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COURSE: POST GRADUATE DIPLOMA IN PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

CODE: PGD008

DURATION: 12 MONTHS

MODULE SIX ASSIGNMENTS

DATE OF SUBMISSION 31/05/2019

1) Define logistics. What are the advantages and disadvantages of logistics to an organization?

Logistics - (business definition) Logistics is defined as a business planning framework for the management of material, service, information and capital flows. It includes the increasingly complex information, communication and control systems required in today's business environment. -- (Logistics Partners Oy, Helsinki, FI, 1996)

Logistics - (military definition) The science of planning and carrying out the movement and maintenance of forces.... those aspects of military operations that deal with the design and development, acquisition, storage, movement, distribution, maintenance, evacuation and disposition of material; movement, evacuation, and hospitalization of personnel; acquisition of construction, maintenance, operation and disposition of facilities; and acquisition of furnishing of services. -- (JCS Pub 1-02 excerpt)

Logistics - ...the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements." Note that this definition includes inbound, outbound, internal, and external movements, and return of materials for environmental purposes. -- (Reference: Council of Logistics Management, http://www.clm1.org/mission.html, 12 Feb 98)

**Logistics** - The process of planning, implementing, and controlling the efficient, cost effective flow and storage of raw materials, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of meeting customer requirements. -- (Reference: Canadian Association of Logistics Management, http://www.calm.org/calm/AboutCALM/AboutCALM.html, 12 Feb, 1998)

**Logistics** - The science of planning, organizing and managing activities that provide goods or services. -- (MDC, LogLink / Logistics World, 1997)

**Logistics** - Logistics is the science of planning and implementing the acquisition and use of the resources necessary to sustain the operation of a system. -- Reference: ECRC University of Scranton / Defence Logistics Agency Included with permission from: HUM - The Government Computer Magazine "Integrated Logistics" December 1993, Walter Cooke, Included with permission from: HUM - The Government Computer Magazine.

**Logist - To perform logistics functions or processes**. The act of planning, organizing and managing are Logistics Processes - (*classical*) requirements determination, acquisition, distribution, and conservation. -- (United States Department of Defense DOD)

**Business Logistics** - The science of planning, design, and support of business operations of procurement, purchasing, inventory, warehousing, distribution, transportation, customer support, financial and human resources. -- (MDC, LogLink / Logistics World, 1997)

**Cradle-to-Grave** - Logistics planning, design, and support which take in to account logistics support throughout the entire system or product life cycle. -- (MDC, LogLink / Logistics World, 1997)

**Acquisition Logistics** - Acquisition Logistics is everything involved in acquiring logistics support equipment and personnel for a new weapons system. The formal definition is "the process of systematically identifying, defining, designing, developing, producing, acquiring, delivering, installing, and upgrading logistics support capability requirements through the acquisition process for Air Force systems, subsystems, and equipment. -- (Reference: Air Force Institute of Technology, Graduate School of Acquisition and Logistics.)

**Integrated Logistics Support (ILS) (1) -** ILS is a management function that provides planning, funding, and functioning controls which help to assure that the system meets performance requirements, is developed at a reasonable price, and can be supported throughout its life cycle. -- (Reference: Air Force Institute of Technology, Graduate School of Acquisition and Logistics.)

**Integrated Logistics Support (ILS) (2)** - Encompasses the unified management of the technical logistics elements that plan and develop the support requirements for a system. This can include hardware, software, and the provisioning of training and maintenance resources. -- (Reference: ECRC University of Scranton / Defence Logistics Agency Included with permission from: HUM - The Government Computer Magazine "Integrated Logistics" December 1993, Walter Cooke.)

**Logistics Support Analysis (LSA)** - Simply put, LSA is the iterative process of identifying support requirements for a new system, especially in the early stages of system design. The main goals of LSA are to ensure that the system will perform as intended and to influence the design for supportability and affordability. -- (Reference: Air Force Institute of Technology, Graduate School of Acquisition and Logistics.)

**Increased customer satisfaction**

Consumers demand better service, and this mandate creates a need for shippers to provide fast, accurate and quality service.

Good management strategy is aimed to constantly optimize transportation processes and eliminate disruptions. Therefore, it has a direct impact on your customers’ satisfaction. Improved customer service can bring a good reputation to a company’s brand and help generate more business.

The smoother the freight moving processes are within and beyond your company means that you will provide more value to your clients. Ultimately, well-handled logistics contributes to the overall positive customer’s experience.

