

# SUPPLY CHAIN VISIONS LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*



**ABC:** *See Activity Based Costing*

**ABC Classification:** Classification of a group of items in decreasing order of annual dollar volume or other criteria. This array is then split into three classes called A, B, and C. The A group represents 10 – 20% by number of items and 50 – 70% by projected dollar volume. The next grouping, B, represents about 20% of the items and about 20% of the dollar volume. The C class contains 60 – 70% of the items and represents about 10 – 30% of the dollar volume.

**ABM:** *See Activity Based Management*

**ACH:** *See Automated Clearinghouse*

**Activity Based Costing (ABC):** An accounting system that attributes costs to activities, objects and processes to support accurate product and process costing. The methodology for accounting also measures the cost and performance of specific activities performed in an organization.

**Activity-Based Management (ABM):** The application of activity-based costing to improve business performance.

**Actual to Theoretical Cycle Time:** The ratio of the measured time required to produce a given output divided by the sum of the time required to produce a given output based on the rated efficiency of the machinery and labor operations.

**Advanced Shipment Notice (ASN):** Detailed shipment information transmitted to a customer or consignee in advance of delivery, designating the contents and nature of the shipment. May also include expected time of arrival.

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

**Animated GIF:** A file containing a series of GIF (Graphics Interchange Format) images that are displayed in rapid sequence by some Web browsers, giving an animated effect. See also GIF.

Definitions compiled by:  
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**ANSI:** American National Standards Institute. A non-profit organization chartered to develop, maintain, and promulgate voluntary U.S. national standards in a number of areas, especially with regards to setting EDI standards. ANSI is the U.S. representative to the International Standards Organization (ISO).

**ANSI ASC X12:** American National Standards Institute Accredited Standards Committee X12. The committee of ANSI that is chartered with setting EDI standards.

**ANSI Standard:** A published transaction set approved by ANSI. The standards are reviewed every six months.

**Application Service Provider (ASP):** A company that offers access over the Internet to application (examples of applications include word processors, database programs, Web browsers, development tools, communication programs) and related services that would otherwise have to be located in their own computers. Sometimes referred to as "apps-on-tap", ASP services are expected to become an important alternative, especially for smaller companies with low budgets for information technology. The purpose is to try to reduce a company's burden by installing, managing, and maintaining software.

**Application-to-Application:** The direct interchange of data between computers, without re-keying.

**ASC:** Accredited Standards Committee of ANSI. The committee develops and maintains U.S. generic standards (X12) for Electronic Data Interchange.

**ASC X12:** Accredited Standards Committee X12. A committee of ANSI chartered in 1979 to develop uniform standards for the electronic interchange of business documents.

**ASCII:** American Standard Code for Information Interchange; ASCII format - simple text based data with no formatting. The standard code for information exchange among data processing systems. Uses a coded character set consisting of 7-bit coded characters (8 bits including parity check).

**ASN:** *See Advanced Shipping Notice.*

**ASP:** *See Application Service Provider*

**Assumed Receipt:** The principle of assuming that the contents of a shipping or delivery note are correct. Shipping and receiving personnel do not check the delivery quantity. Used in conjunction with bar codes and an EDI-delivered ASN to eliminate invoices.

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**ATP:** *See Available to Promise*

**ATS:** *See Available to Sell*

**Audit Trail:** Manual or computerized tracing of the transactions affecting the contents or origin of a record.

**Auditability:** A characteristic of modern information systems, gauged by the ease with which data can be substantiated by tracing it to source documents and the extent to which auditors can rely on pre-verified and monitored control processes.

**Authentication:** **1.** The process of verifying the eligibility of a device, originator, or individual to access specific categories of information or to enter specific areas of a facility. This process involves matching machine-readable code with a predetermined list of authorized end users. **2.** A practice of establishing the validity of a transmission, message, device, or originator, which was designed to provide protection against fraudulent transmissions.

**Authentication Key:** A short string of characters used to authenticate transactions between trading partners.

**Automated Clearinghouse (ACH):** Automated Clearinghouse. A nationwide electronic payments system, which more than 15,000 financial institutions use, on behalf of 100,000 corporations and millions of consumer in the U.S. The funds transfer system of choice among businesses that make electronic payments to vendors, it is economical and can carry remittance information in standardized, computer processable data formats.

**Available to Promise (ATP):** The uncommitted portion of a company's inventory and planned purchases or production as of a specific date. Commitments include existing customer orders and production orders which reduce availability. The goal of ATP is to determine if a commitment can be made to a new customer order.

**Available To Sell (ATS):** Total quantity of goods committed to the pipeline for a ship to or selling location. This includes the current inventory at a location and any open purchase orders. **ATS** is the quantity compared to the Goal and ROP to determine the replenishment need.

**Average Annual Production Materials Related A/P (Accounts Payable):** The value of direct materials acquired in that year for which payment has not yet been made. Production-related materials are those items classified as material purchases and included in the Cost of Goods Sold (COGS) as raw material purchases. Calculate using the 5-Point Annual Average.

**Average Inventory:** The average inventory level over a period of time.

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**Average Payment Period (for materials):** The average time from receipt of production-related materials and payment for those materials. Production-related materials are those items classified as material purchases and included in the Cost of Goods Sold (COGS) as raw material purchases. (An element of Cash-to-Cash Cycle Time) Calculation: [Five point annual average production-related material accounts payable] / [Annual production-related material receipts/365]



**B2B:** *See Business to Business*

**B2C:** *See Business to Consumer*

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

**Backflush:** The deduction from inventory record of the component parts used in an assembly or subassembly by exploding the bill of materials by the production count of assemblies produced.

**Backhaul:** The return movement of a vehicle from its original destination to its original point of origin, especially when carrying goods back over all or part of the same route.

**Backlog Customer:** Customer orders received but not yet shipped; also includes backorders and future orders.

**Balance To Ship (BTS):** Balance or remaining quantity of a promotion or order that has yet to ship (backorder).

**Balanced Scorecard:** A structured measurement system based on a mix of financial and non financial measures of business performance

**Bar Code:** A symbol consisting of a series of printed bars representing values. A system of optical character reading, scanning, and tracking of units by reading a series of printed bars for translation into a numeric or alphanumeric identification code.

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**Batch Control Totals:** The result of grouping transactions at the input stage and establishing control totals over them to ensure proper processing. These control totals can be based on document counts, record counts, quantity totals, dollar totals, or hash (mixed data, such as customer AR numbers) totals.

**Batch Processing:** The processing of computer information after it has been accumulated in one group, or batch.

**Baud:** A rate of transmission over a channel or circuit. The baud rate is equal to the number of pulses that can be transmitted in one second, often the same as the number of bits per second. Common rates are now 1200, 2400, 4800, 9600 bits and 19.2 and 56 kilobytes.

**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.

**Best Practice:** State-of-industry performance or application.

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

**Bill of Material:** A structured list of all the materials or parts and quantities needed to produce a particular finished product, assembly, subassembly, manufactured part, whether purchased or not.

**Bill of Material Accuracy:** Conformity of a list of specified items to administrative specifications, with all quantities correct

**Binary:** A system of numerical notation that assumes only two possible states or values, zero (0) and one (1).

**Bisynchronous:** A communication protocol whereby messages are sent as blocks of characters. The blocks of data are checked for completeness and accuracy by the receiving computer.

**Bleeding edge:** A maneuver so far ahead of its time that it may create a competitive disadvantage.

**BMP:** The standard bitmap image format on Windows-compatible computers. Bitmap images can be saved for Windows or OS/2 systems and support 24-bit color.

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**Bookings:** The sum of the value of all orders received (but not necessarily shipped), net of all discounts, coupons, allowances, and rebates.

**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.

**BPR:** *See Business Process Reengineering*

**Breadman:** A specific application of Kanban, used in coordinating vendor replenishment activities. In making bread or other route type deliveries, the deliveryman typically arrives at the customer's location and fills a designated container or storage location with product. The size of the order is not specified on an ongoing basis, nor does the customer even specify requirements for each individual delivery. Instead, the supplier assumes the responsibility for quantifying the need against a prearranged set of rules and delivers the requisite quantity.

**Break-Bulk:** The separation of a single consolidated bulk load into smaller individual shipments for delivery to the ultimate consignees.

**Bricks and Mortar:** Flip side of clicks and mortar. Old economy versus new economy. Industrial economy versus information economy.

**Broadband:** A high-speed, high-capacity transmission channel. Broadband channels are carried on coaxial or fiber-optic cables that have a wider bandwidth than conventional telephone lines, giving them the ability to carry video, voice, and data simultaneously.

**Brokered Systems:** Independent computer systems, owned by independent organizations or entities, linked in a manner to allow one system to retrieve information from another. For example, a customer's computer system is able to retrieve order status from a supplier's computer.

**Browser:** A utility that allows an internet user to look through collections of things. For example, Netscape Navigator and Microsoft Explorer allow you to view contents on the World Wide Web.

**BTS:** *See Balance to Ship*

**Bulletin Board:** An electronic forum that hosts posted messages and articles related to a common subject.

**Burn Rate:** How quickly monies go out the door.

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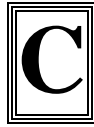
**Business Application:** Any computer program, set of programs, or package of programs created to solve a particular business problem or function.

**Business Process Reengineering (BPR):** The fundamental rethinking and radical redesign of business processes to achieve dramatic organizational improvements.

**Business-to-Business (B2B):** As opposed to business-to-consumer (B2C). Many companies are now focusing on this strategy, and their 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 Websites that are B2B as the entire business model, strategy, execution, and fulfillment is different.

**Byte:** A string of 7 or 8 bits, or binary digits. The length of the string determines the amount of data that can be represented. The 8-bit byte can represent numerous special characters, 26 uppercase and lowercase alphabetic characters, and 10 numeric digits, totaling 256 possible combinations.



**CAE:** *See Computer Aided Engineering*

**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

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

**Capable To Promise (CTP):** Component availability throughout the supply chain, as well as available materials, is checked to determine if delivery of a particular product can be made by a specific date

**Carrier:** A firm, which transports goods or people.

**Case Code:** The UPC number for the case of product, different from the item UPC code.

**Cash-to-Cash Cycle Time:** The time it takes for cash to flow back into a company after it has been spent for raw materials.

*Calculation:* Total Inventory Days of Supply + Days of Sales Outstanding - Average Payment Period for Material

**Catalog Channel:** A call center or order processing facility that receives orders directly from the customer based on defined catalog offerings and ships directly to the customer; order information in this channel may be transmitted by electronic means. These means may include EDI, brokered systems, or linked electronic systems. Please refer to the definitions of EDI, brokered systems, and linked electronic systems.

**Category Management:** The management of product categories as strategic business units. The practice empowers a category manager with full responsibility for the assortment decisions, inventory levels, shelf-space allocation, promotions and buying. With this authority and responsibility, the category manager is able to judge more accurately the consumer buying patterns, product sales and market trends of that category.

**Cause and Effect Diagram:** A structured process used to organize ideas into logical groupings. Used in brainstorming and problem solving exercises. Also known as Ishikawa or fish bone diagram

**CFD:** *See Continuous Flow Distribution*

**Challenge and Response:** A method of user authentication. The user enters an ID and password and, in return, is issued a challenge by the system. The system compares the user's response to the challenge to a computed response. If the responses match, the user is allowed access to the system. The system issues a different challenge each time. In effect, it requires a new password for each logon.

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**Changeover:** Process of making necessary adjustments to change or switchover the type of products produced on a manufacturing line.

**Channel:** 1) A method whereby a business dispenses its product, such as a retail or distribution channel, call center or web based electronic storefront. 2) A push technology that allows users to subscribe to a website to browse offline, automatically display updated pages on their screen savers, and download or receive notifications when pages in the website are modified. Channels are available only in browsers that support channel definitions, such as Microsoft Internet Explorer version 4.0

**Channel Conflict:** This occurs when a company's old economy supply chain competes with its new economy supply chains.

**Channel Partners:** Members of a supply chain (i.e. suppliers, manufacturers, distributors, retailers, etc.) who work in conjunction with one another to manufacture, distribute, and sell a specific product.

**CI:** *See Continuous Improvement*

**Clearinghouse:** A conventional or limited purpose entity generally restricted to providing specialized services, such as clearing funds or settling accounts.

