

CONCEPTS OF LOGISTICS MANAGEMENT

Logistics management may be defined as follows

Logistics management consists of the process of planning, implementing and controlling the efficient flow of raw-materials, work-in-progress and finished goods and related information- from point of origin to point of consumption; with a view to providing satisfaction to the customer.

According to Phillip Kotler, “Market logistics involve planning, implementing and controlling physical flow of material and final (finished) goods **from** the point of origin to the point of use to meet customer requirements, at a profit.”

Certain pertinent observations on the concept of logistics are:

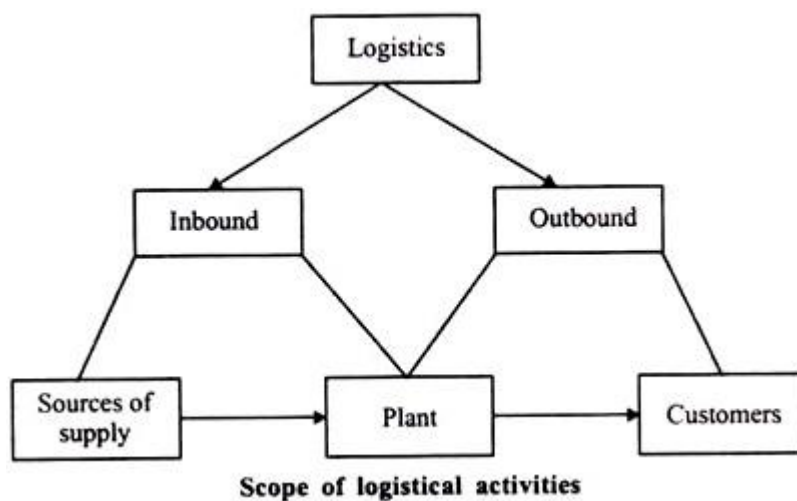
- The actual work of logistics is supportive in nature. Logistical support is a must for manufacturing and marketing operations.
- The concept of logistics is based on a total system view of the multitude of functions in movement of materials and goods from sources of supply to users. Accordingly, it forces management to think in terms of managing the total system; rather than just one part of it.

Classification of Logistical Activities:

Logistics (or Logistical Activities) may be Broadly Classified into Two Categories:

I. Inbound logistics; which is concerned with the smooth and cost effective inflow of materials and other inputs (that are needed in the manufacturing process) from suppliers to the plant. For proper management of inbound logistics, the management has to maintain a continuous interface with suppliers (vendors).

II. Outbound logistics (also called physical distribution management or supply chain management); is concerned with the flow of finished goods and other related information from the firm to the customer. For proper management of outbound logistics, the management has to maintain a continuous interface with transport operators and channels of distribution.



Significance (or Objectives) of Logistics Management:

Logistics management is significant for the following reasons:

(i) **Cost Reduction and Profit Maximization:**

Logistics management results in cost reduction and profit maximization, primarily due to:

1. Improved material handling
2. Safe, speedy and economical transportation
3. Optimum number and convenient location of warehouses etc.

(ii) **Efficient Flow of Manufacturing Operations:**

Inbound logistics helps in the efficient flow of manufacturing operations, due to on-time delivery of materials, proper utilisation of materials and semi-finished goods in the production process and so on.

(iii) **Competitive Edge:**

Logistics provide, maintain and sharpen the competitive edge of an enterprise by:

1. Increasing sales through providing better customer service
2. Arranging for rapid and reliable delivery
3. Avoiding errors in order processing; and so on.

(iv) **Effective Communication System:**

An efficient information system is a must for sound logistics management. As such, logistics management helps in developing effective communication system for continuous interface with suppliers and rapid response to customer enquiries.

(v) **Sound Inventory Management:**

Sound inventory management is a by-product of logistics management. A major headache of production management, financial management etc. is how to ensure sound inventory management; which headache is cured by logistics management.

Significance of logistics management – at a glance

1. Cost reduction and profit maximisation
2. Efficient flow of manufacturing operations
3. Competitive edge
4. Effective communication system
5. Sound inventory management.

