Order Cycle Outsourcing: Backward Integration of Logistics Outsourcing  
(Indian BPO Scenario)

**Article Summary**

The article starts with discussing the concept of Order Cycle and how it relates to other supply chain elements. Then it analyzes the status of Order cycle outsourcing, the status of Indian BPOs in this arena and suggests strategies for offering services in Order cycle outsourcing.

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Logistics outsourcing is now a comparatively old phenomenon, considering the pace at which wide gamuts of processes are being outsourced. Any process that is a “broken process” is a prime target for outsourcers. 3PL and for that matter even 4PL doesn’t make news anymore. They are no longer trends in the logistics industry, but have become integral part of the day to day operations of various organizations.

The recent trend on the anvil is “Order Cycle Outsourcing”. So what exactly is Order Cycle? The Order Cycle encompasses all processes directly involved in receiving and filling the customer’s order. It is an integral part of various cycles, which constitute a supply chain, as illustrated in the representation 1.

The Order Cycle can be further divided into the following processes:
- Customer Order arrival(Order Capture)
- Customer Order entry and administration etc
- Customer Order Fulfillment
- Billing & Invoicing
- Collections

The first two processes are among the most outsourced ones, featuring on the list of offerings of nearly every Business Process Outsourcing Organization. Indian BPOs are relatively very strong in these first two processes, as they combine customer services (for order capture through phone) and Order Management services in an excellent fashion. Every other month we have one or more deals that are bagged by Indian BPOs in this domain. Again, invoicing is also something mainstream BPOs are very good at, and it applies to Indian BPOs as well. Invoicing and Accounts Receivable form a part of the Finance and accounting domain of most of the BPOs and is one of the most outsourced processes till date.

But when it comes to the third processes, we are left with very few specialized world class players. Though the Indian BPOs have routinely provided world class services in other outsourcing processes, logistics outsourcing is something that remains a pain area for them. For a good deal of time, Logistics was ignored as a differentiator by India Inc. With more and more focus on Supply Chain as a strategic differentiator, logistics also came into limelight. But Indian companies, with hardcore emphasis on providing services
related to processes, are still struggling to achieve a substantial (forget world class) foothold in logistics services as well as logistics services outsourcing. Though many Indian logistics services providers have been quick to adopt technologies like RFID, we still don’t have a world class Indian logistics outsourcing Company. The domain is dominated by likes of UPS, DHL.

With the competition getting more intense with every passing day, organizations around the world need to concentrate more and more on their core competency. This is the trend that has been exploited by outsourcing services providers. But with different processes outsourced to different vendors, organizations are facing the co-ordination issues. For each vendor, there is a process manager in the client organization, to supervise the performance and vendor delivery on SLAs. Having different managers for different vendors and then coordinating on their feedbacks is becoming a pain for the organizations that have more than one process outsourced.

Cognizant to this, organizations are looking for a single vendor, who can perform Order Management (Order Capture, Entry, Administration etc) as well as Order Fulfillment (Warehouse Management and logistics, including reverse logistics). Thus, the buzz is Order Cycle outsourcing. Such a model of service offering has been depicted in Representation 2:

![Representation 2: Order Cycle Outsourcing Model](image)

The model combines order management outsourcing with logistics outsourcing. This provides the client with a single point of contact, thereby reducing the pain of managing various key persons, as well as provide a broad holistic visibility of the entire Order Cycle. Getting the visibility in the entire Order Cycle process helps benchmark the entire cycle...
as well as gauges the metrics for the same. Thus, this outsourcing model provides multiple benefits to the client in a single go.

The number of players that provide outsourcing services spanning the entire Order Cycle is very limited. Most of them are hardcore logistics outsourcing services providers like UPS. The reason behind this being very simple: It is relatively easy to build fresh competency in providing processing services (Order entry, Order administration) but extremely difficult to build competency in providing logistics Outsourcing. If we take a look around at the players who provide logistics outsourcing, we will find that most of them have been into logistics domain for decades. It is thus a paramount task for mainstream BPOs to match them, at least for the years to come, in providing logistics outsourcing services. Secondly, as most of the clients for Indian BPOs are from North America and Europe, it is practically impossible for them to provide logistics services along with Order Management services, considering that it is not feasible for them to maintain a logistics unit in these geographies, which will match the likes of UPS and DHL.

So what exactly should be the approach for Indian BPOs here? The best strategy here seems to be collaborating, rather than competing with the logistics outsourcing services providers. Collaborating with a logistics services provider will enable the Indian BPOs offering Order Management services to propose services across the entire Order Cycle to the prospective clients, something that the client would cherish. Such a model has been shown in representation 3:
The arrangement in representation 3 presents a collaborative model where the BPO Services provider need not get into the logistics domain, but can still provide end to end Order Cycle outsourcing services. Simultaneously, it may build up its expertise in the domain so as to take over these services in future in a “single window” service provider model.

Another interesting trend in the logistics outsourcing domain is that of insourcing. In his book “The World is Flat” Thomas Friedman discusses the rudiments of Globalization. He identifies ten “Flatteners” in the modern business world, which according to Friedman laid the foundation of Globalization. insourcing has been mentioned as one of them. So, what exactly is insourcing? Here is the Wikipedia definition for the same:

“**Insourcing** is the opposite of outsourcing; that is insourcing (or contracting in) is often defined as the delegation of operations or jobs from production within a business to an internal (but 'stand-alone') entity (such as a subcontractor) that specializes in that operation. Insourcing is a business decision that is often made to maintain control of certain critical production or competencies.”

One of the prime case studies for logistics insourcing is the arrangement between UPS and Toshiba. UPS was the pioneer of the insourcing methodology, which is now adopted by several service providers around the globe. In words of Thomas Freidman, “insourcing is what UPS does. With sufficient system standardization, UPS is able to move into a company, taking customer calls, handling logistics, picking up Toshiba laptops for instance….and then providing the repair and returning them to the customer.”

Logistics has finally come of age in Indian Business scenario. Considering the renewed attention on Supply Chain and logistics management by the Indian Inc, we can expect more and more trends to emerge in the future. On the other hand, with advances in technologies and the abundance of skilled resources in India, the span of outsourcing is increasing with each passing day. Combine both these phenomenon and we are in for very interesting times ahead in logistics.