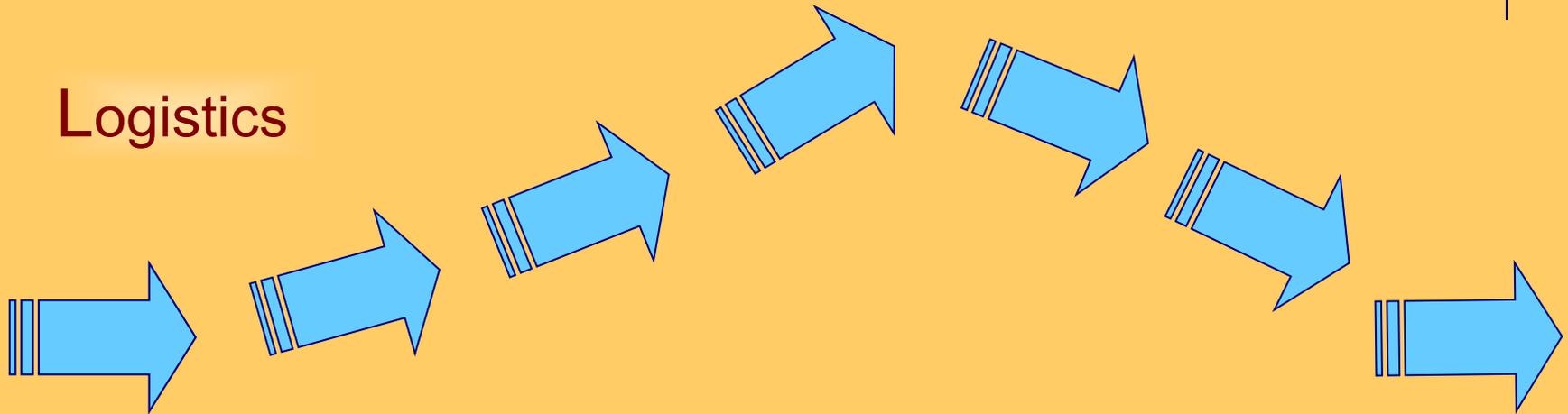


Chapter 13

Logistics and Channel Management



Logistics



Planning, implementing, and controlling the physical flows of materials and final goods from points of origin to points of use to meet customers' needs at a profit.

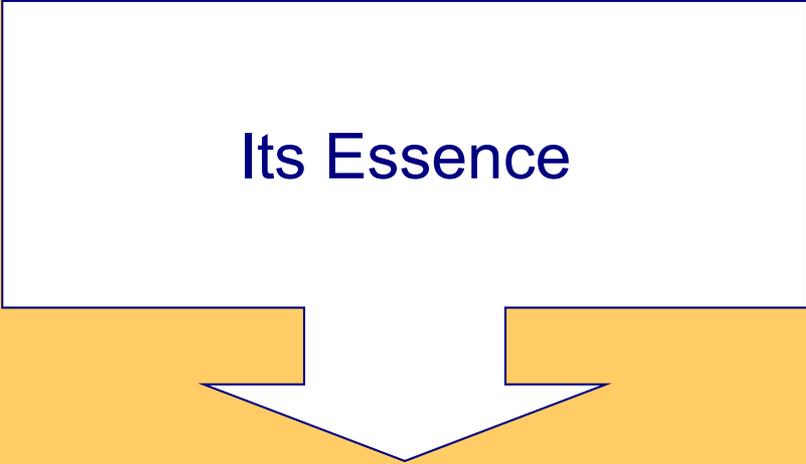
Supply Chain Management

Supply Chain Management



Logistical systems that emphasize close cooperation and comprehensive interorganizational management to integrate the logistical operations of the different firms in the channel

The Role of Logistics



Its Essence

The movement of the right amount of
the right products to the right place
at the right time