Key Activities Involved in Logistics Management:

Following is a brief account of key activities involved in logistics management:

(i) **Network Design:**

Network design is one of the prime responsibilities of logistics management. This network is required to determine the number and location of manufacturing plants, warehouses, material handling equipment's etc. on which logistical efficiency depends.

(ii) **Order Processing:**

Customers' orders are very important in logistics management. Order processing includes activities for receiving, handling, filing, recording of orders. Herein, management has to ensure that order processing is accurate, reliable and fast.

Further, management has to minimize the time between receipt of orders and date of dispatch of the consignment to ensure speedy processing of the order. Delays in execution of orders can become serious grounds for customer dissatisfaction; which must be avoided at all costs.

(iii) Procurement:

It is related to obtaining materials from outside suppliers. It includes supply sourcing, negotiation, order placement, inbound transportation, receiving and inspection, storage and handling etc. Its main objective is to support manufacturing, by providing timely supplies of qualitative materials, at the lowest possible cost.

(iv) Material Handling:

It involves the activities of handling raw-materials, parts, semi-finished and finished goods into and out of plant, warehouses and transportation terminals. Management has to ensure that the raw-materials, parts, semi-finished and finished goods are handled properly to minimize losses due to breakage, spoilage etc. Further, the management has to minimize the handling costs and the time involved in material handling.

Material handling systems, in logistics management are divided into three categories:

1. Mechanized systems
2. Semi-automated systems
3. Automated systems

(v) Inventory Management:

The basic objective of inventory management is to minimize the amount of working capital blocked in inventories; and at the same time to provide a continuous flow of materials to match production requirements; and to provide timely supplies of goods to meet customers' demands.

Management has to maintain inventories of:

1. Raw-materials and parts
2. Semi-finished goods
3. Finished goods

Management has to balance the benefits of holding inventories against costs associated with holding inventories like – storage space costs, insurance costs, risk of damage and spoilage in keeping stocks etc.

(vi) Packaging and Labeling:

Packaging and labeling are an important aspect of logistics management. Packaging implies enclosing or encasing a product into suitable packets or containers, for easy and convenient handling of the product by both, the seller and specially the buyer.

Packaging facilitates the sale of a product. It acts as a silent salesman. For example, a fancy and decorative packaging of sweets, biscuits etc. on the eve of Diwali, makes for a good sale of such items.

Labeling means putting identification marks on the package of the product. A label provides information about – date of packing and expiry, weight or size of product, ingredients used in the manufacture of the product, instructions for sale handling of the product, price payable by the buyer etc.

Labeling is a strong sales promotion tool. The consumer who is persuaded to read the label may, in fact, try to buy the product; even though he/she had no such premeditation (advance idea).

(vii) Warehousing:

Storage or warehousing is that logistical activity which creates time utility by storing goods from the time of production till the time these are needed by ultimate consumers.

Here, the management has to decide about:

1. The number and type of warehouses needed and
2. The location of warehouses.

The above two decisions depend on the desired level of customer service and the distance between the supply source and final destination i.e. markets.

(viii) Transportation:

Transportation is that logistical activity which creates place utility.

Transportation is needed for:

1. Movement of raw-materials from suppliers to the manufacturing unit.
2. Movement of work-in-progress within the plant.
3. Movement of finished goods from plant to the final consumers.

Major transportation systems include:

1. Railways
2. Roadways
3. Airways
4. Waterways
5. Pipelines.

The choice of a particular mode of transportation is dependent on a balancing of following considerations:

1. Speed of transportation system
2. Cost involved in transportation
3. Safety in transportation
4. Reliability of transportation time schedules
5. Number of locations served etc.

Key activities involved in logistics management - at a glance

1. Network design
2. Order processing
3. Procurement
4. Material handling
5. Inventory management
6. Packaging and labelling
7. Warehousing
8. Transportation.