**Click-and-Mortar:** With reference to a traditional brick-and-mortar company that has expanded its presence online. Many brick-and-mortar stores are now trying to establish an online presence but often have a difficult time doing so for many reasons. Click-and-mortar is "the successful combination of online and real world experience."

**Clip Art:** A collection of icons, buttons, and other useful image files, along with sound and video files that can be inserted into documents/web pages.

**Clipboard:** A temporary storage area on a computer for cut or copied items.

**CLM:** *See Council of Logistics Management*

**CMI:** Co-Managed Inventory.

**Code:** A numeric, or alphanumeric, representation of text for exchanging commonly used information.

**Codifying:** The process of detailing a new standard.

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**COGS:** *See Cost of Goods Sold*

**Collaborative Planning, Forecasting and Replenishment (CPFR):** An initiative that enables companies along a supply chain to work together, communicating via the internet, to develop a single, more accurate demand forecast and to create a plan for delivering product to meet that demand.

**Common Carrier:** A for-hire carrier that holds itself out to transport goods and serve the general public at reasonable rates and without discrimination.

**Communication Protocol:** The method by which two computers coordinate their communications. BISYNC and MNP are two examples.

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

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

**Complete & On Time Delivery:** 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.

**Complete Manufacture to Ship Time:** Average time from when a unit is declared shippable by manufacturing until the unit actually ships to a customer.

**Compliance Checking:** The function of EDI processing software that ensures that all transmissions contain the mandatory information demanded by the EDI standard. Compares information sent by an EDI user against EDI standards and reports exceptions. Does not ensure that documents are complete and fully accurate, but does reject transmissions with missing data elements or syntax errors.

**Compliance Monitoring:** A check done by the VAN/third party network or the translation software to ensure the data being exchanged is in the correct format for the standard being used.

**Compliance Program:** A method by which two or more EDI trading partners periodically report conformity to agreed upon standards of control and audit. Management produces statements of compliance, which briefly note any exceptions, as well as corrective action planned or taken, in accordance with operating rules. Auditors produce an independent and objective statement of opinion on management statements.

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

**Computer Aided Engineering:** The use of computers to model design options to stimulate their performance

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

**Confirmation:** 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 been retrieved by the addressee.

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

**Consignment Inventory:** 1) Goods or product that are paid for when they are sold by the reseller, not at the time they are shipped to the reseller. 2) Goods or product that are owned by the vendor until they are sold to the consumer.

**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.

**Consumer-Centric Database:** Database with information about a retailer's individual consumers, used primarily for marketing and promotion.

**Container:** 1) A "box", typically ten to forty feet long, which is used primarily 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.

**Continuous flow distribution (CFD):** The streamlined pull of products in response to customer requirements while minimizing the total costs of distribution.

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**Continuous Improvement:** A structured measurement driven process that continually reviews and improves performance.

**Continuous Replenishment:** Continuous Replenishment is the practice of partnering between distribution channel members that changes the traditional replenishment process from distributor-generated purchase orders, based on economic order quantities, to the replenishment of products based on actual and forecasted product demand.

**Continuous Replenishment Planning (CRP):** A program that triggers the manufacturing and movement of product through the supply chain when the identical product is purchased by an end user.

**Cookie:** A piece of information from your computer that references what the user has clicked on, or references information that is stored in a text file on the user's hard drive (such as a username). Another way to describe cookies is to say they are tiny files containing information about individual computers that can be used by advertisers to track online interests and tastes. Cookies are also used in the process of purchasing items on the Web. It is because of the cookie that the "shopping cart" technology works. By saving in a text file, the name, and other important information about an item a user "clicks" on as they move through a shopping Website, a user can later go to an order form, and see all the items they selected, ready for quick and easy processing.

**Core Competency:** One of a company's primary functions, which is considered essential to its success.

**Cost of Capital:** The cost to borrow or invest capital.

**Cost of Goods Sold (COGS) :** The amount of direct materials, direct labor, and allocated overhead associated with products sold during a given period of time, determined in accordance with Generally Accepted Accounting Principles (GAAP).

**COTD:** *See Complete & On Time Delivery*

**Council of Logistics Management (CLM):** The Council of Logistics Management is the preeminent worldwide professional association of logistics personnel. The mission of the Council of Logistics Management is to lead the evolving logistics profession by developing, advancing, and disseminating logistics knowledge.

**CPFR:** *See Collaborative Planning, Forecasting and Replenishment*

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

**Critical Success Factor:** Those activities and process that must be done to enable the company to reach its goals.

**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.

**CRM:** *See Customer Relationship Management*

**CRP:** *See Continuous Replenishment Program*

**CSF:** *See Critical Success Factor*

**CTP:** *See Capacity to Promise*

**Cumulative Source/Make Cycle Time** The cumulative internal and external lead time to manufacture shippable product, assuming that there is no inventory on-hand, no materials or parts on order, and no prior forecasts existing with suppliers. (An element of Total Supply Chain Response Time)

**Calculation:** The critical path along the following elements: Total Sourcing Lead Time, Manufacturing Order Release to Start Manufacturing, Total Manufacture Cycle Time (Make-to-Order, Engineer-to-Order, Configure/Package-to-Order) or Manufacture Cycle Time (Make-to-Stock), Complete Manufacture to Ship Time

**Note:** Determined separately for Make-to-Order, Configure/Package-to-Order, Engineer-to-Order, and Make-to-Stock products

**Customer:** 1) In VMI, the Trading Partner or reseller, i.e. Wal-Mart, Foodlion, or CVS. 2) The Retailer, Grocer, or Chain.

**Customer Acquisition or Retention:** Key selling point to potential marquis partners.

**Customer driven:** the end user, or customer, motivates what is produced or how it is delivered.

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**Customer Receipt of Order to Installation Complete:** Average lead-time from receipt of goods at the customer to the time when installation (if applicable) is complete, including the following sub-elements: time to get product up and running, and product acceptance by customer. (An element of Order Fulfillment Lead Time)

*Note:* Determined separately for Make-to-Order, Configure/Package-to-Order, Engineer-to-Order, and Make-to-Stock products.

**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.

**Customs House Broker:** A business firm that oversees the movement of international shipments through customs and ensures that the documentation accompanying a shipment is complete and accurate.

**Cycle Time:** The amount of time it takes to complete a business process.

**Cycle Time to Process Excess Product Returns for Resale:** The total time to process goods returned as Excess by customer or distribution centers, in preparation for resale. This cycle time includes the time a Return Product Authorization (RPA) is created to the time the RPA is approved, from Product Available for Pick-up to Product Received and from Product Receipt to Product Available for use.

**Cycle Time to Process Obsolete & End of Life Product Returns for Disposal:** The total time to process goods returned as Obsolete & End of Life to actual Disposal. This cycle time includes the time a Return Product Authorization (RPA) is created to the time the RPA is approved, from Product Available for Pick-up to Product Received and from Product Receipt to Product Disposal/Recycle.

**Cycle Time to Repair or Refurbish Returns for Use:** The total time to process goods returned for repair or refurbishing. This cycle time includes the time a Return Product Authorization (RPA) is created to the time the RPA is approved, from Product Available for Pick-up to Product Received, from Product Receipt to Product Repair/Refurbish begin, and from Product Repair/Refurbish begin to Product Available for use.

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**Data Communications:** The electronic transmission of data, usually in computer readable form, using a variety of transmission vehicles and paths.

**Data Dictionary:** Lists the elements for which standards exist. The Joint Electronic Document Interchange (JEDI) committee developed a data dictionary that is employed by many EDI users.

**Data Interchange Standards Association (DISA):** The secretariat, which provides clerical and administrative support to the ASC X12 Committee

**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.

**Days of Supply:** Measure of quantity of inventory-on-hand, in relation to number of days usage which will be covered.

**Days Sales Outstanding:** Measurement of the average collection period (time from invoicing to cash receipt).

*Calculation:* [5 Point Annual Gross Accounts Receivables] / [Total Annual Sales / 365]

**Decision Support System (DSS):** Software that speeds access and simplifies data analysis, queries, etc. within a database management system.

**Dedicated Contract Carriage:** A third-party service that dedicates equipment (vehicles) and drivers to a single customer for its exclusive use on a contractual basis.

**Delimiters:** 1) ASCII, characters which are used to separate data elements within a data stream.  
2) EDI, two levels of separators and a terminator that are integrals part of a transferred data stream. Delimiters are specified in the interchange header. From highest to lowest level, the separators and terminator are segment terminator, data element separator, and component element separator (used only in EDIFACT).

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

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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

Updated October 1<sup>st</sup>, 2002

**Delivery Performance to Commit Date:** The percentage of orders that are fulfilled on or before the internal Commit date, used as a measure of internal scheduling systems effectiveness. Delivery measurements are based on the date a complete order is shipped or the ship-to date of a complete order. A complete order has all items on the order delivered in the quantities requested. An order must be complete to be considered fulfilled. Multiple line items on a single order with different planned delivery dates constitute multiple orders, and multiple planned delivery dates on a single line item also constitute multiple orders.

**Calculation:** [Total number of orders delivered in full and on time to the scheduled commit date] / [Total number of orders delivered]

**Delivery Performance to Request Date:** The percentage of orders that are fulfilled on or before the customer's requested date used as a measure of responsiveness to market demand. Delivery measurements are based on the date a complete order is shipped or the ship-to date of a complete order. A complete order has all items on the order delivered in the quantities requested. An order must be complete to be considered fulfilled. Multiple line items on a single order with different planned delivery dates constitute multiple orders, and multiple planned delivery dates on a single line item also constitute multiple orders.

**Calculation:** [Total number of orders delivered in full and on time to the customer's request date] / [Total number of orders delivered]

**Demand Chain:** Another name for the supply chain, with emphasis on customer or end-user demand pulling materials and product through the chain.

**Demand Chain Management:** Same as supply chain management, but with emphasis on consumer pull vs. supplier push.

**Demand Planning:** The process of identifying, aggregating, and prioritizing, all sources of demand for the integrated supply chain of a product or service at the appropriate level, horizon and interval.

The sales forecast is comprised of the following concepts:

- The *sales forecasting level* is the focal point in the corporate hierarchy where the forecast is needed at the most generic level, i.e. Corporate forecast, Divisional forecast, Product Line forecast, SKU, SKU by Location.
- The *sales forecasting time horizon* generally coincides with the time frame of the plan for which it was developed, i.e. Annual, 1-5 years, 1- 6 months, Daily, Weekly, Monthly.

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- The *sales forecasting time interval* generally coincides with how often the plan is updated, i.e. Daily, Weekly, Monthly, and Quarterly.

**Demand Planning Systems:** The systems that assist in the process of identifying, aggregating, and prioritizing, all sources of demand for the integrated supply chain of a product or service at the appropriate level, horizon and interval.

**Demand Pull:** The triggering of material movement to a work center only when that work center is ready to begin the next job. It in effect eliminates the queue from in front of a work center, but it can cause a queue at the end of a previous work center.

**Demand Supply Balancing:** The process of identifying and measuring the gaps and imbalances between demand and resources in order to determine how to best resolve the variances through marketing, pricing, packaging, warehousing, outsource plans or some other action that will optimize service, flexibility, costs, assets (or other supply chain inconsistencies) in an iterative and collaborative environment.

**Design For Manufacture / Assembly (DFMA):** A product design methodology that provides a quantitative evaluation of product designs.

**Design of Experiments (DoE):** A mathematical method of determining the minimum number of experiments that can be carried out on a process to isolate its variables.

**Destination-Enhanced Consolidation:** Ganging of smaller shipments to cut cost, often as directed by a system or via pooling with a third party.

**DFMA:** *See Design for Manufacture/ Assembly*

**Dial Up:** Access a network by dialing a phone number or initiating a computer to dial the number. The dial-up line connects to the network access point via a node or a PAD.

**Digital Signature:** Electronically generated, digitized (as opposed to graphically created) authorization that is uniquely linkable and traceable to an empowered officer.

**Direct Channel:** Your own sales force sells to the customer. Your entity may ship to the customer, or a third party may handle shipment, but in either case your entity owns the sales contract and retains rights to the receivable from the customer. Your end customer may be a retail outlet. The movement to the customer may be direct from the factory, or the product may move through a distribution network owned by your company. Order information in this channel may be transmitted by electronic means.

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**Direct Production Material:** Material that is used in the manufacturing/content of a product (example: Purchased parts, solder, SMT glues, adhesives, mechanical parts etc. Bill-of-Materials parts, etc.)