**Visibility and insight Cost Savings**

It is important to [create visibility](https://www.plslogistics.com/powerful-reporting-improves-insight/?utm_campaign=LTL&utm_source=hs_email&utm_medium=email&_hsenc=p2ANqtz-9OMgSwM7a_GQZVQPkYVDmvnNbOVOufXHT-xPSP5qVjm9oFzQF1_wRGisRDoFAQ5KZTgMdJMO_L_JlVvve1ezbi8ogNsg&_hsmi=22777414) into a company’s supply chain. Advanced [transportation management systems](https://www.plslogistics.com/4-benefits-of-saas-tms-software) (TMS) analyse historical data and track the real-time movement of goods in and out of a business. Logistics managers can use this information for process optimization and avoiding potential disruptions. TMS data analysis keeps a company’s supply chain moving more efficiently, all while gaining operational insight.

**Cost Savings**

Managing logistics on a proper level will give a company control over [inbound freight](https://www.plslogistics.com/tips-to-avoid-failure-in-inbound-vendor-management), keep inventory at optimal levels, organize the reverse flow of goods, and utilize freight moves on the proper transportation modes all of which can cut costs significantly.

**Advantages of Logistics Management in an organization:**

Fidelity of the clients. Thanks to the performance in the manufacturing procedures, client service enhances in elements such as shipment time, acquisition problems … This triggers customers to have the brand in mind when they think of these certain items. If the purchasing experience is adequate, they will certainly duplicate.

Much better control when the whole process is defined, we can recognize in genuine time and also in all times in which web link of the chain the item is located. This enables higher control with outside stars such as providers, having the ability to quickly and also quickly access a greater number of offers. Furthermore, it permits to track the dates of supply access, manufacturing, distribution dates, and so on.

**Greater unity in the group**. Each actor in the chain knows what their functions are when they should be accomplished and the significance of working as a team. They function like an actual chain in which each item is key to accomplish that the item arrives in the most effective problems to the last consumers.

Commitment of consumers: By achieving greater degrees of efficiency in manufacturing refines it is possible to boost customer support in regards to price, delivery time, purchase conditions, and so on, which is mirrored in the behaviour of the customer before the firm and also its products and improving the placing in his mind, therefore reaching greater capacity to maintain consumers.

Access to new markets: It is only feasible to encounter worldwide competition if you have the capacity to do so if you have affordable costs and processes. This competitors not only happens when companies interfere in export procedures but when brand-new worldwide participants endeavour right into domestic markets.

**Disadvantages of Logistics Management in an organisation:**

**Departmental wars.** Logistics projects include numerous departments, such as purchasing, planning, production, distribution and also InfoTech.

Weak leadership When intervening several departments, logistics tasks require a solid senior executive which is capable of acting to remove those factors of interdepartmental disunity due to the fact that there will certainly be countless obstacles to be resolved.

**The slowness of reach**. It is usually observed just how tasks end up being made a complex with time, because of the addition of brand-new functions and also functions. Ultimately you end up with an inflated task that is so comprehensive that it will never ever be completed or that, if completed, you will certainly not get a profit on solid investment.

**2) Why should an organization use Just in Time? Give its advantages and Disadvantages.**

Just-in-time (JIT) inventory is a stratagem that manufacturers utilize to increase efficiency and decrease waste by receiving goods only as they are needed in the manufacturing process, thereby reducing the cost of inventory. Importantly, manufacturers must forecast their requirements accurately.

JIT avoids the waste associated with overproduction, waiting for material and holding excess inventory. The original concept was created by the founder of Toyota.  Just-in-Time means that a manufacturer makes only what is needed, only when it is needed, and only in the amount that is needed.

The just-in-time inventory model lets manufacturers reduce their overhead expenses while always ensuring that parts are available to manufacture their products. This allows a company’s customers to be better served, while, at the same time, lowering the cost of doing business.

Warehousing excess inventory can be very expensive. Reducing the amount of inventory can reduce carrying costs. Companies that employ the just-in-time inventory model may be able to reduce the number of warehouses they own, or even allow them to eliminate those warehouses altogether.

An efficient supply chain can deliver lower costs throughout the manufacturing process, and those lower costs can then be passed on to the customer, making the company's products more affordable. This helps the company acquire a larger market share and outpace its competitors.

By using the JIT model, a manufacturer has a better level of control over its entire manufacturing process, thereby, making it easier to respond quickly when the needs of customers change.

For example, a manufacturer that uses the just-in-time inventory model can quickly increase production of an in-demand product, while reducing production on products that are slowing down.

The company will need to cut prices on any unsold inventory just to clear it out, which reduces the perceived value of the manufacturer’s other products. The just-in-time inventory model reduces this waste.

One example of JIT is fast-food restaurants, which use just-in-time inventory to serve their customers on a daily basis during breakfast, lunch and dinner.

