Volume : 2 | Issue : 7 | July 2013 • ISSN No 2277 - 8179

Logistics - Way of Introducing Progress in the Company

Economics

KEYWORDS : logistics, company, stocks, warehouse

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ABSTRACT

Logistics must ensure to the organization what it's necessary for it to exist and function well (raw materials, capacity for storage / warehousing, inland transportation etc.).

Logistics projects understood as the overall logistical steps have an impact on the structure as well as the company culture. Deep cultural shift on the structures are those made on time. They keep the role of driving the logistics and prevent the occurrence of constraints at a certain time in the way of practical application of competitive logistics projects.

Depth analysis of a logistics system requires a structured representation of it which allows anticipation of the reaction of the logistics system to the changes that will be made.

Introduction

Logistic management is a strategic area that assures the proper functioning of the organization, as such, logistics can be considered as a subsystem of the management of an organization. We consider that logistics organic and functionally integrates financial, material and otherwise resources, territorial infrastructure, central and local public administration, economic agents, institutions with responsibilities in logistics as well as the relationships established between all them.

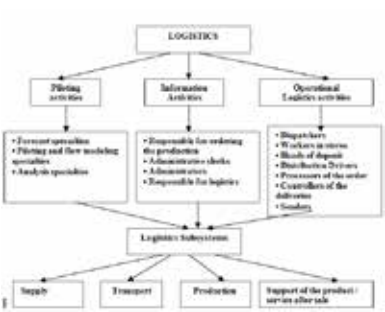
Logistic management is based on extensive and complex measures and activities that take place without interruption, aimed at research, design and manufacturing of products and / or provision of services, procurement and supply of the departments of a company (generally a human organizations) with means and materials that they need; organizing transport for smooth running of the activity, maintenance of all categories of technique; medical and sanitary-veterinary assistance, ensuring financial resources, performing of the provision of services and of other nature that are subject of the activity, etc.

Theoretical aspects of the logistics of the organization

Numerous studies conducted among managers of organizations have established the hierarchy of the logistics priorities: compliance with the contractual terms, improving the competitiveness of transport, development of information trade, faster delivery than the competition, competitiveness of stocks, cost reduction with warehouses, etc.

The first four priorities of action specified above essentially affect the level of the services offered to customers, but to achieve a good level of performance are basically required two directions of activity, directions that create the foundations of the logistics system of the organization. These are: creating the logistical product and assuring the planning, piloting the logistics operations (Fig. 1.1).

Fig.1 Typology of participants involved in the logistics activities



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As a service provider, logistics, in order to build itself a performing system need to know from the outset the nature of its objectives. Derived from the overall strategy guidelines of the organization, logistics establishes its general guidelines in accordance with the performance target. (Dima, I.C. [coordinator], 1996).

Knowledge of the service levels is an element that conditions the whole organization of logistics. The services production that logistics addresses isn't done convenient unless the objectives have been fixed in advance.

Relevance of logistics service levels is even greater as they revolve around the comprehensive nomenclature of logistics services. This nomenclature is characterized by three dimensions, namely (Fredendall, Lawrence D., and Ed Hill, 2001):

- The service dimension in permanent streams. Permanent streams cover the whole normal daily activity that may be well known in advance and requires commitments in what it concerns compliance within the timeframe, with reliability and uniformity of supplies, in capacity, in availability, with the compliance of the tracking, control and administration document.
- The service dimension in random or transitional streams really connected with the unpredictable activities or activities influenced by sketches.

Transactions reported here should not receive less attention than the regime of permanent streams. Rather, their special character draws more attention from customers. Proper management of this dimension leads to specific commitments within the response (adaptability, flexibility), the ability to adjust quantities and act on the nature of supplies

- The logistical and commercial interface dimension leads to the establishment of tasks falling within the responsibilities of logistics and are directly integrated in the trade relationship of the organization, applying for both permanent and transitional streams or overlapping the other two dimensions.

