**Logistics in the Economy and Organization**

**Key Logistics Activities**

Outlined below are the key activities required to facilitate the flow of a product from point of origin to point of consumption. All of these activities, listed alphabetically below, may be considered part of the overall logistics process.

**Customer service**

Customer service has been defined as "a customer-oriented philosophy which integrates and manages all elements of the customer interlace within a predetermined optimum cost-service mix. Customer service is the output of the logistics system. It involves getting the right product to the right customer at the right place, in the right condition and at the right time, at the lowest total cost possible, Good customer service supports customer satisfaction, which is the output of the entire marketing process.

**Demand forecasting/planning**

There are many types of demand forecasts. Marketing forecasts customer demand based on promotions, pricing, competition, and so on. Manufacturing forecasts production requirements based on marketing's sales demand forecasts and current inventory levels. Logistics usually becomes involved in forecasting in terms of ho\v much should be ordered from its suppliers (through purchasing), and how much of finished product should be transported or held in each market that the organization serves. In some organizations, logistics may even plan production. Thus, logistics needs to be linked to both marketing and manufacturing forecasting and planning.

**Inventory management**

Inventory management involves trading off the level of inventory held to achieve high customer service levels with the cost of holding inventory, including capital tied up in inventory, variable storage costs, and obsolescence. These costs can range from 14 to over 50 percent of the value of inventory on an annual basis! With high costs for items such as high-tech merchandise, automobiles, and seasonal items that rapidly become/obsolete, many organizations, including Hewlett Packard. Xerox, and Sears, are giving inventory management much more attention.

**Logistics communications**

Communications are becoming increasingly automated, complex, and rapid. Logistics interfaces with a wide array of functions and organizations in its communication processes. Communication must occur between:

1. The organization and its suppliers and customers.

2. The major functions within the organization, such as logistics, engineering, accounting, marketing, and production.

3. The various logistics activities listed previously.

4. The various aspects of each logistics activity, such as coordinating warehousing of material, work in process, and finished goods.

5. Various members of the supply chain, such as intermediaries and secondary customers or suppliers who may not be directly linked to the firm.

Communication is key to the efficient functioning of any system, whether it be the distribution system of an organization or the wider supply chain.

**Material handling**

Materials handling is a broad area that encompasses virtually all aspects of all movements of raw materials, work in process, or finished goods within a plant or warehouse. Because an organization incurs costs without adding value each time an item moves or is handled, a primary objective of materials management is to eliminate handling wherever possible. That includes minimizing travel distance, bottlenecks, inventory levels, and loss due to waste, mishandling, pilferage, and damage. Thus, by carefully analyzing material flows, materials management can save the organization significant amounts of money.

**Order processing**

Order processing entails the systems that an organization has for getting orders from customers, checking on the status of orders and communicating to customers about them, and actually filling the order and making it available to the customer. Part of the order processing includes checking inventory status, customer credit, invoicing, and accounts receivable. Thus, order processing is a broad, highly automated area. Because the order processing cycle is a key area of customer interface with the organization, it can have a big impact on a customer's perception of service and. therefore, satisfaction.

**Packaging**

Packaging is valuable both as a form of advertising/marketing, and for protection and storage from a logistical perspective. Packaging can convey important information to inform the consumer. Aesthetically pleasing packaging also can attract the consumer's attention. Logistically, packaging provides protection during storage and transport. This is especially important for long distances over multiple transportation modes such as international shipping.

Packaging can ease movement and storage by being properly designed for the warehouse configuration and materials handling equipment.

**Parts and service support**

In addition to supporting production through the movement of materials, work in process and finished goods, logistics also is responsible for providing after-sale service support. This may include delivery of repair parts to dealers, stocking adequate spares, picking up defective or malfunctioning products from customers, and responding quickly to demands for repairs.

**Traffic and transportation**

A key logistics activity is to actually provide for the movement of materials and goods from point of origin to point of consumption, and perhaps to its ultimate point of disposal as well. Transportation involves selection of the mode (e.g., air, rail, water, truck, or pipeline), the routing of the shipment, assuring of compliance with regulations in the region of the country where shipment is occurring, and selection of the carrier. It is frequently the largest single cost among logistics activities.

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