Source : <http://www.yourarticlelibrary.com/business/logistics-management/logistics-management-concept-significance-and-key-activities/69534>

5 EXAMPLES OF SOME OF THE BEST SUPPLY CHAIN MANAGEMENT

Supply chain management is known as the process of production and logistics of a company, which must take place from the beginning of procurement of raw materials in order to create products and the final delivery of such products to their distribution centers and ultimately their points of sale.

The practices of SCM are not only benefited by the reduction of spending, but also by incrementing profitability in investments, commercial growth and reducing the overall cost of doing business. Businesses faced with overruns, due to bad supply chain management have a higher propensity to being affected by economic crises; therefore the difference between a struggling company and a successful one can usually be seen in an adequate and representative use and upkeep of their supply chain from beginning to end.

There are many examples of prosperous companies that have correctly developed the supply change management concept and that enforce efficient practices. These are some examples.

The Coca-Cola Company

Main makers, marketers and distributors of drink concentrates and non-alcoholic syrups. The main office is located in Atlanta, GA but their products are distributed to virtually every country in the world. Their preparation, distribution and transportation logistics are in line with a segmentation strategy for their customers when it comes to the size and presentation of their products. **Aside from having an extremely successful supply chain, Coca-Cola participates in sponsorships, partnerships, and alliances; thus creating a great management and marketing of their products.**

Colgate

The main toothpaste brand made by Colgate-Palmolive, dedicated to producing, distributing and selling oral hygiene and home cleaning products since the last part of the 19th century. Colgate keeps present all aspects of product diversity, effectiveness, optimization and customer support and it uses an effective distribution channel that encompasses all aspects of care and maintenance. **Their products are sold in many venues such as pharmacies, supermarkets, convenience stores and small wholesalers, thus creating an excellent impact within their distribution channels and management.**

7-Eleven

7-Eleven is an international chain of convenience stores, based out of Dallas, Texas. The currently have around 58.308 in 16 different countries, most of them franchises. They are mainly focused on selling basic food items, medicine and toiletries and magazines, but this all depends on their host country. Their main stores are located throughout the United States and Asia. **They supply a huge variety of customer needs 24 hours a day in most locations. Their reach, capacity and management have made 7-Eleven one of the biggest and most productive companies in the world.**

Zara

Zara is one of the main clothing and accessory retailers internationally based in Spain. **They are mainly focused on new, trendy and cutting edge fashion for men and women alike. Currently it operates in 88 different markets worldwide, their main distributors are in Madrid and Zaragoza.** Zara is known for its energy saving efforts and techniques, as well as

their minimization and efficient waste management. This commitment with the environment is paramount within their operations across all plants and departments and has helped create a collective conservation consciousness among members of the staff. In their fabrics, they used environmentally friendly fabrics like organic cotton amongst others. Their textile production comes from Spain, the Far East, India and Morocco. Biodiesel fuel is used to transport their products, according to their environmental policies. They have a great concern for animal treatment and under no circumstances, use animal products that come from animals that were not treated ethically or sacrificed for the sole purpose of commercializing their leather, skin, horns, feathers, etc. While other retailers use third-party production, Zara produces about 60% of the fabrics they use and use cutting-edge technology to cut and measure the handling of fabric so this is done in a precise and efficient manner, thus reducing waste overall.

Amazon

Amazon is a US electronic commerce and cloud computing company. Their headquarters are based in Seattle, Washington and they are the largest internet-based retailer in the United States. Amazon was one of the first companies that started selling books online. Currently their range of products doesn't stop there; they also sell music, videogames, shoes, clothing, luggage and many other accessories. Amazon offers about everything you can think of and their variety in offers and products along with their customer driven shopping and recommendations is a hit with customers. One of the reasons why Amazon can have such a wide spectrum of products is the fact that they are not limited by physical spaces, since they don't have actual stores. **Their supply chain goes from the lowest levels of inventory, through the logistics of the order itself all the way up to an outstanding distribution chain of their products in an international scale.** Amazon can currently ship close to 10 million different products. This diversity gives it an edge against competitors and makes it a perfect example of what efficient supply chain management can accomplish.

Source : <https://davidkigerinfo.wordpress.com/2016/03/08/5-examples-of-some-of-the-best-supply-chain-management/>