Determination of the levels of service starts from the definition of the notion to which the level of service is attached. The concept of service is a concept that was broadcasted within the company in a systematic manner, but used as a means of communication and awareness has not always benefited by a rigorous definition.

A level of service is not likely to be achieved unless performed at all stages by the company involved in its realization. Global service level proposed to customers outcomes from summing sectors goals.

Joint management of flows, interfaces and of process of making a product available to a customer creates a need for a framework of reflection and action for the logistics officer. In this context the logistic approach may, in the first instance, structure itself and identify the basic actions to be taken.

Management of interfaces, which concerns, among other things, logistics, has no other reason to exist but the different operational entities within the firm, that coexist with rules of life whose compatibility needs be ensured. These entities define logistics subsystems that are embodied in: supply, production, physical distribution, after-sales support.

Logistics activity is centralized and leads directly its affected operational means. Since logistic organization is applied and could broadcast its recommendations, it may turn into the functional logistics assigned only with guidance, with the formulation of its procedures and with advising on issues of the strategy in which it is involved.

Methods used in the logistics of the organization

Stimulated by the change of the structure of potential clients, suppliers have made substantive changes in their distribution. Establishment of the method "Just in time" imposed even within the company special rules of supply and transfer of products, of the semi-manufactured, of the parts between workshops, with consequences also for suppliers, who have been forced to reconsider the logistics of distribution in the light of new data from the customers.

In the logistic distribution subsystems are required two main actions, namely: complete rebuilding of the physical distribution structures both as geographic location and role given to it; more severe management of the logistical costs which involves tracking them in a more detailed manner.

To answer the basic principles of the method "Just in time" (of real-time delivery, stocks minimization including inherent risks limitation) is predictable the establishment of a geographical concentration between the companies' "transmitters of order" and suppliers. This leads to a reduction of stocks costs without leading to an increase in transport costs. However, activity of these transport units generally produce added value that can be equated to that of the storage shed where finishing and order preparation operations are performed, the manufacturer being relieved of such operations.

According to APICS (American Production and Control Society), the "JIT" includes a philosophy that seeks to continuously improve the capacity to respond to the appearance of a demand. This translates into a process of elimination of those operations that do not produce added value. These activities are considered as restrictions and their elimination causes changes in all company functions, both for suppliers and their customers.

Are given up the basic security measures that the company is based on to meet its customer's expectations. It introduces a more careful management of areas regarded until then as collateral such as: maintenance changing equipment, simplifying transfers etc. Applying the "JIT" method in industry is based mainly on logistics, and the failure of one of the parties that support the logistics lead to certain failure.

Obtaining positive results due to the application of the "JIT" and also keeping in time should be based on a number of actions regarding: maintenance, changing series, placement of the workshops, product design, product quality, relationships between participants in the production –delivery process.

Such a stronger integration of the distribution infrastructure in the manufacturing operations, leads to positive results. Suppliers thus can propose to their important customers the implementation of advanced storage to respond in this way to the fragmentation of the delivery batches. These warehouses replaced the warehouse of finished products of the provider and the one of components of the client. The warehouse will have a double role, namely: role of adjustment between the production of the supplier and the consumption of the customer and role of distribution between different points of consumption of the customer.

This warehouse causes a global economy of the stocks of products and a decrease in input-output movements, so some flexibility. But, besides the flexibility expected by customers due to these implementations, there is a reduction in the number of warehouses near the suppliers headquarters. However effective solution to solve the problem of the warehouses is to create a common structure where they coexist near factory warehouses. For these reasons are used techniques of the shared logistics, that appeal to logistics operators outside the firm, which suggest that as the most efficient handling of various specialty distribution operations the specialization of logistics operation units, depending on the nature of the product, of its life, of type of operations performed.

