

INTERNATIONAL LOGISTICS

Physical Distribution is simply another way of saying “the whole process of business” – PETER DRUCKER, 1969

Above mentioned statement says about - *movement of the components of business meant for business*, and hence there is no doubt about the important role of supply chain and significance of physical distribution in the entire business operations. Practical aspect of a business Organisation proves that the availability of resources is not evenly distributed and at times they are in demand far away from the place they exist; Rise in demand and growing living standard of customers across the globe focuses on the availability of these unevenly distributed resources for more customised products. Another aspect for uneven distribution explains about the production point and demand point distance and limitation to a production project which tends to pull away the production facility from the point of resource availability.

First text book on Logistics Management appeared around 1961 by Edward W. Smykay, Donald J. Bowersox and Frank H. Mossman- *Physical Distribution Management: Logistics Problems of the Firm* (New York Macmillan 1961), Which also refer the functional area of the variance management in regards with the point of existence and point of demand, and has illustrated about the considerations and consciousness about the economic deployment of resources towards point of demand and contribution of Customer satisfaction as Organisational growth.

Business logistics is relatively new field of integrated management study in comparison with traditional fields of finance, marketing, and production. Logistics activities have been practiced by many managers for many years. Businesses also have been engaged in move-store (transportation-inventory) activities. The newness of the field results from the concept of coordinated management of business operation and related activities, rather than the traditional practice of managing them separately, and the concept that logistics adds value to products and services which are necessary for customer satisfaction, marketing and sales. As a matter of fact coordinated logistics management has not been generally practiced until recently, the idea of coordinated management can be traced back to at least 1844.

Modern business has changed its demand and is looking for more simply business operations and is also more supportive towards an idea that a manager should be having more time to spend on the creative ideas behind the business development and should spend less time in outsource able business operations. Behind the success of every growing export organisation logistics has been the key factor, the rise of Alibaba the trade portal to the operations of Flipkart and Amazon the logistics has been the prime domain that serves the ultimate topping to the profits.

Example-In India mobile and its activated connection was a time consuming process and use to get completed in couple of days, Reliance entered in market and introduced its Mobile and offered instant activation and ready for use handsets, prior to Reliance entry in Mobile market the prominent leaders were Essar and UshaFone , who were offering a delayed

activation/usage despite of the greater processing and activation charges along with the expensive call charges on top of it; This event as change in processing time is the intent to make product/service available at the right time and at the right place and has justified that the customer service expectations are increasing and survival will be for that player who will ensure the product/service availability.

Apart from mentioned example, as the new technology is replacing the older buying process this has been proved that product availability will be an extreme area of focus.

Definition of Logistics:

Council of Logistics Management, United States of America defines Logistics as:

“Logistics is the process of planning, implementing and controlling effective and efficient, flow and storage of goods and services from the point of origin to the point of destination, along with related information, in order to meet customer’s requirement”.

Logistics in Service Sectors:

About Company: Cafe Coffee Day, India's favourite coffee shop where the young at heart unwind. We're a division of India's largest coffee conglomerate, the Amalgamated Bean Coffee Trading Company Limited (ABCTCL). Popularly known as Coffee Day. With Asia's second-largest network of coffee estates (10,500 acres) and 11,000 small growers, Coffee Day has a rich and abundant source of coffee. This coffee goes all over the world to clients across the USA, Europe and Japan, making us one of the top coffee exporters in the country.

CCD expresses his mission as:

"To be the best Cafe chain by offering a world class coffee experience at affordable prices."

Mission defines the extent of the importance CCD has incorporated as Logistics Management/ Supply Chain Management, as mentioned above that CCD has Asia’s second largest network of coffee estates and hence posses the second largest quantity of coffee in Asia, with this status to ensure the effective and efficient movement of coffee and its availability is the biggest success accelerating factor on which the entire achievement lies, rich resource availability and its possession is the area of focus with which the significance of Logistics Management comes into success story.

Source: <http://www.cafecoffeeday.com/company-mission.php?mnid=3&lmids=3>, Retrieved dated 07/07/12

Importance of Logistics:

- Costs of significant
- Logistics customer services expectations are increasing
- Supply and distribution line are lengthening with greater complexity
- It is important to strategy

- It adds significant customer value
- Customer increasingly want quick customize response

- **Costs are Significant:**

Over the years, several studies have been conducted to find the costs of logistics for the whole economy and for the individual firm. There are widely varying estimates of the cost levels. According to the International Monetary Fund (IMF), logistics costs average about 12 percent of the world's gross domestic's product. Hence this is an unavoidable lateral line of functional management that is now bound to incorporate the Logistics.

