

# Distribution Logistics



Lecturer: Nargiza Nosirova

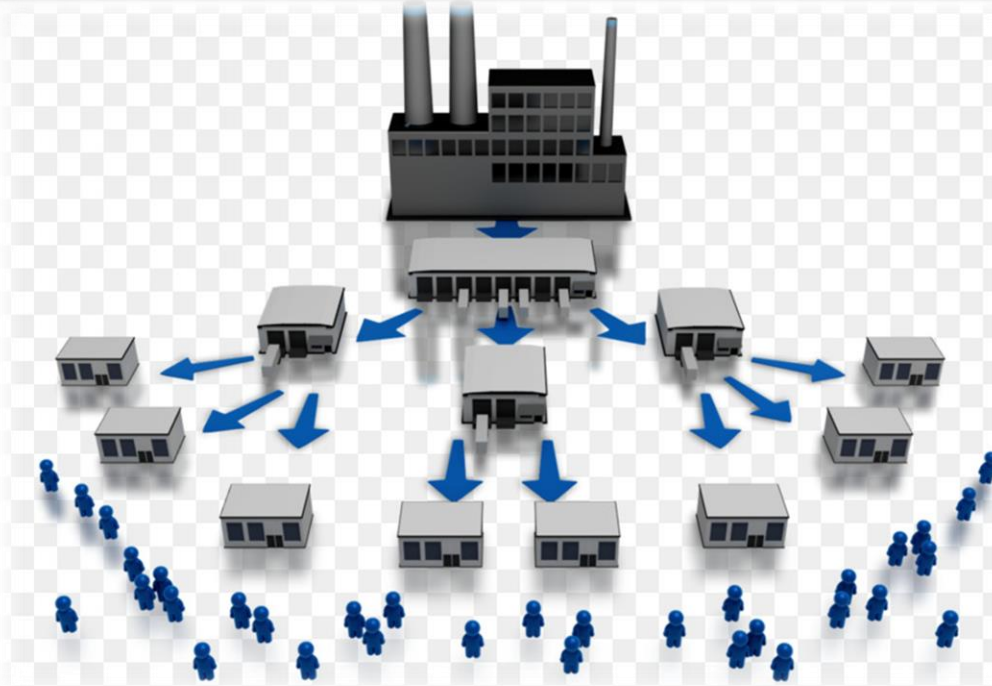
Distribution logistics includes a wide range of activities.

These all focus on achieving efficient distribution and movement of finished products. This takes goods from the end of a production line to reach consumers.



**Distribution  
logistics**

Aside from that, it provides a wide set of optimization methodologies and tools. These are all used in three main areas that include warehouse management, order fulfillment and transportation management



Distribution logistics helps businesses redesign their customer service organization and its processes. At the same time, it takes care of customers' questions and orders. This will make sure that clients' central or local customer service organizations will be in line with their company's goals.




Some of the components included in business objectives are market expectations, performance objectives and business strategy. From taking orders to dispatching the merchandise, it also focuses on the following.


- Process throughput time
- Transaction efficiency
- Transaction reliability
- Timely and accurate external and internal information communication




# Warehouse Management



Another area of expertise in distribution logistics is warehouse management. This involves focusing on tracking systems, communication between product stations and physical warehouse infrastructure. It also deals with the storage and receipt of merchandise in different locations. This includes outbound distribution management centers, inbound warehouses and cross docking.



It also focuses on providing value-added services and internal conveyance. This includes kitting, light manufacturing processes and sequencing. Facilities are also utilized with an endless pursuit for continuous improvement. It will eventually result in space requirement reduction, facility cost decreases and overall supply chain stability. Services are also improved with a culture of operational excellence.



A warehouse concept that is well-planned out will provide several benefits. It will optimize workforce efficiency and increase the throughput time. Material handling equipment will also be improved. This will also help clients define their warehouse organization and includes required information system and physical structure support.

# Transportation Management

Distribution logistics also brings processes and discipline to transportation management. This is usually done by effectively utilizing a database of partner carriers. It also enables companies to build the most optimal transportation approach for their business.



