

Under what  
conditions could it  
make sense to  
combine private and  
public warehouse...



**ASSIGN  
BUSTER**

Logistics Introduction Several companies use warehouses in the logistical system that can be private or public. Companies chose private or public warehouses according to their needs and resources. As the global market is facing immense competition, manufacturers are putting in extra efforts to gain a competitive edge over their rivals. Thus, most of the companies want to decrease their costs and increase efficiency. The best way to reduce the cost is to lower the storage cost for which strategic planning is required and the concepts of warehouse ownership must be understood. Warehouses are classified by the type of ownership which can be of three types; private, public, and combined or contract warehouses.

Private warehouses are those ones that are owned by the companies for their manufacturing and storage purposes. These warehouses are operated by the companies to store their products. These companies tend to have enough resources to buy their own warehouses using large areas and money to buy the place. These warehouses are beneficial as they are a one-time cost for the company and they can design these warehouses as per their own needs and product demands; for example controlling atmosphere for edible products (Ismail, 2008).

On the other hand, some companies use public warehouses. These warehouses are owned by the public sector but are given on lease or rent to the companies who need them to store their products mostly for a temporary period of time. These warehouses can be expensive and not always available. However, companies may choose them because of their location in the center or near to the manufacturers. Mostly small scale companies lease these warehouses as they don't have enough resources to buy their own warehouses whereas large companies buy their own warehouses to avoid <https://assignbuster.com/under-what-conditions-could-it-make-sense-to-combine-private-and-public-warehouses-in-a-logistical-system/>

inconvenience (Ismail, 2008).

The third type of warehouses that companies may go for is contract warehouses. These warehouses are combined of private and public warehouses. Companies chose these warehouses for several reasons and decide to combine the private and public warehouses for their logistical system. These warehouses are chosen by the companies because contract warehouses operate on a contract basis with a long-term relationship maintained which lowers the cost as compared to an average public warehouse. Contract warehouses can also benefit in operations such as flexibility, expertise, and economies of scale as equipment, labor, management, and risk is shared amongst a number of clients (Voortman, 2004).

Companies thus combine private and public warehouses as they expand their scope in the logistical system and include several other logistic activities such as inventory control, transportation, customer services, order processing, and return processing. These combined warehouses are also capable of taking responsibility of the total logistical system for companies that manufacture and market their products (Pride, 2004). In these circumstances, the risk involved in the warehouse operations is shared between the customer and the client.

Thus, a combined warehouse is used by small and large companies and they serve as an extended version of public warehouses whereby ownership is given to the contracted company and allows them to customize and specify their logistics for their customers.

## References

Ismail R. (2008). Logistics Management. Excel Books India  
<https://assignbuster.com/under-what-conditions-could-it-make-sense-to-combine-private-and-public-warehouses-in-a-logistical-system/>

Voortman C. (2004). Global Logistics Management. Juta and Company Ltd

Pride W. (2004). Marketing. Cengage Learning