- **Logistics customer services expectations are increasing:**

The internet, just-in-time operating procedures, and continuous replacement of inventories have all contributed to customers expecting rapid processing of their requests, quick delivery, and a high degree of product availability. As per Davis survey of many of businesses over the a period of time, world-class competitor have average order cycle times (the time between when an order is placed and when it is received) of 168 hours to 192 hours and line item fill rates of 90 percent to 94 percent. Summarize world-class logistics performance for domestic companies as:

- Error possibility of less than one per 1,000 request/orders shipped
- Finished goods inventory turnover of 20 or more times per year
- Total order cycle time of five working day

As might be expected the average company performs below these cost and customer service benchmarks, when compare with the statistics.

- **Supply and distribution lines are lengthening with greater complexity:**

The trend is toward an integrated world economy. Firm are seeking or have developed, global strategies by designing their product for a world market and producing them wherever the low-cost raw material, components, and labor can be found (Ford's Focus automobile),. Contract manufacturers for big pharmaceutical giants like GlaxoSmithklineBeecham(GSK). Today offshore global outsourcing has achieved widespread popularity as a crucial facet of business strategy. With the availability of highly educated, technically skilled, and low-cost talent, India has emerged one of the major global off shoring and outsoaring destinations. Outsourcing adds value but it requires careful management of logistics costs and product-flow times in the supply channel.

- **It is importance is strategy:**

Firms spend a great deal of time finding ways differentiate their product offering from those of their competitors. When management recognize that logistics affects a significant portion of a firm's costs and that the result of decisions made about the supply chain processes yields

different levels of customer service, it is in a position to use this effectively to penetrate new market, to increase market share, and to increase profits. That is, good supply chain management can generate sales, not just reduce costs. Consider how Wal-Mart used logistics as the core of its competitive strategy to become the world's number one merchandise retailer.

- **It adds significant customer value:**

A product, or service, even of little value if it is not present to customer on time and place that was wished to consumer. When a firm incurs the cost of moving the product toward the consumer or making an inventory present in a timely fashion, for the consumer value has been created that was not there previously. It is value as surely as that created through the production of quality product or through a low price. It is generally recognized that business creates four types of value in products or services. There are: form, place, and possession. Logistics creates two of these four values. Manufacturing creates form value as inputs are converted into outputs that is raw material are transformed into finished goods.

- **Customers Increasingly want quick, customized, response**

Fast food retailers, automatic teller machine, overnight package delivery, and electronic mail on the internet have led us as consumers to expect that product and services can be made available in increasingly shorter time. In addition, improved information systems and flexible manufacturing processes have led the marketplace toward mass customization. Rather than consumers having to accept the "one size fits all" idea in their purchase, suppliers are gradually more offering products that meet individual customer needs. One such initiative that achieves tremendous success in India during the last decade was the Asian Paints shade palette card. It started as an exclusive concept offered at selected Asian Paints retailer stores. It featured a visual array of Asian paint shades to help the customer make the right shade decision. It had eight color families or purple, blues, green, grays, creams, beiges, peaches, and pinks. Each color family featured a collection of popular Asian paint shades in it. Customer could get the color of his choice. To meet this customized demand, the company innovatively developed a cheap and easy to use color mixing machine and provide it to each retail store. This not only led to offering customized colors but also to drastic reduction in supply chain inventories. Additionally, it helped the company to go for larger production runs and more cost-effective color sequencing at its paint manufacturing units. Creative advertising and fulfilling the promise helped the company to attain market leadership position in India.

(Source: <http://documentslide.com/documents/to-study-the-brand-building-activities-of-the-paint-company-asian-paint-india-ltd-apil.html>)

The General objectives of the logistics are as follows:

1. Cost reduction

2. Capital reduction
3. Service improvement

The specific objectives of an ideal Logistics System are as:

- Right product.
- Right quantities and assortments/Number.
- Right Places.
- Right Time.
- Right Cost/price.
- Right Condition.

Value addition Vs Business Logistics:

Authors from the supply chain management and logistics management have tried elaborating the different objectives and their importance, which are enhancing the aspects of the addition of value to the business process and ultimately adding value to the end product.

Modern business is about promise fulfilment and commitment degree is the extent of corporate success, Next Chapter will focus on the value addition as corporate competency and importance of Logistics Management, However the following case study will focus on the value addition and momentum of success of an Organization.

Customer Service Elements

The various ingredients which stand as support/help or education in respect with the product selection, usage/handling and disposing off that product can be termed as elements of customer service; also the different components that are available assistance are customer service elements.

Customer service is significant in various phases of business process and the successes ability of Logistician lies with the degree of application and extent of application of derivatives of these elements, along with the central objective of firm.

To understand the role of customer service and its relation with Business Logistics it is important to understand its different elements, on the basis of occurrence elements for customer service can be classified as follows:

- **Pre-transaction Elements**
- **Transactional Elements**

- **Post-Transactional Elements**

Purchase process has been divided into three phases and the basis of division is the “price payment”, customers tend to pay by virtue of the first phase which is “Pre-Transaction”.

