

the traditional replenishment method based almost exclusively on the independent processing of orders received at each level of the network.

A recent technological innovation, flowcasting, sets forth the idea of an information system through which a database can be developed that is shared by the various stakeholders in a supply chain. The system is based on a single set of forecasts, made at sales outlets, to plan replenishment of retail stores and distribution centres. Tests were performed in the United States between a large retailer and a major food product supplier, and the results are extremely interesting: there was a significant reduction in the inventory level and an increase in the level of service and rate of coverage of in-store products. (Beaulieu and Roy, 2009).

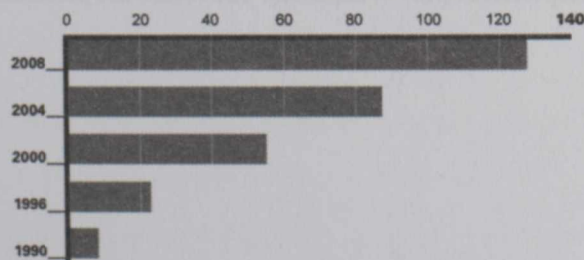
3) Outsourcing of logistics services

With globalization and market liberalization, companies are increasingly looking to focus on activities in which they excel, be it motor vehicle assembly or product marketing. In many cases, however, these activities exclude product supply and distribution, which is outsourced to companies specializing in logistics, better known as 3PLs (third party logistics providers). These companies handle some or all of their clients' logistics activities: transportation, warehousing, handling, order processing and preparation, inventory management, supply, distribution, etc.

These logistics service providers have developed rapidly over the past decade and continue to increase steadily. Figure 4 illustrates this trend by showing how the 3PL market in the United States has grown over nearly 20 years, whereas Figure 2 demonstrates that Canadian companies were less likely to outsource their logistics activities to 3PLs. As a result, the Canadian logistics services industry grew by 47% between 1998 and 2007, according to Industry Canada (2008). Still, it is difficult to compare this figure with the American percentage, because the Canadian definition includes transportation service providers. Even so, it is interesting to note that the GDP for Canadian logistics service providers should increase by 40% between 2007 and 2015 to C\$56 billion, according to Industry Canada (2008), a rising trend similar to that observed in the United States.

Figure 4: Changes in the 3PL market in the United States between 1990 and 2008

CHANGES IN THE 3PL MARKET IN THE UNITED STATES BETWEEN 1990 AND 2008
BILLIONS OF DOLLARS



Sources: Chow and Gritta (2002) and Wilson (2009)