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"A CRITICAL EXAMINATION OF LOGISTICS SYSTEMS WITH REGARD TO COMPETITION AND ADVANTAGES IN COMPANY EFFECTIVENESS IN THIRD PARTY LOGISTICS"

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ABSTRACT: - The overall concept of logistics is to effectively control the movement of commodities along the whole supply chain. Consequently, logistics optimization cannot be achieved just from the perspective of a single company, and as a result, overall optimization of the flow of products including all enterprises in the supply chain is necessary.

Whenever attempting to maximize the overall flows inside a supply chain, it really is important to keep in mind that the objectives of enterprises within the distribution network may be at odds with one another due to unequal distribution of expenses and advantages among the businesses. For logistics activities in SCM, it is thus vital to coordinate the interests of different enterprises. They, too, possess a variety of abilities or competences that are complimentary to one another and need additional coordination. For instance, cooperation between enterprises is required in the fields of manufacturing and transportation networks, among other things. In reality, coordinating a large number of enterprises with varying characteristics is difficult. The sharing of production plans and the coordination of parts movement between facilities are required if a service company and a manufacturer want to coordinate their output. In order to do this, they must possess information technology skills as well as the ability to carry out their obligations appropriately.

KEYWORDS:- Logistics, organization, third party etc.

For the most part, successful businesses have both a price advantage or a premium range, or a mix of the two, or a blend of the two. The cost leadership results in a reduced cost profile, but the value advantages results in a differential 'plus' above competing offers for the product or service. Let us take a quick look at these two images of strategic orientation in more detail.

1. **Cost advantage**

In many sectors, there are almost always one rival who will be the lowest-cost manufacturer, and that opponent will frequently have the largest sales volume in the industry. In many sectors, there will usually be one rival who would be the lowest-cost producer. When it comes to price benefit, there is compelling evidence to support the notion that large is beautiful. While economy of scale allow fixed costs to be distributed across a larger volume of work, the influence of the 'experience curve' is also a significant factor in this outcome. The experience curve is a phenomena that has its origins in the concept of the 'learning curve,' which was introduced earlier. During the Second World War, investigators concluded that it was feasible to recognize and forecast increases in the rate of production of employees as they gained more experience and proficiency in the functions and procedures on which they were focusing their efforts. This notion was further developed in later writings by Boston Consulting Group, which demonstrated that all costs, not only production expenses, would drop at a fixed rate as output volume rose. The connection described by the experience curve is in reality the connection between actual unit prices and cumulative volumes, to be more specific.

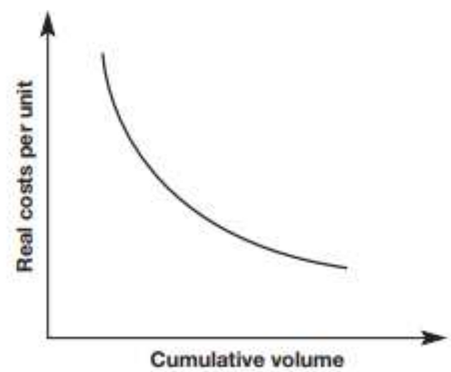

Figure: The experience curve

2. Value advantage

When it comes to advertising, it's been said for years that customers don't purchase things; they purchase advantages. A more accurate expression would be to say that the thing is acquired not for its own sake, but rather for the prospect of what it would deliver. These advantages may be immaterial, i.e., they may not have been related to particular product qualities, but rather to factors such as brand image or customer service. Furthermore, the supplied solution may be seen to exceed its competitors in a certain functional area. It is quite likely that the marketplace will perceive our services or products as a 'commodity' even if it could be differentiated in some manner from its rivals. As a result, the sale will most likely be made to the lowest-priced provider. As a result, it is critical to look for ways to differentiate our service from the opposition by including extra values.

In order to achieve such value distinction, what are the best methods of doing so? A more diversified strategy to the industry will often be required for the formulation of a strategy that is focused on additional values in the marketplace. The majority of the time, when a corporation thoroughly examines a market, it discovers that there are various value categories. To put it another way, various groups of consumers within the whole market place varying amounts of significance on certain features and advantages. The significance of benefit segmentation stems from the fact that there really are often significant chances for making distinct appeals for certain categories as a result of such separation. Take, for instance, the automobile business. Most mass-market automobile manufacturers, such as Toyota and Ford, provide a variety of models that are positioned at various price points across the industry. However, it is becoming more common for each model to be available in a number of different variations. Only one end of the distribution, for example, you can find the barebones version with a modest engine and just two doors, while on the other, you might find a four-door, elevated version. There is a wide range of possibilities somewhere between, that are each designed to meet the requirements of a distinct group of people known as a benefit segment. Addition of value via differentiation is a potent strategy for gaining a competitive advantage that can be sustained over the long term. Service is a great tool for providing value in the same way that product is. Companies have become more service-sensitive, which, of course, creates unique issues for those in charge of logistics management operations. The reduction in the power of the 'brand' and the resulting shift to a 'commodity' market dominance are becoming more common in many marketplaces. This merely suggests that it is getting more hard to compete solely on the basis of a company's brand or corporate reputation. Additional to this, there is a trend toward more converging of technologies within market segments, which implies that it is frequently no longer viable to compete successfully only on the terms of product distinctions. As a result, it is necessary to seek distinctiveness via ways other than technological innovation. Many businesses have reacted to this by emphasizing customer service as a strategy of establishing a competitive advantage over their competitors. In this sense, service refers to a process of creating connections with customers via the supply of a more comprehensive product or service. It may take many different forms, such as courier companies, after-sales assistance, financing packages, technical advice, and so on.