**Direct Retail Locations:** A retail location that purchases products directly from your organization or responding entity.

**Direct Store Delivery (DSD):** Process of shipping direct from a manufacturer's plant or distribution center to the customer's retail store, thus bypassing the customer's distribution center. Also called Direct-to-Store Delivery

**Direct Transmission:** A transmission whereby data is exchanged directly between sender and receiver computers, without an intervening third-party service. Also called a point-to-point transmission.

**Direct-to-Store (DTS) Delivery:** Same as Direct Store Delivery.

**DISA:** *See Data Interchange Standards Association.*

**Disaster Recovery Planning:** Contingency planning specifically related to recovering hardware and software (e.g. data centers, application software, operations, personnel, telecommunications) in information system outages.

**Discrete Manufacturing:** Discrete manufacturing processes create products by assembling unconnected distinct parts.

**Disintermediation:** When the traditional sales channels are broken the middleman gets cut out of the deal.

**Distributed Inventory:** Inventory that is geographically dispersed.

**Distribution:** Outbound logistics, from the end of the production line to the end user.

**Distribution Center:** The customer's facility from which vendor orders are received and then distributed to the appropriate stores.

**Distribution Channel:** One or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer.

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# SUPPLY CHAIN VISIONS

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**Distribution Requirements Planning (DRP):** A system of determining demands for inventory at distribution centers and consolidating demand information in reverse as input to the production and materials system.

**Diversions:** The practice of selling goods to a competitor that the vendor assumes would be used to service that Customer's store. Example; Grocery Store Chain A buys orange juice from Minute Maid. Grocery Store Chain A, because of their sales volume or because of promotion, can buy product for \$12.50 per case. Grocery Store Chain B, because of a lower sales volume, buys the same orange juice for \$14.50 per case. Grocery Store Chain A and Grocery Store Chain B get together and make a deal. Grocery Store Chain A resells that product to Grocery Store Chain B for \$13.50 per case. Grocery Store Chain A makes \$1.00 per case and Grocery Store Chain B gets product for \$1.00 less per case than it can buy from Minute Maid.

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

**Domain: 1)** Highest subdivision of the Internet, for the most part by country (except in the U.S., where it's by type of organization, such as educational, commercial, and government). Usually the last part of a host name; for example, the domain part of ibm.com is .com, which represents the domain of commercial sites in the U.S. **2)** In corporate data networks, a group of client computers controlled by a server system.

**Downstream:** One or more companies or individuals who participate in the flow of goods and services from the manufacturer to the final user or consumer.

**DPC:** *See Dynamic Process Control*

**DRP:** *See Distribution Requirements Planning*

**DSD:** *See Direct Store Delivery*

**DSS:** *See Decision Support System*

**DUNS Number:** A unique nine-digit number assigned by Dun and Bradstreet to identify a company. DUNS stands for Data Universal Numbering System.

**Dynamic Process Control (DPC):** Continuous monitoring of process performance and adjustment of control parameters to optimize process output.

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# SUPPLY CHAIN VISIONS LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*



**Earnings Before Interest and Taxes (EBIT):** A measure of a company's earning power from ongoing operations, equal to earnings (revenues minus cost of sales, operating expenses, and taxes) before deduction of interest payments and income taxes, also called operating profit.

**EBIT:** *See Earnings Before Interest and Taxes*

**EC:** *See Electronic Commerce*

**ECO:** *See Engineering Change Order*

**E-Commerce:** *See Electronic Commerce*

**Economic Order Quantity (EOQ):** An inventory model that determines how much to order by determining the amount that will meet customer service levels while minimizing total ordering and holding costs.

**Economic Value Added (EVA):** A measurement of shareholder value as a company's operating profits after tax, less an appropriate charge for the capital used in creating the profits.

**ECR:** *See Efficient Consumer Response*

**EDI:** *See Electronic Data Interchange*

**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 easily.

**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.

**EDIA:** Electronic Data Interchange Association. A national body that propagates and controls the use of EDI in a given country. All EDIAs are nonprofit organizations dedicated to encouraging EDI growth. The EDIA in the United States was formerly TDCC and administered the development of standards in transportation and other industries.

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**EDIFACT:** Electronic Data Interchange for Administration, Commerce, and Transport. The United Nations EDI standard.

**Efficient Consumer Response (ECR):** A demand driven replenishment system designed to link all parties in the logistics channel to create a massive flow-through distribution network. Replenishment is based upon consumer demand and point of sale information.

**EFT:** *See Electronic Funds Transfer*

**Electronic Commerce (EC):** Also written as e-commerce. Conducting business online. In the traditional sense of selling goods, it is possible to do this electronically because of certain software programs that run the main functions of an e-commerce website, such as product display, online ordering, and inventory management. The definition of e-commerce includes business activity that is business-to-business (B2B), business-to-consumer (B2C).

**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, and 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:** 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.

**Electronic Signature:** A form of authentication that lets you identify and validate a transaction by means of an authorization code.

**Encryption:** The transformation of readable text into coded text for security purposes.

**End-of-Life Inventory:** Inventory on hand that will satisfy future demand for products that are no longer in production at your entity.

**Engineering Change Order (ECO):** A documented and approved revision to a product or process specification.

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**Enterprise Resource Planning (ERP) System:** A class of software for planning enterprise-wide the resources needed to take customer orders, ship them, account for them and replenish all needed goods according to customer orders and forecasts. Often includes electronic commerce with suppliers.

**Enveloping:** An EDI management software function that groups all documents of the same type, or functional group, and bound for the same destination into an electronic envelope.

**EOQ:** *See Economic Order Quantity*

**EPS:** Encapsulated Postscript. An extension of the PostScript graphics file format developed by Adobe Systems. EPS lets PostScript graphics files be incorporated into other documents.

**ERP:** *See Enterprise Resource Planning Systems*

**Ethernet:** A commonly used type of local area network (LAN).

**EVA:** *See Economic Value Added*

**Exception-Based Processing:** Applications that automatically highlight particular events or results that fall outside pre-determined parameters. This saves considerable effort by automatically finding problems and alerting the right persons.

**Expediting:** Moving shipments through regular channels at an accelerated rate.

**Export:** Movement of products from one country to another. For example, significant volumes of cut flowers are exported from The Netherlands to other countries of the world.

**Extranet:** A private network that links separate organizations and that uses the same software and protocols as the Internet. Used for improving supply chain management.



**FA:** *See Functional Acknowledgment*

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**Failure Modes Effects Analysis (FMEA):** A pro-active method of predicting faults and failures so that preventive action can be taken.

**FGI:** *See Finished Goods Inventory*

**Field Finished Goods:** Inventory which is kept at locations outside the four walls of the manufacturing plant (i.e., distribution center or warehouse).

**Field Service Parts:** Parts inventory kept at locations outside the four walls of the manufacturing plant (i.e., distribution center or warehouse).

**FIFO:** *See First In, First Out*

**File Transfer Protocol (FTP):** The Internet service that transfers files from one computer to another, over standard phone lines.

**Fill Rate:** The percentage of order items that the picking operation actually fills within a given period of time.

**Fill Rates by Order:** Whether orders are received and released consistently, or released from a blanket purchase order, this metric measures the percentage of ship-from-stock orders shipped within 24 hours of order "release". Make-to-Stock schedules attempt to time the availability of finished goods to match forecasted customer orders or releases. Orders that were not shipped within 24 hours due to consolidation but were available for shipment within 24 hours are reported separately. In calculating elapsed time for order fill rates, the interval begins at ship release and ends when material is consigned for shipment.

*Calculation:* [Number of orders filled from stock shipped within 24 hours of order release] / [Total number of stock orders]

**Finished Goods Inventory (FGI):** Products completely manufactured, packaged, stored, and ready for distribution.

**Firewall:** A method of protecting the files and programs on one network from users on another network. A firewall blocks unwanted access to a protected network while giving the protected network access to networks outside of the firewall. A company will typically install a firewall to give users access to the Internet while protecting their internal information.

**First In, First Out (FIFO):** Warehouse term meaning first items stored are the first used.

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**First Mover Advantage:** Market innovator, putting the company in the leadership position.

**First Pass Yield:** The ratio of usable, specification conforming output from a process to its input, achieved without rework or reprocessing.

**Five Point Annual Average:** Method frequently used in PMG studies to establish a representative average for a 1-year period. It is the average of the value of interest at five points during a calendar year, for example: 12/31/98, 3/31/99, 6/30/99, 9/30/99, and 12/31/99.

**Fixed Costs:** Costs, which do not fluctuate with business volume in the short run.

**Flat File:** Any file having fixed-record length, or in EDI, the file produced by EDI translation software to serve as input to the interface. Usually has the same fields as the original file, but each field is expanded to its maximum length. Does not have delimiters.

**Flexibility:** Ability to respond quickly and efficiently to changing customer and consumer demands.

**Flexible specialization:** a strategy based on multi-use equipment, skilled workers and innovative senior management to accommodate the continuous change that occurs in the marketplace.

**Float:** The time required for documents, payments, etc. to get from one trading partner to another.

**Floor-Ready Merchandise (FRM):** Goods shipped by suppliers to retailers with all necessary tags, prices, security devices, etc. already attached, so goods can be cross docked rapidly through retail DCs, or received directly at stores.

**FMEA:** *See Failure Modes Effects Analysis*

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

**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.

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**Forecast Accuracy:** Measures how accurate your forecast is as a percent of actual units or dollars shipped, calculated as 1 minus the absolute value of the difference between forecasted demand and actual demand, as a percentage of actual demand.

**Calculation:**  $[1 - (|\text{Sum of Variances}| / \text{Sum of Actual})]$

**Forecast Cycle:** Cycle time between forecast regenerations that reflect true changes in marketplace demand for shippable end products.

**Forecasting:** Predictions of how much of a product will be purchased by customers. Relies upon both quantitative and qualitative methods.

**Foreign Trade Zone (FTZ):** An area or zone set aside at or near a port or airport, under the control of the U.S. Customs Service, for holding goods duty-free pending customs clearance.

**Fourth-Party Logistics (4PL):** Differs from third party logistics in the following ways; /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/ 4PL organization acts as a single interface between the client and multiple logistics service providers/ All aspects (ideally) of the client's supply chain are managed by the 4PL organization./ 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:** *See FOB*

**Freight Forwarder:** Ability to respond quickly and efficiently to changing customer and consumer demands.

**FRM:** *See Floor Ready Merchandise*

**Frozen Zone:** Period in which no changes can be made to scheduled work orders based on changes in demand.

**FTE:** *See Full Time Equivalent*

**FTP:** *See File Transfer Protocol*

**FTZ:** *See Free Trade Zone*

**Full-Service Leasing:** An equipment-leasing arrangement that includes a variety of services to support leased equipment (i.e., motor carrier tractors).

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**Full-time Equivalent (FTE):** Frequently organizations make use of contract and temporary employees; please convert contract, part-time, and temporary employees to full-time equivalents. For example, two contract employees who worked for six months full-time and a half-time regular employee would constitute 1.5 full-time equivalents. 1FTE = 2000 hours per year.

**Functional Acknowledgment (FA):** A specific EDI Transaction Set (997) sent by the recipient of an EDI message to confirm the receipt of data but with no indication as to the recipient's applicational response to the message.

**Functional Group:** Part of the hierarchical structure of EDI transmissions, a Functional Group contains one or more related Transaction Sets preceded by a Functional Group header and followed by a Functional Group trailer



**Gateway:** The connection that permits messages to flow freely between two networks.

**GIF:** *See Graphics Interchange Format.*

**Globalization:** The process of making something worldwide in scope or application.

**Goods Received Note (GRN):** Documentation raised by the recipient of materials or products.

**Graphics Interchange Format (GIF):** A graphical file format commonly used to display indexed-color images on the World Wide Web. GIF is a compressed format, designed to minimize file transfer time over standard phone lines.

**GRN:** *See Goods Received Note*

**Gross Inventory:** Value of inventory at standard cost before any reserves for excess and obsolete items are taken.

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

**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.

**Home Page:** The starting point for a website. It is the page that is retrieved and displayed by default when a user visits the website. 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.