Fast food restaurants have cheese, burger patties and all the fixings in a refrigerator, but they don't start assembling and cooking their cheeseburgers until a customer places an order.

Another example is the self-publishing industry. Authors might forgo the traditional approach to publishing their works and self-publish. Self-published authors can take advantage of just-in-time inventory by working with a printer that offers print-on-demand services. Print-on-demand companies don't print the books until an order is placed.

By reducing inventory, JIT frees up resources to employ them elsewhere in the company. A retail store using JIT can renovate its warehouse space, providing additional retail floor space without expanding the store itself.

A manufacturer can convert part of its warehouse into manufacturing space, increasing production. JIT also allows the workforce to focus on primary tasks, from making goods to interacting with customers rather than stocking material.

With JIT, manufacturers will know when employees are needed at different stations of assembly to meet the demand of those stages of manufacturing. A more flexible workforce can focus on quality production with lower defect rates, which lower costs and increase customer satisfaction.

To make JIT workable, management must rethink the entire work flow of the company, from the intake of raw materials to the final finished product. At the same time, supply-chain relationships might require multiple suppliers, closer locations, and suppliers that can provide materials with minimal notice.

One negative is the problem that smaller orders will be needed for JIT. Therefore, new negotiations may be needed because of minimum order requirements. Even if a slightly higher price is paid, the cost difference could be offset by the low cost of inventory.

An entirely different mind-set will be needed throughout the company. The complete workforce must understand the entire JIT process and shift to where they are needed, as work flow recedes and surges to meet customer demand swings.

This will take a sizable commitment of both time and money at first plus allegiance to stay the course in implementing JIT. If not, the system will never gain traction within the company.

Lean manufacturing and JIT are often mistaken for the same thing, but they are different concepts. Just-in-time manufacturing is focused on efficiency, while lean manufacturing is cantered on using efficiency to add value for the customer. JIT can be utilized on its own, or as one step in the lean manufacturing process.



Lean manufacturing takes the idea of JIT and looks at it from the perspective of customer value. In the lean manufacturing process, a company must consider what aspects of the product add real value. The first tenet of lean manufacturing is that every step in the production process must add something of value.

The manufacturing process is then redesigned to remove activities that don't add value. Transporting parts from a distant warehouse to the manufacturing plant would not add value. Switching to JIT would reduce transportation and warehousing costs, making the product more affordable. The JIT process adds value by increasing efficiency.

The most important benefit of JIT is the elimination of raw material, inventory and product storage costs. Traditionally, raw materials and inventory of finished goods were considered assets. This notion has changed because of JIT and now inventory is considered as waste or dead investment, incurring additional costs.

[**The advantages of just-in-time inventory**](https://www.accountingtools.com/articles/the-advantages-and-disadvantages-of-just-in-time-inventory.html)

A [just-in-time](https://www.accountingtools.com/articles/2017/5/9/just-in-time) inventory system keeps [inventory](https://www.accountingtools.com/articles/2017/5/13/inventory) levels low by only producing for specific [customer](https://www.accountingtools.com/articles/2017/5/4/customer) orders. The result is a large reduction in the inventory investment and [scrap](https://www.accountingtools.com/articles/2017/5/16/scrap) costs, though a high level of coordination is required.

This approach differs from the more common alternative of producing to a forecast of what customer orders might be. By using just-in-time concepts, there is a greatly reduced need for [raw materials](https://www.accountingtools.com/articles/2017/5/13/raw-materials-inventory) and [work-in-process](https://www.accountingtools.com/articles/2017/5/13/work-in-process-inventory), while [finished goods](https://www.accountingtools.com/articles/2017/9/20/finished-goods) inventories should be close to non-existent. The use of just-in-time inventory has the following advantages:

There should be minimal amounts of inventory [obsolescence](https://www.accountingtools.com/articles/2017/5/9/obsolescence), since the high rate of [inventory turnover](https://www.accountingtools.com/articles/what-is-inventory-turnover.html) keeps any items from remaining in stock and becoming obsolete.

Since production runs are very short, it is easier to halt production of one product type and switch to a different product to meet changes in customer demand.

The very low inventory levels mean that inventory [holding costs](https://www.accountingtools.com/articles/2017/5/10/holding-costs) (such as warehouse space) are minimized.

The company is investing far less [cash](https://www.accountingtools.com/articles/2017/5/4/cash) in its inventory, since fewer inventories is needed.

Fewer inventories can be damaged within the company, since it is not held long enough for storage-related accidents to arise. Also, having fewer inventories gives materials handlers more room to maneuver, so they are less likely to run into any stored inventory and cause damage.