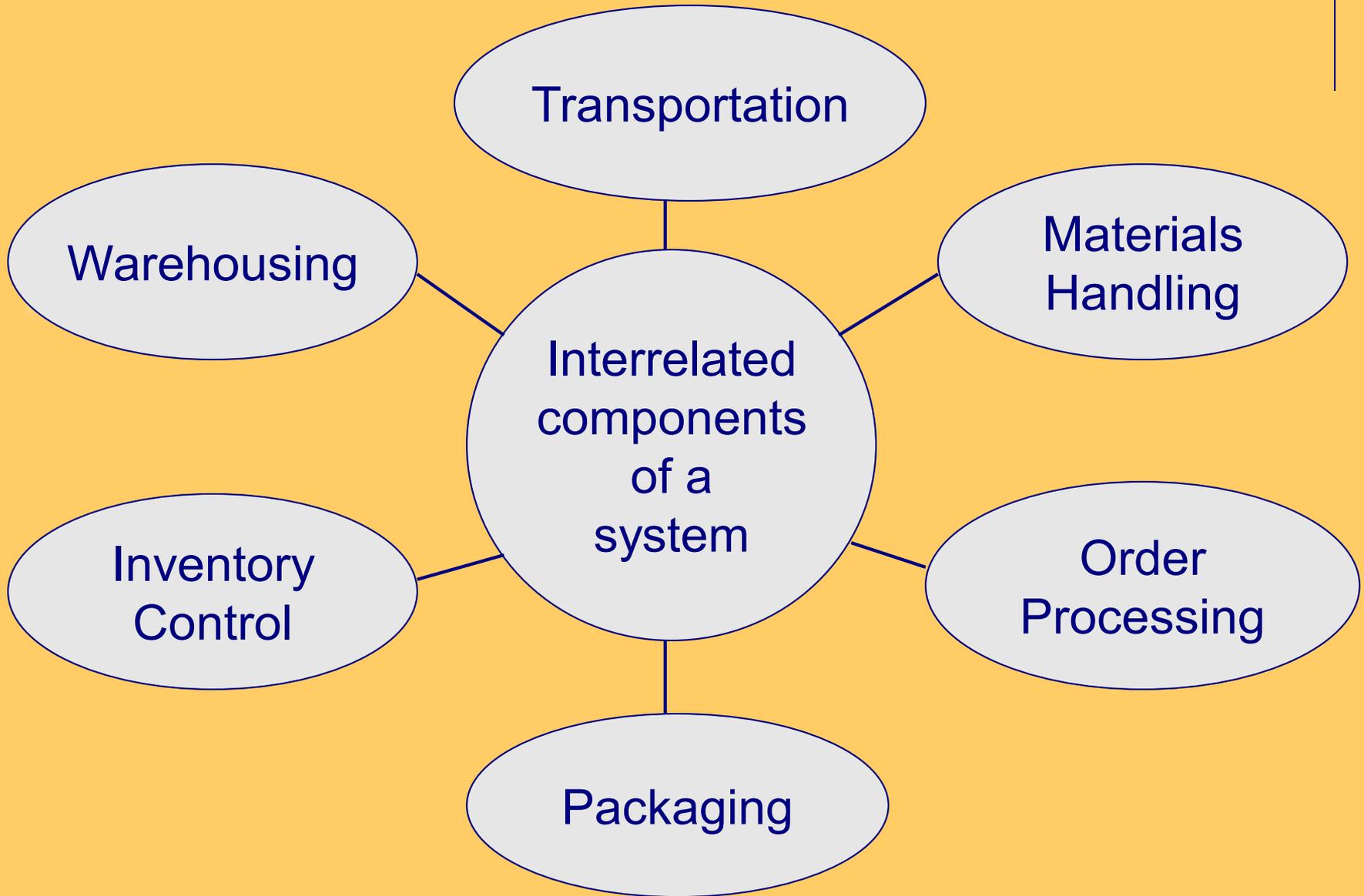
Third-Party Logistics Providers

Specialize in performing most or all of the logistical tasks that manufacturers or other channel members would normally perform themselves

Provide service at lower cost than the firms who hire third-party providers

Currently growing rapidly into a major industry

Systems Concept



Total Cost Approach

Systems
Concept

Total Cost Approach

Addresses all the costs of
logistics together;
seeks to minimize the
total cost

Logistics System Components

Transportation

Materials Handling

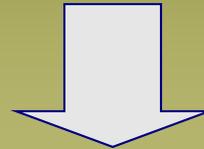
Order Processing

Inventory Control

Warehousing

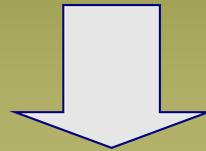
Packaging

- Most fundamental and necessary component
- Accounts for the highest percentage of the total cost of logistics



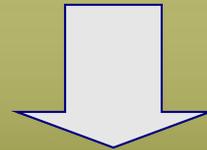
- *Overriding issue facing the firm:*
Choosing the optimum mode of transportation to meet customer service demands

- Range of activities & equipment involved in the placement & movement of products in storage areas



- *Issues:*
 1. Minimizing the distances products are moved within the warehouse during the course of receiving, storage, & shipping
 2. Choosing the kinds of mechanical equipment that should be used
 3. Making the best use of labor when receiving, shipping, & handling products

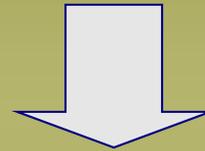
- Its importance in logistics lies in its relationship with order cycle time—the time between when an order is placed & when it is received by the customer.