**Horizontal Play/Horizontal Hub:** Cuts across many industries, usually providing a common service.

**HR:** *See Human Resources*

**HTML:** *See HyperText Markup Language*

**HTTP:** *See HyperText Transport Protocol*

**Hub:** 1) A large retailer or manufacturer having many trading partners. 2) A common connection point for devices in a network. 3) 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 website, 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 this idea a milestone in the development and appearance of websites, primarily due to the ability to display a lot of useful content and store one's preferred information on a secured server. The term "hub" was ditched for portal.

**Human Resources (HR):** The function broadly responsible for personnel policies and practices within an organization.

**Hundredweight (cwt):** A pricing unit used in transportation (equal to 100 pounds).

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**Hyperlink:** Also known as link. The text you find on a website which can be "clicked on" with a mouse which, in turn, will take you to another web page or a different area of the same web page. Hyperlinks are created or "coded" in HTML

**HyperText Markup Language (HTML):** The standard language for describing the contents and appearance of pages on the World Wide Web.

**HyperText Transport Protocol (HTTP):** The Internet protocol that allows World Wide Web browsers to retrieve information from servers.



**Image processing:** allows a company to take electronic photographs of documents. The electronic photograph then can be stored in a computer and retrieved from computer storage to replicate the document on a printer. The thousands of bytes of data composing a single document are encoded in an optical disk. Many carriers now use image processing to provide proof-of-delivery documents to a shipper. The consignee signs an electronic pad that automatically digitizes a consignee's signature for downloading into a computer. A copy of that signature then can be produced to demonstrate that a delivery took place.

**Import:** Movement of products from one country into another. For example, the import of automobiles from Germany to the U.S.

**Impressions:** With regard to online advertising, it is the number of times an ad banner is downloaded and presumably seen by users. Guaranteed impressions refer to the minimum number of times an ad banner will be seen by users.

**Inbound Logistics:** The movement of materials from suppliers and vendors into production processes or storage facilities.

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

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**Independent Trading Exchange (ITE):** Often used synonymously with B2B, e-marketplace or Virtual Commerce Network (VCN) Exchange is a more precise term, connoting many-to-many transactions, whereas B2B can be too many.

**Indirect/Distributor Channel:** Your company sells and ships to the distributor. The distributor sells and ships to the end user. This may occur in multiple stages. Ultimately your products may pass through the Indirect/Distributor Channel and arrive at a retail outlet. Order information in this channel may be transmitted by electronic means. These means may include EDI, brokered systems, or linked electronic systems.

**Indirect Retail Locations:** A retail location that ultimately sells your product to consumers, but who purchases your products from an intermediary, like a distributor or wholesaler.

**Insourcing:** The opposite of outsourcing, that is, a serve performed in-house.

**Integrated Logistics:** A comprehensive, system-wide view of the entire supply chain as a single process, from raw materials supply through finished goods distribution. All functions that make up the supply chain are managed as a single entity, rather than managing individual functions separately.

**Integrated Services Digital Network (ISDN):** The networks and equipment for integrated broadband transmissions of data, voice, and image, from rates of 144 Kbps to 2 Mbps. Allows integration of data, voice, and video over the same digital links.

**Interchange:** In EDI, the exchange of electronic information between companies. Also, the group of transaction sets transmitted from one sender to one receiver at one time. Delineated by interchange control segments.

**Intermodal Transportation:** Transporting freight by using two or more transportation modes.

**Internal Labor and Overhead:** The portion of COGS that is typically reported as labor and overhead, less any costs already classified as "outsourced."

**International Standards Organization (ISO):** An organization within the United Nations to which all national and other standard setting bodies (should) defer. Develops and monitors international standards, including OSI, EDIFACT, and X.400

**Internet:** An interconnected bunch of computer networks from all parts of the world, i.e. a network of networks. Accessed via a modem and an on-line service provider, it contains many information resources and acts as a giant electronic message routing system.

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**Intra-Manufacturing Re-plan Cycle:** Average elapsed time, in calendar days, between the time a regenerated forecast is accepted by the end-product manufacturing/assembly location, and the time that the revised plan is reflected in the Master Production Schedule of all the affected internal sub-assembly/component producing plant(s). (An element of Total Supply Chain Response Time)

**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.

**Inventory Accuracy:** When the on-hand quantity is equivalent to the perpetual balance (plus or minus the designated count tolerances).

**Inventory Balance Location Accuracy:** When the on-hand quantity in the specified locations is equivalent to the perpetual balance (plus or minus the designated count tolerances).

**Inventory Carrying Cost** One of the elements comprising a company's total supply-chain management costs. These costs consist of the following:

1. Opportunity Cost: The opportunity cost of holding inventory. This should be based on your company's own cost of capital standards using the following formula. Calculation:  $\text{Cost of Capital} \times \text{Average Net Value of Inventory}$
2. Shrinkage: The costs associated with breakage, pilferage, and deterioration of inventories. Usually pertains to the loss of material through handling damage, theft, or neglect.
3. Insurance and Taxes: The cost of insuring inventories and taxes associated with the holding of inventory.
4. Total Obsolescence for Raw Material, WIP, and Finished Goods Inventory: Inventory reserves taken due to obsolescence and scrap and includes products exceeding the shelf life, i.e. spoils and is no good for use in its original purpose (do not include reserves taken for Field Service Parts).
5. Channel Obsolescence: Aging allowances paid to channel partners, provisions for buy-back agreements, etc. Includes all material that goes obsolete while in a distribution channel. Usually, a distributor will demand a refund on material that goes bad (shelf life) or is no longer needed because of changing needs.

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6. **Field Service Parts Obsolescence:** Reserves taken due to obsolescence and scrap. Field Service Parts are those inventory kept at locations outside the four walls of the manufacturing plant i.e., distribution center or warehouse.

**Inventory Days of Supply (for RM, WIP, PFG, and FFG):** Total gross value of inventory for the category (RM, WIP, PFG, or FFG) at standard cost before reserves for excess and obsolescence. It includes only inventory that is on the books and currently owned by the business entity. Future liabilities such as consignments from suppliers are not included.

**Calculation:** [5 Point Annual Average Gross Inventory] / [Calendar Year Value of Transfers / 365]

**Inventory Deployment:** A technique for strategically positioning inventory to meet customer service levels while minimizing inventory and storage levels. Excess inventory is replaced with information derived through monitoring supply, demand and inventory at rest as well as in motion.

**Inventory Management:** The process of ensuring the availability of products through inventory administration.

**Inventory Hanning Systems:** The systems that help in strategically balancing the inventory policy and customer service levels throughout the supply chain by calculating time-phased order quantities and safety stock, using selected inventory strategies. Including conducting what-if analysis and that compares the current inventory policy with simulated inventory scenarios and improves the inventory ROI.

**Inventory Turns:** The cost of goods sold divided by the average level of inventory on hand. This ratio measures how many times a company's inventory has been sold during a period of time. Operationally, inventory turns are measured as total throughput divided by average level of inventory for a given period; How many times a year the average inventory for a firm changes over, or is sold.

**Inventory Velocity:** The speed with which inventory moves through a defined cycle (i.e., from receiving to shipping).

**ISDN:** *See Integrated services digital network*

**ISO:** *See International Standards Organization*

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*Updated October 1<sup>st</sup>, 2002*

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

**ITE:** *See Independent Trading Exchange*



**Java:** A general-purpose programming language created by Sun Microsystems. Java can be used to create Java applets. A Java program is downloaded from the web server and interpreted by a program running on the computer running the Web browser.

**Java Applet:** A short program written in Java that is attached to a web page and executed by the computer on which the Web browser is installed.

**JavaScript:** A cross-platform, World Wide Web scripting language developed by Netscape Communications. JavaScript code is inserted directly into an HTML page.

**JIT:** *See Just In Time*

**JPEG:** *See Joint Photographic Expert Group*

**Joint Photographic Expert Group (JPEG):** A graphical file format used to display high-resolution color images on the World Wide Web. JPEG images apply a user-specified compression scheme that can significantly reduce the large file size usually associated with photo-realistic color images. A higher level of compression results in lower image quality, whereas a lower level of compression results in higher image quality.

**Joint Supplier Agreement (JSA):** Indicative of Stage 3 Sourcing Practices, the JSA includes terms & conditions, objectives, process flows, performance targets, flexibility, balancing and incentives.

**JSA:** *See Joint Supplier Agreement*

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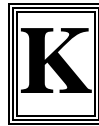
# SUPPLY CHAIN VISIONS

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**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.

**Just-in-time II (JIT II):** Vendor-managed operations taking place within a customer's facility. JIT II was popularized by the Bose Corporation.



**Kanban:** Japanese word for "visible record." Manufacturing control system in which suppliers deliver needed parts to assembly line "just in time" for use.

**Key Custodians:** The persons, assigned by the security administrators of trading partners, that send or receive a component of either the master key or exchange key used to encrypt data encryption keys. This control technique involves dual control, with split knowledge that requires two key custodians

**Key Performance Indicator (KPI):** A measure which is of strategic importance to a company or department.

**Kitting:** Light assembly of components or parts into defined units.

**KPI:** *See Key Performance Indicator*



**LAN:** *See Local Area Network*

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**Landed Cost:** Cost of product plus relevant logistics costs such as transportation, warehousing, handling, etc. Also called Total Landed Cost or Net Landed Costs

**Last In, First Out (LIFO):** Accounting method of valuing inventory that assumes latest goods purchased are first goods used during accounting period.

**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.

**Lead Time from Complete Manufacture to Customer Receipt:** Includes time from when an order is ready for shipment to customer receipt of order. Time from complete manufacture to customer receipt including the following elements: pick/pack time, prepare for shipment, total transit time (all components to consolidation point), consolidation, queue time, and additional transit time to customer receipt.

**Lead Time from Order Receipt to Complete Manufacture:** Includes times from order receipt to order entry complete, from order entry complete to start to build, and from start to build to ready for shipment. Time from order receipt to order entry complete includes the following elements: order revalidation, configuration check, credit check, and scheduling. Time from order entry complete to start to build includes the following elements: customer wait time and engineering and design time. Time from start to build to ready for shipment includes the following elements: release to manufacturing or distribution, order configuration verification, production scheduling, and build or configure time.

**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.

**Leverage:** Taking something small and exploding it. Can be financial or technological.

**LIFO:** *See Last In, First Out*

**Line Scrap:** Value of raw materials and work-in-process inventory scrapped as a result of improper processing or assembly, as a percentage of total value of production at standard cost.

**Linked Distributed Systems:** Independent computer systems, owned by independent organizations, linked in a manner to allow direct updates to be made to one system by another. For example, a customer's computer system is linked to a supplier's system, and the customer can create orders or releases directly in the supplier's system.

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**Local Area Network (LAN):** A data communications network spanning a limited geographical area, usually a few miles at most, providing communications between computers and peripheral devices.

**Logistics:** According to the Council of Logistics Management (CLM), "Logistics is that part of the supply chain process that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customers' requirements."

**Logistics Channel:** The network of supply chain participants engaged in storage, handling, transfer, transportation, and communications functions that contribute to the efficient flow of goods.

**LTL:** *See Less-than-truckload*



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

**Make-to-Order (Manufacture-to-Order):** A manufacturing process strategy where the trigger to begin manufacture of a product is an actual customer order or release, rather than a market forecast. For Make-to-Order products, more than 20% of the value-added takes place after the receipt of the order or release, and all necessary design and process documentation is available at time of order receipt. (Other manufacturing process strategies are Configure/Package-to-Order, Engineer-to-Order, and Make-to-Stock).

**Make-to-Stock (Manufacture-to-Stock):** A manufacturing process strategy where finished product is continually held in plant or warehouse inventory to fulfill expected incoming orders or releases based on a forecast. (Other manufacturing process strategies are Configure/Package-to-Order, Engineer-to-Order, and Make-to-Order).

**Manufacturing Capital Asset Value:** The asset value of the "Manufacturing fixed assets" after allowance for depreciation. Examples of equipment are SMT placement machines, conveyors, Auto guided vehicles, robot cells, testers, X-ray solder machines, Burn-in chambers, Logic testers, Auto packing equipment, PLC station controllers, Scanning equipment, PWB magazines.

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**Manufacture Cycle Time:** The average time between commencement and completion of a manufacturing process, as it applies to make-to-stock products.

**Calculation:** [Average # of units in WIP] / [Average daily output in units]

**Mapping:** Diagramming data that is to be exchanged electronically, including how it is to be used and what business management systems need it. Preliminary step for developing an applications link. Performed by the functional manager responsible for a business management system.

**Marginal Cost:** The cost to produce one additional unit of output. The change in total variable cost resulting from a one-unit change in output.

