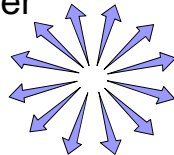
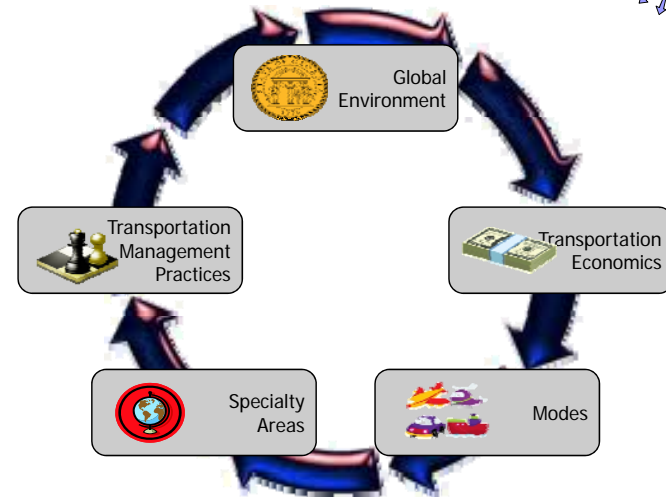


Business Logistics

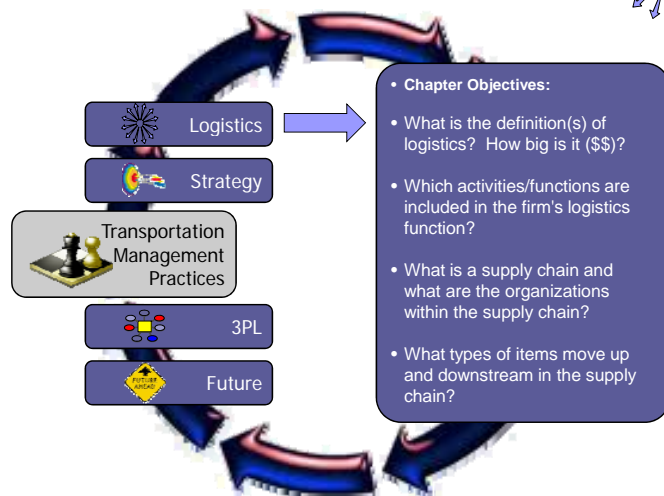
Additional Chapter



Road Map to Success



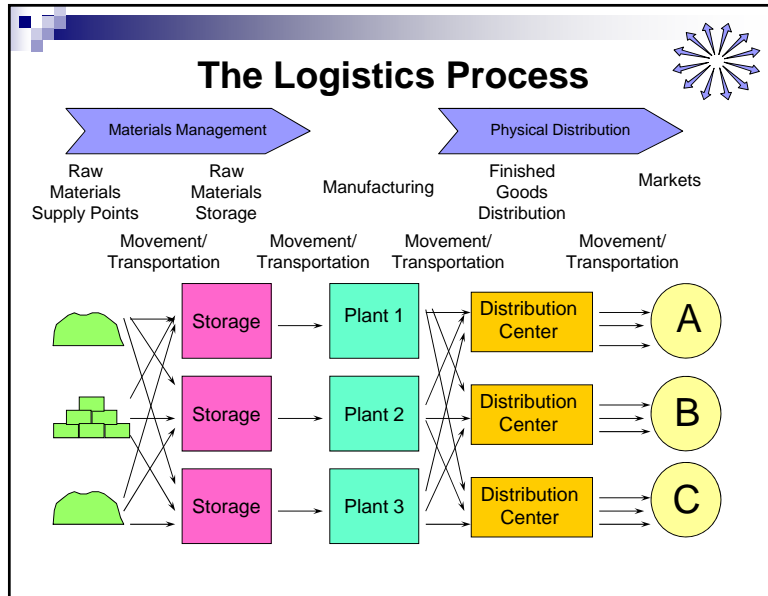
Road Map to Success



Logistics Defined

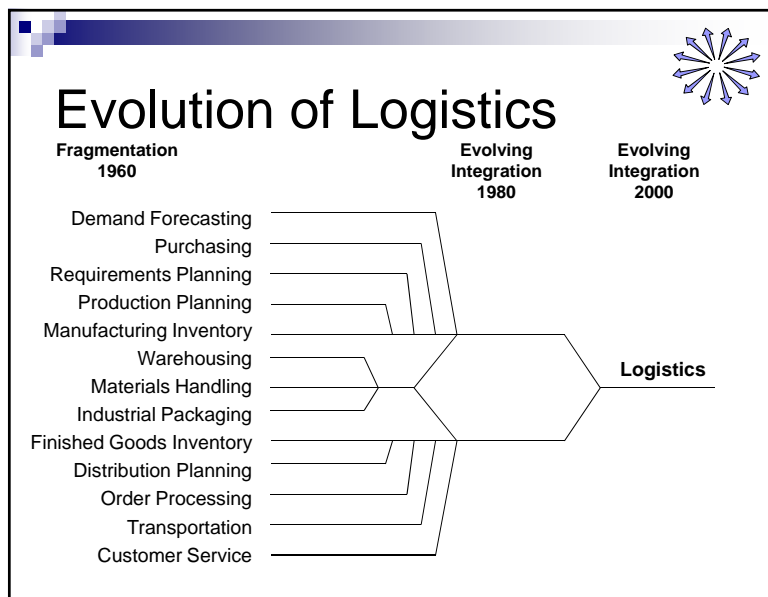


- Council of Logistics Management (now CSCMP)
- the process of planning, implementing, and controlling the efficient, effective flow and storage of raw materials, in-process inventory, finished goods, services, and related information from point of origin to point of consumption (including inbound, outbound, internal, and external movements) for the purpose of conforming to requirements



