier.*

Common Carrier Duties: Common carriers must serve, deliver, charge reasonable rates, and not discriminate.

Competitive Advantage: Value created by a company for its customers that clearly distinguishes it from the competition, provides its customers a reason to remain loyal.

Competitive Benchmarking: Benchmarking a product or service against competitors. *Also see: [Benchmarking](#).*

Competitive Bid: A price/service offering by a supplier that must compete with offerings from other suppliers.

Complete and On-Time Delivery (COTD): A measure of customer service. All items on any given order must be delivered on time for the order to be considered as complete and on time.

Compliance: Meaning that products, services, processes, and/or documents comply with requirements.

Component: Material that will contribute to a finished product but is not the finished product itself. Examples include tires for an automobile, power supply for a personal computer, or a zipper for a ski parka.

Configuration: The arrangement of components as specified to produce an assembly.

Confirmation: With regards to EDI, a formal notice (by message or code) from a electronic mailbox system or EDI server indicating that a message sent to a trading partner has reached its intended mailbox or has been retrieved by the addressee.

Conformance: An affirmative indication or judgment that a product or service has met the requirements of a relevant specification, contract, or regulation. *Synonym: Compliance.*

Consignee: The party to whom goods are shipped and delivered. The receiver of a freight shipment.

Consignment: (1) A shipment that is handled by a common carrier. (2) The process of a supplier placing goods at a customer location without receiving payment until after the goods are used or sold. *Also see: [Consignment Inventory](#).*

Consignor: The party who originates a shipment of goods (shipper). The sender of a freight shipment, usually the seller.

Consolidation: Combining two or more shipments in order to realize lower transportation rates. Inbound consolidation from vendors is called make-bulk consolidation; outbound consolidation to customers is called break-bulk consolidation.

Consolidation Point: The location where consolidation takes place.

Consolidator: An enterprise that provides services to group shipments, orders, and/or goods to facilitate movement.

Consolidator's Bill of Lading: A bill of lading issued by a consolidator as a receipt for merchandise that will be grouped with cargo obtained from other shippers. See also House Air Waybill.

Constraint: A bottleneck, obstacle, or planned control that limits throughput or the utilization of capacity.

Container: (1) A box, typically 10 to 40 feet long, which is primarily used for ocean freight shipments. For travel to and from ports, containers are loaded onto truck chassis or on railroad flatcars. (2) The packaging, such as a carton, case, box, bucket, drum, bin, bottle, bundle, or bag, that an item is packed and shipped in.

Container Chassis: A vehicle built for the purpose of transporting a container so that, when a container and chassis are assembled, the produced unit serves as a road trailer.

Container Depot: The storage area for empty containers.

Container Freight Station (CFS): The location designated by carriers for receipt of cargo to be packed into containers/equipment by the carrier. At destination, CFS is the location designated by the carrier for unpacking of cargo from equipment/containers.

Container Freight Station Charge: The charge assessed for services performed at the loading or discharge location.

Container Freight Station to Container Freight Station (CFS/CFS): A type of steamship-line service in which cargo is transported between container freight stations, where containers may be stuffed, stripped, or consolidated. Usually used for less-than-container load shipments.

Containerization: A shipment method in which commodities are placed in containers, and after initial loading, the commodities, per se, are not rehandled in shipment until they are unloaded at the destination.

Container on Flat Car (COFC): A container that is transported on a rail flatcar. It can be shipped via tractor/trailer using a chassis as the wheel section.

Container Terminal: An area designated to be used for the stowage of cargo in containers that may be accessed by truck, rail, or ocean transportation.

Container Vessel: A vessel specifically designed for the carriage of containers.

Container Yard: The location designated by the carrier for receiving, assembling, holding, storing, and delivering containers, and where containers may be picked up by shippers or redelivered by consignees.

Contract: An agreement between two or more competent persons or companies to perform or not to perform specific acts or services or to deliver merchandise. A contract may be oral or written. A purchase order, when accepted by a supplier, becomes a contract. Acceptance may be in writing or by performance, unless the purchase order requires acceptance in writing.

Contract Carrier: A for-hire carrier that does not serve the general public but serves shippers with whom the carrier has a continuing contract. The contract carrier must secure a permit to operate.

Contract of Affreightment: A contract between a cargo shipper and carrier for the transport of multiple cargoes over a period of time. Contracts are individually negotiated and usually include cargo description, quantities per shipment and in total, load and discharge ports, freight rates and duration of the contract.

Conveyance: The application used to describe the function of a vehicle of transfer.

Core Competency: Bundles of skills or knowledge sets that enable a firm to provide the greatest level of value to its customers in a way that's difficult for competitors to emulate and that provides for future growth. Core competencies are embodied in the skills of the workers and in the organization. They are developed through collective learning, communication, and commitment to work across levels and functions in the organization and with the customers and suppliers. A core competency could be the capability of a firm to coordinate and harmonize diverse production skills and multiple technologies. *To illustrate:* advanced casting processes for making steel require the integration of machine design with sophisticated sensors to track temperature and speed, and the sensors require mathematical modeling of heat transfer. For rapid and effective development of such a process, materials scientists must work closely with machine designers, software engineers, process specialists, and operating personnel. Core competencies are not directly related to the product or market.

Cost and Freight (C & F): The seller quotes a price that includes the cost of transportation to a specific point. The buyer assumes responsibility for loss and damage and pays for the insurance of the shipment.

Cost, Insurance, Freight: A freight term indicating that the seller is responsible for cost, the marine insurance, and the freight charges on an ocean shipment of goods.

Country of Origin: The country where the goods were manufactured.

Courier Service: A fast, door-to-door service for high-valued goods and documents; firms usually limit service to shipments weighing fifty pounds or less.

Crane: A materials handling device that lifts heavy items. There are two types: bridge and stacker.

Credit Level: The amount of purchasing credit a customer has available. Usually defined by the internal credit department and reduced by any existing unpaid bills or open orders.

Credit Terms: The agreement between two or more enterprises concerning the amount and timing of payment for goods or services.

Critical Differentiators: This is what makes an idea, product, service, or business model unique.

CRM: See *Customer Relationship Management (CRM)*.

