

Marketing transportation homework

[Business](#), [Marketing](#)



INTERNATIONAL LOGISTICS: Logistics is the combined approach of transportation, warehousing and inventory management with supporting activities that is required for effective and efficient forward and reverse flows of storage of products and services or related information needed to meet customer needs, wants and demands. It is basically a process of delivering utility to the final users in proper form, time, and location. International logistics is required when the company wants to grow its business internationally. The firm imports or exports raw materials or intermediate goods to the host countries and often engages in assembling the product in the host country in order to reduce cost. Supplying and selling goods across international boundaries are affected by different macroeconomic factors. They can be political in nature where the tariffs, Non-Tariff Barriers and import quotas imposed by the host country can affect the supply chain. Free trade policy has significantly decreased these barriers to trade. Currency fluctuation in foreign country, size of the market, income profile of the consumers and economic infrastructure exhibit distinct effects on supply chain. Also the foreign country is subjected to change due to cultural and regional differences. Before starting any business across national boundaries of a country these factors must be taken into account.

After considering the feasibility and profitability the firm approaches to different countries. This whole process comprises of series of activities such as international documentation, following the terms and conditions of sales, methods of payment through international freight forwarders. The shipment coming from another country must contain a certificate of origin which indicates the country from which it belongs and invoices supporting

commercial and financial activities. There must be a letter of instruction to the shipper and a declaration from the shipper for ensuring the safety and security of the product. Terms of sales, known as Inco terms 2000, are mandatory for every exporter to follow. Free alongside Ship (FAS), where it is the seller's responsibility to make necessary arrangements for delivery of the goods, assuming all the risks associated with delivery, Free on Board (FOB), where the responsibility of all risks is on the seller till the point of delivery. Once the shipment crosses the ship's rail, responsibility of goods is totally on the buyer. Another example can be Delivery Duty Paid (Seller's is obliged to pay the cost of delivering the goods and services), Cost, Insurance and Freight etc. These rules are universal to the sellers and they vary according to the country they are approaching. The way by which the seller will be paid by buyer, known as methods of payment, can be of four types and can be processed through different freight forwarders. Payment in advance, a highly risky option for the buyers or the open account approach, highly risky option for the sellers, both are often countered by Letters of Credit and Bills of Exchange. A letter of credit is issued by a bank and guarantees payment to a seller provided that the seller has complied with the applicable terms and conditions of the particular transaction. Freight forwarders have specialization in handling either vessel equipments or air shipments. They give advice to the sellers whether the client can meet the conditions written on acceptance of letters of credit, provide booking space to sellers, insurance management etc. Although the mode of transportation is limited only to ocean and airfreight transport, they can be synchronized by ocean conferences and open skies agreement. The whole process is monitored by

using Logistics Performance Index.

PROCUREMENT:

Procurement, generally uttered as a word synonymous to purchasing is not of the same nature as the purchasing itself. It covers the whole process of buying of raw materials, component parts and supplies from outside. It is one of the most important functions in the any firm because 60-80% of total revenue of product results from this factor only. Procurement has the following objectives such as management of purchasing process in a more efficient and effective manner, supply chain management, supporting operational requirements of the firm etc. selecting the proper supplier is the most important aspect of procurement process. The potential suppliers are selected based on the supply policies, legal factors and based on the information of supplier potential. In modern day's context, supplier selection is followed by supplier development by the purchasers. In this reverse marketing approach, a buyer initiates a contract with a supplier or a purchaser on price, terms and conditions. This aggressive and proactive approach provides competitive advantage to the purchasers so that they can exert pressure on suppliers to meet necessary requirements. Quality standard in procurement is exercised through ISO 9000 certification and Six Sigma. The former is more concerned on documentation of generic standard rules and the latter is all about error elimination. A six sigma process indicates an accuracy level of 99. 99966 % defect free elements. Only 3. 4 defects, deficiencies or errors are allowed per one million opportunities – an obvious indication of high standard. Globalization has influenced the procurement approach known as Sourcing. In this approach the buyer

purchases components and inputs from any parts of the world. Cross cultural management, relationship management among different people and consideration of change in transportation and holding costs must be taken as matters of utmost importance. Socially responsible procurement is, at present an emerging issue where procurement activities must meet the ethical and discretionary responsibilities by considering the five dimensions namely, diversity, the environment, human rights, philanthropy, and safety.

References:

1. Murphy, Paul and Wood, Donald (2010), Contemporary Logistics, 10th Edition.