In transportation management, handling outbound, inbound and internal transportation is prioritized. This ensures that clients will benefit from stability, visibility and control of their transportation costs and functions.

# TRANSPORT MANAGEMENT SYSTEM



Transportation management also focuses on core carrier programs. At the same time, it deals with transportation network design and the leveled flow of requirements for transportation. Its relentless focus on continuous improvement will ultimately result in high quality of service, transportation optimization and overall cost reduction.

Distribution Logistics offers businesses a number of benefits. This is especially true when it is used optimally in a merchandise dispersion approach. Some of the advantages it provides include the following.



## **Benefits**

---

Allows merchandise to be tracked from its source to the present location

---

Helps identify every cost element that is associated with the movement of products

---

Facilitates demand analysis for replenishment planning

---

Assists in the formation of sales analysis for market planning

---

Helps further cross reference labeling, contract management and returned merchandise authorization

---

Provides a very organized shipping system that assists in time and cost saving

---

Helps provides order fulfillment flexibility using unparalleled resources for multi and single site operations

---

A company's distribution strategy is largely defined by decisions on the number and type of customer interfaces.

Once the retail distribution strategy is set, the management focus shifts to distribution logistics (i.e. moving goods from the manufacturer, through any intermediaries, to the customer).

To achieve its strategic distribution objectives, a company may choose to use few layers of intermediaries (called short distribution channels), or relatively many layers (long distribution channels).

For example:

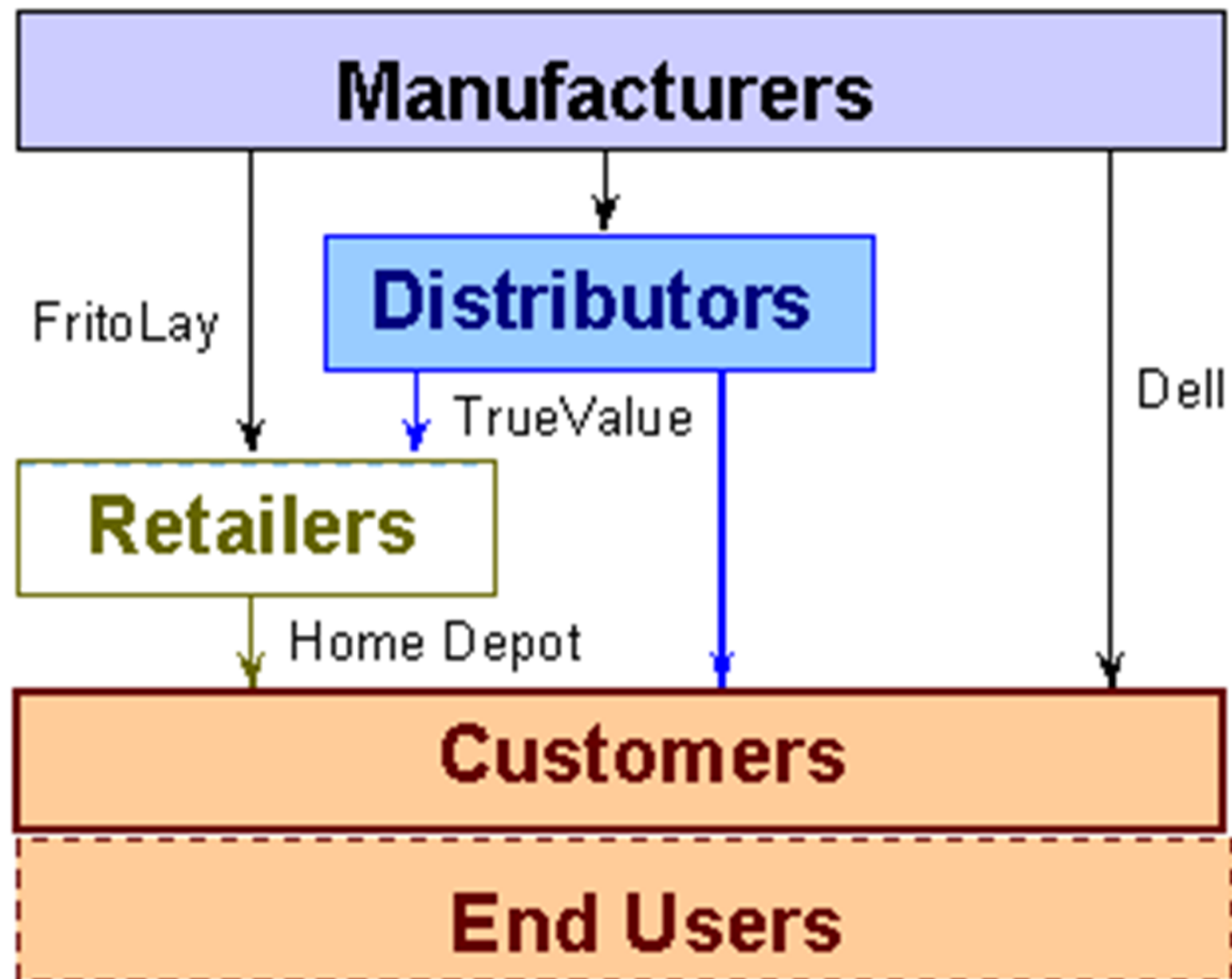
Dell sells directly to customers.