Crossdock: Crossdock operations in a warehouse involve moving goods between different trucks to consolidate loads without intermediate storage.

Cross Docking: A distribution system in which merchandise received at the warehouse or distribution center is not put away, but instead is readied 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.

Cross Sell: The practice of attempting to sell additional products to a customer during a sales call. For example, when the CSR presents a camera case and accessories to a customer that is ordering a camera.

Cubage: Cubic volume of space being used or available for shipping or storage.

Cube Out: The situation when a piece of equipment has reached its volumetric capacity before reaching the permitted weight limit.

Cube Utilization: In warehousing, a measurement of the utilization of the total storage capacity of a vehicle or warehouse.

Cubic Capacity: The carrying capacity of a piece of equipment according to measurement in cubic feet.

Cubic Space: In warehousing, a measurement of space available, or required, in transportation and warehousing.

Customer: 1) In VMI, the trading partner or reseller, i.e., Wal-Mart, Safeway, or CVS. 2) In direct consumer, the end customer or user.

Customer Acquisition or Retention: The rate at which new customers are acquired, or existing customers are retained. A key selling point to potential marquis partners.

Customer Order: An order from a customer for a particular product or a number of products. It is often referred to as an actual demand to distinguish it from a forecasted demand.

Customer/Order Fulfillment Process: A series of customers' interactions with an organization through the order-filling process, including product/service design, production and delivery, and order stats reporting.

Customer Profitability: The practice of placing a value on the profit generated by business done with a particular customer.

Customer Relationship Management (CRM): This refers to information systems that help sales and marketing functions as opposed to the ERP (Enterprise Resource Planning), which is for back-end integration.

Customer Segmentation: Dividing customers into groups based on specific criteria, such as products purchased, customer geographic location, etc.

Customer Service: The series of activities involved in providing the full range of services to customers.

Customer Service Representative (CSR): An individual who provides customer support via telephone in a call-center environment.

Customs: The authorities designated to collect duties levied by a country on imports and exports.

Customs Broker: A firm that represents importers/exporters in dealings with customs. Normally responsible for obtaining and submitting all documents for clearing merchandise through customs, arranging inland transport, and paying all charges related to these functions.

Customs Clearance: The act of obtaining permission to import merchandise from another country into the importing nation.

Customs Invoice: A document that contains a declaration by the seller, the shipper, or the agent as to the value of the shipment.

CWT: The abbreviation for hundredweight, which is the equivalent of 100 pounds. *See Hundredweight.*

D

Dangerous Goods: Articles or substances capable of posing a significant risk to health, safety, or property, and that ordinarily require special attention when transported. *See also Hazardous Goods.*

Dashboard: A performance measurement tool used to capture a summary of the key performance indicators/metrics of a company. Metrics dashboards/scorecards should be easy to read and usually have red, yellow, green indicators to flag when the company is not meeting its metrics targets. Ideally, a dashboard/scoreboard should be cross functional in nature and include both financial and non-financial measures. In addition, scorecards should be reviewed regularly - at least on a monthly basis, and weekly in key functions such as manufacturing and distribution where activities are critical to the success of a company. The dashboards/scorecards philosophy can also be applied to external supply chain partners like suppliers to ensure that their objectives and practices align. *Synonym: Scorecard.*

Database: Data stored in computer-readable form, usually indexed or sorted in a logical order by which users can find a particular item of data they need.

DC: **See Distribution Center (DC)*

Deadhead: The return of an empty transportation container to its point of origin. *See Backhaul.*

Declaration of Dangerous Goods: To comply with the U.S. regulations, exporters are required to provide special notices to inland and ocean transport companies when goods are hazardous.

Declared Value for Carriage: The value of the goods, declared by the shipper on a bill of lading, for the purpose of determining a freight rate or the limit of the carrier's liability.

Delivery Appointment: The time agreed upon between two enterprises for goods or transportation equipment to arrive at a selected location.

Delivery-Duty-Paid: Supplier/manufacturer arrangement in which suppliers are responsible for the transport of the goods they've produced, which are being sent to a manufacturer. This responsibility includes tasks such as ensuring that products get through Customs.

Delivery Instructions: A document issued to a carrier to pick up goods at a location and deliver them to another location. *See also Delivery Order*

Delivery Order: A document issued by the customs broker to the ocean carrier as authority to release the cargo to the appropriate party.

Demurrage: The carrier charges and fees applied when rail freight cars and ships are retained beyond a specified loading or unloading time. *Also see: Detention, Express.*

Density: A physical characteristic measuring a commodity's mass per unit volume or pounds per cubic foot; an important factor in ratemaking, since density affects the utilization of a carrier's vehicle.

Density rate: A rate based upon the density and shipment weight.

Destination: The location designated as a receipt point for goods/shipment.

Detention: The carrier charges and fees applied when rail freight cars and ships are retained beyond a specified loading or unloading time. *Also see: Demurrage, Express.*

Dispatching: The carrier activities involved with controlling equipment; involves arranging for fuel, drivers, crews, equipment, and terminal space.

Distribution: Outbound logistics, from the end of the production line to the end user. The activities associated with the movement of material, usually finished goods or service parts, from the manufacturer to the customer. These activities encompass the functions of transportation, warehousing, inventory control, material handling, order administration, site and location analysis, industrial packaging, data processing, and the communications network necessary for effective management. It includes all activities related to physical distribution, as well as the return of goods to the manufacturer. In many cases, this movement is made through one or more levels of fieldwarehouses. *Synonym: Physical Distribution.* The systematic division of a whole into discrete parts having distinctive characteristics.

Distribution Center (DC): The warehouse facility which holds inventory from manufacturing pending distribution to the appropriate stores.

Distribution Warehouse: A finished goods warehouse from which a company assembles customer orders.

Distributor: A business that does not manufacture its own products, but purchases and resells these products. Such a business usually maintains a finished goods inventory. *Synonym: Wholesaler.*

Diversión: The process of changing the destination and/or the consignee while the shipment is enroute.

DOA: *See Dead on Arrival.*

Document: In EDI, a form, such as an invoice or purchase order, that trading partners have agreed to exchange and that the EDI software handles within its compliance-checking logic.

Documentation: The papers attached or pertaining to goods requiring transportation and/or transfer of ownership.