Production mistakes can be spotted more quickly and corrected, which results in fewer products being produced that contain defects.

**Disadvantages Associated With Just-In-Time Inventory.**

A [supplier](https://www.accountingtools.com/articles/2017/5/16/supplier) that does not deliver goods to the company exactly on time and in the correct amounts could seriously impact the production process.

A natural disaster could interfere with the flow of goods to the company from suppliers, which could halt production almost at once.

An investment should be made in information technology to link the computer systems of the company and its suppliers, so that they can coordinate the delivery of parts and materials.

**3) What are inventories? How important are they to an organization?**

**Definition:** Inventory, often called merchandise, refers to goods and materials that a business holds for sale to customers in the near future.

In other words, these goods and materials serve no other purpose in the business except to be sold to customers for a profit.

They are not used in the produce things or promote the business. The sole purpose of these current assets is to sell them to customers for a profit, but just because an asset is for sale doesn’t mean that it’s considered inventory.

We need to look at three main characteristics of inventory to determine whether an asset should be accounted for as merchandise.

**What is the definition of inventory?** First, the assets must be part of the company’s primary business. For instance, a sandwich shop’s delivery truck is not considered inventory because it has nothing to do with the primary business of making and selling sandwiches. This is considered a fixed asset for the sandwich shop.

Second, the assets must be available for sale or will soon be ready to sell. If some business assets could be sold but are never actually made available for sale, they aren’t inventory. These are just assets or investments of the company.

Third, the purpose of owning the assets must be to sell them to customers. Going back to our sandwich shop example, the truck was never meant to be sold to a customer. It was purchased to deliver sandwiches and was sold when it couldn’t perform that job. The car dealership, on the other hand, purchases vehicles for the sole purpose of reselling them. Thus, the truck is considered inventory to them.

Retailers are the easiest to account for because they typically only have one kind of goods called merchandise. They purchase it from wholesalers or manufacturers as finished products to sell to their customers.

Manufacturers, on the other hand, define inventory a little bit differently because they produce their own products to sell to customers. Thus, they need to account for the inventory at every stage of production. The three categories are raw materials, work-in-process, and finished goods. Let’s take a look at each of these categories in the Ford car plant.

**Raw materials** – Raw materials are the building blocks to make finished goods. Ford purchases sheet metal, steel bars, and tubing to manufacture car frames and other parts. When they put these materials into produce and start cutting the bars and shaping the metal, the raw materials become work in process inventories.

**Work in process** – Work in process inventory consists of all partially finished products that a manufacturer produces. As the unfinished cars make their way down the assembly line, they are considered a work-in-progress until they are finished.

**Finished goods** – Finished goods are exactly what they sound like. These are the finished products that can be sold to wholesalers, retailers, or even the end users. In Ford’s case, they are finished cars that are ready to be sent to dealers.

Each of these different categories is important and managing them is key to any business’ survival. Inventory control is one of the most important concepts for any business especially retailers.

Since they purchase goods from manufacturers and resell them to consumers at small margins, they have to manage their purchasing and control the amount of cash that is tied up in merchandise.

Inventory management enhances business operations with the effective flow of goods and services. [Inventory Management and control](http://www.scmdojo.com/category/supply-chain-management/inventory-management/) implies the controlling of business stock or controlling the movement of products and services following their demand.

Inventory Management and control are highly beneficial in today’s business world as it makes a vital part in any business success/failure having intense competition within its industry.

The benefits of inventory management and the knowledge about its usage are vital for enhancing product quality, improving competitive ability, reducing [inventory carrying costs by reducing inventories](http://www.scmdojo.com/inventory-reduction-strategies/), service enhancement, and operational flexibility through pull systems.

Inventory Management and control provide actions & strategies that are integrated into all management controlling, planning, and processes which are crucial to enhancing and making successful management.

Aside from adding competitive ability and profitability, the benefits of inventory management are, and it fosters growth leading to economic and business efficiency. Applying [several analyses](http://www.scmdojo.com/6-benefits-of-abc-analysis-of-inventory/) to business who make use of Inventory Management and control,

**1. Inventory Control Paves for Competitive Ability**

The usage of Inventory Management and control benefits inventory control by enhancing market shares thus, paving the way for competitive ability. The best example is Apple’s smart inventory management which gives them competitive advantage.

Commonalities with values, high factor loadings values, and significant mean values are factors taken into consideration in determining a business supports for competitive strength.

**2. Inventory Planning Improves Service Level**

It remains the fact that good Inventory Management and power leads to what all business strive for continuity, the repeat clients. If you desire your hard-earned clients to come back to purchase your products and services, it is necessary always to improve your service level enough to be able to match customer request swiftly.