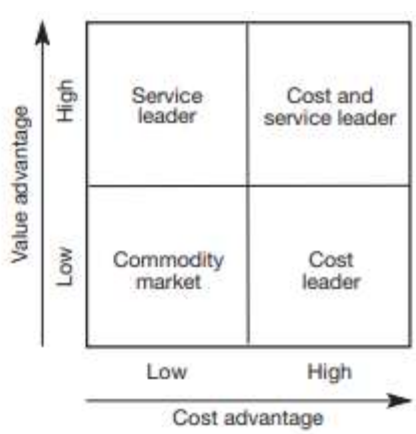

Figure: Logistics and competitive advantage

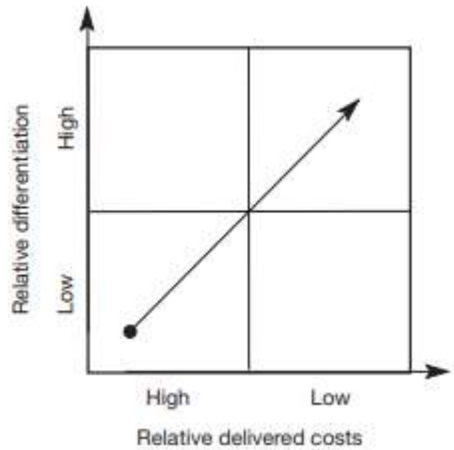

Figure: The challenge to logistics and supply chain management

One fact seems certain: there really is no such thing as a happy medium between cost-effectiveness and service quality. In fact, the challenge for management is to develop effective procurement and supply chain approaches that will propel the organization to the top right corner of the grid, where it belongs. Businesses that hold that position have offerings that are different in terms of the value they provide while also being competitive in terms of price. This clearly is a position of power, since it is located on a high ground that is exceedingly tough for opponents to take advantage of. The issue, as shown in Figure 1.5, is to identify strategies that will move the company far from the 'commodity' side of the range and into a more solid stronger position distinctive competitive and price advantage.

It is possible to claim that logistics has the ability to aid an organization in achieving a price advantage as well as a premium range via the use of inventory control. First of all and foremost, as seen in Figure 6, there seem to be a number of essential ways in which productivity may be improved via the use of supply chain and operations management techniques. While these chances for leverage will be covered in more depth later in the novel, lets just say that there are significant prospects for improved capacity utilization, inventory levels, and tighter integration with vendors at the planning phase. It is also important to recognize the potential for creating a competitive edge in the industry via great customer service. Following this argument, it will be shown how how we serve our customers has become a critical method of differentiating ourselves.

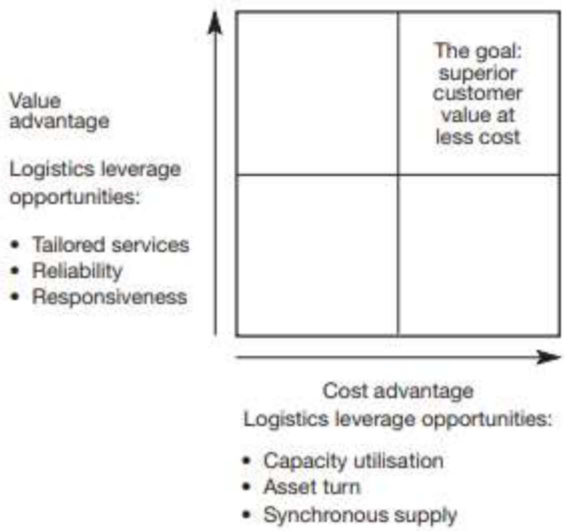

Figure 1.7: Gaining competitive advantage

The supply chain becomes the value chain

The hunt for methods that would give greater value in the perspective of the customer has become possibly the most important of the several shifts that have occurred in management thought over the past 30 years or more. In large part, this can be attributed to Professor Michael Porter of Harvard Business School, who has raised awareness among managers and strategists about the crucial significance of competitor relative differences in accomplishing competitiveness and profitability. Porter's study and writing have played a significant role in this.

Business activities (as seen in Figure 8) may be categorized into two types: major activities (inbound logistics, operations, outbound logistics, marketing and sales, and service) and support activities (which include warehousing, distribution, and transportation) (infrastructure, human resource management, technology development and procurement). These regard to the present as integrating tasks that cut beyond the conventional roles of the organization, according to the company. In the supply chain, competitive advantage is gained from the method in which enterprises organize and conduct the activities that are essential to their success. An organization must generate value for its consumers by either completing these operations more efficiently and more effectively or conducting these operations in a unique fashion that distinguishes it from its opponents. This is how a company gains a competitive edge over its rivals.