Door to Door: The through-transport of goods from consignor to consignee.

Door to Port: The through transport service from consignor to port of importation.

Drayage: The service offered by a motor carrier for pick-up and delivery of ocean containers or rail containers. Drayage agents usually handle full-load containers for ocean and rail carriers.

Drayage Firms: Motor carriers that provide local pickup and delivery of trailers and containers (on chassis)

Driving Time Regulations: U.S. Department of Transportation rules that limit the maximum time a driver may drive in interstate commerce; the rules prescribe both daily and weekly maximums.

Drop: A situation in which an equipment operator deposits a trailer or boxcar at a facility at which it is to be loaded or unloaded.

Drop Ship: To take the title of the products but not actually handle, stock, or deliver it, e.g., to have one supplier ship directly to another or to have a supplier ship directly to the buyer's customer.

Dunnage: The packing material used to protect a product from damage during transport.

DUNS Number: A coded, numerical representation assigned to a specific company (USA).

Duty: A tax imposed by a government on merchandise imported from another country.

E

EDI: See *Electronic Data Interchange (EDI)*.

EDI Interchange: Communication between partners in the form of a structured set of messages and service segments starting with an interchange control header and ending with an interchange control trailer. In the context of X.400 EDI messaging, the contents of the primary body of an EDI message.

EDI Standards: Criteria that define the data content and format requirements for specific business transactions (e.g., purchase orders). Using standard formats allows companies to exchange transactions with multiple trading partners more easily. *Also see: [American National Standards Institute](#).*

EDI Transmission: A functional group of one or more EDI transactions that are sent to the same location in the same transmission, and are identified by a functional group header and trailer.

EFT: *See [Electronic Funds Transfer \(EFT\)](#).*

Electronic Data Interchange (EDI): Intercompany, computer-to-computer transmission of business information in a standard format. For EDI purists, computer to computer means direct transmission from the originating application program to the receiving or processing application program. An EDI transmission consists only of business data, not any accompanying verbiage or free-form messages. Purists might also contend that a standard format is one that is approved by a national or international standards organization, as opposed to formats developed by industry groups or companies.

Electronic Funds Transfer (EFT): A computerized system that processes financial transactions and information about these transactions or performs the exchange of value. Sending payment instructions across a computer network, or the company-to-company, company-to-bank, or bank-to bank electronic exchange of value.

Electronic Mail (E-Mail): The computer-to-computer exchange of messages. E-mail is usually unstructured (free-form) rather than in a structured format. X.400 has become the standard for e-mail exchange.

E-Mail: *See [Electronic Mail](#)*

Embargo: A prohibition upon exports or imports, either with specific products or specific countries.

Enroute: A term used for goods in transit or on the way to a destination.

Equipment: The rolling stock carriers use to facilitate the transportation services that they provide, including containers, trucks, chassis, vessels, and airplanes, among others.

Equipment I.D.: An identifier assigned by the carrier to a piece of equipment. *See also [Container ID](#).*

Equipment Positioning: The process of placing equipment at a selected location.

ERP: *See [Enterprise Resource Planning System \(ERP\)](#).*

ERS: See *Evaluated Receipts Settlement (ERS)*.

ETA: The Estimated Time of Arrival.

Exception Rate: A deviation from the class rate; changes (exceptions) made to the classification.

Exclusive Use: Vehicles that a carrier assigns to a specific shipper for its exclusive use.

Exempt Carrier: A for-hire carrier that is free from economic regulation. Trucks hauling certain commodities are exempt from Interstate Commerce Commission economic regulation. By far, the largest portion of exempt carriers transports agricultural commodities or seafood.

Expediting: (1) Moving shipments through regular channels at an accelerated rate. (2) To take extraordinary action because of an increase in relative priority. *Synonym: Stock chase*

Export: To send goods and services to another country.

Ex Works: The price that the seller quotes applies only at the point of origin. The buyer takes possession of the shipment at the point of origin and bears all costs and risks associated with transporting the goods to the destination.

4PL: *See *Fourth Party Logistics (4PL)*

F

Fabricator: A manufacturer that turns the product of a raw materials supplier into a larger variety of products. A fabricator may turn steel rods into nuts, bolts, and twist drills, or may turn paper into bags and boxes.

Facilities: The physical plant, distribution centers, service centers, and related equipment.

Final Destination: The last stopping point for a shipment.

Flatbed: A flatbed, also called a haul brite, is a type of trailer on a truck that consists of a floor and no enclosure.

Flatcar: A railcar without sides, used for hauling machinery.

FOB: A term of sale defining who is to incur transportation charges for the shipment, who is to control the shipment movement, or where title to the goods passes to the buyer; originally meant "free on board ship." See *Free on Board*.

FOB Destination: Title passes at destination, and seller has total responsibility until shipment is delivered.

FOB Origin: Title passes at origin, and buyer has total responsibility over the goods while in shipment.

Forecast: An estimate of future demand. A forecast can be constructed using quantitative methods, qualitative methods, or a combination of methods, and can be based on extrinsic (external) or intrinsic (internal) factors. Various forecasting techniques attempt to predict one or more of the four components of demand: cyclical, random, seasonal, and trend.

Forecasting: Predictions of how much of a product will be purchased by customers. Relies upon both quantitative and qualitative methods. *Also see: [Forecast](#).*

For-Hire Carrier: A carrier that provides transportation service to the public on a fee basis.

Forklift Truck: A machine-powered device used to raise and lower freight and to move freight to different warehouse locations.

Fourth Party Logistics (4PL): Differs from third party logistics in the following ways: (1) 4PL organization is often a separate entity established as a joint venture or long-term contract between a primary client and one or more partners; (2) 4PL organization acts as a single interface between the client and multiple logistics service providers; (3) All aspects (ideally) of the client's supply chain are managed by the 4PL organization; (4) It is possible for a major third party logistics provider to form a 4PL organization within its existing structure (*Strategic Supply Chain Alignment*; John Gattorna).

Free on Board (FOB): Contractual terms between a buyer and a seller that define where title transfer takes place.

Free Time: The period of time allowed for the removal or accumulation of cargo before charges become applicable.

Freight: Goods being transported from one place to another.

