[**D018 - Diploma in Procurement and Supply Management**](http://portal.onlineresourcecenter.nl/prolearn/public/studentnotes)

**Assignment no 3.**

**: Module 3**

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**Department of Procurement and Supply Management.**

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**ASSIGNMENTS 3.**

ASSIGNMENTS

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

The word ‘logistics’ originated in the military. Logistics was the term used for the process of getting equipment and supplies to troops. It wasn’t until the 1950s, when the complexity of shipping materials to and from businesses increased, that ‘logistics’ referred to business functions. Now, logistics is an industry and a [vital part of any business model](http://www.plslogistics.com/logistics-management-best-practices/); it is the control of the flow and storage of goods into and out of a business.

Logistics also refer to the process of coordinating and moving resources – people, materials, inventory, and equipment – from **one** location to storage at the desired destination

Also 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.

Advantages of logistics to an organization.

The benefits of logistics outsourcing come in several forms – savings in operating costs, savings in human capital, streamlined operations, no lock-in of working capital and well-connected global delivery endpoints to name a few. Let’s take a closer look at some of the additional advantages:

##### 1. Reduces burden of back-office management

On the surface, the logistic function appears to be simple: sending physical packages from point A to point B. However, before each consignment is sent out on transit, there is paperwork, auditing and verification to be conducted and documented.

3PL outsourcing service providers will have the necessary backend personnel and systems in place to take care of these procedures. From assigning a dispatch note and carrying out physical verification, to ensuring that all shipping papers are in order, logistics outsourcing can take care of the routine activities, sparing time for the business to focus on other priorities.

##### 2. Economies of scale

3PL players usually have a globally distributed network of carriers and fleets which allow them to reach any destination with ease. Since the function is outsourced, it is easy to scale up or scale down the logistic reach of the business without having to set up owned infrastructure and personnel.

##### 3. Real-time visibility of inventory

Professional logistic outsourcing service providers use ERP systems or cloud-based Warehouse Management Systems to help track inventory on a real-time basis. This data can also be received from the service provider on a regular basis for supply chain management planning.

##### 4. Expert documentation handling

Logistics, especially cross-border logistics, requires adherence to sophisticated paperwork. For a business that has logistics only as a small function or department, this can be a tedious job to do on a routine basis. Logistics outsourcing service providers have the domain expertise and knowledge to take care of all kinds of paperwork involved like inter-connected carrier contracts, insurance certificates, bill of lading, certificate of origin, etc.

Disadvantages of Logistics

1. **Customer Service**

Logistics management is all about providing the right product in the right quantity to the right place at the right time. Customers want full transparency into where their delivery is at all times. In this day and age, the whereabouts of a customer’s shipment is as interconnected as your social network. In fact, as customer expectations have increased, their willingness to pay for fast shipping has decreased, with just about 64 percent of consumers unwilling to pay anything extra for less than two-day shipping.

1. **Transportation Cost Control**

One of the highest costs contributing to the ‘cutting transportation cost’ concern is fuel prices. Higher fuel prices are likely to increase transportation costs for U.S. shippers this year by pushing up fuel surcharges. Rising U.S. diesel fuel prices are escalating surcharges added to freight rates, which is reversing a two-year trend that cut into the revenue and earnings of truckers as fuel prices plummeted.

1. **Planning & Risk Management**

In order to stay as efficient and effective as possible, periodic assessments and redesigns of each business sector are necessary. These adjustments are put in place in response to changes in the market, such as new product launches, global sourcing, credit availability and the protection of intellectual property. These risks must be identified and quantified in order to control and moderate.

1. **Supplier/Partner Relationships**

It is important to create, understand and follow mutually agreed upon standards to better understand not only current performance, but also opportunities for improvement. Having two different methods for measuring and communicating performance and results wastes time and effort.

1. **Government and Environmental Regulations**

Carriers face significant compliance regulations imposed by federal, state and local authorities. As well as federal regulations, environmental issues such as the anti-idling and other emission reduction regulations brought about by state and local governments has created concern that the compliance costs could exceed their benefits.

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

Just in time (JIT) is an inventory management system, used to manage the stock that is kept in storage. It involves receiving goods from suppliers as and when they are required, rather than carrying a large inventory at once.

Advantages of just in time.

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 any one time, and this has numerous advantages:

1. **Less space needed**: With a faster turnaround of stock, you don’t need as much warehouse or storage space to store goods. This reduces the amount of storage an organization needs to rent or buy, freeing up funds for other parts of the business.
2. **Waste reduction**: A faster turnaround of stock prevents goods becoming damaged or obsolete while sitting in storage, reducing waste. This again saves money by preventing investment in unnecessary stock, and reducing the need to replace old stock.
3. **Smaller investments**: JIT inventory management is ideal for smaller companies that don’t have the funds available to purchase huge amounts of stock at once. Ordering stock as and when it’s needed helps to maintain a healthy [cash flow](https://babington.co.uk/blog/webinars/cashflow-forecasting/).
4. All of these advantages will save the company money.

Disadvantages of just in time

JIT unfortunately comes with a number of potential disadvantages, which can have a significant impact on the company if they occur.

