

B.Com. IV Sem.

Paper: Export Import Procedure & Documentation

Topic: International Logistics

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Meaning:

That part of the supply chain involved with the planning, implementing & controlling of the efficient, effective flow & storage of goods, services, & related information from point of origin to point of consumption for the purpose of conforming to customer requirements. In other words logistics includes all the processes required to go from raw materials to end customer delivery i.e., purchasing, inventory management, warehousing, shipping & even customer returns. All product-oriented businesses have logistics as a cost of doing business. Some may think it only applies to large businesses, but companies of any size can benefit from logistics improvements.

According to the Council of Logistics Management, **logistics** is the management process of 'planning, implementing, and controlling the physical and information flows concerned with materials and final goods from the point of origin to the point of usage.' **International logistics** involves the management of these resources in a company's supply chain across at least one international border.

Goals:

Logistics is about getting things to where they need to be, but is much broader than transportation. The overall goal of logistics is to achieve a targeted level of customer service at the lowest possible cost

- Logistics Activities
 - Network design
 - Information
 - Transportation
 - Inventory

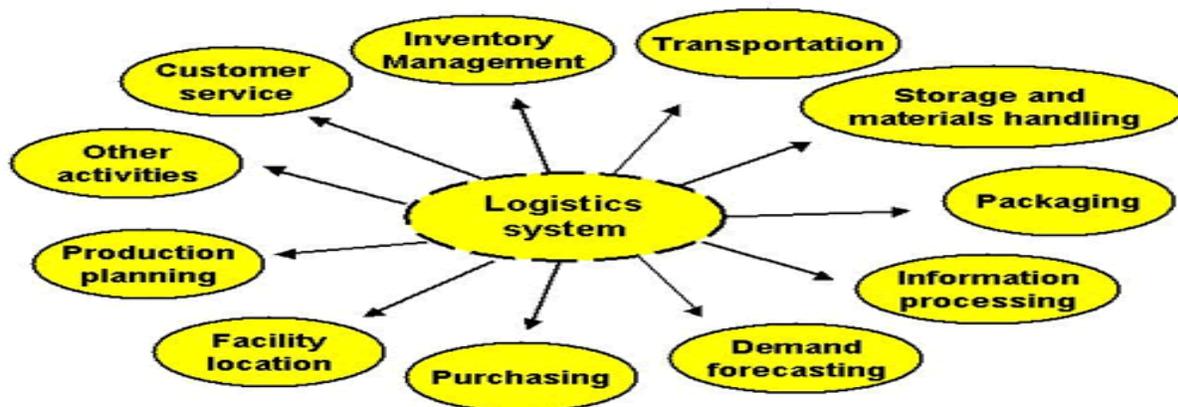
- Warehousing, material handling & packaging
- Operational objectives of a logistics system
 - Rapid response
 - Minimum variance
 - Minimum inventory
 - Movement consolidation
 - Cost saving
 - Quality
 - Life cycle support
 - Improved delivery time
 - Improved efficiency
 - Demand generation
 - Tapping clients in the world
 - Bridging gap between demand & supply
 - Strategic infrastructure for global integration

Forms of Logistics:

- *Business logistics*: moving cargo
- *General logistics*: moving cargo & moving people
- *Procurement logistics*: consists of activities i.e., marketing research, needs planning, make or buy decisions, supplier management, ordering, & order control
- *Distribution logistics*: main task of delivering the final products to the clients
- *Disposal logistics*: to reduce logistic costs & to enhance service associate with the disposal of waste collected during the operation of business
- *Reverse logistics*: all those operations associated with the reprocess of products & materials
- *Green logistics*: all the efforts to measure & minimize the ecological impact of administrative activities
- *Production logistics*: aims to confirm that every machine & workstation receives the proper product in the right amount & Quality at proper time.

- *Construction logistics*: related to construction activities
- *Humanitarian logistics*: term employed by the regimentation, supply chain, & producing industries to denote specific time critical modes of transport accustomed to move product or objects swiftly within the event of an emergency
- *Integrated logistics*: emphasizes the need to coordinate with suppliers & customers
- *Asset Control logistics*: deployment of assets needed for show, preservation, promotion of their product. Example: refrigerators, stands, posters etc.
- *Operational logistics*: logistics is a support function to operations
- *Inbound logistics*: transportation, storing & delivering of goods which are coming into the location of the business
- *Outbound logistics*: the transportation of goods which is going out of the business location
- *Inter-firm logistics*: between two or more firms
- *Intra-firm logistics*: within the firm
- *International logistics*: outside the national boundaries

Components of a Logistics system



The logistics system consists of the above described components. Other activities for a specific organization could include tasks such as after-sales parts & service support, maintenance functions, return goods handling and recycling operations. Clearly any one organization is unlikely to require all these specific tasks to be accomplished. For example, a service firm such as an airline might combine

elements from the information processing, maintenance, demand forecasting, customer service, and purchasing functions into a logistics system designed to reach its customers. On the other hand, a manufacturer of consumer goods may draw from transportation, inventory management, storage, materials handling and packaging in addition to customer service, purchasing and demand forecasting for their logistics support.