Freight Bill: The carrier's invoice for payment of transport services rendered.

Freight-All-Kinds (FAK): An approach to rate making whereby the ante is based only upon the shipment weight and distance; widely used in TOFC service.

Freight Carriers: Companies that haul freight, also called "for-hire" carriers. Methods of transportation include trucking, railroads, airlines, and sea borne shipping.

Freight Charge: The rate established for transporting freight.

Freight Collect: The freight and charges to be paid by the consignee.

Freight Consolidation: The grouping of shipments to obtain reduced costs or improved utilization of the transportation function. Consolidation can occur by market area grouping, grouping according to scheduled deliveries, or using third party pooling services such as public warehouses and freight forwarders.

Freight Forwarder: An organization which provides logistics services as an intermediary between the shipper and the carrier, typically on international shipments. Freight forwarders provide the ability to respond quickly and efficiently to changing customer and consumer demands and international shipping (import/export) requirements.

Freight Prepaid: The freight and charges to be paid by the consignor.

Freight Quotation: A quotation from a carrier or forwarder covering the cost of transport between two specified locations.

Fronthaul: The first leg of the truck trip that involves hauling a load or several loads to targeted destinations.

FTL: See *Full Truck Load*.

Full Containerload (FCL): A term used when goods occupy a whole container.

Full Truckload (FTL): Same as Full Containerload, but in reference to motor carriage instead of containers.

G

General-Commodities Carrier: A common motor carrier that has operating authority to transport general commodities, or all commodities not listed as special commodities.

General-Merchandise Warehouse: A warehouse used to store goods that are readily handled, are packaged, and do not require a controlled environment.

Gondola: A railcar with a flat platform and sides three to five feet high, used for top loading long, heavy items.

Goods: A term associated with more than one definition: 1) Common term indicating movable property, merchandise, or wares. 2) All materials which are used to satisfy demands. 3) Whole or part of the cargo received from the shipper, including any equipment supplied by the shipper.

Gross Margin: The difference between total revenue and the cost-of-goods sold. *Synonym: Gross Profit Margin.*

Gross Weight: The total weight of the vehicle and the payload of freight or passengers.

H

Handling Costs: The cost involved in moving, transferring, preparing, and otherwise handling inventory.

Hard Copy: Computer output printed on paper.

Harmonized Commodity Description & Coding System (Harmonized Code): An international classification system that assigns identification numbers to specific products. The coding system ensures that all parties in int'l. trade use a consistent classification for the purposes of documentation, statistical control, and duty assessment.

Hazardous Goods: Articles or substances capable of posing a significant risk to health, safety, or property, and that ordinarily require special attention when transported. Also called Dangerous Goods.

Hazardous Material: A substance or material which the Department of Transportation has determined to be capable of posing a risk to health, safety, and property when stored or transported in commerce.

Hi-Low: Usually refers to a forklift truck on which the operator must stand rather than sit.

Home Page: The starting point for a web site. It's the page that's retrieved and displayed by default when a user visits a web site. The default home-page name for a server depends on the server's configuration. On many web servers, it is index.html or default.htm. Some web servers support multiple home pages.

Hopper Cars: Railcars that permit top loading and bottom unloading of bulk commodities; some hopper cars have permanent tops with hatches to provide protection against the elements.

Hub: 1) A large retailer or manufacturer having many trading partners. 2) A reference for a transportation network as a "hub and spoke" which is common in the airline and trucking industry. For example, a hub airport serves as the focal point for the origin and termination of long-distance flights where flights from outlying areas are fed into the hub airport for connecting flights. 3) A common connection point for devices in a network. 4) A web "hub" is one of the initial names for what is now known as a "portal." It came from the creative idea of

producing a web site which would contain many different "portal spots" (small boxes that looked like ads with links to different, yet related content). This content, combined with Internet technology, made the idea a milestone in the development and appearance of web sites, primarily due to the ability to display a lot of useful content and store one's preferred information on a secured server. The web term "hub" was replaced with portal.

5) An Internet web site that provides a central repository for data or a central planning capability in an industry or supply network.

Hundredweight (CWT): a pricing unit used in transportation (equal to 100 pounds).

I

Import: Movement of products from one country into another. The import of automobiles from Germany into the US is an example.

In Bond: Goods are held or transported In-Bond under customs control either until import duties or other charges are paid, or to avoid paying the duties or charges until a later date.

Inbound logistics: The management of materials from suppliers and vendors into production processes or storage facilities.

Incentive Rate: A rate that induces the shipper to ship heavier volumes per shipment.

INCOTERMS: International terms of sale developed by the International Chamber of Commerce to define sellers' and buyers' responsibilities.

Inspection Certificate: A document certifying that merchandise (such as perishable goods) was in good condition immediately prior to shipment.

Insurance: A system of protection against loss under which a number of parties agree to pay certain sums (premiums) for a guarantee that they will be compensated under certain conditions for specified loss and damage.

Insurance Certificate: A document issued to the consignee to certify that insurance is provided to cover loss of or damage to the cargo while in transit.

Interline: Two or more motor carriers working together to haul a shipment to a destination. Carriers may interchange equipment but usually they rehandle the shipment without transferring the equipment.

Intermodal Marketing Company (IMC): An intermediary that sells intermodal services to shippers.

Intermodal Transportation: Transporting freight by using two or more transportation modes, such as by truck and rail or truck and oceangoing vessel.

Interstate Commerce: The transportation of persons or property between states; in the course of the movement, the shipment crosses a state boundary.

Intrastate Commerce: The transportation of persons or property between points within a state. A shipment between two points within a state may be interstate if the shipment had a prior or subsequent move outside of the state and the shipper intended an interstate shipment at time of shipment.

Inventory: Raw materials, work in process, finished goods, and supplies required for creation of a company's goods and services. The number of units and/or value of the stock of goods held by a company.

Invoice: A detailed statement showing goods sold or shipped and amounts for each. The invoice is prepared by the seller and acts as the document that the buyer will use to make payment.

ISO 9000: A series of quality assurance standards compiled by the Geneva, Switzerland-based International Standards Organization. In the United States, ISO is represented by the American National Standards Institute based in Washington, DC.

