

Strategic Logistics Management Part I

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Overview of Presentation

- ▶ Introduction & Overview
- ▶ Logistics Management
- ▶ Customer Service Issues

Definition of Logistics Management

Logistics Management is that part of Supply Chain Management that plans, implements & controls the efficient, effective forward & reverse flow & storage of goods, services & related information between the point of origin & the point of consumption in order to meet customers' requirements.

Council of Supply Chain Management Professionals (2004)

Logistics Management – Boundaries & Relationships

Logistics Management activities typically include inbound & outbound transportation management, fleet management, warehousing, materials handling, order fulfillment, logistics network design, inventory management, supply/demand planning & management of third party logistics services providers. To varying degrees, the logistics function also includes sourcing & procurement, production planning & scheduling, packaging & assembly & customer service. It is involved in all levels of planning & execution – strategic, operational & tactical.

Logistics Management – Boundaries & Relationships

Logistics Management is an integrating function, which coordinates & optimizes all logistics activities, as well as integrates logistics activities with other functions including marketing, sales manufacturing, finance & information technology.

Council of Supply Chain Management Professionals (2004)

Logistics Management Issues—Today

- ▶ Automation of buying process for low-value, high-volume goods that are purchased regularly
- ▶ Quick response systems that rely on online “customer friendly” sites
- ▶ Integration of logistics into supply chain management strategies

Logistics Management Issues—Today

- ▶ Identifying key metrics for measuring logistics efficiencies & effectiveness
- ▶ Learning to do “more with less”
- ▶ Further integration of inbound & outbound joint decision-making resulting in further economies of scale

Logistics Management Issues—Tomorrow

- ▶ Some characteristics of the future environment of logistics
 - ▶ Better—faster—cheaper
 - ▶ Shrinking life cycles
 - ▶ More demanding customers
 - ▶ Agile competitors

Logistics Management Issues—Tomorrow

- ▶ Enterprise-wide databases rather than separate databases for each business unit (cross-unit visibility of logistics information)
- ▶ More standardization utilizing cross-functional teams
 - ▶ Processes & best practices
 - ▶ SKU reductions

Logistics Management Issues—Tomorrow

- ▶ Training & education of logistics employees at all levels for participation in supply chain strategies & programs
- ▶ Expanded reverse logistics/ product return strategies within & between companies

Logistics Management Issues—Tomorrow

- ▶ Exporters will have to be proactive with respect to various security issues such as Customs-Trade Partnership Against Terrorism (C-TPAT), Container Security Initiative & other rules on bioterrorism; since rules will not be uniform worldwide, exporters must be aware of any initiatives governing pre-notification, packaging, supplier/carrier selection, etc.

Logistics Management Issues—Tomorrow

- ▶ Global trade disputes involving the US or other countries will create more uncertainty in exporting & importing as governments respond with restrictions, tariffs, fines &/or fees
- ▶ Near-term, Line-haul improvements in ocean shipping will be negated by port congestion, security requirements & infrastructure constraints

Managing International Logistics

- ▶ Master the fundamentals of inventory management, transportation & warehousing (Pareto effect)
- ▶ Identify, measure & monitor key performance indicators that optimize customer & company success

Key Performance Indicators (KPI's) & Best Practice Examples

- ▶ **Order receipt processing accuracy**
 - 99.5 % data accuracy at order level
- ▶ **Order fulfillment variability**
 - 95+ % of orders filled within standard (24 hours)
- ▶ **Returns processing variability**
 - 95+ % of returns received & initially processed within standard (24-48 hours)

Key Performance Indicators (KPI's) & Best Practice Examples

- ▶ **Warehouse order picking accuracy**
 - 99 % of orders correctly picked
- ▶ **Shipment tracking timing & accuracy**
 - 100 % of orders tracked electronically or manually with zero errors
- ▶ **On-line order information availability**
 - 99.9 % electronic availability 24/7/365

Managing International Logistics

- ▶ Identify customer service requirements & design low-cost systems & processes to achieve these requirements
- ▶ Provide manual or electronic “one-stop shopping” for customers (for order information, shipment tracking, account updating, claims processing, complaint management)

Customer Service Issues

▶ The Customer's Bill of Rights

- **Right** *product* in the
- **Right** *quantity* from the
- **Right** *source* to the
- **Right** *destination* in the
- **Right** *condition* at the
- **Right** *time* with the
- **Right** *documentation* for the
- **Right** *cost*

Defining Customer Service

- ▶ An *activity* that has to be managed such as order processing, invoicing or handling customer complaints
- ▶ *Performance measures* such as the ability to ship complete orders 95 percent of the time within 48 hours
- ▶ A *corporate philosophy* whereby customer service is treated as an element of the total corporate philosophy, rather than as an activity or a set of performance measures

Session II

- ▶ In our next session, we will examine:
 - **Customer Service Issues**
(today & tomorrow)
 - **Technology** (today & tomorrow)
 - **Global Logistics Issues**
(today & tomorrow)