



# KOSHYS

INSTITUTE OF MANAGEMENT STUDIES

# Logistic Management

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# Unit- 1 Introduction of Logistics Management

- INTRODUCTION:
- Logistics is basically a process of transporting goods (either raw material or finished products) from one point to another point. So, The two major functions of logistics are **transportation** and **warehousing**.
- The operations include planning, implementing, and maintaining the transportation and storage of goods that include service as well as information of the initial point and the endpoint.
- Basically, it is an activity that comes under the supply chain system. If a person works in the field of logistics management, then we can call him a logistician.

## What is meant by logistic management?

- Logistics management is the part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption to meet customer requirements.

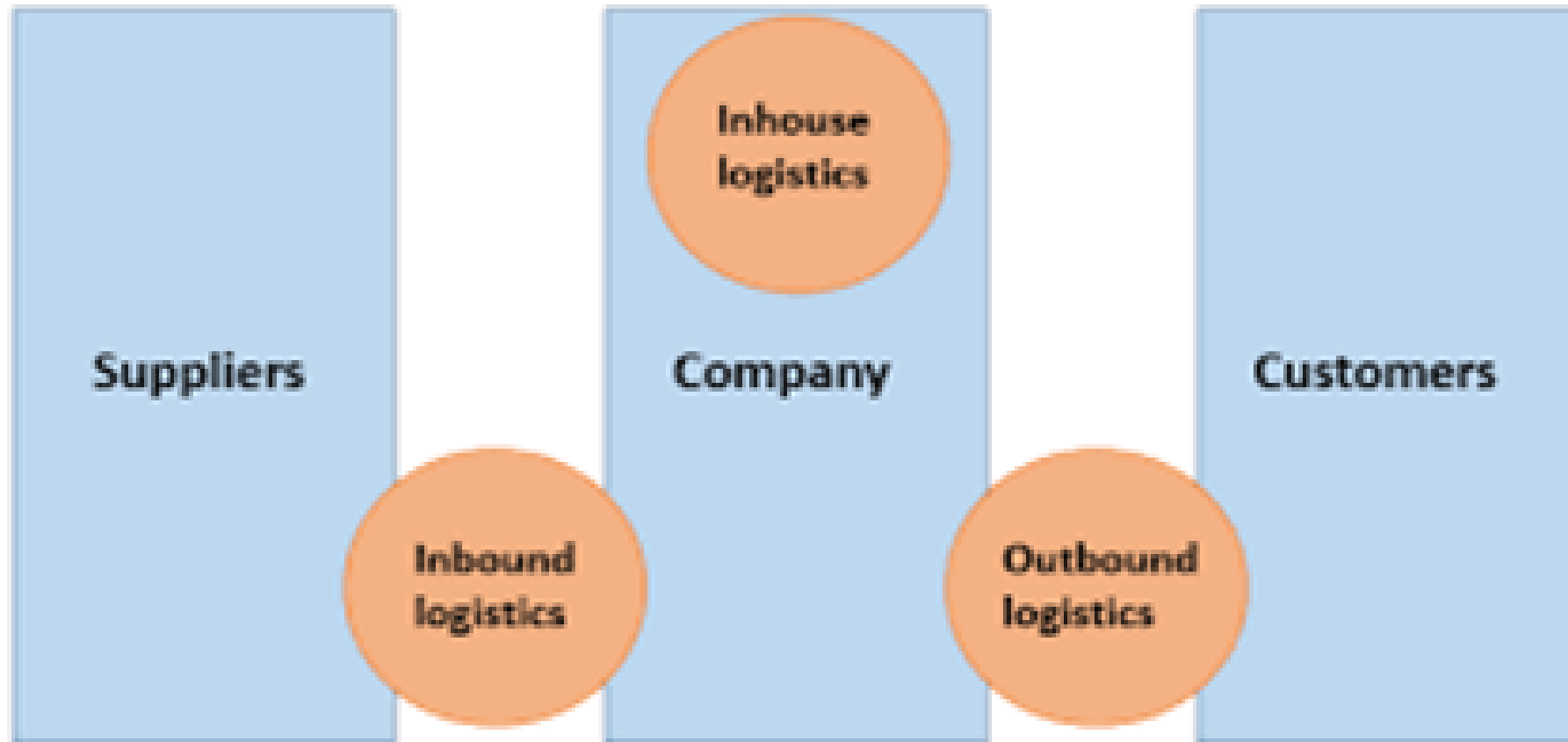
- **Types of Logistics**

Since you have known the meaning and definition, now you should also know what are the types of logistics. Following are the major types of logistics-

- Inbound Logistics
- Outbound Logistics
- Reverse Logistics
- Third-Party Logistics (3PL)
- There are many more types apart from these also but the most used ones are these four.

