

Why is managing inbound logistics important to an organization? essay

[Literature](#), [Russian Literature](#)



Transportation Inbound Logistics refers to obtaining or distribution of raw materials to store and process within a firm.

Outbound Logistic refers to the supply and transporting of finished or unfinished goods to the consumer market. There must be a good link between the suppliers and the forwarders in order to ensure the goods are being received and sent at the correct time, in the correct quantities. (What do you mean by inbound logistics, outbound logistics and broad-line? – Yahoo! Answers:) Why is managing inbound logistics important to an organization? Inbound Logistics as mentioned above is the distribution of raw materials, or any goods bought from an external source, within a firm for further processing. Managing Inbound Logistics can have numerous benefits for a firm. Some of which are as follows: The firm has to identify the best means of transport for its particular goods. If the goods are best bought in bulk then a different transportation channel will be used as compared to if the goods are best bought in smaller quantities. The firm needs to identify the most cost efficient means of obtaining the materials for processing.

Furthermore, with inbound logistics, it includes costs of transport, labor, loading/unloading and storing. Each of these costs is important to minimize to ensure the final profits are high. Hence the managing of these costs comes within the managing of Inbound logistics. The firm needs to identify a transportation channel which will allow it to obtain the materials in one go as to reduce costs of transport. Furthermore the space available for transport and the opportunity cost of keeping the raw materials all need to be taken into account when dealing with inbound logistic. Managing Inbound logistic;

that is the managing the time at which and the quantity in which the goods are coming into your business is essentially important.

If the right quantity of raw materials is transported to the firm within the time limit identified then it will be extremely cost efficient for the firm. Not only will the firm be able to achieve low costs due to economies of scale; that is bulk buying; but it will also save the costs associated with the calling for the materials more than once, which may include the transport, labor, the loading and unloading and storing of goods. (driving-cost-out-supplychain) What is the relationship between operations and purchasing, and how does it affect inbound logistics? Operations refer to the processing of raw materials into finished or unfinished goods to supply to the consumer market. Purchasing is the bringing in of the raw materials to be operated upon. Until and unless the input is not available, operations cannot take place.

This is exactly why firms should lay great emphasis on having the input materials as when they are required for the operations; this is because if the machines are not operating, then there is great opportunity cost to the business, making it inefficient. Operations all depend upon the demand for the product. If the demand for the product is steady and high, then operations within a firm will continue at all times in order to meet that demand. On the other hand, if the demand is low and uncertain, then the operations may both still continue at all times and store the finished good, or the business may operate only when the demand for the product exists. This relationship influences inbound logistics because that is the means of

obtaining the input. If the operations system for instance is based on JIT; that is the input is brought in as soon as it is required based on the demand, then a completely different inbound logistics will need to be set up. If the operations are such that they will continue and keep storing the product, whether it is required in the market at that time or not, then the inbound logistic will be different, perhaps one in which the material is supplied in bulk quantities and only say once a month.

Hence, the form of operations taking place in a firm will eventually affect the inbound logistics, because that is what defines the means by which, the quantity and the timing of the input materials coming into the firm. It is important to have ones demand and operations well identified to ensure a cost efficient and reliable inbound logistic system. (Value chain analysis) Outbound logistics is also very important in the value chain. How does outbound logistics contribute to an organizations `bottom line`? Outbound Logistics refers to the transporting and storing of processed goods. Now this is a very important part of the Value Chain. If managed effectively, it can greatly reduce the overall costs of business primary activities, thus increasing profits.

If a firm is successful in supplying the final products to the consumers in the right quantities and at the right time, then it will enjoy the benefits of consumer loyalty and higher sales. Also the firm has to ensure the products are easily available to the consumers and the potential consumer markets. The problems may arise if the business is successful in operating and creating a perfect product, but is unable to supply it efficiently to its

consumers, then all its efforts will simply go down the drain. Firm needs to identify whether or not it will choose to store the goods or use a JIT based system, both of which can have benefits and dangers to the profits.

If at the end of the day, the business is not managing its outbound logistics, then its overall primary activities costs will raise thus reducing the company profits. If at all steps of the value chain the business is reducing costs, but it is unable to supply the products to the consumers cost effectively, then all its efforts made previously will be of no use. On the other hand, if a firm is able to identify a good, low cost, reliable and appropriate distribution channel for its final product, it will be able to enjoy great benefits. Not only will its goods be easily available, hence having a competitive edge over those which are not so readily available, but it will also enjoy higher sales, hence higher profits and good reputation amongst not only the consumers but also the warehouses and other markets. It may also be able to benefit from selling its products to the retailers on lower discount rates, which will increase company profits. (An essay on information systems) Conclusion So we have identified that each stage of the value chain is linked to the other.

If cost saving method are being used, then they should be applied throughout all the stages. It is extremely important for a firm to manage its inputs, processes and outputs to make sure that consumer satisfaction is achieved. Because at the end of the day it is the consumers who will define the profits and success made by the firm. References An essay on information systems. (n.

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