**Marquis Partners:** Key strategic relationships. This has emerged as perhaps the key competitive advantage and barrier to entry of e-marketplaces. Get the big players in the fold first, offering equity if necessary.

**Mass Customization:** the flexibility to meet the demands of a customer base whose needs are diverse and/or changing.

**Master Production Schedule (MPS):** The master level or top level schedule used to set the production plan in a manufacturing facility.

**Material Acquisition Costs:** One of the elements comprising a company's total supply-chain management costs. These costs consist of the following:

1. **Materials (Commodity) Management and Planning:** All costs associated with supplier sourcing, contract negotiation and qualification, and the preparation, placement, and tracking of a purchase order. We recognize that these functions may be organizationally dispersed and/or decentralized, but ask you to group all related costs for purposes of this study. Also, this category includes all costs related to buyer/planners.
2. **Supplier Quality Engineering:** The costs associated with the determination, development/certification, and monitoring of suppliers' capabilities to fully satisfy the applicable quality and regulatory requirements.
3. **Inbound Freight and Duties:** Freight costs associated with the movement of material from a vendor to the buyer and the associated administrative tasks. Duties are those fees and taxes levied by government for moving purchased material across international borders. Customs broker fees should also be considered in this category.

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4. Receiving and Material Storage: All costs associated with taking possession of material. This does not include inspection. Note that inventory-carrying costs are covered in a subsequent worksheet.
5. Incoming Inspection: All costs associated with the inspection and testing of received materials to verify compliance with specifications.
6. Material Process and Component Engineering: Those tasks required to document and communicate component specifications, as well as reviews to improve the manufacturability of the purchased item.
7. Tooling: Those costs associated with the design, development, and depreciation of the tooling required to produce a purchased item. A tooling cost would be incurred by a company if they actually paid for equipment and/or maintenance for a contract manufacturer that makes their product. Sometimes, there aren't enough incentive for a contract manufacturer to upgrade plant equipment to a level of quality that a company requires, so the company will pay for the upgrades and maintenance to ensure high quality. May not be common in some industries such as the Chemicals

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

**Materials Management:** Inbound logistics from suppliers through the production process. The movement and management of materials and products from procurement through production.

**Materials Requirements Planning (MRP):** A decision-making methodology used to determine the timing and quantities of materials to purchase.

**MAX:** The lowest inventory quantity that is desired at a ship to location or selling location. This quantity will over-ride the forecast number if the forecast climbs above the MAX. Maximum stock

**m-Commerce:** Mobile commerce applications involve using a mobile phone to carry out financial transactions. This usually means making a payment for goods or transferring funds electronically. Transferring money between accounts and paying for purchases are electronic commerce applications. An emerging application, electronic commerce has been facilitated by developments in other areas in the mobile world, such as dual slot phones and other smarter terminals and more standardized protocols, which allow greater interactivity and therefore more sophisticated services.

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**Message:** The EDIFACT term for a transaction set. A message is the collection of data, organized in segments, exchanged by trading partners engaged in EDI. Typically, a message is an electronic version of a document associated with a common business transaction, such as a purchase order or shipping notice. A message begins with a message header segment, which identifies the start of the message (e.g., the series of characters representing one purchase order). The message header segment also carries the message type code, which identifies the business transaction type. EDIFACT's message header segment is called UNH; in ANSI X12 protocol, the message header is called ST. A message ends with a message trailer segment, which signals the end of the message (e.g., the end of one purchase order). EDIFACT's message trailer is labeled UNT; the ANSI X12 message trailer is referred to as SE.

**Meta Tag:** An optional HTML tag that is used to specify information about a web document. Some search engines use "spiders" to index web pages. These spiders read the information contained within a page's META tag. So in theory, an HTML or web page author has the ability to control how their site is indexed by search engines and how and when it will "come up" on a user's search. The META tag can also be used to specify an HTTP or URL address for the page to "jump" to after a certain amount of time. This is known as Client-Pull. What this means, is a web page author can control the amount of time a web page is up on the screen as well as where the browser will go next.

**Min – Max System:** A type of order point replenishment system where the "min" (minimum) is the order point, and the "max" (maximum) is the "order up to" inventory level. The order quantity is variable and is the result of the max minus the available and on-order inventory. An order is recommended when the sum of the available and on-order inventory is at or below the min.

**Misguided Capacity Plans:** Plans or forecasts for capacity utilization, which are based on inaccurate assumptions or input data.

**MPS:** *See Master Production Schedule*

**MRP:** *See Manufacturing Requirements Planning*

**MRP-II:** Manufacturing Resource Planning. An expansion and growth of the concepts and techniques of material requirements planning (MRP) into a nearly all-encompassing enterprise wide suite of business applications.

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

**Net Asset Turns:** The number of times you replenish your net assets in your annual sales cycle. A measure of how quickly assets are used to generate sales.

**Calculation:** Total Product Revenue / Total Net Assets

**Net Assets:** Total Net assets are calculated as Total Assets - Total Liabilities; where: The total assets are made up of fixed assets (plant, machinery and equipment) and current assets which is the total of stock, debtors and cash (also includes A/R, inventory, prepaid assets, deferred assets, intangibles and goodwill). The total liabilities are made up in much the same way of long-term liabilities and current liabilities (includes A/P, accrued expenses, deferred liabilities).

**New Product Introduction (NPI):** The process used to develop products that are new to the sales portfolio of a company.

**N.M.F.C.:** See *National Motor Freight Classification*

**NPI:** See *New Product Introduction*



**Object Linking and Embedding (OLE):** An object system created by Microsoft. OLE lets an author invoke different editor components to create a compound document.

**Obsolete Inventory:** Inventory for which there is no forecast demand expected. A condition of being out of date. A loss of value occasioned by new developments that place the older property at a competitive disadvantage.

**OEE:** See *Overall Equipment Effectiveness*

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*Updated October 1<sup>st</sup>, 2002*

**OLE:** *See Object Linking and Embedding*

**On Order:** The amount of goods that has yet to arrive at a location or retail store. This includes all open purchase orders including, but not limited to, orders in transit, orders being picked, and orders being processed through customer service.

**One Piece Flow:** Moving parts through a process in batches of one

**One-Way Networks:** The advantages generally live with either the seller or buyer, but not both. B2C websites are one-way networks.

**Optimization:** The process of making something as good or as effective as possible with given resources and constraints.

**Order Batching:** Practice of compiling and collecting orders before they are sent in to the manufacturer.

**Order Complete Manufacture to Customer Receipt of Order:** Average lead time from when an order is ready for shipment to customer receipt of order, including the following sub-elements: pick/pack time, preparation for shipment, total transit time for all components to consolidation point, consolidation, queue time, and additional transit time to customer receipt. (An element of Order Fulfillment Lead-Time).

*Note:* Determined separately for Make-to-Order, Configure/Package-to-Order, Engineer-to-Order and Make-to-Stock products.

**Order Consolidation Profile:** The activities associated with filling a customer order by bringing together in one physical place all of the line items ordered by the customer. Some of these may come directly from the production line others may be picked from stock.

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

**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.

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**Order Entry Complete to Start Manufacture:** Average lead-time from completion of customer order to the time manufacturing begins, including the following sub-elements: order wait time, engineering and design time. (An element of Order Fulfillment Lead-Time).

*Note:* Determined separately for Make-to-Order, Configure/Package-to-Order, and Engineer-to-Order products. Does not apply to Make-to-Stock products.

**Order Fulfillment Lead Times:** Average, consistently achieved lead-time from customer order origination to customer order receipt, for a particular manufacturing process strategy (Make-to-Stock, Make-to-Order, Configure/Package-to-Order, Engineer-to-Order). Excess lead-time created by orders placed in advance of typical lead times (Blanket Orders, Annual Contracts, Volume Purchase Agreements, etc.), is excluded. (An element of Total Supply Chain Response Time)

*Calculation:* Total average lead time from: [Customer signature/authorization to order receipt] + [Order receipt to completion of order entry] + [Completion of order entry to start manufacture] + [Start manufacture to complete manufacture] + [Complete manufacture to customer receipt of order] + [Customer receipt of order to installation complete]

*Note:* The elements of order fulfillment lead time are additive. Not all elements apply to all manufacturing process strategies. For example, for Make-to-Stock products, the lead-time from Start manufacture to complete manufacture equals 0.

**Order Management Costs:** One of the elements comprising a company's total supply-chain management costs. These costs consist of the following:

1. New Product Release Phase-In and Maintenance: This includes costs associated with releasing new products to the field, maintaining released products, assigning product ID, defining configurations and packaging, publishing availability schedules, release letters and updates, and maintaining product databases.
2. Create Customer Order: This includes costs associated with creating and pricing configurations to order and preparing customer order documents.
3. Order Entry and Maintenance: This includes costs associated with maintaining the customer database, credit check, accepting new orders, and adding them to the order system as well as later order modifications.

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4. Contract/Program and Channel Management: This includes costs related to contract negotiation, monitoring progress, and reporting against the customer's contract, including administration of performance or warranty related issues.
5. Installation Planning: This includes costs associated with installation engineering, scheduling and modification, handling cancellations, and planning the installation.
6. Order Fulfillment: This includes costs associated with order processing, inventory allocation, ordering from internal or external suppliers, shipment scheduling, order status reporting, and shipment initiation.
7. Distribution: This includes costs associated with warehouse space and management, finished goods receiving and stocking, processing shipments, picking and consolidating, selecting carrier, and staging products/systems.
8. Transportation, Outbound Freight and Duties: This includes costs associated with all company paid freight duties from point-of-manufacture to end-customer or channel.
9. Installation: This includes costs associated with verification of site preparation, installation, certification, and authorization of billing.
10. Customer Invoicing/Accounting: This includes costs associated with invoicing, processing customer payments, and verification of customer receipt.

**Order Processing:** Activities associated with filling customer orders.

**Order Receipt to Order Entry Complete:** Average lead-time from receipt of a customer order to the time that order entry is complete, including the following sub-elements: order revalidation, product configuration check, credit check, and order scheduling.

*Note:* Determined separately for Make-to-Order, Configure/Package-to-Order, Engineer-to-Order, and Make-to-Stock products.

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

**Out Of Stock:** The state of not having inventory at a location and available for distribution or for sell to the consumer (zero inventory).

**Out of Stocks:** *See Stock Out*

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**Outbound Consolidation (Break-Bulk):** Consolidation of a number of small shipments for various customers into a larger load. Shipped to a location near the customers; then the small shipments are distributed to the customers.

**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 provide services previously performed in-house.

**Outsourced Cost of Goods Sold:** Operations performed on raw material outside of the responding entity's organization that would typically be considered internal to the entity's manufacturing cycle. Capture the value of all outsourced activities that roll up as Cost of Goods Sold. Some examples of commonly outsourced value are assembly by subcontract houses, test, metal finishing or painting, and specialized assembly process.

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

**Overall Equipment Effectiveness (OEE):** A measure of overall equipment effectiveness that takes into account machine availability & performance as well as output quality.



**P2P:** *See Path to Profitability*

**Packing list:** List showing merchandise packed and all particulars. Normally prepared by shipper but not required by carriers. Copy is sent to consignee to help verify shipment received.

**Pareto:** A means of sorting data for example. For example, number of quality faults by frequency of occurrence

**Password:** A private code required to gain access to a computer, an application program, or service.

**Path to Profitability (P2P):** The step-by-step model to generate earnings.

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**Payroll:** Total of all fully burdened labor costs, including wage, fringe, benefits, overtime, bonus, and profit sharing.

**PBIT:** *See Profit Before Interest and Tax*

**PDA:** *See Personal Digital Assistant*

**Perfect Order Fulfillment:** An order that meets all of the following standards: delivered complete, on time, perfect documentation and perfect condition.

**Performance and Event Management Systems:** The systems that report on the key measurements in the supply chain -- inventory days of supply, delivery performance, order cycle times, capacity use, etc. Using this information to identify causal relationships to suggest actions in line with the business goals.

**Personal Digital Assistant (PDA):** A handheld device that combines computing, telephone/fax, and networking features. A typical PDA can function as a cellular phone, fax sender, and personal organizer. Unlike portable computers, most PDAs are pen-based, using a stylus rather than a keyboard for input. This means that they also incorporate handwriting recognition features. Some PDAs can also react to voice input by using voice recognition technologies.