J

Just In Time (JIT): An inventory control system that controls material flow into assembly and manufacturing plants by coordinating demand and supply to the point where desired materials arrive just in time for use. An inventory reduction strategy that feeds production lines with products delivered just in time. Developed by the auto industry, it refers to shipping goods in smaller, more frequent lots.

K

Key Performance Indicator (KPI): A measure which is of strategic importance to a company or department. For example, a supply chain flexibility metric is Supplier On-Time Delivery Performance which indicates the percentage of orders that fulfilled on or before the original requested date. *Also see: Scorecard.*

KPI: See *Key Performance Indicator.*

L

Lead Time: The total time that elapses between an order's placement and its receipt. It includes the time required for order transmittal, order processing, order preparation, and transit.

Less-Than-Containerload (LCL): A term used when goods do not completely occupy an entire container. When many shipper's goods occupy a single container, each shipper's shipment is considered to be LCL.

Less-Than-Truckload (LTL) Carriers: Trucking companies that consolidate and transport smaller (less than truckload) shipments of freight utilizing a network of terminals and relay points.

Less-Than-Truckload (LTL): Trucking companies that consolidate and transport smaller (less than truckload) shipments of freight by utilizing a network of terminals and relay points.

Line-Haul Shipment: A shipment that moves between cities and over distances more than 100 to 150 miles in length.

Line Item: A specific and unique identifier assigned to a product by the responsible enterprise.

Load Tender (Pick-Up Request): An offer of cargo for transport by a shipper. Load tender terminology is primarily used in the motor industry.

Load Tendering: The practice of providing a carrier with detailed information and negotiated pricing (the tender) prior to scheduling pickup. This practice can help assure contract compliance and facilitate automated payments (self billing).

Logbook: A daily record of the hours an interstate driver spends driving, off duty, sleeping in the berth, or on duty but not driving.

Logistics: The process of planning, implementing, and controlling procedures for the efficient and effective storage of goods, services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements. This definition includes inbound, outbound, internal, and external movements. *Also see the Council of Supply Chain Management Professional's definition of Logistics.*

LTL: See *Less-Than-Truckload Carriers (LTL)*.

LTL shipment: A less-than-truckload shipment, one weighing less than the minimum weight a company needs to use the lower truckload rate.

Lumping: When a driver assists with loading and unloading the trailer contents.

M

Machine Downtimes: Time during which a machine cannot be utilized. Machine downtimes may occur during breakdowns, maintenance, changeovers, etc.

Manufacturing Lead Time: The total time required to manufacture an item, exclusive of lower-level purchasing lead time. For make-to-order products, it's the length of time between the release of an order to the production process and shipment to the final customer. For make-to-stock products, it's the length of time between the release of an order to the production process and receipt into finished goods inventory. Included are order preparation time, queue time, set-up time, run time, move time, inspection time, and put-away time. *Synonym: Manufacturing Cycle Time.*

Market Demand: In marketing, the total demand that would exist within a defined customer group in a given geographical area during a particular time period given a known marketing program.

Materials Handling: The physical handling of products and materials between procurement and shipping.

Mileage Rate: A rate based upon the number of miles the commodity is shipped.

Minimum Weight: The shipment weight the carrier's tariff specifies as the minimum weight required to use the TL or CL rate; the rate discount volume.

Mode: *See Transportation Mode.*

Motor Carrier: An enterprise that offers service via motor carriage.

N

NAFTA: **See North American Free Trade Agreement (NAFTA)*

National Motor Freight Classification (NMFC): A tariff, which contains descriptions and classifications of commodities and rules for domestic movement by motor carriers in the US.

Negotiations: A set of discussions between two or more enterprises to determine the business relationship.

NMFC: **See National Motor Freight Classification (NMFC)*

Non-Negotiable BOL: Provides for the delivery of goods to a named enterprise and to no one else. Also known as a straight bill of lading.

Non Vessel Operating Common Carrier (NVOCC): A firm that offers the same services as an ocean carrier, but which does not own or operate a vessel. NVOCCs usually act as consolidators, accepting small shipments (LCL) and consolidating them into full container loads. They also consolidate and disperse international containers that originate at or are bound for inland ports. They then act as a shipper, tendering the containers to ocean common carriers. They are required to file tariffs with the Federal Maritime Commission and are subject to the same laws and statutes that apply to primary common carriers.

North American Free Trade Agreement (NAFTA): A free trade agreement, implemented January 1, 1994, between Canada, the United States and Mexico.

Notify Party: The name of an organization, or individual, that should be notified when a shipment reaches its destination.

NVOCC: See *Non-Vessel Operating Common Carrier*.

O

Ocean Carrier: An enterprise that offers service via ocean (water) transport.

OEM: See *Original Equipment Manufacturer (OEM)*.

Offer: See *Tender*.

On-Demand: Pertaining to work performed when demand is present. Typically used to describe products which are manufactured or assembled only when a customer order is placed.

Order: A type of request for goods or services.

Order Cycle: The time and process involved from the placement of an order to the receipt of the order.

Order Cycle Time: The time that elapses from placement of order until receipt of order. This includes time for order transmittal, processing, preparation, and shipping.

Order Entry and Scheduling: The process of receiving orders from the customer and entering them into a company's order processing system. Orders can be received through phone, fax, or electronic media. Activities may include "technically" examining orders to ensure an orderable configuration and provide accurate price, checking the customer's credit

and accepting payment (optionally), identifying and reserving inventory (both on hand and scheduled), and committing and scheduling a delivery date.

Order Fill: A measure of the number of orders processed without stockouts, or the need to back order, expressed as a percentage of all orders processed in the distribution center or warehouse.

Order Management: The planning, directing, monitoring, and controlling of the processes related to customer orders, manufacturing orders, and purchase orders. Regarding customer orders, order management includes order promising, order entry, order pick, pack and ship, billing, and reconciliation of the customer account. Regarding manufacturing orders, order management includes order release, routing, manufacture, monitoring, and receipt into stores or finished goods inventories. Regarding purchase orders, order management includes order placement, monitoring, receiving, acceptance, and payment of supplier.

Order Picking: Assembling a customer's order from items in storage.

Order Processing: Activities associated with filling customer orders.

Origin: The place where a shipment begins its movement.