- *Issue:*
Developing an efficient order processing system

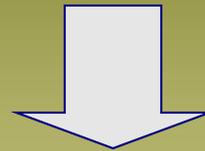
Inventory Control

- The firm's attempt to hold the lowest level of inventory that will still enable it to meet customer demand



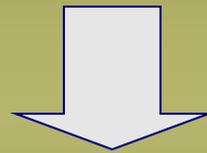
- *Issue:*
Keeping inventory at the lowest possible level while concurrently placing orders for goods in large quantities

- The holding of products until they are ready to be sold



- *Issues:*
 1. The location of warehouse facilities
 2. The number of warehousing units
 3. The size of the units
 4. The design of the units
 5. The question of ownership

- Packaging & its associated costs can affect the other components of the system



- *Issue:*
Using packaging to make a significant difference in the effectiveness & efficiency of the logistics system

The Output of a Logistics System

Customer service is the collection of activities performed in filling orders and keeping customers happy or creating in the customer's mind the perception of an organization that is easy to do business with.

1. Time from order receipt to order shipment
2. Order size & assortment constraints
3. Percentage of items out of stock
4. Percentage of orders filled accurately
5. Percentage of orders filled within a given number of days from receipt of the order
6. Percentage of orders filled
7. Percentage of customer orders that arrive in good condition
8. Order cycle time
9. Ease & flexibility of order placement