**Pick-by-Light:** A laser identifies the bin for the next item in the rack; when the picker completes the pick, the bar code is scanned and the system then points the laser at the next bin.

**Pick/Pack:** Picking of product from inventory and packing into shipment containers.

**Plaintext:** Data before it has been encrypted or after it has been decrypted, e.g., an ASCII text file.

**Plan Deliver:** The development and establishment of courses of action over specified time periods that represent a projected appropriation of supply resources to meet delivery requirements.

**Plan Make:** The development and establishment of courses of action over specified time periods that represent a projected appropriation of production resources to meet production requirements.

**Plan Source:** The development and establishment of courses of action over specified time periods that represent a projected appropriation of material resources to meet supply chain requirements.

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**Plan Stability:** The difference between planned production and actual production, as a percentage of planned production.

**Calculation:** 
$$\frac{[(\text{Sum of Monthly Production Plans}) + (\text{Sum of the absolute value of the difference between planned and actual})]}{[\text{Sum of Monthly Production Plans}]}$$

**Note:** Base Production Plan is the three month removed plan

**Planogram:** The end result of analyzing the sales data of an item or group of items to determine the best arrangement of products on a store shelf. The process determines which shelf your top-selling product should be displayed on, the number of facings it gets, and what best to surround it with. It results in graphical picture or map of the allotted shelf space along with a specification of the facing and deep.

**Plant Finished Goods:** Finished goods inventory held at the end manufacturing location.

**Point Of Sale (POS):** Also a national network of merchant terminals, at which customers can use client cards and personal security codes to make purchases. Transactions are directed against client deposit accounts. POS terminals are sophisticated cryptographic devices, with complex key management processes. POS standards draw on ABM network experiences and possess extremely stringent security requirements.

**Point of Sale Information:** Price and quantity data from retail locations as sales transactions occur.

**Poka yoke:** The application of simple techniques that prevent process quality failure

**Portal:** Websites that serve as starting points to other destinations or activities on the Web. 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.

**PO:** *See Purchase Order*

**POD:** *See Proof of Delivery*

**POS:** *See Point of Sale*

**Postponement:** The delay of final activities (i.e., assembly, production, packaging, etc.) until the latest possible time.

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**Prepaid:** A freight term, which indicates that charges are to be paid by the shipper.

**Present Value:** Today's value of future cash flows, discounted at an appropriate rate.

**Price Erosion:** What causes old-line executives to break out in a cold sweat? No question about it; traditional business models are threatened by the market efficiencies of B2B. When prices begin to plummet, the margin structures of older industries are also threatened.

**Primary Manufacturing Strategy:** Your company's dominant manufacturing strategy. The Primary Manufacturing Strategy generally accounts for 80+% of a company's product volume.

**PRIME QR:** Product Replenishment and Inventory Management Edge for Quick Response.

**Private-Label:** Products that are designed, produced, controlled by, and which carry the name of the store or a name owned by the store; also known as a store brand or dealer brand. An example would be Wal-Mart's "Sam's Choice" products.

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

**Process Improvement:** Designs or activities, which improve quality or reduce costs, often through the elimination of waste or non-value-added tasks.

**Process Manufacturing:** Production that adds value by mixing, separating, forming, and/or performing chemical reactions. It may be done in a batch, continuous, or mixed batch/continuous mode.

**Process Yield:** The resulting output from a process. An example would be a quantity of finished product output from manufacturing processes.

**Production Capacity:** Measure of how much production volume may be experienced over a set period of time.

**Production Planning and Scheduling:** The systems that enable creation of detailed optimized plans and schedules taking into account the resource, material, and dependency constraints to meet the deadlines.

**Production-Related Material:** Production-related materials are those items classified as material purchases and included in Cost of Goods Sold as raw material purchases.

**Profit Before Interest and Tax (PBIT):** The financial profit generated prior to the deduction of taxes and interest due on loans. Also called operating profit.

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# SUPPLY CHAIN VISIONS

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**Promotion:** The act of selling a product at a reduced price, or a buy one - get one free offer, for the purpose of increasing sales.

**Proof of Delivery (P.O.D.):** 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.

**Protocol:** Communication standards that determine message content and format, enabling uniformity of transmissions.

**Pull or Pull-through distribution:** Supply-chain action initiated by the customer. Traditionally, the supply chain was pushed; manufacturers produced goods and "pushed" them through the supply chain, and the customer had no control. In a pull environment, a customer's purchase sends replenishment information back through the supply chain from retailer to distributor to manufacturer, so goods are "pulled" through the supply chain.

**Purchase Order (PO):** Form buyer uses when placing order for merchandise.

**Push Technology:** Webcasting (push technology) is the prearranged updating of news, weather, or other selected information on a computer user's desktop interface through periodic and generally unobtrusive transmission over the World Wide Web (including the use of the Web protocol on Intranet). Webcasting uses so-called push technology in which the Web server ostensibly "pushes" information to the user rather than waiting until the user specifically requests it.



**QFD:** *See Quality Function Deployment*

**QR:** *See Quick Response*

**Qualifier:** A data element, which identifies or defines a related element, set of elements or a segment. The qualifier contains a code from a list of approved codes.

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**Quality Function Deployment (QFD):** A structured method for translating user requirements into detailed design specifications using a continual stream of 'what-how' matrices.

**Quick Response (QR):** A strategy widely adopted by general merchandise and soft lines retailers and manufacturers to reduce retail out-of-stocks, forced markdowns and operating expenses. These goals are accomplished through shipping accuracy and reduced response time. QR is a partnership strategy in which suppliers and retailers work together to respond more rapidly to the consumer by sharing point-of-sale scan data, enabling both to forecast replenishment needs.



**Radio Frequency (RF):** lets users relay information via electromagnetic energy waves from a terminal to a base station, which is linked in turn to a host computer. The terminals can be placed at a fixed station, mounted on a forklift truck, or carried in the worker's hand. The base station contains a transmitter and receiver for communication with the terminals. RF systems use either narrow-band or spread-spectrum transmissions. Narrow-band data transmissions move along a single limited radio frequency, while spread-spectrum transmissions move across several different frequencies. When combined with a bar-code system for identifying inventory items, a radio-frequency system can relay data instantly, thus updating inventory records in so-called "real time."

**Ramp Rate:** How quickly can you expand? Growth trajectory. Can refer to sales, profits or margins.

**Raw Materials:** Crude or processed material that can be converted by manufacturing, processing, or combination into a new and useful product.

**Real-Time:** The processing of data in a business application as it happens - as contrasted with storing data for input at a later time (batch processing).

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

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**Reengineering:** 1) A fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in performance. 2) A term used to describe the process of making (usually) significant and major revisions or modifications to business processes. 3) Also called Business Process Reengineering.

**Release-to-Start Manufacturing:** Average time from order release to manufacturing to the start of the production process. This cycle time may typically be required to support activities such as material movement and line changeovers.

**Re-plan Cycle:** Time between the initial creation of a regenerated forecast and the time its impact is incorporated into the Master Production Schedule of the end-product manufacturing facility. (An element of Total Supply Chain Response Time)

**Replenishment:** The process of moving or re-supplying inventory from a reserve storage location to a primary picking location, or to another mode of storage in which picking is performed.

**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 a RFP to solicit proposals from suppliers of third party logistics services.

**Return Disposal Costs:** The costs associated with disposing or recycling products that have been returned due to End-of-Life or Obsolescence.

**Return Goods Handling:** Processes involved with returning goods from the customer to the manufacturer. Products may be returned because of performance problems or simply because the customer doesn't like the product.

**Return on Assets (ROA):** Financial measure calculated by dividing profit by assets.

**Return on Net Assets:** Financial measure calculated by dividing profit by assets net of depreciation.

**Return on Sales:** Financial measure calculated by dividing profit by sales.

**Return Product Authorization:** Also called Return Material or Goods Authorization (RMA or RGA). A form generally required with a Warranty/Return, which helps the company identify the original product, and the reason for return. The RPA number often acts as an order form for the work required in repair situations, or as a reference for credit approval.

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**Returns Inventory Costs:** The costs associated with managing inventory, returned for any of the following reasons: repair, refurbish, excess, obsolescence, End-of-Life, ecological conformance, and demonstration. Includes all applicable elements of the Level 2 component Inventory Carrying Cost of Total Supply Chain Management Cost

**Returns Material Acquisition, Finance, Planning and IT Costs:** The costs associated with acquiring the defective products and materials for repair or refurbishing items, plus any Finance, Planning and Information Technology cost to support Return Activity.. Includes all applicable elements of the Level 2 components Material Acquisition Cost (acquiring materials for repairs), Supply Chain Related Finance and Planning Costs and Supply Chain IT Costs of Total Supply Chain Management Cost. See these categories in this document.

**Returns Order Management Costs:** The costs associated with managing Return Product Authorizations (RPA). Includes all applicable elements of the Level 2 component Order Management Cost of Total Supply Chain Management Cost. See Order Management Costs.

**Returns Processing Cost:** The total cost to process repairs, refurbished, excess, obsolete, and End-of-Life products including diagnosing problems, and replacing products. Includes the costs of logistics support, materials, centralized functions, troubleshooting service requests, on-site diagnosis and repair, external repair, and miscellaneous. These costs are broken into Returns Order Management, Returns Inventory Carrying, Returns Material Acquisition, Finance, Planning, IT, Disposal and Warranty Costs.

**Returns To Scale:** A defining characteristic of B2B. Bigger is better. It's what creates the winner takes all quality of most B2B hubs. It also places a premium on being first to market and first to achieve critical mass.

**Reverse Engineering:** A process whereby competitors' products are disassembled & analyzed for evidence of the use of better processes, components & technologies

**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.

**RF:** *See Radio Frequency*

**RFP:** *See Request for Proposal*

**RGAs:** Return Goods Authorization. *See Return Product Authorization*

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**Rich Media:** An Internet advertising term for a Web page ad that uses advanced technology such as streaming video, downloaded applet (programs) that interact instantly with the user, and ads that change when the user's mouse passes over it.

**Rich Text Format (RTF):** A method of encoding text formatting and document structure using the ASCII character set. By convention, RTF files have an .rtf filename extension.

**RMA:** Return Material Authorization. *See Return Product Authorization*

**ROA:** *See Return on Assets*

**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 estimated time enroute. **2)** Right of shipper to determine carriers, routes and points for transfer shipments.

**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 ten percent of actual requirements.

**RPA:** *See Return Product Authorization*

**RTF:** *See Rich Text Format*



**SBT:** *See Scan-Based Trading*

**S&OP:** *See Sales and Operations Planning*

**Safety Stock:** The inventory a company holds above normal needs as a buffer against delays in receipt of supply or changes in customer demand.

**Sales and Operations Planning (S&OP):** A strategic planning process that reconciles conflicting business objectives and plans future supply chain actions.

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**Scalability:** How quickly and efficiently can you ramp up to meet demand? How well a solution to some problem will work when the size of the problem increases. The economies to scale don't really kick in until you reach the critical mass, then revenues start to increase exponentially.

**Scan-Based Trading (SBT):** Scan-based trading is a fundamental change in the way manufacturers and retailers conduct business. It rewards both trading partners through synchronized information systems, shared revenue point and shrink cost and elimination of non-value costs.

**SCE:** *See Supply Chain Execution*

**Scenario Planning:** A form of planning in which likely sets of relevant circumstances are identified in advance, and used to assess the impact of alternative actions.

**SCI:** *See Supply Chain Integration*

**SCM:** *See Supply Chain Management*

**Scorecards:** Tool used to evaluate suppliers. Ensures that their objectives and practices align with those of the manufacturer.

**Selling, General and Administrative (SG&A) Expenses:** Includes marketing, communication, customer service, sales salaries and commissions, occupancy expenses, unallocated overhead, etc. Excludes interest on debt, domestic or foreign income taxes, depreciation and amortization, extraordinary items, equity gains or losses, gain or loss from discontinued operations and extraordinary items.

**Service Parts Revenue:** The sum of the value of sales made to external customers and the transfer price valuation of sales within the company of repair or replacement parts and supplies, net of all discounts, coupons, allowances, and rebates.

**Shareholder Value:** Combination of profitability (revenue and costs) and invested capital (working capital and fixed capital).

**Shipper:** The party, which tenders goods for transportation.

**Shop Floor Production Control Systems:** The systems that assign priority to each shop order, maintaining work-in-process quantity information, providing actual output data for capacity control purposes and providing quantity by location by shop order for work-in-process inventory and accounting purposes.