Logistics Defined

- The Seven Rights...
 - ensuring the availability of
 - 1. the right
 - 2. in the right
 - 3. in the right
 - 4. at the right
 - 5. at the right
 - 6. for the right
 - 7. at the right



The Evolution of Logistics

- The Era of Fragmentation
- Strategy
 - design independent system for each logistics activity
- Focus
 - activity costs and productivity
- Goal
 - minimize functional

The Evolution of Logistics

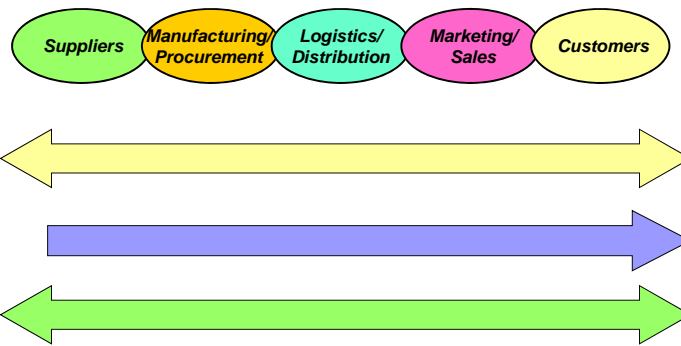
- The Era of Evolving Integration
- Strategy
 - design coordinated internal systems
- Focus
 - internal logistics costs and customer service levels
- Goal
 - internal costs and service objectives

The Evolution of Logistics

- The Era of Total Integration
- Strategy
 - developing cross-organizational systems and relationships
- Focus
 - supply chain performance and value, total cost analysis
- Goal
 - maximize value and customer satisfaction

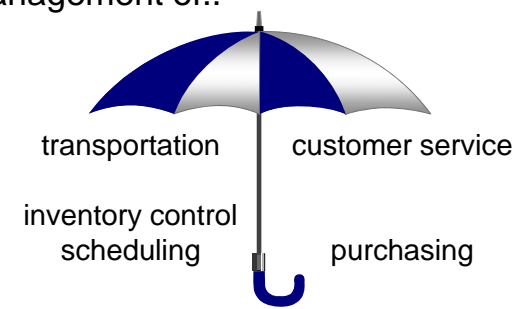
Integration of Logistics

- Supply Chain Management Concept



Logistics is an Umbrella Activity

- It provides the coordination and management of..



Key Logistics Activities

- long distance movement of materials through system
- **Warehousing**
 - storage and control of inventory
- **Materials handling**
 - interim movement of materials in internal system
- protection of freight and improvement of handling
- **Order processing**
 - receipt of order, preparation, and shipping

Key Logistics Activities

- and Production Planning
 - determining inventory needs and schedules
- acquisition of materials, parts, and finished goods
- **Customer Service**
 - communication, training, problem resolution
- **Logistics Analysis**
 - system design, site location, manpower planning
- **Post sales services**
 - return goods management, replacement parts, salvage

U S Logistics Costs for 2008

(Billions of U S dollars)

Carrying Costs – 1.965 Trillion All Business Inventory		
Interest	\$47	
Taxes, Obsolescence, Depreciation & Insurance	252	
Warehousing	122	
Total Inventory Costs		\$420
Transportation Costs		
Motor Carriers	680	
Railroads	63	
Water Carriers	39	
Oil Pipelines	10	
Air Carriers	40	
Forwarders	32	
Total Transportation Costs		864
Shipper-Related Costs		8
Logistics Administration		52
TOTAL LOGISTICS COST		

Source: 18th Annual Report on the State of Logistics

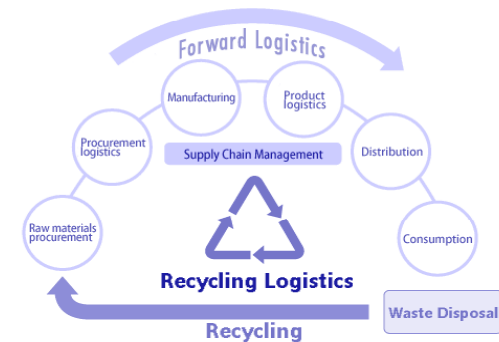
The Role of Transportation in the Logistics System

- **Provides**
 - Inbound flow of raw materials, components, etc.
 - Intermediate flow of work-in-process
 - Outbound flow of finished goods
- **Improves**
 - expands purchasing options
 - increases market area
- **Increases logistics system options**
 - allows inventory reduction
 - enables facility consolidation
 - provides range of order cycles

Managing Transportation in the Logistics System

- Traffic management
 - the strategic, operational and analytical activities undertaken in the purchase and use of freight transportation services
 - the goal is to provide customers with quality, profit enhancing freight transportation services
 - may focus on inbound, outbound, or both
- Key traffic management responsibilities
 - continuous improvement of service
 - development of system flexibility
 - service effectiveness and cost efficiency

Green Logistics: “The Future??”



Road Map to Success