Original Equipment Manufacturer (OEM): A manufacturer that buys and incorporates another supplier's products into its own products. Also, products supplied to the original equipment manufacturer or sold as part of an assembly. For example, an engine may be sold to an OEM for use as that company's power source for its generator units.

OS&D: See *Over, Short, and Damaged*.

Outbound Logistics: The process related to the movement and storage of products from the end of the production line to the end user.

Outsource: To utilize a third party provider to perform services previously performed in house. Examples include manufacturing of products and call center/customer support.

Over, Short, and damaged (OS&D): This is typically a report issued at the warehouse when goods are damaged. Used to file a claim with a carrier.

Over-the-Road: A motor carrier operation that reflects long-distance moves; the opposite of local operations.

Owner/Operator: A truck driver who owns and operates his/her tractor/trailer.

P

Packing List: A document containing information about the location of each Product ID in each package. It allows the recipient to quickly find the item he or she is looking for without a broad search of all packages. It also confirms the actual shipment of goods on a line item basis.

Pallet: The platform which cartons are stacked on and then used for shipment or movement as a group. Pallets may be made of wood or composite materials.

Pallet Wrapping Machine: A machine that wraps a pallet's contents in stretch-wrap to ensure safe shipment.

Parcel Shipment: Parcels include small packages like those typically handled by providers such as UPS and FedEx.

Payment: The transfer of money, or other agreed upon medium, for provision of goods or services.

Payment Collection: Obtaining money, or other agreed upon medium, for provision of goods or services.

Peak Demand: The time period during which customers demand the greatest quantity.

Per Diem: A payment rate one railroad makes to use another's cars.

Performance Measures: Indicators of the work performed and the results achieved in an activity, process, or organizational unit. Performance measures should be both non-financial and financial. Performance measures enable periodic comparison and benchmarking. *Also see: [Performance Measurement Program](#).*

Performance Measurement Program: A performance measurement program goes beyond just having performance metrics in place. Typical characteristics of a good performance measurement program include the following:

- * Metrics that are aligned to strategy, and linked to the shop floor or line-level workers.
- * A process and culture that drives performance and accountability to deliver performance against key performance indicators.
- * An incentive plan that is tied to performance goals, objectives, and metrics.
- * Tools/technology in place to support easy data collection and use.

Permit: A grant of authority to operate as a contract carrier.

Pick/Pack: Picking and packing immediately into shipment containers.

Picking: The operations involved in pulling products from storage areas to complete a customer order.

Pick-Up Order: A document indicating the authority to pick up cargo or equipment from a specific location.

PO: See *Purchase Order (PO)*.

POD: See *Proof of Delivery (POD)*.

Port: A harbor where ships will anchor.

Port of Entry: A port at which foreign goods are admitted into the receiving country.

Portal: A web site that serves as a starting point to other destinations or activities on the Internet. Initially thought of as a home base-type of web page, portals attempt to provide all Internet needs in one location. Portals commonly provide services such as e-mail, online chat forums, shopping, searching, content, and news feeds.

Prepaid: A freight term which indicates that charges are to be paid by the shipper. Prepaid shipping charges may be added to the customer invoice, or the cost may be bundled into the pricing for the product.

Prepaid Freight: Freight paid by the shipper to the carrier when merchandise is tendered for shipment that is not refundable if the merchandise does not arrive at the intended destination.

Private Carrier: A carrier that provides transportation service to the firm that owns or leases the vehicles and does not charge a fee. Private motor carriers may haul at a fee for wholly owned subsidiaries.

Private Trucking Fleets: Private fleets serve the needs of their owners, and do not ordinarily offer commercial trucking services to other customers. Private fleets typically perform distribution or service functions.

Procurement: The business functions of procurement planning, purchasing, inventory control, traffic, receiving, incoming inspection, and salvage operations. *Synonym: Purchasing*

Product: Something that has been or is being produced.

Pro Forma Invoice: An invoice, forwarded by the seller of goods prior to shipment, that advises the buyer of the particulars and value of the goods. Usually required by the buyer in order to obtain an import permit or letter of credit.

Pro Number: Any progressive or serialized number applied for identification of freight bills, bills of lading, etc.

Proof of Delivery (POD): Information supplied by the carrier containing the name of the person who signed for the shipment, the time and date of delivery and other shipment delivery-related information. POD is also sometimes used to refer to the process of printing materials just prior to shipment (*Print on Demand*).

Public Warehouse: The warehouse space that is rented or leased by an independent business providing a variety of services for a fee or on a contract basis.

Public Warehousing: The storage of goods by a firm that offers storage service for a fee to the public.

Purchase Order (PO): The purchaser's authorization used to formalize a purchase transaction with a supplier. The physical form or electronic transaction a buyer uses when placing an order for merchandise.

Purchasing: The functions associated with buying the goods and services the firm requires.

Q

Quality Control: The management function that attempts to ensure that the goods or services in a firm manufacturers or purchases meet the product or service specifications.

Quarantine: The setting aside of items from availability for use or sale until all required quality tests have been performed and conformance certified.

R

Receiving: The function encompassing the physical receipt of material, the inspection of the shipment for conformance with the purchase order (quantity and damage), the identification and delivery to destination, and the preparation of receiving reports.

Receiving Dock: Distribution center location where the actual physical receipt of the purchased material from the carrier occurs.

Refrigerated Carriers: Truckload carriers designed to keep perishables good refrigerated. The food industry typically uses this type of carrier.

Request for Information (RFI): A document used to solicit information about vendors, products, and services prior to a formal RFQ/RFP process.

Request for Proposal (RFP): A document which provides information concerning needs and requirements for a manufacturer. This document is created in order to solicit proposals from potential suppliers. For example, a computer manufacturer may use an RFP to solicit proposals from suppliers of third party logistics services.

Request for Quote (RFQ): A document used to solicit vendor responses when a product has been selected and price quotations are needed from several vendors.

Resellers: Organizations intermediate in manufacturing and distribution process such as wholesalers and retailers.

Reverse Logistics: A specialized segment of logistics focusing on the movement and management of products and resources after the sale and after delivery to the customer. Includes product returns for repair and/or credit.

RFP: See *Request for Proposal (RFP)*.