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**Short shipment:** Piece of freight missing from shipment as stipulated by documents on hand.

**Skills matrix:** A visible means of displaying people's skill levels in various tasks. Used in a team environment

**SKU:** *See Stock Keeping Unit*

**SMART:** *See Specific, Measurable, Achievable, Realistic, Time-Based*

**Spam:** Act of sending identical and irrelevant postings to many different newsgroups or mailing lists. Usually this posting is something that has nothing to do with the particular topic of a newsgroup or of no real interest to the person on the mailing list.

**SPC:** *See Statistical Process Control*

**Specific, Measurable, Achievable, Realistic, Time-Based (SMART):** A shorthand description of a way of setting goals and targets for individuals and teams.

**Splash Page:** A "first" or "front" page that you often see on some websites, usually containing a "click-through" logo or message, or a fancy Flash presentation, announcing that you have arrived. The main content and navigation on the site lie "behind" this page (a.k.a. the homepage or "welcome page").

**Stable Demand:** Products for which demand does not fluctuate widely at specific points during the year.

**Staging:** Pulling material for an order from inventory before the material is required. Staging is a means to ensure that all required materials are, and will be available for use at time of assembly. The downside to staging is that it creates additional WIP inventory and reduces flexibility.

**Standard Components:** Components (parts) of a product, for which there is an abundance of suppliers. Not difficult to produce. An example would be a power cord for a computer.

**Standard Deviation:** 1) The amount of forecast error or variance from the mathematical mean.  
2) How close the forecast is to the actual demand for products or goods, expressed as a percentage.

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**Start Manufacture to Order Complete Manufacture:** Average lead-time from the time manufacturing begins to the time end products are ready for shipment, including the following sub-elements: order configuration verification, production scheduling, time to release order to manufacturing or distribution, and build or configure time. (An element of Order Fulfillment Lead Time)

*Note:* Determined separately for Make-to-Order, Configure/Package-to-Order, and Engineer-to-Order products. Does not apply to Make-to-Stock products.

**Statistical Process Control (SPC):** A visual means of measuring and plotting process and product variation. Results are used to adjust variables and maintain product quality.

**Stock Keeping Unit (SKU):** Numbering system which makes a product or item distinguishable from all others.

**Stock-Out:** Merchandise that is requested by a customer but is temporarily unavailable. Also referred to Out of Stocks (OOS)

**Strategic Alliance:** Business relationship in which two or more independent organizations cooperate and willingly modify their business objectives and practices to help achieve long-term goals and objectives.

**Sub-Optimization:** Decisions or activities in a part made at the expense of the whole.

**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 Execution (SCE):** The ability to move the product out the warehouse door. This is a critical capacity and one that only brick-and-mortar firms bring to the B2B table. Dot-coms have the technology, but that's only part of the equation. The need for SCE is what is driving the Dot-coms to offer equity partnerships to the wholesale distributors.

**Supply Chain Integration (SCI):** Likely to become a key competitive advantage of selected e-marketplaces. Similar concept to the Back-End Integration, but with greater emphasis on the moving of goods and services.

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**Supply Chain Management (SCM):** **1)** The optimization of the entire fulfillment process, from consumer purchase back through retail store, retail DC, wholesaler, manufacturer DC, factory, raw material/component supplier, etc. for greater responsiveness, speed and efficiency. **2)** The management and control of all materials, funds, and related information in the logistics process from the acquisition of raw materials to the delivery of finished products to the end user. **3)** As defined by CLM: ‘Supply Chain Management is the systemic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole.’”

**Supply Chain-Related Finance and Planning Cost Element:** One of the elements comprising a company's total supply-chain management costs. These costs consist of the following:

1. Supply-Chain Finance Costs: Costs associated with paying invoices, auditing physical counts, performing inventory accounting, and collecting accounts receivable. Does NOT include customer invoicing/ accounting costs (see Order Management Costs).
2. Demand/Supply Planning Costs: Costs associated with forecasting, developing finished goods, intermediate, subassembly or end item inventory plans, and coordinating Demand/Supply

**Supply Chain-Related IT Costs:** Information Technology (IT) costs (in US dollars) associated with major supply-chain management processes as described below. These costs should include: Development costs (costs incurred in process reengineering, planning, software development, installation, implementation, and training associated with new and/or upgraded architecture, infrastructure, and systems to support the described supply-chain management processes), Execution costs (operating costs to support supply-chain process users, including computer and network operations, EDI and telecommunications services, and amortization/depreciation of hardware, Maintenance costs (costs incurred in problem resolution, troubleshooting, repair, and routine maintenance associated with installed hardware and software for described supply-chain management processes. Include costs associated with data base administration, systems configuration control, release planning and management.

These costs are associated with the following processes:

### PLAN

1. Product Data Management - Product phase-in/phase-out and release; post introduction support & expansion; testing and evaluation; end-of-life inventory management. Item master definition and control.

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2. Forecasting and Demand/Supply Manage and Finished Goods - Forecasting; end-item inventory planning, DRP, production master scheduling for all products, all channels.

### SOURCE

1. Sourcing/Material Acquisition - Material requisitions, purchasing, supplier quality engineering, inbound freight management, receiving, incoming inspection, component engineering, tooling acquisition, accounts payable.
2. Component and Supplier Management - Part number cross-references, supplier catalogs, approved vendor lists.
3. Inventory Management - Perpetual and physical inventory controls and tools.

### MAKE

1. Manufacturing Planning - MRP, production scheduling, tracking, mfg. engineering, mfg. documentation management, inventory/obsolescence tracking.
2. Inventory Management - Perpetual and physical inventory controls and tools.
3. Manufacturing Execution - MES, detailed and finite interval scheduling, process controls and machine scheduling.

### DELIVER

1. Order Management - Order entry/ maintenance, quotes, customer database, product/price database, accounts receivable, credits and collections, invoicing.
2. Distribution and Transportation Management - DRP shipping, freight management, traffic management.
3. Inventory Management - Perpetual and physical inventory controls and tools.

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4. Warehouse Management - Finished goods, receiving and stocking, pick/pack.
5. Channel Management - Promotions, pricing and discounting, customer satisfaction surveys.
6. Field Service/Support - Field service, customer and field support, technical service, service/call management, returns and warranty tracking.

### EXTERNAL ELECTRONIC INTERFACES

Plan/Source/Make/Deliver - Interfaces, gateways, and data repositories created and maintained to exchange supply-chain related information with the outside world. E-Commerce initiatives. Includes development and implementation costs.

**Note:** Accurate assignment of IT-related cost is challenging. It can be done using Activity-Based-Costing methods, or using other approaches such as allocation based on user counts, transaction counts, or departmental headcounts. The emphasis should be on capturing all costs. Costs for any IT activities that are outsourced should be included.

**Supply Chain Strategy Planning:** The process of process of analyzing, evaluating, defining supply chain strategies, including network design, manufacturing and transportation strategy and inventory policy.

**Supply Planning:** The process of identifying, prioritizing, and aggregating, as a whole with constituent parts, all sources of supply that are required and add value in the supply chain of a product or service at the appropriate level, horizon and interval.

**Supply Planning Systems:** The process of identifying, prioritizing, and aggregating, as a whole with constituent parts, all sources of supply that are required and add value in the supply chain of a product or service at the appropriate level, horizon and interval.

**Supply Warehouse:** A warehouse that stores raw materials or components. Goods from different suppliers are picked, sorted, staged, or sequenced at the warehouse to assemble plant orders.

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**Synchronization:** The concept that all supply chain functions are integrated and interact in real time; when changes are made to one area, the effect is automatically reflected throughout the supply chain.

**Syntax:** The grammar or rules which define the structure of the EDI standard



**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.

**TCO:** *See Total Cost of Ownership*

**Technical Components:** Component (part) of a product for which there is a limited number of suppliers. These parts are hard to make, and require much more lead time and expertise on the part of the supplier to produce than standard components do.

**Theoretical Cycle Time:** The back-to-back process time required for a single unit to complete all stages of a process without waiting, stoppage, or time lost due to error.

**Theory of Constraints:** A production management theory which dictates that volume is controlled by a series of constraints related to work center capacity, component availability, finance, etc. Total throughput cannot exceed the capacity of the smallest constraint, and any inventory buffers or excess capacity at non-related work centers is waste.

**Third-Party Logistics (3PL):** Outsourcing all or much of a company's logistics operations to a specialized company.

**Third Party Logistics Provider:** 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 to distributors and retailers. Among the services which they provide are transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding.

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**Throughput:** A measure of warehousing output volume (weight, number of units). Also, the total amount of units received plus the total amount of units shipped, divided by two.

**Time-Definite Services:** Delivery is guaranteed on a specific day or at a certain time of the day.

**TL:** *See Truck Load*

**TOC:** *See Theory of Constraints*

**TOFC:** Trailer-on-flat car (piggyback).

**Total Annual Material Receipts:** The dollar amount associated with all direct materials received from Jan 1 to Dec 31.

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

**Total Average Inventory:** Average normal use stock, plus average lead stock, plus safety stock.

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

**Total Cost of Ownership (TCO):** Total cost of a computer asset throughout its lifecycle, from acquisition to disposal. TCO is the combined hard and soft costs of owning networked information assets. 'Hard' costs include items such as the purchase price of the asset, implementation fees, upgrades, maintenance contracts, support contracts, and disposal costs, license fees that may or may not be upfront or charged annually. These costs are considered 'hard costs' because they are tangible and easily accounted for.

**Total Cumulative Manufacture Cycle Time:** The average time between commencement of upstream processing and completion of final packaging for shipment operations as well as release approval for shipment. Do not include WIP storage time.

**Calculation:**  $[\text{Average \# of units in WIP}] / [\text{Average daily output in units}] - \text{WIP days of supply}$

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**Total Inventory Days of Supply:** Total gross value of inventory at standard cost before reserves for excess and obsolescence. Includes only inventory that is on the books and currently owned by the business entity. Future liabilities such as consignments from suppliers are not included.

**Calculation:** [5 Point Annual Average Gross Inventory] / [Cost of Good Sold/365]

**Total Make Cycle Time:** The average total processing time between commencement of upstream processing and completion of all manufacturing process steps up to, but NOT including, packaging and labeling operations (i.e. from start of manufacturing to final formulated product ready for primary packaging). Do not include hold or test and release times.

**Calculation:** [Average # of units in active manufacturing] / [Average daily output in units]

**Total Package and Label Cycle Time:** The average total processing time between the commencement of the primary packaging and labeling steps to completion of the final packaging steps for shipment.

**Calculation:** [Average # of units in packaging and labeling WIP] / [Average daily output in units]

**Total Productive Maintenance (TPM):** Team based maintenance process designed to maximize machine availability and performance and product quality.

**Total Product Revenue:** The total value of sales made to external customers plus the transfer price valuation of intra-company shipments, net of all discounts, coupons, allowances, and rebates. Includes only the intra-company revenue for product transferring out of an entity, installation services if these services are sold bundled with end products, and recognized leases to customers initiated during the same period as revenue shipments, with revenue credited at the average selling price.

**Note:** Total Product Revenue excludes post-delivery revenues (maintenance and repair of equipment, system integration), royalties, sales of other services, spare parts revenue, and rental/lease revenues.

**Total Sourcing Lead Time (95% of Raw Material Dollar Value):** Cumulative lead time (total average combined inside-plant planning, supplier lead time [external or internal], receiving, handling, etc., from demand identification at the factory until the materials are available in the production facility) required to source 95% of the dollar value (per unit) of raw materials from internal and external suppliers.

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**Total Supply-Chain Management Cost (5 elements):** Total cost to manage order processing, acquire materials, manage inventory, and manage supply-chain finance, planning, and IT costs, as represented as a percent of revenue. Accurate assignment of IT-related cost is challenging. It can be done using Activity-Based-Costing methods, or based on more traditional approaches. Allocation based on user counts, transaction counts, or departmental headcounts are reasonable approaches. The emphasis should be on capturing all costs, whether incurred in the entity completing the survey or incurred in a supporting organization on behalf of the entity. Reasonable estimates founded in data were accepted as a means to assess overall performance. All estimates reflected fully burdened actuals inclusive of salary, benefits, space and facilities, and general and administrative allocations.

