Logistics and Supply Chain Management

Unit 1 – Introduction to Logistic Management

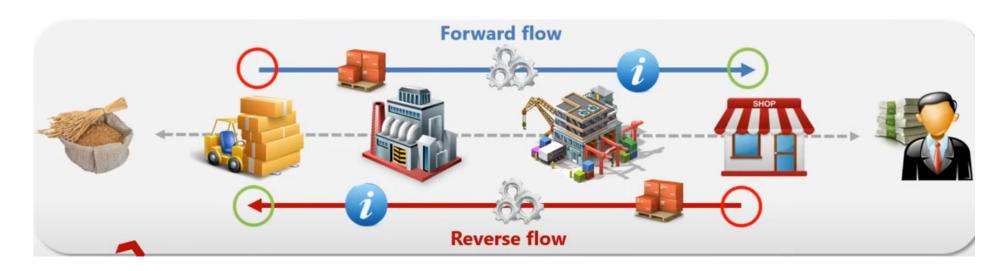
Topics Covered

- Introduction to Logistics Management:
- Role of Logistics in SCM
- The five arms of Logistics Management -Transportation, Warehousing, Materials Handling, Information & Packaging

Definations

- "Logistics management as that part of supply chain management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption to meet customers' requirements." BY Council of SCM Professionals.
- According to Logistix Partners Oy, Helsinki, FI, Logistics is defined as a "business planning framework for the management of material, service, information and capital flows. It includes an increasingly complex information, communication and control systems required in today's business environment".
- According to Phillip Kotler, "Market logistics involves 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".

Art and science of **obtaining**, **producing**, and **distributing** material and product in **proper place** and in **proper quantities**.



Logistics Management

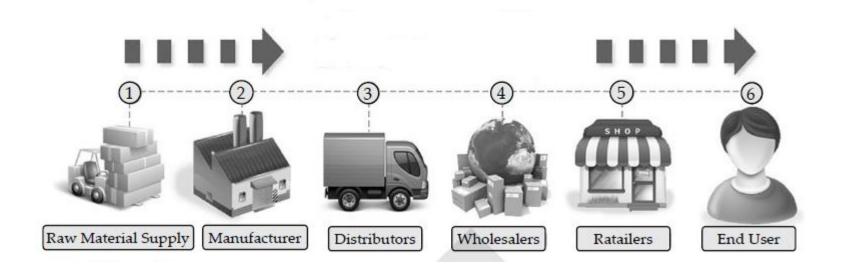
- Plans
- Implements
- Controls

- Logistics Mgt maximises profits by integrating an organization with flow of materials, information and funds.
- Successful LM requires efficient collaboration of activities, cooperation, coordination and information sharing throughtout the organization's supply chain.
- It is important as it concerns both material (mostly from supplier to consumer) and information flow (inform of feedback)
- LM manages both inbound and outbound transportation management, fleet management, warehousing, materials handling, order fulfilment, inventory management, demand and supply planning, customer services, procurement, planning and packaging.

7 Rs of Logistics

- Right Product
- Right Quantity
- Right Conditions
- Right Place
- Right Time
- Right Customer
- Right Price

WHAT IS LOGISTICS MANAGEMENT?



- Logistics deals with finished and unfinished goods
- It undertakes the task of safe delivery of the product from one point to another taking responsibility of for the security of product. (insurance on products being transported)
- The logistics swiftness and reliability of products contribute immensely to the growth of the nation's internal and external trade.

Objective of Logistics Management

- Logistics management involves storage, distribution, warehousing, goods handling, transportation, monitoring and delivery of goods.
- It also entails planning, organizing, managing, coordinating and controlling the flow of goods to ensure that goods reach the right place, at the right time, for the right cost and in the right condition.
 - To ensure all the requirements of the customers are met on time.
 - To coordinate with third-party logistics (3PLs)
 - To ensure timely dispatch of the product
 - To devise policies and procedures for successful implementation of logistics system.
 - To synchronize business goals with logistics system
 - To create and maintain customer support
 - To have stable integration among the vendors, service providers and transport carriers
 - To provide a competitive edge to an organization through increased sales and better customer service
 - To ensure cost reduction and maximize return from products/services

Logistics Value Proposition

- Managers to balance logistics cost against the appropriate level of customer services.
- Service and Cost minimization are two key elements in logistics value proposition
- It enables organizations to cut down on expenses and bolster customer satisfaction



What Logistics means to an organization?