Inventory Management and control aid businesses in meeting such demand by permitting you to provide the right levels of hands-on service immediately your customers require them with the [desired lead time](http://www.scmdojo.com/understand-customer-lead-time/), highlighting the importance of inventory management,

**3. Inventory Planning and Management Reduces Storage Cost**

These benefits of inventory management envisage on focusing upon [Inventory planning](https://gumroad.com/l/InventoryPlanningPro) and [reducing storage costs](https://www.scmdojo.com/transportation-warehouse-management-books/) as you maintain adequate inventories. The central values feature significant factor loadings and [commonalities exhibited through proper Inventory Management and control](http://www.scmdojo.com/abc-inventory-analysis/). The factor lowers storage costs and increases revenue by using adequate inventory management and control emphasizing importance of inventory management.

**4. High Inventory Turnover Brings Revenues**

Applying [Inventory planning](https://gumroad.com/l/InventoryPlanningPro) to any business can serve as a bridge to bring in higher revenues. Through proper Inventory Management and control, a company is capable of increasing its profitability. If a business overlooks the benefits of inventory management in its trade, sales, and production, it is possible to hamper maximization of its operational efficiency.

Intrinsically, the inventory’s cost of purchase and production has a substantial effect on gross profit. Using lessened cost of production, a business raises its gross profit. That is why proper [inventory planning](https://gumroad.com/l/InventoryPlanningPro) is required.

And with all accounts placed as equal, such company would record superior revenues, which in effect, leads to more profits, again substantiating importance of inventory management.

**5. You Can Utilize Warehouse Space Better**

Proper Inventory Management and control involve accounting for all production, purchase, and sale of goods that meets customers demand. These benefits of inventory management affect management strategy that supports organizational warehouse in attaining better space management.

If you have an unorganized warehouse, you would always find it difficult to handle your inventory effectively. Several businesses elect to enhance their warehouses by [arranging higher selling products together](http://www.scmdojo.com/inventory-management-model/) in areas that are easily accessible within the warehouse. Performing this process aids in speeding up the order fulfillment and preserves customer’s happiness.

**6. Inventory Control Makes Cost Accounting Activities Easier.**

Better inventory management is surely going to make your [financial controller happier](https://www.scmdojo.com/supply-chain-stakeholders/) and you can be easily in his good books!

Business owners often develop internal strategies and measures that will guarantee better control and planning of production and sales. Such approaches involve binding every partaker in the business to delivering activities that make Accounting Activities Easier including managers.

To enhance your business cash flow, it is expected you set aside some investment into the most effective and practical inventory system that is powerful enough to meet your requirement and is also suitable to match your business environ.

For this reason, companies with well thought out plans can save a lot more from the use of active Cost Accounting Activities.

Additionally, better Inventory Management and control aid your business in establishing cost benefit for you concerning the financial market conditions. Better cash flow lets companies attain better business and organizational goals.

**7. Inventory Control Is Consistent with Safety and Environmental Advantage.**

Too much inventory in warehouse can be health and safety issue when employs struggle to walk on the shop floor, cannot moves goods easily and it is falling from the shelves.

Good inventory management leads to inventory reduction which leads to less packaging which leads to less waste and contribute to environmental advantage. For me one of the best reasons.

**8. Regular Supply at Reasonable Prices Builds Customer Confidence**

Evidently, with better strategies in place, any given organization can use [inventory planning](https://gumroad.com/l/InventoryPlanningPro) and control to improve its cash flow by providing [higher customer service at consistent pricing](https://www.scmdojo.com/13-possible-nightmares-for-great-on-time-delivery-performance/).

Inventory control and planning solution allows small business to gain insight into what products are selling more than others. This step will enable them to adjust their product line and to make intelligent business decisions.

**9 Inventory Holding Results in Effective Utilization of Human and Equipment**

Proper Inventory Management and control solutions save time regarding human resources and equipment usage. Less time expended on managing inventory leads to higher productivity for your business and clients as well.

With these benefits of inventory management, your businesses stays steps ahead of the game and continuously have enough number of products at hand based on inventory movements.

I have seen this first hand during my days as Supply Chain Manager, if [excess inventory](https://www.scmdojo.com/guide/excess-and-obsolete-inventory-policy/) is not your problem and you are hitting your targets, then you can find time to drive [Kaizen activities](https://www.scmdojo.com/guide/5s-kaizen-guide/) to drive further improvement in [supply chain department](http://www.scmdojo.com/9-things-show-supply-chain-department-board/).