- **Inbound Logistics**

- It is one of the primary types of Logistics. Basically, inbound logistics means transportation, storage, and the receiving of the incoming resources (such as raw material or other goods) that you require to manufacture a product.
- Moreover, it can be the delivery of goods that you will procure in your inventory.
- The below diagram shows the placement of inbound as well as outbound logistics in an organization. For example- If you are dealing in footwear, then the inbound logistics in your company will be the rubber for your shoes, the thread to be used for knitting the shoes, etc.



- **Outbound Logistics**
- Outbound logistics is a process of delivering the product to the customer on the committed time. Customer satisfaction is the main objective here and the logisticians take care that the product should reach the customer safely in minimum cost
- For example- If you are dealing in footwear, then the outbound logistics in your company will be the shipping of the final product which are shoes, sandals, slippers etc to your customers.

- **Reverse Logistics**

- Reverse logistics is a process of transporting product from the end customer to the seller. It includes the collection, inspection, sorting, refurbishing and distribution.
- You have undoubtedly faced it at least once that you have ordered a product online and it did not match your requirements. Then you raise a request for a replacement or refund regarding the product.
- The company picks up that product from your address. So, the process of reaching the product from your side to the company is reverse logistics.



## Reverse Logistics Flowchart



- **Third-Party Logistics (3PL)**

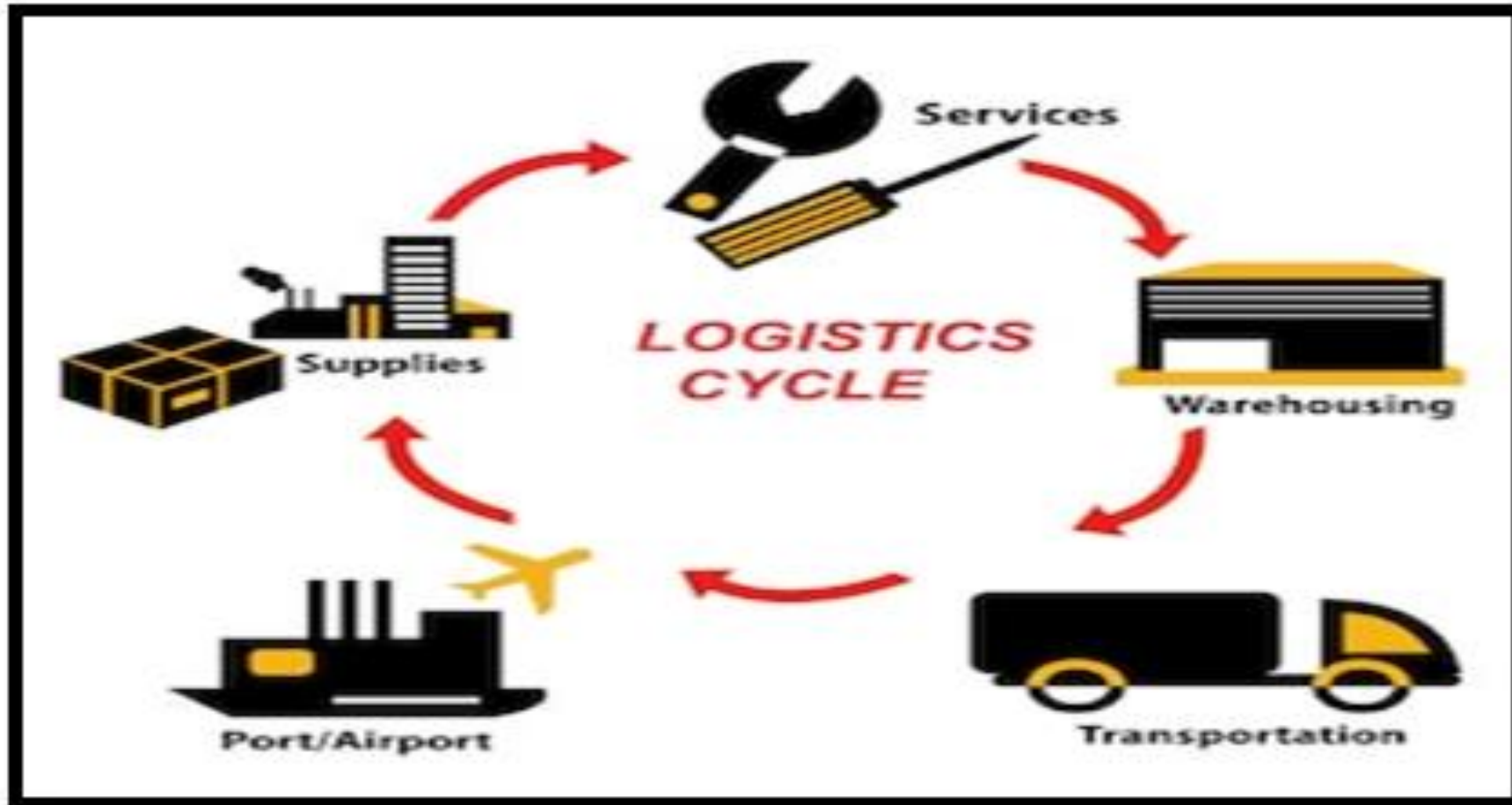
- The third-party logistics are focused only on the transportation of products from one end to another end and nothing else.
- It doesn't matter whether it's a seller to consumer or consumer to the seller. They take the responsibility of delivering the products two right places at the right time.
- It helps the businesses to focus on their primary operations instead of engaging their time in monitoring the delivery services.



