

DIPLOMA IN PROCUREMENT SUPPLY CHAIN MANAGEMENT

Assignment III

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**ASSIGNMENTS**

1. Define logistics. What are the advantages and disadvantages of logistics to an organization?
2. Why should an organization use Just in Time? Give its advantages and Dis disadvantages.
3. Can supply chain management be used as a competitive advantage by an organization?

Give 5 reasons well explained.

1. What are inventories? How important are they to an organization?
2. Why is planning essential in logistics and supply chain management?
3. Define logistics. What are the advantages and disadvantages of logistics to an organization?

**Answers:**

Logistics is the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory and the related information flows through the organization and its marketing channels in such a way that current and future profitability are maximized through the cost-effective fulfillment of orders.

**Logistic advantages;**

Allows focus on core competences.

Increase management capabilities.

Save costs and time.

Reduce heavy assets investment

Increase efficiency.

Value added services and services variety.

Increase global inventory visibility

Share responsibilities and reduce risks.

Economics of scale

Share knowledge and experience.

**Logistic Disadvantages;**

Loss of control.

Poor worker quality

Poor services level

Misleading feedbacks.

Coordination problems.

Environmental responsibilities.

1. Why should an organization use Just in Time? Give its advantages and Dis disadvantages.

**Answers:**

The JIT inventory method requires that producers be able to forecast demand accurately. JIT inventory supply system represents a shift away from the older just in case’ strategy where producers carried large inventory in case higher demand had to be met.

**Advantages of JIT**

Companies like to use JIT as it is seen as a more cost-efficient method of holding stock its purpose is to minimize the amount of goods you hold at anyone time, and this has numerous advantages;

**Less space needed:**

With a faster turnaround of stocks, you don’t need as much warehouse or storage space to store goods. This reduce the amount of storage an organization need to rent or buy, freeing up funds for other parts of the business.

**Waste Reduction:**

A faster turnaround of stock prevents goods becoming damaged or obsolete while sitting in storage reducing waste. This gain save money by preventing investment in unnecessary stock and reducing the need to replace old stock.

**Smaller investments;**

JIT inventory management is ideal for smaller companies that don’t have the fund available to purchase huge amounts of stock at once, ordering stock as and when it’s needed helps to maintain a healthy cash flow.

All these advantages will save the company money

1. Can supply chain management be used as a competitive advantage by an organization?

Give 5 reasons well explained.

**Answers:**

Supply chain management simply can be defined as how to manage all activities along the entire supply chain to gain competitive advantage. Like definition stated by Ell ram and Cooper (1993:1), supply chain management is an integrating ultimate supplier ultimate customer third party logistic supplier financial provider market researcher firm Figure 2. Types of Channel Relationships (Mentzer et 2001: 5) 8 philosophy to manage the total flow of a distribution channel from supplier to ultimate customer”. Effective logistics and supply chain management can provide a major source of competitive advantage. Put very simple, successful companies either have a cost advantage or they have a value advantage or even better a combination of the two. Cost advantage give a lower cost profile and the advantage give the product or offering a differential plus over competitive offerings in practice, what we find is that successful companies will often seek to achieve a position based upon both advantages. Using five different logistics and supply chain management tools, companies have the potential to achieve a position of both cost advantage and value advantage over their competition.

1. **Higher Efficiency rate**

When your business can incorporate supply chains, integrated logistics, and product innovation strategies, you will be in a great position to not only predict demand as well as to act accordingly. And this is without any doubt one of the main supply chain management benefits.

1. **Decrease Cost Effects;**

* One of the advantages of supply chain management is the costs decrease in different areas. The most important one is;
* Improves your inventory system.
* Adjusts the storage space for finish goods which eliminates damage resources.
* Improves your system responsiveness to the actual customer requirements.
* Improve your relationship with both distributors and vendors.

1. **Increase Output;**

One of the main benefits of supply chain management is communication improvement, this adds up to the coordination and collaboration with shipping and transport companies, vendors, and suppliers.

1. **Enhance supply chain network;**

It’s not easy to maintain a sustainable supply chain management system, according to some of its advocators, one of the ways to do it is by using a combination all the information gathered on the different sectors of your business will allow you to have an enhanced supply chain network

1. **Increase your business profit;**

When you place your business open to the new technologies and an improved collaboration within the different areas, you can be sure that this will ultimately increase your business profit level

What are inventories? How important are they to an organization?

Answer:

Inventory maybe define as usable but idle resources. Inventory is commonly thought of as the finished goods a company accumulates before selling them to end users, if resource is some physical and tangible object such as materials then it generally term as stock. Inventory can be further classified according to the purpose they serve.

**Raw Materials inventories**: such as automobile parts for a car company.

**Work in process inventory**: such as a semi-constructed building for a construction business.

**Finished goods inventory**: such as a laptop that has just been assembled.

Inventory can be further classified according to the purpose they serve. These types include Transit inventory, Buffer inventory, Anticipation inventory, Decoupling inventory, Cycle inventory, MRO inventory.

Some of these also are known by other names such as speculative inventory, Safety inventory, and seasonal inventory.

Their important to the organization is:

**Prevent Outages with automated stock management.**

For any business to optimize its stock, it’s better to understand what accounts as its stock first, companies have diverse functions and for this reason they tend to deploy a variety of goods and services, stock refers to anything an organization uses to make a product or deliver a facility, primarily, the stock can be classified into the following:

* Raw materials which can be readily used in production process.
* Unfinished goods undergoing the production process.
* Finished goods ready to be bought or sold.
* Consumables which can be used to aid the production process

**Drive up profit for your company:**

Inventory management is a component of the supply chain which supervises the flow of goods from the manufacturer to the warehouse. From there these facilities are then transported to the final buyer. Any trivial mishaps a long this sequence of events can cause a lot of damage and the sequence for the company can be too large to bear.

1. Why is planning essential in logistics and supply chain management?

Answer:

**Effectively coordinated logistics leads to positive business results:**

Logistics plays an essential part in supply chain management it is used to plan and coordinate the movement of products timely, safely and effectively

**Logistics help business create value**

Providing value to customers does not only refer to quality or quantity. It also refers to availability. As better logistics makes your products more available to an increasing group of people, wise business leaders consider it a very important tool in creating value for customers

**Logistic helps delivering your product at the right place timely**

Logistic is firmly and clearly defined within a supply chain. However, due to differing customer demands it must be constantly evolving to provide better result.

**Logistic helps in reducing costs and improves efficiency:**

With global trade growing more popular, logistic has become the heart of supply chains. Business leaders have realized the can reduce their costs by establishing partnership with other businesses which offer transportation and warehousing.