Frito Lay distributes directly to retail stores.

Home Depot stores receive most shipments directly from manufacturers.

Cotter- True Value (a hardware cooperative) receives shipments from many manufacturers and redistributes to independent hardware retailers





At one extreme, the shortest of channels is direct distribution, i.e. a customer places an order directly with the company, and the company ships the goods directly to customers.

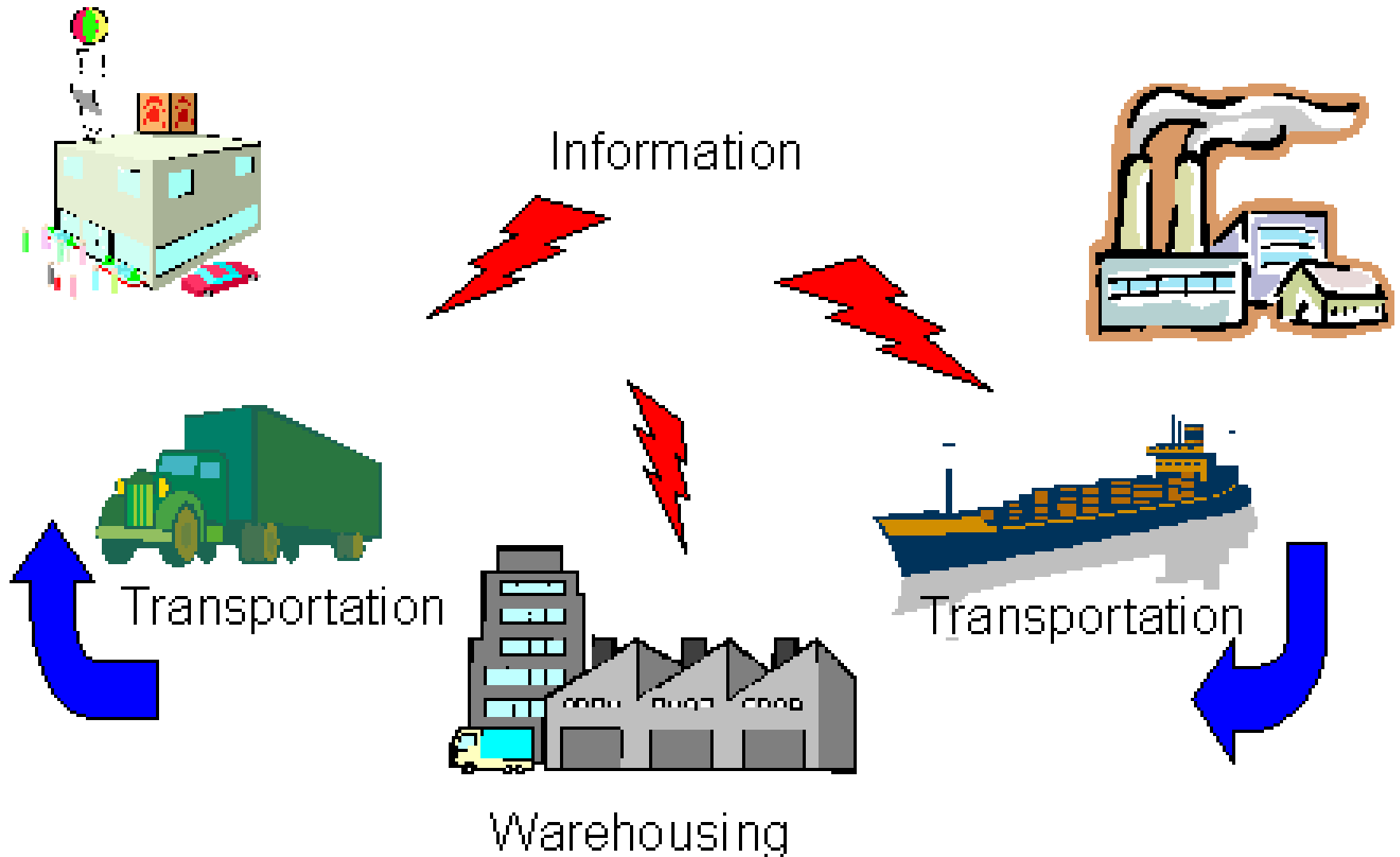
In the 'old days', direct distribution was largely restricted to higher priced products (like industrial equipment) or to companies with relatively broad lines of high volume products that could be aggregated to provide the necessary operating efficiencies of scale or scope (e.g. catalog companies like Lands End).