- **Process of Logistics Cycle**

Now let's talk about the logistic cycle. Following are the processes involved in a logistic cycle-

- Serving Customers
- Product Selection
- Quantification
- Inventory Management
- Logistics Management Information System



- **Serving Customers**

- The main objective of the logistics is to serve the customers by providing them with the products they need. The logisticians continuously monitor the demand for the products in different locations.



- **Product Selection**
- Selection of the right products is very important in any logistics system. It directly impacts the supply chain system.
- If you are a logistician, then it depends on you that which category products you want to move from one point to another point. It is essential to define this so that you can plan your transportation methods, your warehouse and your place of establishment accordingly.



- **Quantification**
- Quantification means the procurement or sourcing of the material from the manufacturer or the supplier. It focuses on the calculation of the estimate of the quantities.
- You know that sometimes it happens that you get an unexpected demand for material or sometimes an order in large quantity. For this, either you have to import it or you have to procure it to get ready for fulfilling future demands.



- **Inventory Management**

- In the logistics management system, the role of inventory management is the storage and distribution of goods.
- When the goods are procured in sufficient quantity, they are stored until a customer places a purchase request.



- **10 Major Importance of Logistics Management**



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- **Wondering why logistics is important for your business?**

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The purpose of logistics management is to manage several processes in the supply chain and provide the highest degree of accuracy to meet the customer demands. It creates visibility with real-time data to optimize the delivery process and avoid disruptions.

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- **Learn about the top 10 major importance of logistics management**

- **1. Boost Business Profitability**

- It has the ability to improve the operational excellence which is necessary to grow and expand your business. Managing logistics is extremely crucial as it helps the organisations to gain deep insights of the supply chain. This also increases the order fulfilment rate and enables strong business outcomes. Providing value to customers by implementing the latest technological innovations can improve the productivity and profitability of the operations.

- **2. Improve Customer Experience**

- Track different aspects of the supply chain is the essence of the logistics process. It allows companies to communicate effectively with the customers and provide fast and quality service to them. Hence, smooth logistics operations create enormous value to the customers, which in turns build the brand reputation. Providing better customer services is a key to success for businesses.

- **3. Reduce Operational Cost**

- Logistics management leads to transparency and visibility in the operations. This tends to improve overall efficiency of the business as it provides route optimization to enhance on-time delivery and reduce the fuel cost. It is an important element to keep your expenses lower by analysing and monitoring the real-time data. Also, an effective logistics management leads to supply chain transparency which is necessary for businesses to optimise asset utilisation.

