Supply chain memo

Business

Logistics is the management of products between their areas of production and their point of consumption. This is for purposes of meeting some requirements of corporations and customers (Gudehus and Kotzab, 2012). The resources that are managed in the process of logistics can include physical products such as materials, food, liquids, animals and equipments. It can also include abstract items such as information, time, energy, and particles. The logistics processes of physical items normally involve the integration of the flow of information, production, material handling, packaging, transportation, warehousing, inventory, and even security (Frazelle, 2002). It is possible to model, analyze, visualize, and optimize the complexity of logistics through the use of simulation software. The minimization of the use of these resources is a common motivational procedure in the logistics of export and import business. This paper explains the relationship that exists between cost and logistic systems. It further analyzes the techniques used in performing a logistic system analysis. This paper also summarizes the approaches used in analyzing the logistic systems. Inter-relationship exists between the logistic subsystem and the total costs of the individual items. Cost reduction in a logistic subsystem can lead to an increase in the cost of another logistic sub-system. Examples of logistics subsystem includes, transport logistics, warehousing logistics, purchasing logistics, etc. Bell (2014) explains that cost reduction in one logistic subsystem can also trigger an increase in cost of the whole logistic system. The orientation of the total cost is a very significant factor that guides the decision making process in logistics. This is mainly because the logistic system is characterized by a variety of cost conflicts. For example consolidation of orders, in a logistic process will most definitely lead to a

reduction in the cost of processing an order. When orders made by an organization are consolidated, the costs of purchasing or processing the orders will reduce. It is possible to achieve better capacity utilization in transportation. Furthermore, the company would experience an increase in the inventory levels. This is because more products are delivered in one instance. In some circumstances, the capacity of the warehouse cannot sustain an increased number of products. This would force the organization to build a large warehouse, leading to an increase in storage costs. Bell (2014) explains that consolidation of orders can also benefit packaging of these orders. This is only if large packaging units are used. This leads to a reduction in packaging costs. The development of a central warehouse can also lead to the reduction of the costs associated with warehousing. A central warehouse is able to reduce the transportation costs associated with supplying to different warehouses (Gudehus and Kotzab, 2012). However, transportation costs that have a relation to deliveries can increase if tracks can cover a long distance, to make the deliveries. It is possible to denote that in the logistic system and process, a reduction in one cost, would either increase or reduce the cost of another logistic subsystem. But on a general perspective, an efficient logistic system will result to a reduction in the overall costs that an organization would incur, in carrying out its business activities. The most common processes used in performing the logistic system analysis. These processes are freight lane analysis, inventory analysis, and segment profitability (Gudehus and Kotzab, 2012). Freight lane analysis concerns itself with the transportation movement of products on a specific freight lane. It focuses on the balance of the volume of products, between their areas of origin, to their destination points. To effectively

maximize the utilization of vehicles, it is important to balance the movements of vehicles. Freight lane analysis is always used in examining the transportation costs of a business organization, and how to reduce these costs. Inventory analysis focuses on productivity and inventory performance (Gudehus and Kotzab, 2012). Inventory analysis focuses on the inventory turnover and the volume of product sales. A standard inventory analysis makes a consideration of the inventory turnover, and the volume of the product sales. For example, making a list of the top ten inventories and sales grouping in a decreasing sequence may enable a logistics officer to determine the products that have a great influence on the inventory and volume levels. The segment profitability technique is another method that analyzes the logistic system. Under this method, a logistic officer will group the products of the company according to segments, and analyze the segments which are profitable to the company (Gudehus and Kotzab, 2012). It is these segments that the logistics officer will lay emphasis on, while carrying out the logistics process. Most business organizations have multiple channels of acquiring revenue. These sources of revenues vary, in regard to their profitability. It is therefore a common practice for these organizations to group these business lines, by identifying the most profitable, to the least profitable. This would help in identifying on areas where the company should lay emphasis on its supply and procurements (Gudehus and Kotzab, 2012). In conclusion, an efficient logistic system will help in the reduction of operational costs of a business organization. This will result to a rise in the profits of the organization under consideration. Most business organizations that have succeeded in their operations have an efficient supply and logistic system. References: Bell, J. (2014). Global logistics strategies delivering the

goods. London: Kogan Page. Frazelle, E. (2002). Supply chain strategy the logistics of supply chain management. New York: McGraw-Hill. Gudehus, T., & Kotzab, H. (2012). Comprehensive logistics (2nd rev. and enl. ed.). Heidelberg: Springer-Verlag Berlin Heidelberg.