- Quality Pdts: Robust LM enables organizations to deliver quality products and services to their customers, helping organizations to carve niche for themselves in the industry.
- Increase transparency: LM enables organizations to get insight into every stage of the product with scope on aspect on which product can improve. LM provides historical and real time data pertaining ot the product and customers response towards product and feedback. It also provides safety to product delivery by tracking the products from point of origin to endpoint to avoid spoilage, thefts, pilferage, etc.
- Increase revenue: Effective and efficient LM helps identify the weak link either in the production or finish product, thus helping organization to find the problem plaguing their product.
- Enhances Goodwill: High quality product delivered at right time and right condition creates goodwill for the organization.
- Customer Satisfaction: Right product, Right time, right condition and right price will help in luring customer satisfaction that helps increasing organizations revenue.
- On-time delivery: LM is responsible for transporting the product from point of origin to point of consumption. Goal of timely delivery helps in planning for distribution and availability of product.
- Communication: LM informs the organization about the demand and supply, volumes, inventory, prices and movements by sharing information to ensure product reaches customer in stipulated time.

Types of Logistics

- Procurement Logistics: it includes planning requirements, conducting market research, evaluating purchase decisions, managing suppliers and placing orders. The objective is to maximise efficiency and minimise costs. It sources materials and transports the material to the production units / services. Eg., Walmart procures merchandise from different suppliers from number of geographical locations.
- Production Logistics: logistics involved in the production of goods and services. It is a bridge connecting
 procurement to distribution logistics. It may use tools like robots, cranes, fork lifters, conveyors, etc for
 movement of materials.
- Distribution Logistics: Delivers finished products to customers. Typically it involves order processing, warehousing and transportation. It involves sending the product merchandise to the retail stores through distribution and wholesalers.
- After sales Logistics: Deals with delivery of spare parts to the customer, delivery of damaged products from customers to manufacturers, delivery of products after repair, inbound and outbound both.
- Disposal Logistics: Removes and recycles waste produced during the operations of product and services
- Reverse Logistics: Helps in reusing, recycle and return of products and materials. Eg. Bottle collection by softdrink companies
- Global Logistics: Govern logistics flow of products across countries. Eg., Amazon.com
- Domestic Logistics: Flow of goods within country or local community. Eg. Vichare, wefast

Logistics Goals and Strategies

Logistics shares the goals of SCM to meet customers requirements Logistics Goals

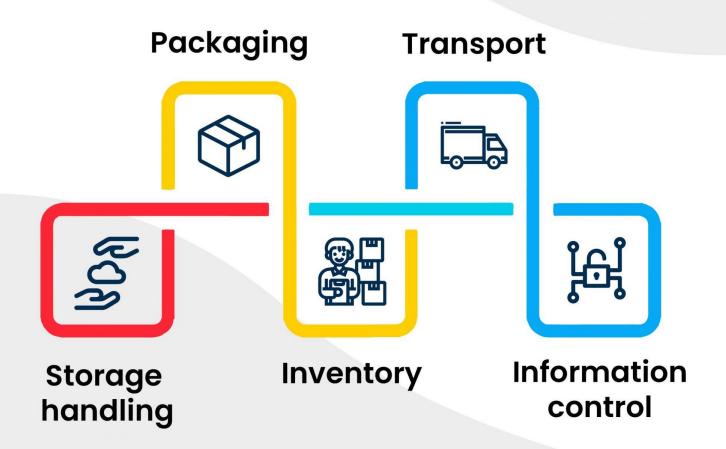
- Respond rapidly to customer requirement or changes to market
- Minimize variances in logistics services
- Minimize inventory to reduce customers costs
- Consolidate product movement by grouping shipments
- Maintain high quality and engage in continuous improvement
- Support entire product lifecycle and reverse logistics supply chain

Logistics Goals and Strategies

Logistics Strategies

- Coordinating functions i.e. transportation management
- Integrating supply chain
- Substituting information for inventory
- Reducing number of partners to effective minimum number
- Pooling Risks

5 elements of logistics



5 Arms of Logistics

1. Transportation

Transportation involves the movement of goods from one location to another. This can include various modes such as
road, rail, air, and sea. Effective transportation management ensures timely delivery, cost efficiency, and the safety of
goods. Key aspects include route planning, carrier selection, and freight management.

