

For B.Com. IV Semester
Export Import Procedure & Documentation
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International Logistics



“Logistics is the process of planning, executing and controlling the efficient & effective flow and storage of goods, services as well as the related information from point of origin to point of consumption to serve the purpose of conforming the customer requirement”.

Council of Logistics Management

Logistics refers to the services or activities required for the management of physical movement of goods from the source of origin to the source of destination. It involves transaction channel, distribution channel and communication channel for faster and efficient provision of logistics services. International Logistics, therefore, refers to the integration and management of activities including inventory databases and shipping schedules, material handling, production, packaging, inventory, transportation, distribution, storage, and security for the resources of organizational supply chains beyond the political boundaries of the nations involved in the global trade.

With the advent of liberalization and globalization of world trade, international logistics is becoming more and more important to maintain the efficient, effectiveness and value addition in the international trading activities. In this highly competitive world trade market, the business entities need to take deep insights into global trade scenario and also required to think globally with an aim to manage its supply chain network. All this is possible with the adoption and application of international logistics at wider level by these companies. In addition, international logistics are extremely important to achieve the marketing and overall broader objectives of a firm.

Further, the concept of logistics, and in our case, international logistics, is gaining importance with the passage of time on account of following reasons:

- Increasing transportation cost
- Achieving product efficiency at higher level
- Changing perspectives of inventory management

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- Proliferating product lines
- Increasing uses of Information and Communication Technology
- Increasing variations in customer needs and demands
- Relaxing rules and regulations
- Strengthening distributional networks

Objectives of International Logistics

The basic objective which a company tries to achieve through using the logistics at global level or even at national level is to maintain the ensured flow of goods & services from seller to the buyer with the following:

- Right product
- Right quantities and assortments
- Right places
- Right time
- Right cost/price
- Right condition

Moreover, logistics management starts with as considering the customer needs till its fulfillment through product supplies in line with all the aspects of performance including arrangement of the inputs, manufacture of the goods and the physical distribution of the products. However, there are some definite objectives to be achieved through a proper logistics system which are as follows:

1. Improving Customer Service

The effective management of international logistics system can help in improving the level of customer service by developing an effective system of warehousing, quick and economic transportation, along with maintenance of optimum level of inventory because the level of service directly affects the cost of physical distribution.

2. Increased Customer Response

Now-a-days, the information & communication technology has increased the capability to postpone logistical operations to the latest possible time and then achieve the faster delivery of required inventory, thereby, resulting in the elimination of excessive inventories traditionally stocked in anticipation of customer requirements.

3. Reduction in Distribution Costs

The distribution cost is comprised of various elements, like, transportation, warehousing and inventory maintenance, and any reduction in the cost of one the elements are likely to increase the cost of the other elements. Thus, the objective of the firm should be the reduction of the total

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cost of distribution and not just the cost incurred on any one of the elements. To serve this purpose, the total cost of alternative distribution systems should be analyzed and the one with the minimum total distribution cost should be selected.

4. Increasing Sales

The physical distribution/logistics system in a firm also aims to generate more sales. A firm can attract more customers by offering better services at lower prices. For instance, by introducing decentralization in its warehousing operations or by using economic and efficient modes of transportation, a firm can achieve larger market share. Further, by avoiding the out-of-stock situation, the loss of loyal customers can be curtailed.

5. Creating Time & Place Utilities

The logistical system also focuses on creating time and place utilities to the products & services. Till the products are physically moved from the place of their origin to the place of destination, they do not serve any purpose to the users. In the same manner, the products & services have to be made available at the time when they are needed for consumption. Moreover, a rapid mode of transportation should be selected to move the products from one place to another in the shortest possible time. Therefore, time and place utilities can be created in the products & services by adopting an efficient system of physical distribution.

6. Stabilizing Product Prices

The international logistics system also aims at stabilizing the prices of the products. It can be achieved by controlling & maintaining the flow of the products to the market through a judicious use of available transport facilities and compatible warehouse operations. To say, maintaining the stock of the raw material during the periods of excess supply and making it available during the periods of short supply, the prices can be stabilized.

7. Quality Management

The international logistics system is a significant part & parcel of developing and maintaining continuous improvement in total quality management. The long-term objective of the international logistics system is to seek continuous quality improvement. Overall commitment to total quality management is one of the major forces responsible for the logistical renaissance because the logistical costs cannot be reversed, if they are increased once. In fact, when the quality fails to match the set standards, the logistical performance typically needs to be reversed and then repeated. Moreover, logistics itself must perform to demanding quality standards.

8. Supporting Product Life-Cycle

A good logistical system helps to support the life cycle. Product recall is a vital competency resulting from increasingly rigid quality standards, product expiration dating and liability for unfavourable consequences as well. The return logistics requirements are also a product of the increasing number of regulatory norms & laws prohibiting disposal and encouraging recycling

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of beverage containers as well as packaging materials. Further, the operational requirements of reverse logistics have stretched their scope from lowest total cost, to say, returning bottles for recycling, to maximum performance solutions for critical recalls. The critical point is that the sound logistical strategy can't be formed without careful review of reverse logistical requirements.