The concern of distributors to control their logistics costs or willingness of customers to know the composition of a *franco* price, drives supplier firms to organize their records properly. Improving logistics distribution involves a more nuanced understanding of the cost structure. Thus is reached the interest for each product line even separately for each product to impute to it the related logistics costs. The resources and means are often common; however their use is different for each product.

Direct profit calculation on the product of agents from large distribution and of providers has a great significance in trying to find different solutions from product to product. This creates an advantage which consists of: obtaining more important commands, increasing market share occupied, assigning a larger space in warehouses; strongest arguments for negotiations etc. *(Tham, Donald Fox, Mark S., and Gruninger, Michael, 1994).*

Using the actual cost of the product will contribute to the improvement of commercial managements through the improvement of real performance. For this it's necessary to calculate the indicators: Direct Cost on the Product (CDP), Direct Profit on the Product (PDP). Evaluating the logistics cost imputed on a product is based on two types of initial database: database of the product (weight, size, packing, selling unit features etc.); database of distribution (cost of operations).

PDP analyze at the firms' level allows the determination of additional cost areas. To remove them, the company can take measures of choosing logistics flows and of the most effective methods of maintenance.

The PDP method has been widely promoted in Europe, after application to the United States by the Food Marketing Institute. If within the same company the references of PDP calculation of several products are identical, however, they may differ from one company to another.

Thus, for consumer products, IFM (Institut Francais de Merchandis) applied a unified measure system of direct costs. To provide accurate data on distribution operations, the companies were affiliated to IFM (producers and distributors) and to SECODIP PDP Systeme.

So SECODIP PDP Systeme became a database appeared as a unit of measure for logistical activity for all distribution operations covering the following areas of distribution:

- in the storehouse: receiving, entry into storage, command handling space, storage of the product;
- transport: inside and outside the warehouse;
- in the warehouse: delivery of the order, receiving goods, arranging of the backup stock, organization of storage, putting it in the stores lines, warehouse space organization and the cost of storage.

The first fact that must be understood and accepted in the field of logistics is the consideration of the main activity from

a workshop both in terms of time consumption and activity in stream. Therefore evaluation of the distribution of labor hours consumed is significant. Thus, in a workshop in which are manufactured mechanical products, time spent by staff was shared by four types of activities, and the results were: transformation activity itself 10%; production activity of information 10%; physical flow activity 50%; information activity30%.

Flow connection requires on the one hand, an inter-relation much stronger than the one introduced by the traditional production methods of administration, and on the other hand reducing the risk related to the complexity of the flow.

Stock analysis of a firm sometimes gives the impression of a spontaneous generation of these materials concentration. Whatever the investigated sector is, everything is a pretext for setting up the stock and theoretical limiting, physical reduction on the field does not prevent them to reappear shortly.

Formation of the stocks will be made after setting some warning indicators, concerning the supply activity by going previously, through a process in three successive stages:

■ ***Phase I***
Observation of the existence of an affected by risk area or real uncertainty. Is removed the surplus stock, namely the one that no longer covers any risks. This is the case of stocks (called Nightingales or difficult to sell stocks) of products or components that have no more operational or commercial life and that survive generating, without any possible income, insurance costs, area used and management, just like materials stocks established without any commercial advantage and that when the supplier may agree to supply in smaller quantities and more frequent can give them up.

■ ***Phase II***
The activity of reducing risks and uncertainty, where each zone detected is the object of a precise study to determine the risk that may occurs in such an area.

■ ***Phase III***
Evaluation of the stock level as the cheapest alternative to a situation where other solutions are at the moment of the analyze more expensive.

Setting and achieving stocks will be done only after following the steps mentioned above, and compliance with the key points leads to an efficient management of the stock.

Conclusions
Logistics is about to become a global scientific tool at the reach of social structures with which is ensure fluency of information, materials, products, people, for the purpose of carrying out all activities with the lowest costs. Because so far logistics requirements are achieved by the activity of several dispersed compartments, is searched for a solution for the compaction and integration of all departments in a logistics system for functional efficiency within the organization.

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