2. Warehousing

Warehousing refers to the storage of goods until they are needed. Warehouses serve as distribution centers where
products are received, stored, and dispatched. Efficient warehousing involves inventory management, space
optimization, and the use of technology like Warehouse Management Systems (WMS) to track and manage stock
levels. Important aspects of these elements are warehouse location, types and number, Storage type and material
handling equipment's needed.

3. Materials Handling

• Materials handling encompasses the movement, protection, storage, and control of materials throughout the supply chain. This includes the use of equipment like forklifts, conveyors, and automated systems to move goods within warehouses and production facilities. Proper materials handling reduces damage, improves efficiency, and enhances safety.

4. Information

Information management is crucial for coordinating logistics activities. It involves the collection, processing, and
dissemination of data related to inventory levels, order status, transportation schedules, and more. Advanced
technologies like Enterprise Resource Planning (ERP) systems and Transportation Management Systems (TMS) help in
real-time tracking and decision-making.

5. Packaging

• Packaging is the process of designing and producing containers or wrappers for goods. It plays a vital role in protecting products during transportation and storage. Effective packaging ensures that goods arrive in good condition, reduces the risk of damage, and can also contribute to branding and customer satisfaction.

Transportation

Components of transportation:

- Infrastructure: roads, terminal facilities, railways and railway stations, airways and airports, waterways and sea ports, pipelines and canals, warehouses, land for parking and maintenance.
- Vehicles: tangible and moving devices which carriers people and commodities. Airlines, ships / cargos, trucks, rail wagons, etc.
- Operations: public or private operations. High rate of competition.
- Policy









Modes of transportation:

- Roads: Preferred and suitable where other modes are not available or unable to reach.
 Delivers goods at doorstep of customer. Trucks and vans are commonly used for short to
 medium distances. They offer flexibility in routes and schedules.
- Rail: Trains are suitable for transporting large volumes of goods over long distances. They are
 cost-effective and environmentally friendly. Most reliable and safe. It requires heavy
 investments. There exists a need to load and unload products.
- Air: Air transport is the fastest mode, ideal for high-value or time-sensitive goods or perishable goods. However, it is also the most expensive. Can be used for places where it is difficult to reach by roads. There exists a need to load and unload products at airports.
- **Sea:** Ships are used for international trade, carrying large quantities of goods across oceans. It is cost-effective but slower compared to other modes, hence typically used for non perishable goods. There exists a need to load and unload products at ports.
- Intermodal: Combining multiple modes of transportation (e.g., rail and truck) to optimize efficiency and cost.
- **Pipeline transport:** For Oil and Gas transport. Demands huge investments, but the operational costs is less and is ecofriendly.





Route Planning:

 Efficient route planning minimizes travel time and costs. It involves selecting the best routes based on factors like distance, traffic conditions, and delivery schedules. Advanced software tools can help in optimizing routes and managing logistics networks.

Carrier Selection

• Choosing the right carrier is crucial for ensuring reliable and cost-effective transportation. Factors to consider include the carrier's reputation, service quality, coverage area, and pricing. Building strong relationships with carriers can lead to better service and negotiated rates.

Freight Management

Freight management involves coordinating and overseeing the movement of goods.
 This includes tasks like booking shipments, tracking deliveries, and managing documentation. Effective freight management ensures that goods are transported efficiently and comply with regulations.

Transportation



Technology and Automation:

Modern transportation management relies heavily on technology. Transportation
Management Systems (TMS) are used to plan, execute, and optimize the movement of
goods. These systems provide real-time visibility into shipments, automate processes, and
facilitate communication between stakeholders.