Product availability

Order cycle time

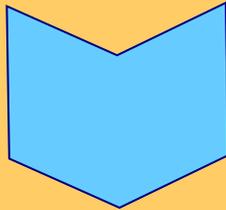
Distribution system flexibility

Distribution system information

Distribution system malfunction

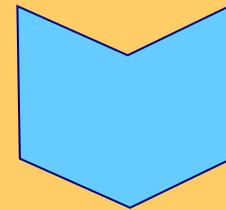
Postsale product support

Logistics Management



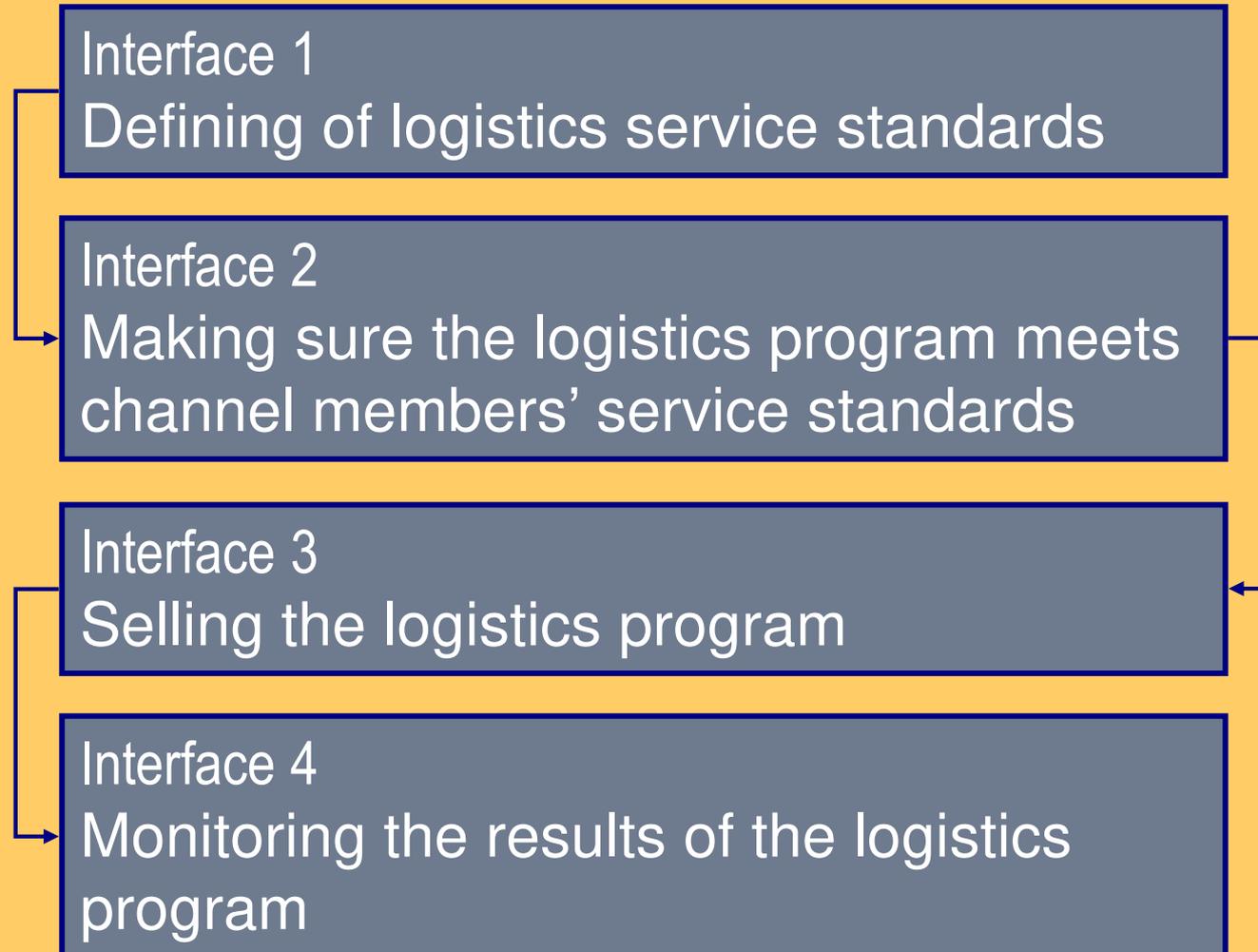
Concerned specifically
with product flow

Channel Management



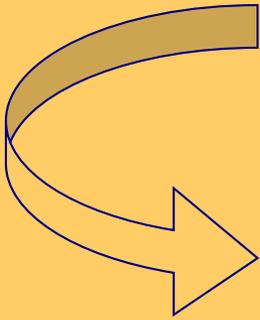
The administration
of all the major
channel flows

Key Interface Areas between Logistics & Channel Management



Defining Logistics Service Standards

The higher the service standards,
the higher the costs.

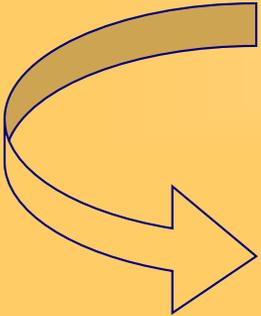


Key issue for Channel Manager:

Determining precisely the types and levels
of logistics service desired by channel members

Evaluating the Logistics Program

If included as a major component of the manufacturer's overall approach for supporting channel member needs, the logistics program may be the key feature of a strategic alliance.

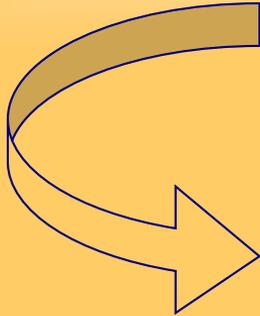


Key issue for Channel Manager:

Ensuring that the program the experts prepare is what the channel members want.

Selling the Logistics Program

1. Minimize out-of-stock occurrences.
2. Reduce channel member inventory requirements.
3. Strengthen the manufacturer-channel member relationship.

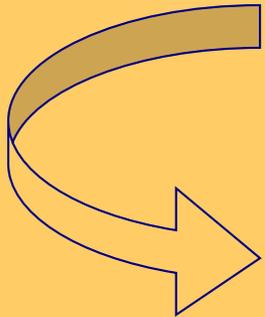


Key issue for Manufacturers:

Extending superior logistics capabilities to help channel members improve *their* logistics and marketing capabilities.

Monitoring the Logistics System

Logistics systems must be continually monitored, both in terms of how successfully they are performing for the manufacturer and how well they are meeting changing channel member needs.



Key issue for Channel Manager:

Continually monitoring the channel members' reactions to logistics programs.