

Types of Logistics & Why Your Business Needs Them



WAREHOUSING

20 SEP, 2021 . 4 MINUTES READ

Introduction:

A part of the military terminology, the term 'logistics' was initially used to describe how military personnel obtain, store, and move their equipment and supplies. In recent times, the term is used in business sectors to describe the overall process that involves acquiring, storing, and transporting various resources to their final destination.

Elements involved in Logistics:

The entire logistics process involves several tangible and intangible components. The various elements involved in logistics are the flow of information, raw material, production of products or services, packaging, stocking, transportation, warehousing, and regular security.

Types of Logistics:

Though a complete activity in itself, logistics varies according to the direction of material flow and the products' stage.

Basis these parameters, there are five types of logistics, as explained below:

1. **Inbound Logistics:** Inbound Logistics refers to the flow of information, raw material, tools, and workforce, among others, from vendors into the production facilities. The activities include managing vendors, ordering and procuring raw material, managing inventory, and transportation.

One of the most significant aspects of inbound logistics is the procurement of raw materials and components which vary in size, cost, place of origin, and nature. All these factors have to be considered while placing the order.

A company requiring fewer or simple items, such as office supplies, does not face many challenges managing inbound logistics. However, a company using various raw materials, tools, machinery, or perishable products must manage inventory depending upon different handling, packaging, or temperature requirements. This makes inbound logistics management complex and intricate compared to other logistics.

For a smooth manufacturing process, it's critical to have a timely supply of raw materials. To manage this, the companies use different inventory management techniques like Just-in-time (JIT), V-E-D Analysis and Safety Stock. But the best way to manage inbound logistics is to use an automatic ordering, order-fulfillment system, which ensures that there is never a stock-out position or over-stock.

2. **Outbound Logistics:** Outbound logistics refers to the flow of information, finished product, or service from production facilities to the following link in the supply chain. This includes packaging, warehousing, and transporting to the customer location.

The most critical aspect of outbound logistics is ensuring delivery at the right time, at the right price, and at the right time to the right customer. Customer satisfaction becomes the primary objective here. That is why most companies, especially those in e-commerce or food delivery, fight for last-mile delivery or even time-bound delivery to their customers.

For example, Amazon talks about next-day delivery, and Pizza companies promise a delivery in 30 minutes. Companies are competing to constantly upgrade their value proposition and support it with enhanced outbound logistics.

Most professionally managed logistic service providers, like Varuna, enable you to estimate the transportation time accurately. It allows real-time tracking of consignment and updates your customers regarding accurate ETA in case of any delays due to weather, traffic, or other reasons.

3. **Reverse Logistics:** Sometimes, products, once sold and delivered to the end customers, are returned to the warehouse. This may happen in cases of products unsold, damaged, or for repair and refurbishing. This may sometimes become necessary due to environmental reasons and government incentives to safely dispose of hazardous substances. The set of activities involved in managing these activities are called Reverse Logistics. This kind of logistics is pervasive in the automobiles and electronic industry, especially mobiles and printers.

In Reverse Logistics, since the goods are coming back from the customers, customer service becomes the most crucial

aspect. The companies try to ensure that customers can quickly contact the customer care team and send the product back using the 'path of least resistance.

The top companies employ a third party to arrange a pick-up from the customer's location and send it to the manufacturer. This ensures that the customer does not have to worry about transporting the product safely to the producer.

4. **Third-Party Logistics:** For most companies, managing logistics is not the core area of expertise. In such cases, it makes business sense to outsource it to an external third party. This type of logistics is called Third-Party Logistics (commonly 3PL) and involves end-to-end management of the entire logistics process. This involves a whole set of activities ranging from packing, transportation, warehousing to distribution. Once you outsource the process, the third party plans, executes, and controls the flow of products and services to professionally meet your customers' needs. A good logistics service provider, like Varuna, offers a host of value-added services, which can be customized as per the client's requirement, thus leaving you with ample time to focus on your core areas of business.

5. **Distribution Logistics:** The main objective of distribution logistics is to ensure that the finished goods reach the delivery location quickly and safely. The delivery location may range from processors to distributors and from wholesalers to even end-customers.

Sometimes, delivery locations may be remote, which is popularly called 'Last Mile Delivery. In such cases, Distribution Logistics acts as a bridge between production and market and affects sales. That is why it is sometimes known as 'Sales Logistics',

Conclusion:

To summarize in today's competitive world, logistics is no more just moving goods from one point to another. It has become a specialized activity and involves several elements like warehousing, sorting, packaging, and transporting to the desired location within prescribed timelines.