Sustainability

• Sustainable transportation practices are becoming increasingly important. This includes using fuel-efficient vehicles, optimizing routes to reduce emissions, and exploring alternative fuels. Companies are also focusing on reducing their carbon footprint through initiatives like carbon offsetting.

Challenges in Transportation

- □Cost Management: Balancing cost and service quality is a constant challenge.
- ☐ Regulatory Compliance: Adhering to local and international regulations can be complex.
- □ Risk Management: Mitigating risks such as delays, damage, and theft is essential for maintaining supply chain integrity.



Warehousing is a crucial component of logistics management, serving as the backbone for storing, managing, and distributing goods.

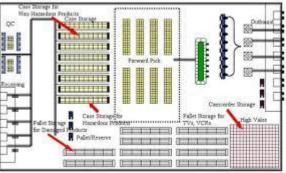
Functions of Warehousing

- **Storage:** Warehouses provide a secure place to store goods until they are needed. This helps in managing supply and demand fluctuations.
- **Consolidation:** Combining smaller shipments from different suppliers into a larger, single shipment to reduce transportation costs.
- **Break-Bulk:** Dividing large shipments into smaller, more manageable quantities for distribution.
- Cross-Docking: Transferring goods directly from inbound to outbound transportation with minimal or no storage time, reducing handling and storage costs.
- **Product Mixing:** Combining products from different suppliers to create customized shipments for customers.



Types of Warehouses

- □ Public Warehouses: Operated by third-party logistics providers, available for use by multiple companies.
- □ Private Warehouses: Owned and operated by a single company for its exclusive use.
- ☐ Bonded Warehouses: Used for storing imported goods until customs duties are paid.
- □ **Distribution Centers:** Specialized warehouses focused on the rapid movement of goods rather than long-term storage.



Warehouse Layout and Design

- □ Layout Planning: Efficient layout design maximizes space utilization and minimizes handling time. This includes the arrangement of storage racks, aisles, and workstations.
- ☐ Material Handling Equipment: Use of forklifts, conveyors, pallet jacks, and automated systems to move goods within the warehouse.
- □Storage Systems: Various storage solutions like pallet racking, shelving, and automated storage and retrieval systems (AS/RS) to optimize space and accessibility.

Inventory Management

- □Stock Control: Monitoring inventory levels to ensure adequate stock without overstocking. Techniques include Just-In-Time (JIT) and Economic Order Quantity (EOQ).
- □ Inventory Tracking: Using barcodes, RFID, and Warehouse Management Systems (WMS) to track inventory in real-time.
- □ Cycle Counting: Regularly counting a portion of inventory to ensure accuracy and identify discrepancies.







Technology in Warehousing

- □ Warehouse Management Systems (WMS): Software that helps manage warehouse operations, including inventory tracking, order processing, and space utilization.
- □ Automation: Use of robotics, automated guided vehicles (AGVs), and conveyor systems to improve efficiency and reduce labor costs.
- □ Data Analytics: Leveraging data to optimize warehouse operations, forecast demand, and improve decision-making.

Safety and Compliance

- □Safety Protocols: Implementing safety measures to protect workers and goods, such as proper training, safety equipment, and emergency procedures.
- □ Regulatory Compliance: Adhering to local and international regulations related to storage, handling, and transportation of goods.

Benefits of Effective Warehousing

- ☐ Improved Efficiency: Streamlined operations and reduced handling times lead to faster order fulfillment.
 ☐ Cost Savings: Efficient space utilization and inventory management reduce storage and handling costs.
- □ Enhanced Customer Satisfaction: Timely and accurate order fulfillment improves customer experience and loyalty.
- □ Risk Management: Proper storage and handling reduce the risk of damage, loss, and theft.

Examples of Warehousing in Action

Amazon Fulfillment Centers:

 Amazon's vast network of fulfillment centers uses advanced robotics and automation to manage inventory and fulfill orders quickly. Their warehouses are designed for high efficiency, with optimized layouts and realtime inventory tracking.