In the digital era, an increasing number of companies are willing and able to distribute to customers directly.

From a logistical perspective, the web provides a cheap, effective way to process customer orders, and efficient package delivery networks (UPS, FedEx) provide a relatively cost-effective way to transport small quantity orders directly to customers. Further, since finished goods inventory can be centralized, service levels can be maintained at high levels with relatively low stocks (largely because of lower required safety stocks).

At the other logistical extreme are long, highly intermediated distribution channels. For example a company may sell to a specialized distributor who sells to a wholesaler who sells to a retailer who sells to a final customer.

# (Physical) Distribution



Most typically, the length of distribution channels falls somewhere on the continuum between direct and heavily intermediated. From a conceptual perspective, the decision as to where on the continuum a company should operate depends on two key factors:

Scope and nature of the value added services required to take a product from the manufacturer to customers

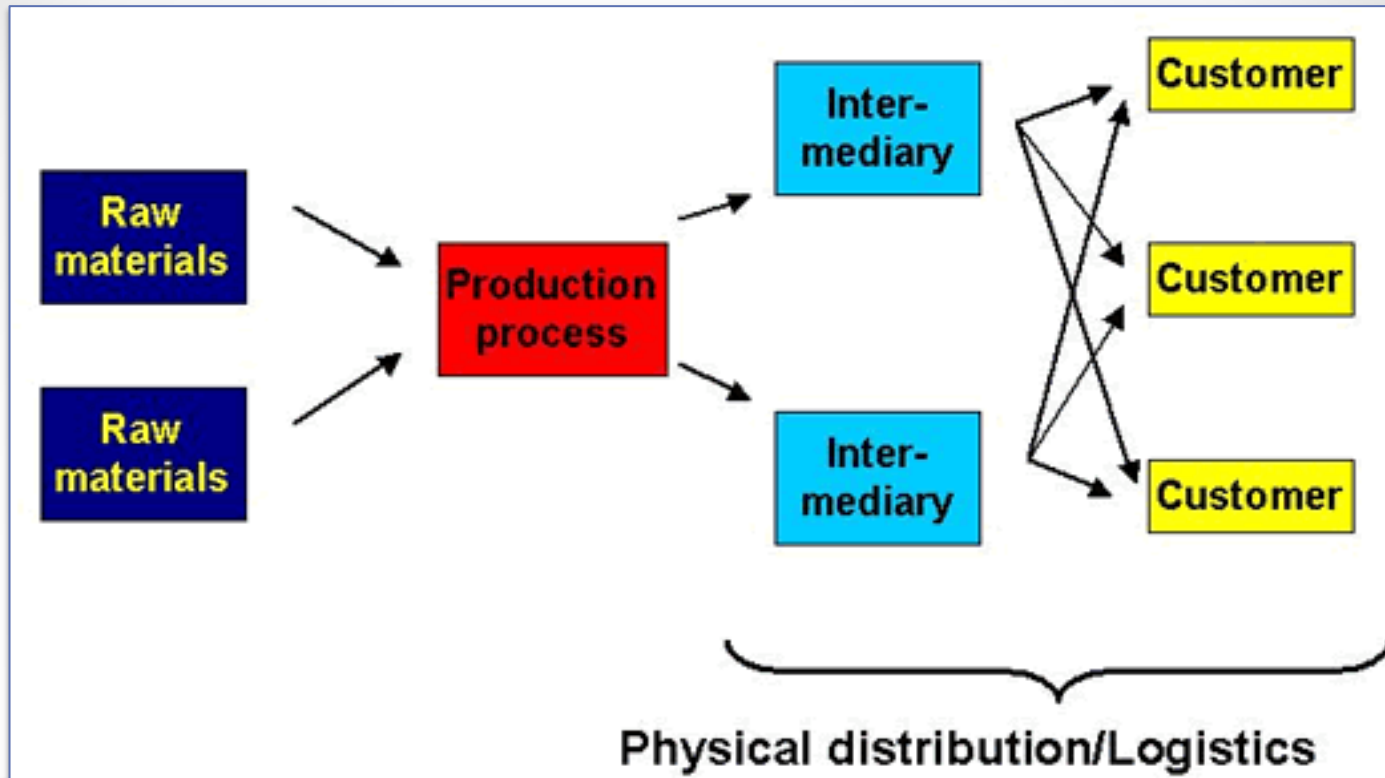
Relative effectiveness (cost and service quality) of alternative providers of the services

More specifically, certain value-added logistics tasks must be performed to distribute a product.

In the simplest cases, a customer order must be processed (received, validated, credit checked, matched to inventory, scheduled for shipment) and the product shipped to the customer, either from the end of the production line (make to order) or out of some company's inventory (make to stock).

In more typically complex cases, products may need to be bundled with other products (e.g. to compile a usable system, or to accrue quantity discounts for transportation economies), slightly modified to meet customer specifications (e.g. small features added or deleted, bulk quantities may be packaged into smaller units), installed and fine-tuned at the customer site, and serviced after it is put in use.