The point is that every organization, be it manufacturer or service provider, for-profit or non-profit, has customers that it wants to reach. By integrating the appropriate functions into a customer-focused logistics system, the enterprise can develop a sustainable advantage that is very difficult to be imitated by a competitor. Some of these activities have traditionally had a well-defined stand-alone role within a company (purchasing, production, information processing), while others have generally been more closely associated with logistics (transportation, warehousing, packaging). What ties all of these functions together is their ability to improve customer satisfaction. This is not to say that production, for example, should be subordinate to logistics. Rather top management should utilize logistics as a way to integrate these corporate activities and keep them focused on the customer rather than on internal processes.

1. Customer Service

Customer service is a multi-dimensional & very important part of any organization's logistics effort. In a broad sense, it is the output of the entire logistics effort; that is, customer service and some resulting level of satisfaction are what the logistics system ultimately provides the buyer. However, many organizations do have a narrower functional view of customer service as something they actually perform. For example, a firm may have a customer service department with customer service employees that handle complaints, special orders, damage claims, returns, billing problems, etc. For all intents and purposes, these employees are the organization as far as many buyers are concerned, so their role in the overall logistics system becomes crucial. Disappointment at this level can lead to dissatisfaction with the organization as a whole that effectively neutralizes the entire logistics effort.

2. Inventory Management

Inventory management deals with balancing the cost of maintaining additional products on hand against the risk of not having those items when the customer wants them (i.e. the cost of lost sales). This task has become more complex as firms have gradually lowered inventory levels. The challenge in this situation is to manage the rest of the logistics system to accommodate the lack of inventory so that customer service does not suffer. However, all of the interest in reducing inventories notwithstanding, the fact remains that inventory management is still necessary for serving customers in many markets.

So managers have to decide, whether they need additional products in a given market and, if so, how many of which items. It is also worth mentioning that for inventories of raw materials and component parts, the customer is the firm's own production line, for finished goods the customer is the final user of the product. Both "customers" have different needs which must be assessed in formulating an appropriate inventory policy. This should balance the cost of maintaining stocks on the one hand with the costs that could result from not having requisite items (i.e. production line stoppages, lost sales) on the other. There is no doubt that holding inventory costs money, so firms don't want to have any more than is absolutely necessary to keep themselves and their customers satisfied.

3. Transportation

Transportation refers to the physical movement of goods from a point of origin to a point of consumption. It can involve raw materials being brought into the production process and/or finished goods being shipped out to the customer. Transportation has assumed a greater role in many logistics systems for two reasons. First, the liberalization of transportation laws in many countries has provided opportunities for knowledgeable managers to obtain better service at lower prices than they could in the past. Second, as inventory levels have dropped in response to the popularity of just-in-time (JIT) strategies, transportation is frequently used to offset the potentially damaging impact on customer service levels that would otherwise result from those inventory reductions.

4. Storage & materials handling

Storage & materials handling addresses the physical requirements of holding inventory. Storage encompasses the tasks necessary to manage whatever space is needed; materials handling is concerned with the movement of goods within that

space. Thus, the former would consider issues related to warehouse number, size, layout, and design: the latter would focus on the systems needed to move goods into, through, & out of each facility. Storages must be guarded. That costs additionally money. They should be arranged well observable. Obviously, an organization's inventory policies have a direct impact on their storage and handling needs. Thus, one result of the move to smaller inventories is the requirement for less storage space.

5. Packaging

Packaging focuses on protecting the product while it is being shipped and stored. Too much packaging increases costs while inadequate protection can result in merchandise damage and ultimately, customer dissatisfaction. Furthermore, since every bit of packaging is ultimately discarded, logistics managers must also consider the societal costs associated with waste disposal. Increasingly, firms are working to develop materials that provide requisite levels of protection yet are recyclable or quickly biodegradable.

6. Information Processing

Information processing is what links all areas of the logistics system together. The growth of reasonably priced computers and software has put sophisticated management information systems within the reach of even the smallest organization. Indeed firms are now linking their internal logistics information systems with those of their vendors and customers as a means of adding more value to the entire chain. Such an open exchange of information can result in faster order placement, quicker benefit delivery, and greater accountability throughout the logistics process.

7. Demand Forecasting

Demand forecasting addresses the need for accurate information on future customer needs. The logistics system ensures the right products and / or services are available to meet customer requirements. Logistics requirements necessitate going beyond market sales forecasting to obtain specific data on the timing, mix, and quantity of benefits desired by buyers. Without this information, the logistics system runs the risk of compromising customer satisfaction rather than enhancing it.

8. Production Planning

Production planning can be included under logistics because manufacturing needs components and raw materials in order to make finished goods that are, in turn, demanded by a customer. Thus, production planning is arguably at the center of the entire logistics process, yet it is often viewed as a stand-alone entity with its own objectives and agenda. The risk here is that production rather than customer needs becomes the primary focus, a situation that can lead to customer dissatisfaction.

9. Purchasing

Purchasing deals with the buying of goods and services that keep the organization functioning. Since these inputs can have a direct impact on both the cost and quality of the final product / service offered to the consumer, this activity is vital to the overall success of the logistics effort. In addition, the move away from local sourcing in favor of global buying has complicated this entire process dramatically in recent years.

10. Facility Location

Facility location addresses the strategic placement of warehouses, plants, and transportations resources to achieve customer service objectives and minimize cost. Although not necessarily made often, these decisions can have long term and potentially costly implications for the organization.