



WELCOME TO BASIC LOGISTICS

MODULE 1

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FLOW CHART



WHAT IS SUPPLY CHAIN

A supply chain is the connected network of individuals, organizations, resources, activities, and technologies involved in the manufacture and sale of a product or service. A supply chain starts with the delivery of raw materials from a supplier to a manufacturer and ends with the delivery of the finished product or service to the end consumer. Supply chain management is the management of the flow of goods and services and includes all processes that transform raw materials into final products. It involves the active streamlining of a business's supply-side activities to maximize customer value and gain a competitive advantage in the marketplace.

5 Functions of Supply Chain Management

Supply chain management involves five main functions: aligning flows, integrating functions, coordinating processes, designing complex systems, and managing resources.

- **Aligning flows:** As money, materials, and information are passed between customers and suppliers, supply chain management keeps them flowing up and down a supply chain.
- **Integrating functions:** Supply chain management connects the activities of logistics, purchasing, and operations to ensure that they focus on goals that benefit overall performance.
- **Coordinating processes:** Supply chain management increases profitability by aligning the processes used to plan, source, make, deliver, and (when necessary) return a company's products and services.
- **Designing complex systems:** Simulation tools can predict how a supply chain will behave and show how small changes can cause major disruptions in the flow of materials.
- **Managing resources:** Supply chain managers are responsible for using people, processes, and technology to meet the needs of customers.

WHAT IS PROCUREMENT

- Procurement is the act of obtaining goods or services, typically for business purposes. Procurement is most commonly associated with businesses because companies need to solicit services or purchase goods, usually on a relatively large scale.
- generally refers to the final act of purchasing but it can also include the procurement process overall which can be critically important for companies leading up to their final purchasing decision. Companies can be on both sides of the procurement process as buyers or sellers though here we mainly focus on the side of the soliciting company.

5 MAJOR FUNCTION OF PROCUREMENT

- Sourcing

One of the most important functions of the procurement department is to purchase goods, services or works from external sources. It plays a vital part in the company's overall business strategy as it requires strategic planning to acquire these things at the best possible cost. It should procure from the right source at the right time the right quality of materials in the right quantity.

It starts by qualifying suppliers before initiating negotiations. The collection and monitoring of supplier data are streamlined to ensure that suppliers comply with corporate policies. Important supplier qualification information is collected and supplier proposals are compiled and compared. Best suppliers are selected by assessing supplier qualifications, risk factors, and policy compliance. One of the significant factors for controlling costs is finding the best and reliable vendor.

Negotiation

- Procurement professionals with their skills to negotiate should be able to negotiate the best deal for the company. They should procure the highest quality product from the suppliers at the best possible price. This function is very vital for the organization's profitability because if purchasing costs are high, an organization can end up spending well over half of its revenue in this area thereby affecting its bottom line. Organizations have realized that if the purchasing decisions are effective then cost savings can be achieved. Even the slightest decrease in purchasing costs can make a significant impact.

Contracting

- Procurement professionals after evaluating supplier bids based on price, quality and value, offer the contract award to the best supplier by taking into consideration the unique business requirements of the organization which is in accordance with company standards, industry regulations and client expectations.

Monitoring of suppliers' performance

- Procurement professionals must monitor contracts to ensure suppliers perform well in terms of delivery of goods and pricing. It should generate and track purchase orders. It should see that there is timely delivery of materials from vendors and are of expected quality, otherwise, it would affect the complete production chain. The promised deliveries by the vendors should be tracked to see if the invoices are approved and paid in a timely manner. It must also keep track of all goods and services ordered and received and maintain inventory records accurately along with details on performance, delivery, and pricing. Thus, this function is of the utmost importance across all enterprises.

Compliance with business protocols

- The procurement department must ensure that it is meeting with all company objectives and compliance requirements. For example, in an organization, if members or staff is requesting to purchase things like supplies, stationery or computers, then it has to look into the business protocols for purchase and budget approval and ensure whether the items purchased are in compliance with the organization's purchasing policy.

WHAT IS LOGISTICS

- Logistics refers to the overall process of managing how resources are acquired, stored, and transported to their final destination. Logistics management involves identifying prospective distributors and suppliers and determining their effectiveness and accessibility.
- Logistics is a process of movement of goods across the supply chain of a company.

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- Logistics management focuses on the efficiency and effective management of daily activities concerning the production of the company's finished goods and services. This type of management forms part of supply chain management and plans, implements and controls the efficient, effective forward, and reverse flow and storage of goods. This process, as mentioned, happens between the point of origin and the point of consumption (consignee) in order to meet requirements set by customers. The main aim of logistics management is to allocate the right amount of a resource or input at the right time. It is also ensuring that it gets to the set location in a proper condition while delivering it to the correct internal or external customer.



7 R'S OF LOGISTICS

IMPORTANCE OF LOGISTICS MANAGEMENT

Effective logistics management is important to companies for a number of reasons, both positive and negative.