- **4. Ensure Seamless Delivery**

- Professionally organized logistics tends to deliver the right products at the right time. In the modern world, delivery processes are continuously evolving as fast and safe shipping adds value to the customer experience. Logistics management focuses on delivering the products to the customers on time or ahead of schedule. Therefore, the on-time delivery is the primary focus of the well-organized SCM strategies.

- **5. Success of Supply Chain**

- Logistics management deals with numerous aspects of supply chain such as production, automating functions, material handling, distribution and so on. Monitoring these networking within the supply chain is a major component for the efficient functioning of the business operations. Moreover, a successful supply chain management helps you boost your business value. Additionally, organisations can gain a clear advantage over the competition.

- **6. Improve Warehouse Management**

- When you optimize the logistics activities, it allows you to control and monitor your warehouse operations. Centralising the complex task by developing warehouse inventory plans is always advisable for the businesses to operate effectively. Warehouse management activities involve storage and material handling of goods. It is a core pillar in the transportation industry that starts from auditing and tracking to distributing the goods to its final destination.

- **7. Enhance Visibility**

- Managing your logistics is important for business growth as it plays a major role in improving connectivity, interoperability, and visibility of the operations. You can analyse every stage of your supply chain in real-time. Gaining essential information enables businesses to control cost and figure out efficiencies. Therefore, transparency across the supply chain tends to reduce failures and help you in meeting the customer demands. Ensuring synchronised supply chains is a vital process to benefit both the companies and customers.

- **8. Intelligent Route Planning**

- Executing delivery and logistics operations with an intelligent route planning software can lead to great customer service and minimal expenses. Optimization of routes with the most efficient [GPS tracking company in Jaipur](#) is considered to be an important aspect of logistics management as implementing route planning software reduces the manual dependencies and amplifies timely delivery. In addition, it also increases safety of drivers, products and vehicles. Importance of logistics management to handle the transportation is enormous for business growth.

- **9. Risk Management**

- Preparing a risk management plan enables business owners to clearly understand the disruptions in an effective way. Assessing your supply chain activities to evaluate the impact of operations can guide the business to predict the supply and demand beforehand. Logistics management can develop an effective approach of risk management to minimise the impact of business threats. Streamlining the logistics planning processes is important for creating value for customers.

- **10. Scalability**

Managing and monitoring the distribution network is necessary to meet the industry's growing demands. The software has the ability to create the business more scalable by quickly responding to disruptions. Therefore, embracing cutting-edge softwares focuses on demand-driven logistics expansion and scalability. Optimizing the logistics planning activities and identifying the emerging trends can also enhance the accuracy of the operations.

- **Conclusion**

These are the 10 major importance of logistics management. For developing an effective logistics strategy, it is advisable to get the [fleet management software](#) to manage the vehicles of your organisation. A well-established logistics strategy can help the organisations to meet the client's needs and optimize the entire supply chain operations.

- Functional areas of logistics:
- There are five elements of logistics:
  1. Storage, warehousing and materials handling
  2. Packaging and unitization
  3. Inventory
  4. Transport
  5. Information and control

- **What is the role of storage, material handling and warehouses in logistics?**
- It is to enable a steady stream of products to be supplied by manufacturers. Why is this important? Manufacturers need to operate at peak efficiency, but consumers tend not to demand goods at the same rate as a manufacturer supplies them.
- There tends to be an imbalance between supply, which is steady, and demand, which can be unpredictable. The answer is to store the surplus goods produced by a manufacturer until they are demanded by consumers. To achieve this, warehouse buildings are required. These need specialist storage equipment such as shelving or racks and material handling equipment to move them around the warehouse and to load and unload delivery vehicles.

- **What is the role of packaging and unitization?**
- A key definition and one of the Rs of logistics is the care and condition of a product. Packaging is an essential part of that. Unitization is also important as this assists storage and transportation. The easiest product to move and store is a cube, so packaging and unitization attempts to take all different sizes and shapes of product and pack them as near as possible into a cuboid shape.