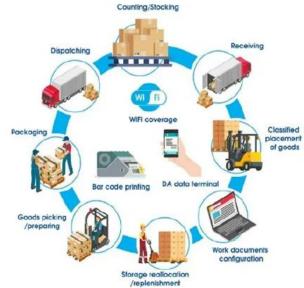
Walmart Distribution Centers:

 Walmart operates large distribution centers that serve as hubs for receiving, storing, and distributing products to stores. They use sophisticated WMS and transportation management systems to ensure efficient operations.

Zara's Just-In-Time Warehousing:

- Zara, a leading fashion retailer, uses a Just-In-Time inventory system to minimize storage time and respond quickly to market trends. Their warehouses are designed to support rapid turnover and efficient distribution.
- Warehousing is a vital part of the logistics chain, ensuring that goods are stored safely, managed efficiently, and distributed effectively. By leveraging technology and best practices, companies can optimize their warehousing operations to support overall supply chain efficiency.

 Material handling is a critical aspect of logistics management that involves the movement, protection, storage, and control of materials throughout the supply chain. Effective material handling ensures that goods are moved efficiently and safely, reducing costs and improving productivity.





Functions of Material Handling:

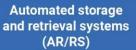
inventory levels.

☐ Movement: Transporting materials from one location to another within a facility or between facilities. This includes loading, unloading, and transferring goods.
□Storage: Placing materials in designated storage areas until they are needed. This involves organizing and managing storage space to maximize efficiency.
□ Protection: Ensuring that materials are protected from damage, contamination, and theft during handling and storage.
□Control: Managing the flow of materials to ensure they are available when needed and in the right quantities. This includes tracking and monitoring

- Types of Material Handling Equipment:
 - ☐ Manual Handling Equipment: Tools like hand trucks, pallet jacks, and carts used for moving materials manually.
 - ☐ Automated Handling Systems: Advanced systems like Automated Guided Vehicles (AGVs), conveyors, and robotic arms that automate the movement of materials.
 - □Storage Equipment: Solutions like pallet racks, shelving, and bins used for storing materials efficiently.
 - Lifting Equipment: Equipment like forklifts, cranes, and hoists used for lifting and moving heavy materials.

ENGINEERED SYSTEMS





Allows the operator to retrieve materials from an automated system without intensive labor.



Automated guided vehicles (AGV)

with a programmed sensors.



Transports materials Can transport materials without the need of route and the aid of human quidance.



Palletizers

Reduces repetitive motion injuries and increases pallet-stacking productivity.



Sortation systems

Accurately separates and divides materials and directs them toward their destination.



Autonomous mobile

robots (AMRs)

Warehouse robots

Reduces manual labor and minimizes worker injuries.



Material Handling Principles:

□ Planning: Developing a material handling plan that considers the type of materials, the layout of the facility, and the flow of materials. □Standardization: Using standardized equipment and procedures to improve efficiency and reduce costs. ☐ Ergonomics: Designing material handling processes and equipment to minimize physical strain and improve worker safety. □Automation: Implementing automated systems to reduce manual handling, increase speed, and improve accuracy. ☐ Flexibility: Ensuring that material handling systems can adapt to changes in demand, product types, and facility layout.



- Benefits of Effective Material Handling:
 - □Increased Efficiency: Streamlined material handling processes reduce the time and effort required to move materials, improving overall productivity.
 - □Cost Savings: Efficient material handling reduces labor costs, minimizes damage to materials, and optimizes storage space.
 - □Improved Safety: Proper material handling practices and equipment reduce the risk of accidents and injuries.
 - □ Enhanced Inventory Control: Accurate tracking and management of materials ensure that inventory levels are maintained, reducing stockouts and overstock situations.
 - □ Better Space Utilization: Effective storage solutions and material handling systems maximize the use of available space.

Examples of Material Handling in Action

Amazon's Robotic Fulfillment Centers:

 Amazon uses a fleet of robots to move shelves of products to human pickers, reducing the time and effort required to locate and retrieve items. This automation improves efficiency and accuracy in order fulfillment.