1. **Risk of running out of stock**: By not carrying much stock, it is imperative you have the correct procedures in place to ensure stock can become readily available, and quickly. To do this, you need to have a good relationship with your supplier(s). You may need to form an exclusive agreement with suppliers that specifies supplying goods within a certain time frame, prioritising your company. JIT means that you become extremely reliant on the consistency of your supply chain. What if your supplier struggles with your requirements, or goes out of business? Can you get the products quickly from somewhere else?
2. **Lack of control over time frame**: Having to rely on the timeliness of suppliers for each order puts you at risk of delaying your customers’ receipt of goods. If you don’t meet your customers’ expectations, they could take their business elsewhere, which would have a huge impact on your business if this occurs often.
3. **More planning required**: With JIT inventory management, it’s imperative that companies understand their sales trends and variances in close detail. Most companies have seasonal sales periods, meaning a number of products will need a higher stock level at certain times of the year due to higher demand. Therefore, you need to factor that into planning for inventory levels, ensuring suppliers are able to meet different volume requirements at different times.
4. Can supply chain management be used as a competitive advantage by an organization?

Give 5 reasons well explained.

Yes, because in today's competitive business, most of the firms increased focus on delivering value to the customer. The focus on attention of businesses is providing products and services that are more valuable compared to its competitors. This forces supply chain to be more responsive and create competitive advantage

1. **Cost of Goods Sold (COGS)**

One way that optimized supply chain achieves COGS reductions is by negotiating with your suppliers.  Cost negotiation quick wins can typically range between 3%-10% in savings.

Another cost of goods savings method of optimized supply chain is a strategic sourcing project.  By issuing an RFI (Request for Information), RFP (Request for Proposal) or RFQ (Request for Quotation) to multiple suppliers, COGS savings are achieved through competition.

That supplier competition often leads not just to COGS savings, but to supplier innovation and higher levels of customer service.

1. **Freight Savings**

Optimized supply chain negotiates with freight and transport providers – to get the best rates when you do have to overnight and expedite. But the true benefit of optimized supply chain is that it helps prevent those overnight and expedite scenarios.

Detailed and informed production planning, lead time management and supplier-customer communication are the bones of the supply chain corpus.

1. **Lead Time Management**

Lead time management…  Your supply chain has many lead time to content with and your optimized supply chain knows them all.

* How long does it take your suppliers to secure the raw materials they need to produce your products?
* How long does it take your supplier to then produce your products?
* How long does it take your products to get to your facility?
* How long does it take to receive, inspect and inventory your products once they’re in-house?
* And how long does it take to deliver your products to your customer (where they become their products)?

If you don’t know each lead time in your supply chain, then supply chain isn’t your competitive advantage yet.

1. **Inventory Accuracy**

It’s nearly impossible to get your customers what they want, when they want it (and spend as little money as possible getting that done) without having inventory control, ie. Without knowing what’s in your warehouse. 100% inventory accuracy depends on many things – from your warehouse management system to your purchasing policy to your part numbers (is that an “I” or a “1?) to your warehouse personnel to your cycle count process. Optimized supply chain knows [whether you should be cycle counting or conducting full-blow physical inventories](https://www.thebalancesmb.com/cycle-count-or-physical-inventory-2221407).  So that what you think you have in your warehouse is what you actually have in your warehouse in most companies, there is someone managing each step in your supply chain – purchasing, freight, inventory, for example.  But in a company with optimized supply chain – an overview is taken to [create a supply chain strategy that provides that company with a competitive advantage](https://www.thebalancesmb.com/introduction-to-vendor-evaluation-2221400).

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

Inventories are those items or materials which are to be kept in stock to meet the operational and maintenance requirements.

Inventory consists of the goods that a company creates to sell to customers in the future or stocks to sell to them today. This includes raw materials used to manufacture products for customers as well as merchandise stocked to sell to customer today.

Important of inventories to an organization.

• Protection against uncertainties in Transit and handling

• The give customer assurance of availability

• To hedge against expected surges in sales

• To await shipment to fill a definite order

•To handle production variations

• To make materials in economic lot sizes

• To permit flexibility in plant scheduling

•To hold off increasing capacity

• To provide raw material storage

• To take advantage of favorable raw material price

• To take advantage of distribution cost

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

Planning is essential in logistics and supply chain management because of the following,

1. Increases efficiency: Planning makes optimum utilization of all available resources. It helps to reduce wastage of valuable resources and avoids their duplication. It aims to give the highest returns at the lowest possible cost. It thus increases the overall efficiency.
2. Reduces business-related risks: There are many risks involved in any modern business. Planning helps to forecast these business-related risks. It also helps to take the necessary precautions to avoid these risks and prepare for future uncertainties in advance. Thus, it reduces business risks.
3. Facilitates proper coordination: Often, the plans of all departments of an organization are well coordinated with each other. Similarly, the short-term, medium-term and long-term plans of an organization are also coordinated with each other. Such proper coordination is possible only because of efficient planning.
4. Aids in Organizing: Organizing means to bring together all available resources, i.e. 6 Ms. Organizing is not possible without planning. It is so, since, planning tells us the amount of resources required and when are they needed. It means that planning aids in organizing in an efficient way.
5. Gives right direction: Direction means to give proper information, accurate instructions and useful guidance to the subordinates. It is impossible without planning. It is because planning tells us what to do, how to do it and when to do it. Therefore, planning helps to give a right direction.
6. Keeps good control: With control, the actual performance of an employee is compared with the plans, and deviations (if any) are found out and corrected. It is impossible to achieve such a control without right planning. Therefore, planning becomes necessary to keep a good control.

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