RFQ: See *Request for Quote (RFQ)*.

Routing or Routing Guide: (1) Process of determining how shipment will move between origin and destination. Routing information includes designation of carrier(s) involved, actual route of carrier, and estimate time en route. (2) Right of shipper to determine carriers, routes, and points for transfer shipments. (3) In manufacturing, this is the document which defines a process of steps used to manufacture and/or assemble a product.

Routing Accuracy: When specified activities conform to administrative specifications, and specified resource consumptions (both man and machine) are detailed according to administrative specifications and are within 10% of actual requirements.

S

Sales Plan: A time-phased statement of expected customer orders anticipated to be received (incoming sales, not outgoing shipment) for each major product family or item. It represents sales and marketing management's commitment to take all reasonable steps necessary to achieve this level of actual customer orders. The sales plan is a necessary input to the production planning process (or sales and operations planning process). It is expressed in units identical to those used for the production plan (as well as in sales dollars). *Also see: Sales and Operations Planning.*

Sales Planning: The process of determining the overall sales plan to best support customer needs and operations capabilities, while meeting general business objectives of profitability, productivity, competitive customer lead times, and so on, as expressed in the overall business plan. *Also see: [Sales and Operations Planning](#).*

Scorecard: A performance measurement tool used to capture a summary of the key performance indicators (KPIs)/metrics of a company. Metrics dashboards/scorecards should be easy to read and usually have red, yellow, green indicators to flag when the company is not meeting its metrics targets. Ideally, a dashboard/scorecard should be cross functional in nature and include both financial and non-financial measures. In addition, scorecards should be reviewed regularly - at least on a monthly basis and weekly in key functions, such as manufacturing and distribution where activities are critical to the success of a company. The dashboard/scorecards philosophy can also be applied to external supply chain partners like suppliers to ensure that their objectives and practices align. *Synonym: Dashboard*

Seasonality: A repetitive pattern of demand from year to year (or other repeating time interval), with some periods considerably higher than others. Seasonality explains the fluctuation in demand for various recreational products which are used during different seasons.

Service Level: A measure (usually expressed as a percentage) of satisfying demand through inventory or by the current production schedule in time to satisfy the customer's requested delivery dates and quantities.

Shipper: The party that tenders goods for transportation.

Shipping: The function that performs the tasks for the outgoing shipment of parts, components, and products. It includes packaging, marking, weighing, and loading for shipment.

Shipping Lane: A predetermined, mapped route on the ocean that commercial vessels tend to follow between ports. This helps ships avoid hazardous areas. In general transportation, the logical route between the point of shipment and the point of delivery used to analyze the volume of shipment between two points.

Shipping Manifest: A document that lists the pieces in a shipment. A manifest usually covers an entire load regardless of whether the load is to be delivered to a single destination or many destinations. Manifests usually list the items, piece count, total weight, and the destination name and address for each destination in the load.

SKU: **See [Stock-Keeping Unit \(SKU\)](#)*

SOP: *Standard Operating Procedure.*

Spot Demand: Demand with a short lead time that's difficult to estimate. Usually supply for this demand is provided at a premium price. An example of spot demand would be when there's a spiked demand for building materials as a result of a hurricane.

Staging: Pulling material for an order from inventory before the material is required. This action is often taken to identify shortages, but it can lead to increased problems in availability and inventory accuracy. *Also see: Accumulation Bin*

Statement of Work (SOW): 1) A description of products to be supplied under a contract. A good practice is for companies to have SOWs in place with their trading partners - especially for all top suppliers. 2) In project management, the first project planning document that should be prepared. It describes the purpose, history, deliverables, and measurable success indicators for a project. It captures the support required from the customer and identifies contingency plans for events that could throw the project off course. Because the project must be sold to management, staff, and review groups, the statement of work should be a persuasive document.

Stock-Keeping Unit (SKU): A category of unit with a unique combination of form, fit, and function (i.e., unique components held in stock). *To illustrate:* If two items are indistinguishable to the customer, or if any distinguishing characteristics visible to the customer are not important to the customer so that the customer believes the two items to be the same, these two items are part of the same SKU. *As a further illustration:* consider a computer company that allows customers to configure a complete computer from a selection of standard components. For example, they can choose from three keyboards, three monitors, and three CPUs. Customers may also individually buy keyboards, monitors, and CPUs. If the stock were held at the configuration component level, the company would have nine SKUs. If the company stocks at the component level, the company would have 36 SKUs. (9 component SKUs + $3 \times 3 \times 3$ configured product SKUs.) If, as part of a promotional campaign, the company also specially packaged the products, the company would have a total of 72 SKUs.

Straight Truck: Straight trucks do not have a separate tractor and trailer. The driving compartment, engine and trailer are one unit.

Subcontracting: Sending production work outside to another manufacturer. This can involve specialized operations such as plating metals or complete functional operations. *Also see: Outsource.*

Subhauler: A subhauler drives a tractor under contract for a company. Usually a subhauler is an owner/operator or a small company.

Supplier:

- 1) A provider of goods or services. *Also see: Vendor.*
- 2) A seller with whom the buyer does business, as opposed to vendor, which is a generic term referring to all sellers in the marketplace.

Supply Chain: (1) Starting with unprocessed raw materials and ending with the final customer using the finished goods, the supply chain links many companies together. (2) The material and informational interchanges in the logistical process, stretching from acquisition of raw materials to delivery of finished products to the end user. All vendors, service providers, and customers are links in the supply chain.

Supply Chain Management (SCM): Supply chain management encompasses the planning and management of all activities involved in sourcing and procurement, conversion, and all logistics management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third party service providers, and customers. In essence, supply chain management integrates supply and demand management within and across companies. Supply chain management is an integrating function with primary responsibility for linking major business functions and business processes within and across companies into a cohesive, high-performing business model. It includes all of the logistics management activities noted above, as well as manufacturing operations, and it drives coordination of processes and activities with and across marketing, sales, product design, finance, and information technology. — *as defined by the Council of Supply Chain Management Professionals (CSCMP)*

Supply Chain Network Design Systems: The systems employed in optimizing the relationships among the various elements of the supply chain manufacturing plants, distribution centers, points of sale, as well as raw materials, relationships among product families, and other factors to synchronize supply chains at a strategic level.