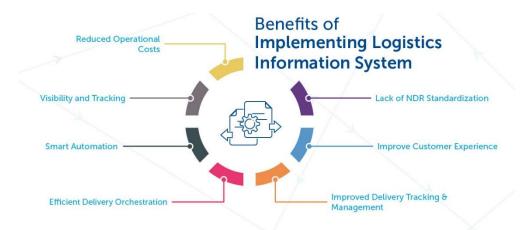
Toyota's Lean Manufacturing:

Toyota employs Just-In-Time (JIT) material handling practices to ensure that
materials are delivered to the production line exactly when needed. This reduces
inventory levels and minimizes waste.

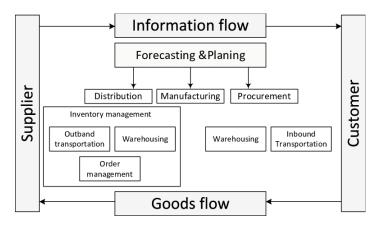
Walmart's Distribution Centers:

 Walmart uses advanced conveyor systems and automated sorting equipment to handle large volumes of goods efficiently. This enables fast and accurate distribution to stores and customers.

• Information management is a crucial component of logistics that involves the collection, processing, and dissemination of data related to the movement and storage of goods. Effective information management ensures that all logistics activities are coordinated and optimized, leading to improved efficiency, cost savings, and customer satisfaction.



- Functions of Information Management
 - □ Data Collection: Gathering data from various sources, such as inventory levels, order status, transportation schedules, and customer feedback.
 - □ Data Processing: Analyzing and interpreting data to generate actionable insights. This includes using software tools to process large volumes of data quickly and accurately.
 - □ Data Dissemination: Sharing relevant information with stakeholders, including suppliers, carriers, warehouse managers, and customers, to ensure smooth coordination and decision-making.



Key Components of Information Management

- □ Enterprise Resource Planning (ERP) Systems: Integrated software platforms that manage and automate core business processes, including logistics. ERP systems provide real-time visibility into inventory, orders, and shipments.
- □Transportation Management Systems (TMS): Software solutions that help plan, execute, and optimize the movement of goods. TMS provides tools for route planning, carrier selection, freight management, and real-time tracking.
- □ Warehouse Management Systems (WMS): Software that manages warehouse operations, including inventory tracking, order processing, and space utilization. WMS helps improve efficiency and accuracy in warehousing.
- □ Customer Relationship Management (CRM) Systems: Tools that manage interactions with customers, including order history, preferences, and feedback. CRM systems help improve customer service and satisfaction.
- □Supply Chain Management (SCM) Systems: Integrated platforms that manage the entire supply chain, from procurement to delivery. SCM systems provide end-to-end visibility

and coordination.



Benefits of Effective Information Management

☐Improved Decision-Making: Access to accurate and timely information enables better decision-making at all levels of the supply chain.
☐ Enhanced Visibility: Real-time tracking and monitoring of shipments, inventory, and orders provide greater visibility into logistics operations.
☐Increased Efficiency: Automation and data-driven insights help streamline processes, reduce manual work, and improve overall efficiency.
□Cost Savings: Optimized logistics operations lead to cost savings through reduced transportation costs, lower inventory levels, and minimized waste.
□ Better Customer Service: Accurate and timely information allows for better communication with customers, leading to improved satisfaction and loyalty

Examples of Information Management in Action

Amazon's Real-Time Tracking:

 Amazon uses advanced information systems to provide real-time tracking of orders from the moment they are placed until delivery. Customers can track their packages and receive updates on the status of their orders.

Walmart's Inventory Management:

 Walmart uses sophisticated ERP and SCM systems to manage its vast inventory across thousands of stores and distribution centers. Real-time data helps Walmart maintain optimal stock levels and reduce stockouts.

• DHL's Transportation Management:

• DHL employs a comprehensive TMS to plan and optimize its transportation routes. The system provides real-time visibility into shipments, helping DHL improve delivery times and reduce transportation costs.

