Logistics Definitions

3PL (Third-Party Logistics)
What people say: “We outsource to a 3PL.”

What it means: A logistics provider (like TPS) stores, picks, packs, and ships your products. So you don’t need your own software, warehouse or workforce.

2. SKU (Stock Keeping Unit)
What people say: “We’ve got 300 SKUs.”

What it means: A unique code used internally to track different versions of a product. Like size, colour, or style. Think of it as a product’s fingerprint.

3. Pick and Pack
What people say: “We handle pick and pack in-house.”

What it means: Taking the right items off the shelf (picking) and preparing them for delivery (packing). Core to every fulfilment centre.

4. WMS (Warehouse Management System)
What people say: “The WMS isn’t syncing with Shopify.”

What it means: WMS is software that tracks inventory, orders, and stock movement in real time. It’s the digital brain of the warehouse.

5. Last-Mile Delivery
What people say: “Last-mile costs are killing us.”

What it means: The final leg of a parcel’s journey, from the distribution hub to the customer’s door. Often the most expensive and time-sensitive stage.

6. Reverse Logistics
What people say: “We need a better reverse logistics solution.”

What it means: All the processes (and 3rd parties) involved in handling customer returns, receiving the item back, inspecting, restocking, or recycling it.

7. Kitting
What people say: “We kit all subscription boxes on-site.”

What it means: Pre-assembling multiple products into a single package, like gift sets, bundles, or curated boxes.

8. Manifest
What people say: “The manifest doesn’t match the shipment.”

What it means: A document that lists all the goods in a shipment, essential for tracking and compliance.

9. IOSS (Import One-Stop Shop)
What people say: “We’re registered for IOSS for EU orders.”

What it means: A VAT scheme for non EU-based sellers shipping low value goods (150€ and under) to EU customers, it simplifies tax collection and speeds up delivery.

10. Dimensional Weight
What people say: “You’re being billed by volume, not weight.”

What it means: Carriers calculate shipping charges based on how much space a parcel takes up, not just its weight. E.G. Light but bulky items may cost more.

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11. FOB (Free on Board)
What people say: “It’s FOB China port.”

What it means: The seller pays shipping costs until the goods are loaded onto the vessel. From there, the buyer takes over risk and cost.

12. Bonded Warehouse
What people say: “Goods are held in a bonded warehouse.”

What it means: Also known as a customs warehouse. Allows businesses to defer customs payments until the goods are released for sale or consumption within the country, or until they are re-exported. Which can assist with cash-flow.

13. Cross-Docking
What people say: “We’re moving to a cross-docking model.”

What it means: Goods are transferred directly from inbound to outbound transport with little or no storage, ideal for fast-moving products.

14. Freight Forwarder
What people say: “Our freight forwarder also handles customs clearance.”

What it means: A logistics organisation that arranges international shipping, booking the transport with the shipping, courier or airline, preparing documents and customs declarations. They coordinate the full journey of your goods.

15. Lead Time
What people say: “Lead time from China is 42 days.”

What it means: The total time from placing a purchase order to receiving the goods, including production, shipping, customs and delivery.

16. Drop Shipping
What people say: “We’re running a drop-shipping model.”

What it means: You sell products that are shipped directly from the supplier to your customer. No inventory held by the seller, but you still manage the customer experience.

17. Commercial Invoice
What people say: “Customs held the shipment, invoice was missing.”

What it means: A document required for international shipping that details the contents, value, and origin of goods. Used by customs to calculate duties.

18. Demand Forecasting
What people say: “Our forecast is off, we’re overstocked.”

What it means: Predicting future sales so you can stock the right products, in the right quantities, at the right time, avoiding excess or stock shortages.

19. Palletisation
What people say: “Products need palletising before transit.”

What it means: Stacking and wrapping goods on pallets rather than moving loose boxes, for safe and efficient transport. A standard practice in bulk logistics.

20. Back order
What people say: “This item is on back order.”

What it means: The item is out of stock, but customers can still order it, and it’ll be shipped once it's back in inventory.

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