24/7/365: Referring to operations that are conducted 24 hours a day, 7 days a week, 365 days per year, with no breaks for holidays, etc.

24/7: Referring to operations that are conducted 24 hours a day, 7 days a week.

3PL: *See Third Party Logistics (3PL)

T

Tare Weight: The weight of a substance obtained by deducting the weight of the empty container from the gross weight of the full container.

Target Costing: A target cost is calculated by subtracting the desired profit margin from an estimated or market-based price to arrive at a desired production, engineering, or marketing cost. This may not be the initial production cost, but one expected to be achieved during the mature production stage. Target costing is a method used in the analysis of product design that involves estimating a target cost, then designing the product/service to meet that cost.

Tariff: A tax assessed by a government on goods entering or leaving a country. The term is also used in transportation in reference to the fees and rules applied by a carrier for its services.

Tender: The document which describes a business transaction to be performed.

Terms and Conditions (T's & C's): All the provisions and agreements of a contract.

Third Party Logistics: Outsourcing all or much of a company's logistics operations to a specialized company.

Third Party Logistics Provider (3PL): A firm which provides multiple logistics services for use by customers. Preferably, these services are integrated or bundled together, by the provider. These firms facilitate the movement of parts and materials from suppliers to manufacturers, and finished products from manufacturers, and finished products from manufacturers to distributors and retailers. Among the services they provide are transportation, warehousing, cross docking, inventory management, packaging, and freight forwarding.

Third Party Warehousing: The outsourcing of the warehousing function by the seller of the goods.

TL: *See *Truckload Carriers (TL)*

TMS: See *Transportation Management System*

TOFC: *See *Trailer on a Flat Car, Piggyback (TOFC)*

Total Annual Sales: Total Annual Sales are Total Product Revenue plus post-delivery revenues (e.g., maintenance and repair or equipment, system integration) royalties, sales of other services, spare parts revenue, and rental/lease revenues.

Total Cost Analysis: A decision-making approach that considers minimization of total costs and recognizes the inter-relationship among system variables, such as transportation, warehousing, inventory, and customer service.

Tractor: The tractor is the driver compartment and engine of the truck. It has two or three axles.

Tracking and Tracing: Monitoring and recording shipment movements from origin to destination.

Traffic: A department or function charged with the responsibility of arranging the most economic classification and method of shipment for both incoming and outgoing materials and products.

Traffic Management: The management and controlling of transportation modes, carriers, and services.

Trailer: The part of the truck that carries the goods.

Trailer Drops: When a driver drops off a full truck at a warehouse and picks up an empty one.

Trailer on a Flat Car (TOFC): A specialized form of containerization in which motor and rail transport coordinate. *Synonym: Piggyback.*

Transaction: A single completed transmission, e.g., transmission of an invoice over an EDI network. Analogous to usage of the term in data processing in which a transaction can be an inquiry or a range of updates and trading transactions. The definition is important for EDI service operators who must interpret invoices and other documents.

Transit Time: The total time that elapses between a shipment's pickup and delivery.

Transportation Management System: A computer system designed to provide optimized transportation management in various modes along with associated activities, including managing shipping units, labor planning and building, shipment scheduling through inbound, outbound, intra-company shipments, documentation management (especially when international shipping is involved), and third party logistics management.

Transportation Mode: The method of transportation: land, sea, or air shipment.

Transportation Planning: The process of defining an integrated supply chain transportation plan and maintaining the information which characterizes total supply chain transportation requirements, and the management of transporters, both inter- and intra-company.

Truckload Carriers (TL): Trucking companies which move full truckloads of freight directly from the point of origin to destination.

Truckload Lot: A truck shipment that qualifies for a lower freight rate because it meets a minimum weight and/or volume.

U

Upsell: The practice of attempting to sell a higher-value product to the customer.

V

Value Added: Increased or improved value, worth, functionality, or usefulness.

Value Proposition: What the hub offers to members. To be truly effective, the value proposition has to be two-sided - a benefit to both buyers and sellers.

Vendor: The manufacturer or distributor of an item or product line. *Also see: [Supplier](#).*

Visibility: The ability to access or view pertinent data or information as it relates to logistics and the supply chain, regardless of the point in the chain where the data exists.

W

Warehouse: Storage place for products. Principal warehouse activities include receipt of product, storage, shipment, and order picking.

Warehousing: The storage (holding) of goods.

Warehouse Management System (WMS): The systems used in effectively managing warehouse business processes and direct warehouse activities, including receiving, putaway, picking, shipping, and inventory cycle counts. Also includes support of radio frequency communications, allowing real-time data transfer between the system and warehouse personnel. they also maximize space and minimize material handling by automating putaway processes.

Waybill: Document containing description of goods that are part of common carrier freight shipment. Shows origin, destination, consignee/consignor, and amount charged. Copies travel with goods and are retained by originating/delivering agents. Used by carrier for internal record and control, especially during transit. Not a transportation contract.

Web: A computer term used to describe the global Internet. *Synonym: World Wide Web*

Web Browser: A client application that fetches and displays web pages and other World Wide Web resources to the user.

Web Services: A computer term for information processing services that are delivered by third parties using Internet Portals. Standardized technology communications protocols;

network services a collections of communication formats or endpoints capable of exchanging messages.

Web Site: A location on the Internet.

Weight Break: The shipment volume at which the LTL charges equal the TL charges at the minimum weight.

Weight Confirmation: The practice of confirming or validating receipts or shipments based on the weight.

Weight-Point Plan: A supplier selection and rating approach that uses the input gathered in the categorical plan approach and assigns weights to each evaluation category. A weighted sum for each supplier is obtained and a comparison made. The weights used should sum to 100% for all categories. *Also see: Categorical Plan.*

Wholesaler: *See Distributor.*

World Wide Web (WWW): A "multi-media hyper-linked database that spans the globe" providing information on desktop and handheld computers and other devices such as web compliant phones and televisions. Unlike earlier Internet services, the "web" provides more than just text combining text, pictures, sounds, and even animation in a graphical user interface for ease of navigation.

X

Y

Z

Zone Price: The constant price of a product at all geographic locations within a zone.