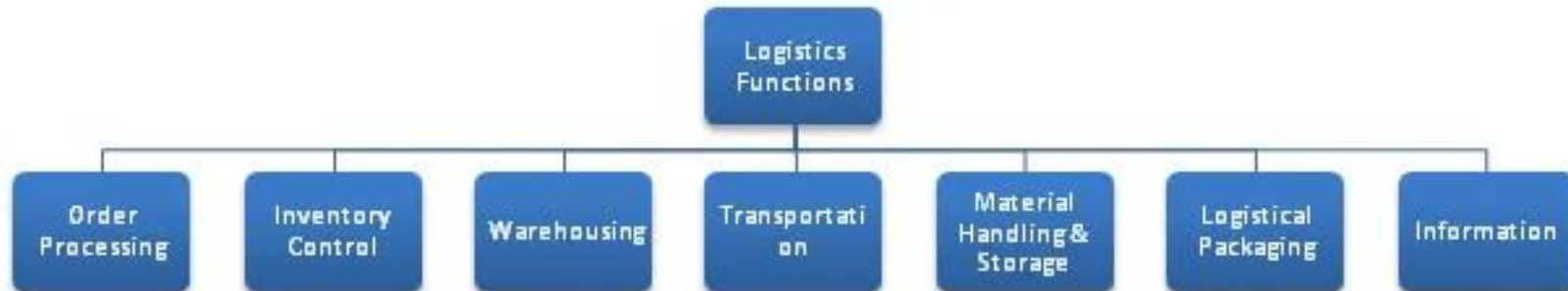
Good logistics management ensures that products are shipped in the most economical, safe, efficient and timely manner. This results in cost savings for the company and more satisfied customers.

In contrast, poor logistics management can result in damaged or delayed shipments, which can then lead to dissatisfied customers, returns and scrapped products. The consequences of these problems include higher costs and customer relation problems. In order to avoid these results, effective logistics management includes careful planning, proper software system selection, proper vetting and selection of outsourced vendors, and adequate resources to handle the processes.

FUNCTION OF LOGISTICS MANAGEMENT

- Logistics management functions include customer service, sourcing and procurement, production planning and scheduling, packaging, and assembly. Logistics management is part of all the levels of planning and execution, including strategic, operational and tactical.

7 MAJOR FUNCTION OF LOGISTICS



ORDER PROCESSING

It is an important task in functions of logistics operations. The purchase order placed by a buyer to a supplier is an important legal document of the transactions between the two parties.

This document incorporates the description or technical details of the product to supply, price, delivery period, payment terms, taxes, and other commercial terms as agreed.

ORDER PROCESSING

The processing of this document is important as it has a direct relationship with the order or the performance cycle time, which indicates the time when the order is received and when the materials are received by the customer.

The order processing activity consists of the following steps:

- Order checking for any deviations in agrees upon or negotiated terms
- Prices, payment, and delivery terms.
- Checking the availability of materials in stock.
- Production and material scheduling for shortages.
- Acknowledging the order indicating deviations if any.

INVENTORY CONTROL

Inventory management is to keep enough inventories to meet customer requirements, and simultaneously its carrying cost should be lowest.

It is basically an exercise of striking a balance between the customer service for not losing the market opportunity and the cost to meet the same.

The inventory is the greatest culprit in the overall supply chain of a firm because of its huge carrying cost, which indirectly eats away the profits. It consists of the cost of financing the inventory, insurance, storage, losses, damages, and pilferage.

WAREHOUSING

Warehousing is the storing of finished goods until they are sold. It plays a vital role in logistics operations of a firm. The effectiveness of an organization's marketing depends on the appropriate decision on warehousing.

In today's context, warehousing is treated as switching facility rather than a storage of improper warehousing management. Warehousing is the key decision area in logistics.

The major decisions in warehousing are:

- Location of warehousing facilities
- Number of warehouses
- Size of the warehouse
- Warehouse layout
- Design of the building
- Ownership of the warehouse

TRANSPORTATION

For movement of goods from the supplier to the buyer, transportation is the most fundamental and important component of logistics.

When an order is placed, the transaction is not completed till the goods are physically moved to the customer's place. The physical movement of goods is through various transportation modes.

In logistics costs, its share varies from 65 to 70 percent in the case of mass-consumed, very low unit-priced products.

Firms choose the mode of transportation depending on the infrastructure of transportation in the country or region. Cost is the most important consideration in the selection of a particular mode of transport.

However, sometimes urgency of the good at the customer end overrides the cost consideration, and goods are sent through the fastest mode, which is an expensive alternative.

Material handling and storage system

The speed of the inventory movement across the supply chain depends on the material handling methods. An improper method of material handling will add to the product damages and delays in deliveries and incidental overheads.

Mechanization and automation in material handling enhance the logistics system productivity.

Other considerations for selection of a material handling system are the volumes to be handled, the speed required for material movement and the level of service to be offered to the customer.

The storage system is important for maximum space utilization (floor and cubic) in the given size of a warehouse.

The material handling system should support the storage system for speedy movement (storage and retrieval) of goods in and out of the warehouse.

Logistical packaging

Logistical or industrial packaging is a critical element in the physical distribution of a product, which influences the efficiency of the logistical system. It differs from product packaging, which is based on marketing objectives.

However, logistical packaging plays an important role in damage protection, ease in material handling and storage space economy. The utilization of load has a major bearing on logistical packaging with regard to the packaging cost.

Information

Logistics is basically an information-based activity of inventory movement across a supply chain. Hence, an information system plays a vital role in delivering a superior service to the customers.

Use of IT tools for information identification, access, storage, analysis, retrieval and decision support which is vital among the functions of logistics is helping business firms to enhance their competitiveness.

THANK YOU!!!!