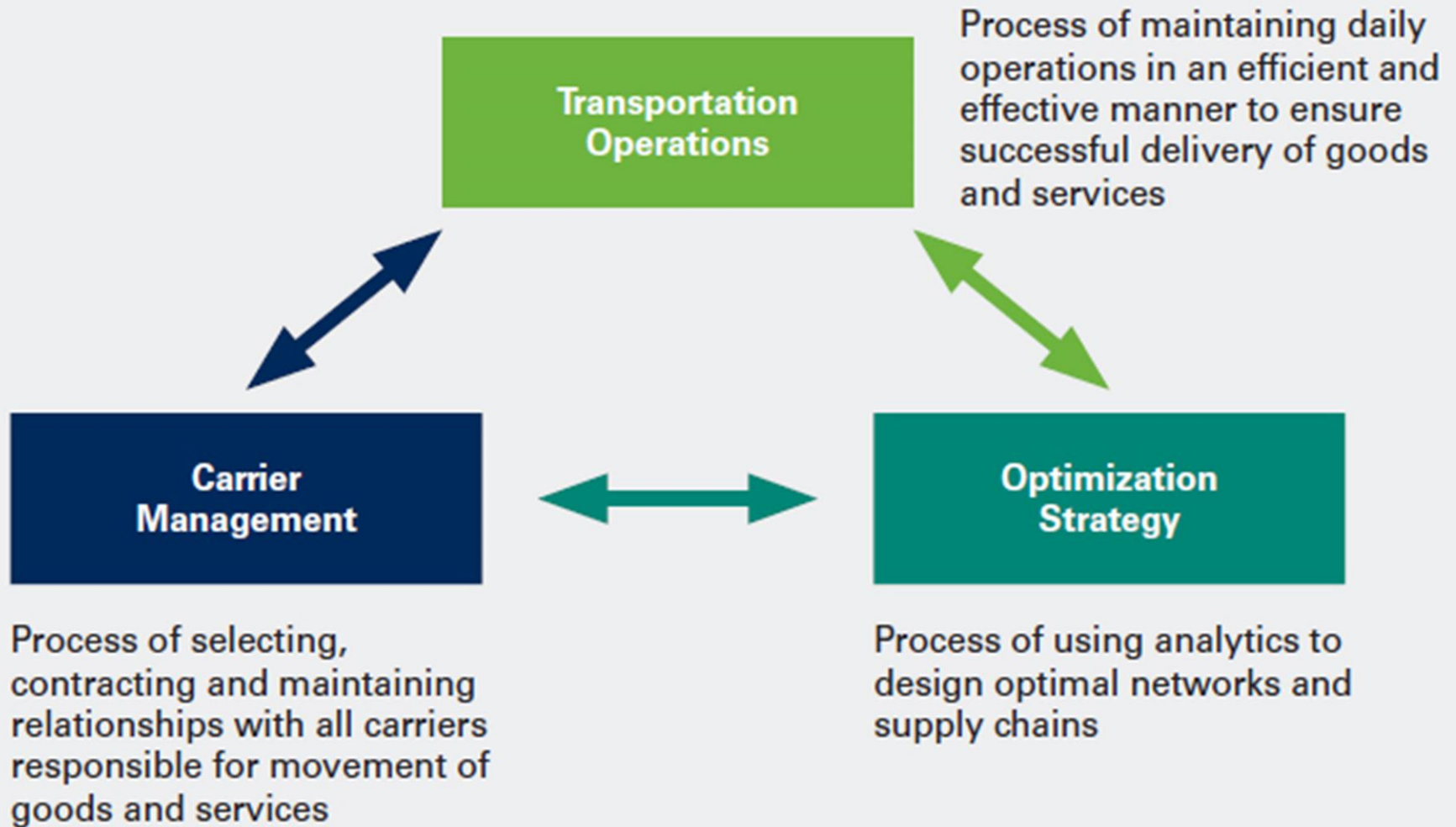




Once the necessary value-added activities are identified, the pivotal question is: who can most effectively perform the activities from both cost and quality perspectives - the company or third party intermediaries.

If a company operates under the direct model, it must perform all of the value added activities. By doing so, the company is able to retain all of the system profits (the difference between total accumulated costs and the price customers pay for the product).

If a company has an infrastructure in place (facilities, people, systems) and has adequate relevant scale (i.e. enough volume to make operations economical), then direct distribution may be a viable alternative.



# Conclusion

Logistics involves the planning, design, coordination, management and improvement of the processes of moving goods and resources.

In some cases, logistics involves more internal systems, while in others it involves collaboration with distribution partners.

Distribution is one of the four elements of the marketing mix. From a big picture perspective, it encompasses the ways in which a business makes goods available to its customers. It also involves the actual physical movement of goods through a distribution channel. A distribution channel is the process a product goes through from manufacturer to wholesaler to retailer and finally, to the end consumer. In managing distribution, each company has to contemplate the most affordable ways to move goods to its customers

Thank you for your attention !