- Packaging is a vital component of logistics management that involves designing and producing containers or wrappers for goods.
- Effective packaging ensures that products are protected during transportation and storage, facilitates handling, and can also enhance branding and customer satisfaction.



Functions of Packaging

□Protection: Packaging protects products from damage, contamination, and theft during transportation and storage. It ensures that goods arrive in good condition.
□ Containment: Packaging holds products together and prevents them from spilling or breaking apart. This is especially important for liquids, powders, and small items.
□Convenience: Packaging makes it easier to handle, store, and transport products. It can include features like handles, resealable closures, and stackable designs.
□Information: Packaging provides essential information about the product, such as ingredients, usage instructions, and safety warnings. It also includes barcodes and labels for tracking and identification.
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Branding: Packaging serves as a marketing tool, helping to create a brand identity and attract customers. Attractive and well-designed packaging can enhance the

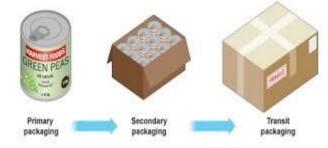
perceived value of a product.

Types of Packaging

- □ Primary Packaging: The immediate container that holds the product, such as a bottle, can, or box. It comes into direct contact with the product.
- □Secondary Packaging: The outer packaging that groups primary packages together, such as a carton or shrink wrap. It provides additional protection and facilitates handling.
- ☐ Tertiary Packaging: The outermost packaging used for bulk handling and transportation, such as pallets, crates, and shipping containers. It ensures the safe and efficient movement of goods.







Packaging Materials

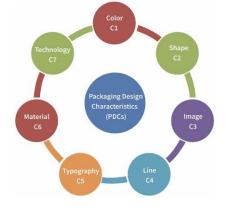
- □ Paper and Cardboard: Commonly used for boxes, cartons, and labels. It is lightweight, recyclable, and cost-effective.
- □ Plastics: Used for bottles, containers, and wraps. Plastics are durable, flexible, and can be molded into various shapes.
- □Glass: Used for bottles and jars. Glass is non-reactive and provides excellent protection but is heavier and more fragile.
- ☐ Metal: Used for cans, tins, and drums. Metal packaging is strong, durable, and provides excellent protection against contamination.
- □ Biodegradable Materials: Environmentally friendly options like biodegradable plastics and plant-based materials are becoming increasingly

Types of Packaging

popular.

Packaging Design Considerations

- □ Product Characteristics: The nature of the product, such as its size, shape, weight, and fragility, influences packaging design.
- □ Transportation and Handling: Packaging must withstand the rigors of transportation and handling, including impacts, vibrations, and temperature changes.
- □Storage Conditions: Packaging should be designed to protect products under various storage conditions, such as humidity, temperature, and light exposure.
- □ Regulatory Requirements: Packaging must comply with regulations related to safety, labeling, and environmental impact.
- □Cost: Balancing the cost of packaging materials and design with the need for protection and branding is crucial.



Benefits of Effective Packaging

- □Reduced Damage: Proper packaging minimizes the risk of damage during transportation and storage, reducing costs associated with returns and replacements.
 □Improved Efficiency: Packaging that is easy to handle and stack improves efficiency in warehousing and transportation.
 □Enhanced Customer Experience: Attractive and functional packaging enhances the customer experience, leading to increased satisfaction and
- □ Brand Differentiation: Unique and well-designed packaging helps products stand out on the shelf and reinforces brand identity.
- □Sustainability: Environmentally friendly packaging options reduce the environmental impact and appeal to eco-conscious consumers.



Examples of Packaging in Action

Amazon's Frustration-Free Packaging:

 Amazon introduced frustration-free packaging to reduce waste and improve the customer experience. The packaging is easy to open, recyclable, and designed to protect products during shipping.

Coca-Cola's Contour Bottle:

• Coca-Cola's iconic contour bottle is an example of effective branding through packaging. The unique shape is instantly recognizable and reinforces the brand's identity.

• IKEA's Flat-Pack Packaging:

IKEA uses flat-pack packaging to reduce transportation costs and improve efficiency. The
packaging is designed to be compact and easy to assemble, making it convenient for
customers.