- **What is the role of inventory?**
- Inventory is a logistics element that is closely related to storage and warehousing. It is concerned with what stock to hold, where the stock is located and how much stock to hold. In effect, inventory is controlling the flows of goods going into and out of a warehouse. How is this achieved? By looking at sales data of past orders and using various mathematical and statistical tools to attempt to predict how much goods will be demanded by consumers. Inventory management is not an exact science, but depending on how variable demand can be, it is a useful tool to help manage the flows of goods through the supply chain.

- **What is the role of transport?**
- A major element of logistics that most will recognize is transport. This includes all modes of transport including road vehicles, freight trains, cargo shipping and air transport. Without transport, goods would be unable to move from one stage to another within a supply chain. Some goods with short supply chains, such as foods, do not travel far. Other more complex products consist of many components that can be transported from all over the world.

- **What is the role of information and control?**
- The element of information and control is needed by all the elements to act as triggers to various operational procedures. We have mentioned the information needed for inventory. Order levels help decide what orders need to be picked and packed in warehouses and enable the planning and organization of transport. Information and control's role is to help design information systems that can control operational procedures. They are also key in the forecasting of demand and inventory as already mentioned.
- If you are attempting to identify what parts of a supply chain are logistics, the elements of logistics is an essential tool.

# SEVEN R'S OF LOGISTIC MANAGEMENT

- The Chartered Institute of Logistics & Transport UK (2019) defines them as:
  - 1. Getting the Right product,**
  - 2. in the Right quantity,**
  - 3. in the Right condition,**
  - 4. at the Right place,**
  - 5. at the Right time,**
  - 6. to the Right customer,**
  - 7. at the Right price.**

- **The Right Product**

- Every product is different. And every product will have a different requirement. Hence, a company needs to cater to different packaging materials for different products. At Mega, we have learned this first hand as we cater to all kinds of industries including pharma, tyres, FMCG etc. Fragile goods may be extra careful packaging while perishable goods may need cool or temperature-controlled warehousing space. So the right packaging will enable a company to provide great service to the clients. Simultaneously, when products are designed with standardization, it helps a company manage greatly.
- **The Right Customer**
- Finding the right target for your services is crucial for a logistics company. You need to identify which sector/industry needs your services more in order to gain potential leads. Once you find the correct target, you need to understand the market and promote yourself accordingly in order to be seen as a beneficial service provider.

- **The Right Quantity**

- With the increasing demand for products across the nation, a logistics firm should ensure that it can meet the demands for quantity. A supply chain can only run well when the demand is met and the chain is running securely. Forming this balance is important. Even if there is excessive quantity, the cost for warehousing and transport increases, not to mention the policies that will hinder the transport. Therefore, define the right quantity beforehand.

- **The Right Condition**

- Imagine ordering a product online only for it to be delivered in tattered boxes. This scenario can happen with any kind of product during transport. Hence, packaging and the overall handling of the products should ensure that it is safely delivered in top condition. This will keep the clients, and your business happy too!

- **The Right Place**

- Different places will have different demands. This may vary from geographical locations and demographic reasons. A logistics firm need to find the right location for the right product and provide supply to the demand there. As an integral part of the supply chain, we need to meet the demands but in the right locations. Once you have them, you can craft a distribution strategy based on those locations.

- **The Right Time**

- Time is crucial for various clients. If the products are not provided in time, it can hamper the entire supply chain. Some products have to be on the shelf at the right time or else they may lose to their competition. For example, milk. Milk is a perishable item and supplying it on time is important because a) it is a commodity that can easily lose to competition and b) it is highly perishable.

- **The Right Cost**

- This is one of the most important **Rights** of logistics, especially for a budget-conscious country like India. A product will do well when it is neither expensive nor cheap. There has to be a balance where it is priced for its true value. In logistics, the price should be appropriate enough to allow companies to measure their incomes and expenses. You need a good system for storing and updating the right prices.

- **Conclusion**

- These 7 Rights are very important for logistics success. Following diligence with these rights and incorporating them in your operations, marketing and finance will help a firm sustain in the long term; while providing quality service to not just clients but people in general.
- India is highly dependent on logistics and distribution to bring development to the nation hence, it is important to sustain logistics services for the long term.

# Questions

- Define Logistic Management?
- Explain the types of logistic?
- Explain the process of logistic?
- Explain the importance of logistic?
- Explain the functional area of logistic?
- Briefly explain the 7 R's of logistic?



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# Thank You.

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