**10 Effective Inventory Control Enhances Market Share**

For companies whose scale of operations does not permit the running of several inventories by product line or SKU, the usage of Proper Inventory Management and control solves it.

Nevertheless, in some situations, your business size does not matter since roles and policies have to be set up irrespective of the size of the business.  Such procedures and set up will help govern inventory spending and Enhance Market Share.

As we already established Inventory Management and control allows business to be able to handle all cash flow prospects. Companies are not continuously able to procure large amounts of inventory, as capital remains a significant factor in doing so.

By having proper Inventory Management and control, businesses can recognize precisely what inventory size is needed and when to deploy them. This step can Enhances Market Share and free up other capitals for re-investment.

**11 Inventory Control Enhances Product Quality**

The use of Inventory Management and control can assist in remarkably improving business efficiency and product quality. These benefits of inventory management would aid in eliminating waste, and enhances focus on producing Right First Time or [Six Sigma Quality](http://www.scmdojo.com/guide/six-sigma-project-examples/).

It remains a fact that having a good inventory management system leads to better success and repetitive customers. If you desire your hard-earned customers always to keep coming, you have to enhance your product quality in the best ways possible.

**12 Effective Inventory Control Brings Potential Saving**

Proper Inventory Management and control can bring in Potential Saving as benefits of inventory management. These benefits of inventory management provide businesses with monetary and real-time benefits.

There is a debate within controllers if inventory reduction which leads to reduction of inventory carrying cost, can positively impact the bottom line? For me the answer is Yes!

The simple logic is if you reduce $100k of on hand inventory, and put this money in bank to gain interest, which is equivalent to bottom line benefit.

By monitoring which product bring in more sales and what other potentials they have, your business can save more on every effort with inventory recount to safeguard accurate records.

A good Inventory Management and control strategy also benefits businesses in saving money that could otherwise be lost in slow-moving products. No one can deny this as top reason to show importance of inventory management!

**13 Inventory Control Avoids Costly Interruptions in Operation**

Inventory Management and control are beneficial in limiting the employee’s ability to steal or disrupt your operations.  Often costly interruptions in service in businesses can be averted with proper planning. Deprived of inventory control, companies may be none-the-wiser to such disruption. These benefits of inventory management ultimately improve business profitability. By avoiding costly interruptions, businesses can reduce any ‘hidden’ costs. Showing, importance of inventory management.

**14 Inventory Control Strategies Facilitates Purchase Economies**

A good Inventory Management and control aids in Facilitating Purchase Economies and maintaining steadiness in production operations. This approach is down to maintenance of smooth flows in accessing raw materials.

Consequently, there are no shortages experienced during the production process — these benefits of inventory management aids in reducing the risk of loss due to desuetude or deterioration of items, hence, highlighting importance of inventory management.

**4) Why is planning essential in logistics and supply chain management?**

**Because of the increase in grain supply, as price goes down, the profit goes down as well. As the production goes up, storage and delivery of grain cause problems for companies that have involved in the grain trade.**

**This is because the most cost-effective way of storage and delivery of grain at this time of decreasing profit rates is the main way in which a company can hold it in a competitive market.**

Recently, logistics stands out as a dynamic sector that develops rapidly on a global scale. The volume of international trade has risen due to lifting barriers to international trade, increasing foreign investors and technological developments.

Barriers such as customs taxes, quotas and capital controls that separate national economies have gone down; services, workforce and capital become faster and easier to move between countries.

In parallel with the increase in international trade volume, the loss of the borders between countries and the development of the concept of globalization, the logistics sector has recently gained importance.

Now, logistics has become one of the most important, largest and most dynamic sectors in the world. Goods and services are designed in any geographical area of the world, produced in a different land and demanded elsewhere.

Thus, in order to stand out and have advantages, quick and timely delivery has become important for service and commodity producing companies.

The logistics sector enters into the picture from this perspective; it plays a role in product delivery from any point in the world, storage in required points, package, and the customs clearance and so on.

Logistics is an important competition power for companies that are in deadly rivalry to survive among others, look ways to produce quality products cheaper and to market these products and gained new successes from quality and cost perspective.

The logistics which is defined as “the delivery of the right product in the right place and time with an acceptable cost to customers” is a promising sector.

However, in order to stay alive, expand and compete in this promising sector, one has to take right and long-term steps.

When we say logistics, one should not think of only delivery and storage. For sustainable supply chain, a good logistic strategy should be devised.

The supply chain management includes all processes such as purchasing, resource use, production planning, and flow management, marketing, after sales support, service and logistics among others.