9. Consolidating Transportation Costs

Transportation cost is directly linked to the type of product, size of shipment, and distance which the concerned shipment is supposed to travel. Many Logistical systems which are equipped with the premium services depend on high-speed, small shipment transportation because the larger the overall shipment and the longer the distance it is to be transported, the lower the transportation cost per unit. This needs innovative initiatives aimed at clustering the small shipments for consolidated movement which are required to be facilitated by the working arrangements that transcend the entire supply chain.

Scope of International Logistics

With the continuously expanding scope of international logistics, a number of activities and services are now included in the periphery of the concept. However, following areas are majorly considered as a part & parcel of international logistics:

- Forecasting Customer Demands
- Strengthening Communication Channels
- Maintaining Distribution Channels
- Controlling Inventory Requirements
- Handling Material Requirements
- Processing Orders
- Selecting Location for Plant & Warehouse
- Procuring Raw Materials
- Managing Packing & Packaging Requirements
- Regulating Traffic & Transportation
- Creating Time & Place Utilities
- Movement Consolidation
- Handling Reverse Logistics
- Maintenance of Customer Service & Support

Elements of International Logistics

1. Processing Customer Orders

The first element of the international logistics system is the processing of orders of the customers. With an aim to provide faster customer service, the orders received from customers

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need to be processed within the least possible time. This element comprises of the activities like, receiving the order, recording the order, filling the order, and assembling all such orders for transportation, etc. The company and the customers will be benefited when these steps are carried out quickly and accurately. The error committed at this stage, generally, can prove to be very costly. To say, if a wrong product or the same product with different specifications is supplied to the customer, it may lead to cancellation of the original order which will increase the cost of reverse logistics and can also harm the company's goodwill at the same time. Similarly, if the order is not executed within a reasonable time, it may lead to serious consequences. Further, the high speed data processing techniques are presently available leading for the rapid processing of the orders.

2. Storage and Warehousing

This is the second element which involves assorting products in order to create time utility. The major objective of the storage & warehousing activities is to make proper arrangements for the placement of goods, providing storage facility to store them, consolidating them with other similar products, splitting up them into smaller quantities and building up assortment of products. Generally, more the number of warehouses a firm has, the lesser would be the time taken in serving customers at different locations. However, this would result in increased storage & warehousing cost. Therefore, the firm has to maintain a balance between the cost of warehousing and the level of customer service.

3. Managing & Controlling Inventories

The next element involves decision-making process regarding managing and controlling inventories which is important for the success of physical distribution. This element becomes more important in case the cost of inventories is higher. Moreover, the new concept of Just-in-Time-Inventory decision is increasingly becoming popular with a number of companies, now-a-days. The decision regarding level of inventory involves estimated demand for the product. A correct estimate of the demand helps to maintain requisite inventory level and control the inventory costs as well. It helps the firm in terms of the cost of inventory and supply to customers in time and also to maintain production at a consistent level. The major forces determining the inventory levels include the company's policy regarding the customer service level, degree of accuracy of the sales forecasts, responsiveness of the distribution system, so on so far. The cost of inventory consists of holding cost (such as cost of warehousing, tied up capital and obsolescence) and replenishment cost (including the manufacturing cost).

4. Transportation

The element of transportation consists of moving goods from points of production and sale to points of consumption in the quantities required at times needed and at a reasonable cost. The transportation system increases time and place utilities to the goods handled and therefore, increases their economic value. With an aim to achieve these goals, transportation facilities must be adequate, regular, dependable and equitable in terms of costs and benefits of the facilities and service provided.

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5. Information Monitoring

The information monitoring element of international logistics system requires the logistics' handling personnel continuously updated information about inventory, transportation and warehousing. For instance, with respect to inventory, the information about the present stock position at each location, future commitment and replenishment capabilities are required on an ongoing basis. In the same manner, before choosing a carrier, the information about the availability of relevant modes of transportation, their costs, services and suitability for a particular product is needed. In case of warehousing activities, the information with respect to space utilization, work schedules, unit load performance, etc., is required. For receiving all this information, an efficient management information system would be of immense use in controlling costs, improving services and determining the overall effectiveness of distribution. Further, it is difficult to correctly assess the cost of physical distribution operations. However, if the correct information is available, it can be analyzed & processed systematically and a great deal of saving can be ensured.

6. Support Facilities

The support facilities element of international logistics system is comprised of a number of planning activities which are, usually, directed toward ensuring that all required permanent or transitory operating and support facilities, including training, field and depot maintenance, storage, operational, and testing are available concurrently with system fielding. Planning must be comprehensive and include the need for expansion, diversification and modification of the existing facilities as well as creating new facilities. It also takes research & developmental activities under its purview with an aim to define and establish impacts on life cycle cost, funding requirements, facility locations and improvements, space requirements, environmental impacts, duration or frequency of use, safety & security requirements and health standards, and security restrictions. Furthermore, it also includes any utility requirements, for both fixed and mobile facilities, with thrust on containing requirements of scarcely available resources.