**Calculation:** [Order Management Costs + Material Acquisition Costs + Inventory Carrying Costs + Supply-Chain-Related Finance and Planning Costs + Total Supply-Chain-Related IT Costs] / [Total Product Revenue] (Please see individual component categories for component detail and calculations)

**Total Supply Chain Response Time:** The time it takes to rebalance the entire supply chain after determining a change in market demand. Also, a measure of a supply chain's ability to change rapidly in response to marketplace changes.

**Calculation:** [Forecast Cycle Time] + [Replan Cycle Time] + [Intra-Manufacturing Replan Cycle Time] + [Cumulative Source/Make Cycle Time] + [Order Fulfillment Lead Time]

**Total Test and Release Cycle Time:** The average total test and release time for all tests, documentation reviews, and batch approval processes performed from start of manufacturing to release of final packaged product for shipment.

**Calculation:** [Average # of units in test and release] / [Average daily output in units]

**Touch Labor:** The labor that adds value to the product - assemblers, welders etc. This does not include indirect resources such as material handlers (mover and stage product, mechanical and electrical technicians responsible for maintaining equipment).

**TPM:** *See Total Productive Maintenance*

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

Definitions compiled by:  
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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*

**Trading Partner:** Companies that do business with each other via EDI (e.g., send and receive business documents, such as purchase orders).

**Trading Partner Agreement:** The written contract that spells out agreed upon terms between EDI trading partners.

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

**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.

**Transaction Set:** Commonly used business transactions (e.g. purchase order, invoice, etc.) organized in a formal, structured manner, consisting of a Transaction Set header control segment, one or more Data Segments, and a Transaction Set trailer Control Data Segment.

**Transaction Set ID:** A three digit numerical representation that identifies a transaction set.

**Transactional Acknowledgement:** Specific Transaction Sets, such as the Purchase Order Acknowledgement (855), that both acknowledges receipt of an order and provides special status information such as reschedules, price changes, back order situation, etc.

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

**Translation Software:** Software that converts or "translates" business application data into EDI standard formats, and vice versa.

**Transmission Acknowledgment:** Acknowledgment that a total transmission was received with no errors detected

**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.

**Transportation Planning Systems:** The systems used in optimizing of assignments from plants to distribution centers, and from distribution centers to stores. The systems combine "moves" to ensure the most economical means are employed.

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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*

**Truck Load (TL):** Shipping a full truck load of a product from point A to point B costs less a pound than shipping a smaller quantity of the same product between the two points.

**Truckload Carriers:** Trucking companies, which move full truckloads of freight directly from the point of origin to destination.

**Turnover:** 1) Inventory Turnover. 2) In the United Kingdom and certain other countries, annual sales volume.



**UCC:** *See Uniform Code Council*

**UCS:** *See Uniform Communication Standard*

**Uniform Code Council (UCC):** A U.S. association that administrates UCS, WINS, and VICS and provides UCS identification codes and UPCs. Also, a model set of legal rules governing commercial transmissions, such as sales, contracts, bank deposits and collections, commercial paper, and letters of credit. Individual states give legal power to the UCC by adopting its articles of law.

**Uniform Communication Standard (UCS):** A set of standard transaction sets for the grocery industry that allows computer-to-computer, paperless exchange of documents between trading partners. Using Electronic Data Interchange, UCS is a rapid, accurate and economical method of business communication; it can be used by companies of all sizes and with varying levels of technical sophistication.

**Uniform Product Code (UPC):** A standard bar code system used by the retail industry. Identifies manufacturer, item, style, color, etc.

**Uniform Resource Locator (URL):** A string that supplies the Internet address of a website or resource on the World Wide Web, along with the protocol by which the site or resource is accessed. The most common URL type is http://, which gives the Internet address of a web page. Some other URL types are gopher://, which gives the Internet address of a Gopher directory, and ftp://, which gives the network location of an FTP resource.

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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

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**Unit Cost:** The cost associated with a single unit of product. The total cost of producing a product or service divided by the total number of units.

**UPC:** *See Uniform Product Code*

**Upside Production Flexibility:** The number of days required to complete manufacture and delivery of an unplanned sustainable 20% increase in end product supply of the predominant product line. The one constraint that is estimated to be the principal obstacle to a 20% increase in end product supply, as represented in days, is Upside Flexibility: Principal Constraint. Upside Flexibility could affect three possible areas: direct labor availability, internal manufacturing capacity, and key components or material availability.

**Upstream:** Principal direction of movement for customer orders which originate at point of demand or use, as well as other flows such as return product movements, payments for purchases, etc. Opposite of downstream.

**URL:** *See Uniform Resource Locator*

**Usage Rate:** Measure of demand for product per unit of time (e.g., units per month, etc.).



**VAN:** *See Value-Added Network*

**Validation:** To check whether a document is the correct type for a particular EDI system, as agreed upon by the trading partners, in order to determine whether the document is going to or coming from an authorized EDI user.

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

**Value-Added Productivity Per Employee:** Contribution made by employees to total product revenue minus the material purchases divided by total employment. Total employment is total employment for the entity being surveyed. This is the average full-time equivalent employee in all functions, including sales and marketing, distribution, manufacturing, engineering, customer service, finance, general and administrative, and other. Total employment should include contract and temporary employees on a full-time equivalent (FTE) basis.

**Calculation:** Total Product Revenue-External Direct Material / [FTE's]

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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*

**Value Based Return (VBR):** A measure of the creation of value. It is the difference between economic profit and capital charge.

**Value Chain:** A series of activities, which combined, define a business process; the series of activities from manufacturers to the retail stores that define the industry supply chain.

**Value Chain Analysis:** The use of structured design methods to define information related to the activities performed by all partners across the entire grocery industry supply chain.

**Value of Transfers:** The total dollar value (for the calendar year) associated with movement of inventory from one “bucket” into another, such as raw material to work-in-process, work-in-process to finished goods, plant finished goods to field finished goods or customers, and field finished goods to customers. Value of Transfers is based on the value of inventory withdrawn from a certain category and is often approached from a costing perspective, using cost accounts. For example, Raw Materials Value of Transfers is the value of transfers out of the raw material cost accounts (you may have cost centers associated with inventory locations, but all "raw ingredients" usually share common cost accounts or can be rolled up into one financial view). The same goes for WIP. Take the manufacturing cost centers and look at the total value of withdrawals from those cost centers. While Average Gross Inventory represents the value of the inventory in the cost center at any given time, the Value of Transfers is the total value of inventory leaving the cost center during the year. The value of transfers for Finished Goods is, in theory, equivalent to COGS.

**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.

**Value-Added Network (VAN):** A company that acts as a clearing-house for electronic transactions between trading partners. A third-party supplier that receives EDI transmissions from sending trading partners and holds them in a “mailbox” until retrieved by the receiving partners.

**Variable Cost:** A cost that fluctuates with the volume or activity level of business.

**VBR:** *See Value Based Return*

**Vendor:** The manufacturer or distributor of an item or product line.

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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

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**Vendor Code:** A unique identifier, usually a number and sometimes the company's DUNS number, assigned by a Customer for the Vendor it buys from. Example; Foodlion buys Oreo's from Nabisco. Foodlion, for accounting purposes, identifies Nabisco as Vendor #76091. One company can have multiple vendor codes. Example; Welch's Foods sells many different products. Frozen grape juice concentrate, chilled grape juice, bottled grape juice, and grape jelly. Because each of these items is a different type of product, frozen food, chilled food, beverages, dry food, they may have a different buyer at Foodlion, requiring a different vendor code for each product line. Buyouts of company will sometimes cause a company to have different vendor codes. Nabisco bought out the Cream Of Wheat Company in 1962. Oreo's may belong to Vendor #76091 but Cream of Wheat may be Vendor #88372 because that was the Cream Of Wheat Company's vendor code and, at the time of the buyout, Foodlion chose not to update their buying system.

**Vendor-Managed Inventory (VMI):** The practice of retailers making suppliers responsible for determining order size and timing, usually based on receipt of retail POS and inventory data. Its goal is to increase retail inventory turns and reduce stock outs.

**Vertical Hub/Vertical Portal:** Serving one specific industry. These days seemingly everybody is vertical. Why? Conventional wisdom says the vertical business model beats the horizontal 90% of the time. Vertical portal websites that cater to consumers within a particular industry. Similar to the term "vertical industry", these websites are industry specific, and like a portal, they make use of Internet technology by using the same kind of personalization technology. In addition to industry specific vertical portals that cater to consumers, another definition of a vertical portal is one that caters solely to other businesses.

**Viral Marketing:** Word of mouth that really gets contagious. The best way to build a brand.

**Visibility:** The ability to access or view pertinent data or information as it relates to logistics and the supply chain.

**VMI:** *See Vendor Managed Inventory*

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# SUPPLY CHAIN VISIONS LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*



**WAN:** *See Wide Area Network*

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

**Warehouse Management Systems:** 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.

**Warranty Costs:** Includes materials, labor, and problem diagnosis for products returned for repair or refurbishment.

**Waste:** 1) In Just-in-Time, any activity that does not add value to the good or service in the eyes of the consumer. 2) A by-product of a process or task with unique characteristics requiring special management control. Waste production can usually be planned and controlled. Scrap is typically not planned and may result from the same production run as waste.

**Wave Picking:** A method of selecting and sequencing picking lists to minimize the waiting time of the delivered material. Shipping orders may be picked in waves combined by a common product, common carrier or destination, and manufacturing orders in waves related to work centers.

**Waybill:** Document containing description of goods that are part of common carrier freight shipment. Show 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 Browser:** A client application that fetches and displays web pages and other World Wide Web resources to the user.

**What You See Is What You Get (WYSIWYG):** An editing interface in which a file created is displayed as it will appear to an end-user.

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# SUPPLY CHAIN VISIONS

## LOGISTICS TERMS and GLOSSARY

*Updated October 1<sup>st</sup>, 2002*

**Wide Area Network (WAN):** A public or private data communications system for linking computers distributed over a large geographic area.

**Windows Meta File (WMF):** A vector graphics format for Windows-compatible computers used mostly for word processing clip art.

**WIP:** *See Work in Process*

**WMF:** *See Windows Meta File*

**Work-in-Process (WIP):** Parts and subassemblies in the process of becoming completed finished goods.

**World Wide Web (WWW):** A "multimedia hyper linked database that spans the globe" and lets you browse through lots of interesting information. Unlike earlier Internet services, the 'Web' combines text, pictures, sounds, and even animations, and it lets you move around with a click of your computer mouse.

**WWW:** *See World Wide Web*

**WYSIWYG:** *See What You See Is What You Get*



**X12:** The ANSI standard for interindustry electronic interchange of business transactions.

**XML:** XML is basically a kind of metalanguage allowing businesses to talk to each other. It allows companies to know what they are dealing with, in purchase orders or whatever. It enables web authors and designers to create their own customized tags to provide functionality not available with HTML. For example, XML supports links that point to multiple documents, as opposed to HTML links, which can reference just one destination each

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# SUPPLY CHAIN VISIONS LOGISTICS TERMS and GLOSSARY

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**Yield:** The ratio of usable output from a process to its input.



**Zone Picking:** A method of subdividing a picking list by areas within a storeroom for more efficient and rapid order picking. A zone-picked order must be grouped to a single location and the separate pieces combined before delivery or must be delivered to different locations, such as work centers.

## Numbers

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

**4PL:** *See Forth Party Logistics*

**5-Point Annual Average:** Method frequently used in PMG studies to establish a representative average for a one year period.

*Calculation:*  $[12/31/98 + 3/31/98 + 6/30/99 + 9/30/99 + 12/31/99] / 5$

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*Updated October 1<sup>st</sup>, 2002*

**Some terms used in the Supply Chain Visions Logistics Glossary are based on the following sources:**

The Supply-Chain Council's Supply-Chain Operations Reference-model (SCOR). For more information on the Supply-Chain Council and SCOR, visit [www.supply-chain.org](http://www.supply-chain.org).

The American Production and Inventory Control Society's (APICS) Dictionary. For more information on APICS, visit [www.apics.org](http://www.apics.org).

Information Access's Glossary of Data Integration Terminology. For more information on Information Access, visit [www.infoaccess.net](http://www.infoaccess.net).

Manufacturing System's Glossary of Special Terms used in Client/Server Computing, Production Management and Process Automation. For more information on MSI, visit [www.manufacturingsystems.com](http://www.manufacturingsystems.com).

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