Without logistics, it is impossible to be successful in marketing, production, and international trade. In advanced industrial societies, logistics competence is of great importance and customers expect products they bought will be delivered as promised. In extraordinary events, the necessity

Logistic costs consist of transportation, storage, stocking and management expenses. The transportation costs are caused by road, rail, sea, airway, customs and insurance expenses while the storage costs are caused by rent/amortization, energy, handling, packaging and value-added service costs; carrying and not-carrying costs cause the stock expenses; and the management costs are caused by office personnel and general management expenses.

The proper planning of supply chain process is compulsory to lower the cost of transportation and storage, the main cost items in the logistic, mitigating risks and reduction of losses to a minimum level.

For this reason, site selection and transportation for logistic activities play an important role. In terms of raw material, production and logistic activities, some regions are at the forefront. For this reason, important transportation ways and routes gain strategic importance. That’s why companies should take geographical conditions and logistic means into consideration while building their facilities.

The logistics strategy should be designed to ensure an uninterrupted connection to suppliers, companies and manufacturers located at different points across the world.

For this reason, you need to have the technology to keep you in constant contact with the whole world in real time. Regardless of where they are, they must have channels of communication with which you can connect with all the actors in your supply chain.

If you can access the data in real time, you can take precautions to help your company reach maximum potential in a shorter time.

Another important aspect of the logistics strategy is the correct use and analysis of data. At this point, the keywords “innovation” and “digitalization” come into play.

It is necessary to use automation systems to reach the right data. In the logistics sector where the rivalry is high, the profit margin is low and the number of transactions is at the highest level, companies that can make use of IT technologies will stand out.

Logistics costs became an important item for the agricultural sector as production activities and consumption activities drifted away from each other. In this context, the supply chain and logistics operation, that are important parts of this chain, have become just as important as the quantity and quality of production.

Over the last few years, grain production has increased across the globe. For example, Russia and Ukraine are breaking successive records. The United States, Canada, Argentina, Ukraine, Russia and Australia have been looking ways to have a bigger share in the grain market; thus, the competition has intensified.

Outsourcing logistics has proved to be a smart move for businesses looking to improve processes, increase efficiency, mitigate risks and save time and money! In previous blog posts and case studies we’ve discussed the benefits of outsourcing logistics from the operational advantages to the financial benefits. If you haven’t seen them yet, check them out in the links below:

Working with a 3PL provider that has an array of services can be beneficial for companies of all sizes, as well! Here are five advantages of bundling logistics services with a full service 3PL provider:

**One Point of Contact**

Simplicity in your supply chain is one of the largest benefits to bundling services. When you need a project done, need to fill specific orders quickly or make changes to existing products or services, one customer service rep will be able to help you throughout the entire project from warehousing, to distribution to transportation.

Having this simplicity helps to finish projects quickly, accurately and efficiently! Many of Murphy’s customer service reps have been working with the same customers for years and know how the accounts operate on a daily basis.

**Consistent Service Levels**

Having a single partner for supply chain and logistics work means no surprises when it comes to service levels.

Whether you are working with a large on-going project or a short term increase in product levels, you know how the job will get done. If projects are bounced from 3PL to 3PL or handled in-house, service levels can vary and the work is not done consistently for you or your customers.

**Improved Pricing**

When more than one service is provided by a 3PL, pricing can become more efficient and economical throughout the entire supply chain. Full service providers can effectively price projects because they know exactly when inbounds will be received, items will be picked and trucks will be at their doors, making for a much more efficient process.

**Flexibility**

Working with a single 3PL provider brings flexibility to the supply chain in a couple of different ways. The ability to increase or decrease square footage and the amount of handling required, while only paying for what you use, is one of the main benefits of using a 3PL.

Having a full service 3PL provider handling the entire supply chain also gives you flexibility to use specific services when you need them.

Say a large retailer picks up your product and boxes need to be re-labelled, or your product’s online sales take off and you need e-commerce fulfilment services – with a full service 3PL, these jobs can easily be done without the hassle of re-warehousing or switching providers.

**Partnership Mentality**

For us here at Murphy, we strive to embody the partnership mentality with our clients. From high quality customer service to process improvements and innovation we want each of our clients to have the most effective supply chain possible!

Working with a full service 3PL provider brings improvements to every aspect of the product life cycle from pre-production raw materials to finished goods ready to move on to their final destination.

If you would like to hear about how we can help your supply chain [contact us](http://www.murphywarehouse.com/contact-us), we would love to share more with you

With efficient storage methods, reliable trucking and brokerage transportation and rail services such as unloading and loading boxcars, coordinating drayage and utilizing our state of the art indoor rail tracks, Murphy's full service logistics solutions can help you simplify your supply chain!