- **Pre-transaction Elements**

Once a target customer is a potential customer, after realizing his/her need for product/service and ensuring his/her capacity to pay the price there is support required for customers and different organizations have identified the same area and are offering an extensive support to choose the fittest product/service and other values that are occurring due to nature of purchase will and willingness to pay.

Under Pre-Transactional elements those services which are not the standard part of the product/service, offered before a customer is paying for the product/service.

Example: Support provided to customer to select the most appropriate version of automobile, when there is large number of models are available with the similar segment of automobile, This suggestion may be based on trial drive or selection of automatic transmission as customer is willing to avoid exertion because he is in such kind of business where he/she has to kept in more labour and hence want to quit from the unwanted efforts. This would be termed as pre-transactional element where customer is being supported when he has not paid and is in process of selecting the most appropriate value product.

- **Transactional Elements**

Under Transactional element division, those services fall which are being offered by Organization to their customers when the payment of the product/service is being processed. Courtesy Support which is being offered by the seller during the time of payment of the price like instead of cash payment if customer wants to pay by credit card then to process this request is Transactional customer element

- **Post-Transactional Elements**

Once purchase is being made, with the modern trade practice customers' expectation is to get the ongoing relationship with the seller in terms of product/service support/assistance in regards with its usage, utility maximization and troubleshooting if any. While usage or tendency to maximize utility or during trouble shooting any assistance for customer can be termed as Post-Transactional Element.

Some of the elements may not be directly related with the operations management/production management but they play the equally important role in contributing towards organizational success.

Example: If a customer is willing to buy a product on instalment basis and wants a lowest possible EMI then arrangement for the necessary formalities and their successful completion.

Consumer Value:

Consumer is the centre of positioning and component of growth for an organization, Hence some other aspects are also very important to understand the role of a logistician, the core value of customer service is consumer value, with this concept and its practice producer offer the status to a unit consumer in return of the purchase that has been made or is recorded as potential sale.

D.K. Agrawal has framed consumer value as follows:

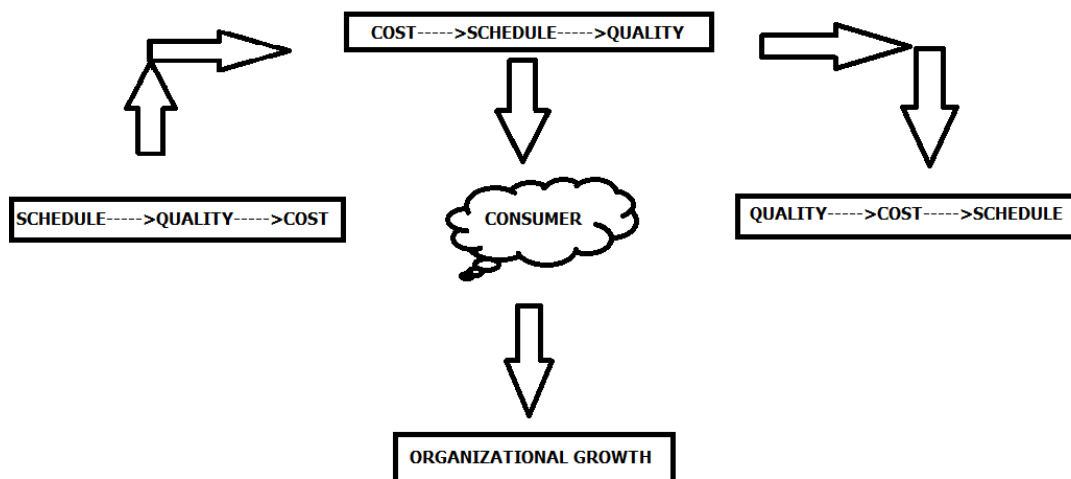
“Consumer Value is the perception about difference between the perceived benefits from a product or service and the cost of acquisition that drives his/her purchase decision in favour of a particular offering”.

(Op. cit.: D.K.Agrawal, Supply Chain Management, 2010, Macmillan Publishers India).

From the end user perspective D.K Agrawal has taken following three characteristics of value:

1. **Quality**
2. **Cost**
3. **Schedule**

With the help of the ingredients supported by D.K. Agrawal we can understand the mix of Supply Chain playing vital role in Organizational success and the following interpretation can be generalized as an extended illustration.



QCS CYCLE: Cyclic Relation among the characters of Consumer Value

Figure illustrates about the ongoing relation and influence of the values on customers' behaviour and their perception formation, apart from branding the numerous functions of business are inter and intra connected with the Organizational growth and its impact i.e. QCS

cycle Vs. Consumer. Also Quality, Cost, and Schedule are the key contributors over the second consumption attempt for similar product/services and product/service recommendation to the next consumer.

(c) Dr Yusuf Kamal