 Supply chains are basically networks. They are networks of facilities, people and distribution options whose primary purpose is procurement and transformation of goods so that can then be delivered and distributed to potential customers.

Supply chains can be pictured as arteries that supply business or organizations its industrial life. Disrupt a supply chain and you will find business or organizations gasping for breath and clinging to dear life.

**Strategic Planning improves Efficiency**

Networks are interconnected and interdependent. One is connected to the other in a peculiar relationship and one is dependent on the other in a peculiar kind of relationship. Strategic planning then is important in the supply chains.

Elaborate plans have to be made in such a manner as to let the peculiar relationships in the supply chain network flourish and be in constant harmony.

Supply chain networks are basically three-network things: the supplier, the manufacturer and the distributor. While planners may call the supplier, the supply manufacturer or distributor, it still refers to the same thing.

This three-network relationship forms part of the supply chain. All supply chains follow the same three-network design or a variation of the three-network design.

Strategic planning is important to supply chains, first of all, because it improves efficiency. The key word is Speedier. Planning how to get the raw materials or supply, planning where to get it, planning when to get it, planning an efficient procurement system all contributes to the goal of efficiency.

If you cannot get your supply faster, the manufacturing aspect of the network might grind to a halt, waiting for the raw materials. This will be a costly episode in business or organizations.

The strategic planner then ought to design a speed equation. How to make the supply faster, where to get the supply faster, when to get the supply so that it will arrive faster are key questions for the planner. Strategic planning must improve efficiency; it must make the supply chain Speedier.

**Strategic Planning improves Economy**

The need for speed is just part of the supply chain equation. A speedier delivery will not produce a strategic advantage for business or organizations if it cannot get the supply cheaper. The key word is Cheaper. It would be totally absurd to have the supply delivered fast if in return it becomes more expensive. This would be a disaster to business or organizations.

Collectively, speed and price should go hand in hand in the supply chain to create a strategic advantage. The question of how, where and when to procure supply in the fastest way, now has to be tempered with how, where and when can we get it the cheapest. The strategic planner must be able to incorporate such into the plan.

A supplier might be able to get if fast but will the cost still justify it? A supplier might be able to get supplies cheap but will the speed justify it? These are basic questions that can affect the strategic plan.

The supply chain should be designed then in a manner where the price would be a consideration, aside of course from the speed. Business or organizations then have to source out suppliers who can provide it cheapest in relation to fast delivery. It is always wise do business with suppliers in various localities and even in various countries.

Utter dependence on a few suppliers located in the same location is never an intelligent option. An armed conflict can just erupt in the locality, as what usually happens to suppliers in the African continent and it can just wipe out your entire year’s supply of raw materials, as proven time and time again.

**Strategic Planning Improves Expectation**

Another factor that improves the supply chain network and creates a strategic advantage is the identification of and the transacting with manufacturers or outsource manufacturer who are able to transform the goods that have been delivered fast and cheap into finished products or partially finished goods.

If business or organization can transform the supply, that has been delivered fast and cheap, into finished products, then the strategic plan should involve in-house manufacturing. However, if an outfit out there can do the job better and probably cheaper, then it is always the rational way to do business.

Strategic planning improves the expectation of business or organizations. They can now decide who will do the process better, and not regret in some future date.

Most of the toys, consumer electronics and even household goods are made in China. The strategic consideration of course is expectation.

These guys can do it better. Not only can they do it faster and cheaper, they also can do it better. This is the primary reason why many manufacturers have partially done the manufacturing process or fully given the manufacturing process to outsource manufacturers commonly known as sub-contractors.

In the event a new entrant happens to do the manufacturing process better, the strategic planner has to seize the opportunity but then as he still needs the previous manufacturer, he then needs to incorporate the new relationships, anticipating complexities that may eventually arise in the future.

The search for the better should form part of the strategic plan. In a world that is constantly changing, the business or organizations that can do its process better might be the only ones left standing.

**Strategic Planning Improves Evolution**

People do evolve, so does the product. Evolution and change is another key factor that must be incorporated in strategic planning. Lifestyle changes and patterns affect product evolution and product delivery. The key is Better and better.

The strategic planner has to visualize how lifestyle changes and patterns affect product delivery. Years ago, a large segment of the working class worked regular 40 hour weeks Monday to Friday.

That is not so true today. Many still work 40 hour weeks or more but on different shifts and in different locations. The 24/7 establishments evolved to cater to these lifestyle change and pattern. From the initial grocery stores that started to open 24 hours a day, 7 days a week, now comes the high-end stores, gyms, entertainment arcades and a host of other industries.

Supply chain strategy calls for an evolution in the delivery and distribution to ensure everyone gets everything they need in the exact time.

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