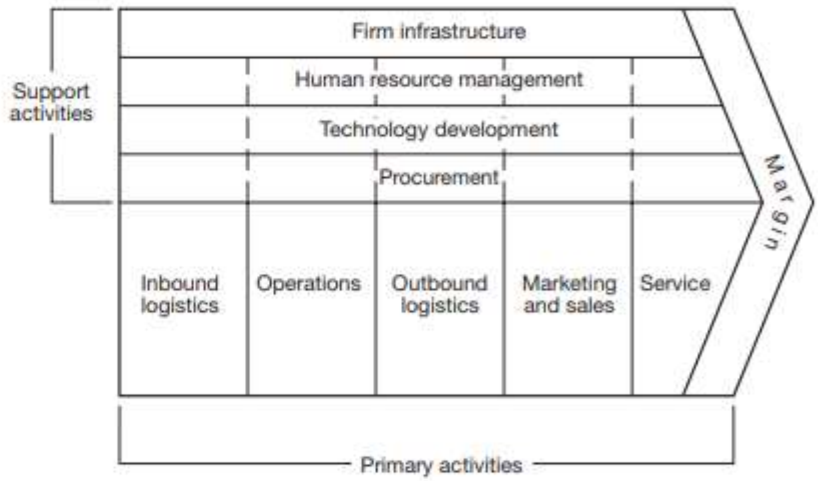

Figure 1.8: The value chain

The mission of logistics management

According to this entire systems perspective, logistics management refers to the process by which the demands of consumers are met via the synchronization of materials and other resources flows that stretch from the marketplaces, through the business and its activities, but beyond that to providers. It is undeniable that achieving this level of company-wide connectivity would need a fundamentally different organizational attitude than that which is generally seen in traditional organizations. For instance, advertising and production have traditionally been seen as essentially independent operations inside an organization for quite some time. At greatest, they have co - existed peacefully; at worst, they have engaged in open combat. Priorities and goals in the manufacturing industry have traditionally been centered on operational efficiency, which is attained via extended production cycles, minimal set-up or change-over times, and product standardization. Advertising, on either hand, has aimed to establish competitive advantage via a wide range of products, high levels of service, and rapid product modifications. The ability for production and marketing to operate independently of one another in today's more chaotic climate has been eliminated. The intramural battles between the barons of development and marketing are manifestly harmful to the attainment of the company's overall objectives.

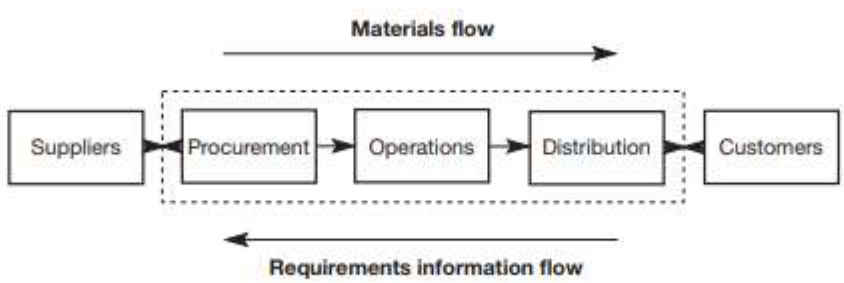

Figure : Logistics management process

The supply chain and competitive performance

To a large extent, most organizations have traditionally considered themselves as distinct entities that struggle with one another for survival rather than as entities that exist separately of one another. The problem with this mentality is that it may lead to a refusal to deal in strategies to succeed, which is ultimately self-defeating. The notion of supply chain collaboration is at the heart of this apparently incongruous principle. The supply chain is a system of organizations that are engaged in the many functions and procedures that creates profit in the form of goods and services in the hands of the end customer, and who are linked together via upstream to downstream links. A shirt maker is part of a supply chain that stretches upstream from fabric weavers to fiber producers and downstream from wholesalers and distributors to the ultimate customer, as an example. Even though each of these organizations in the chain is reliant on the others by definition, they have a long history of not working closely together, which is counterintuitive given their need on one another.

That is not the same as vertical integration to talk about logistics management. Vertical integration often entails the acquisition of external providers and downstream consumers by the same company. Once considered a desirable approach, organizations are increasingly concentrating on their 'core businesses,' which are the areas they do exceptionally well and since they have a distinct edge over their competitors. Everything is 'outsourced,' which means it is purchased from sources other than the company. As a result, enterprises such as vehicle manufacturers, who may have earlier manufactured their own elements, now just assemble the completed product, as an instance. Other corporations, such as Nike, which manufactures footwear and apparel, may also outsource the production process. These businesses have been referred to as 'virtual' or 'network' organizations in certain circles. It is clear that this trend has significant implications for logistics management, not the lowest of which is the challenging issue of incorporating and co-coordinating the movement of supplies from a diverse network of providers, many of whom are located overseas, as well as the challenge of determining the distribution of the final product through a network of multiple distributors and channel partners.

The traditional adversarial nature of interactions between suppliers and downstream consumers was more prevalent in the past than now. It is still the case today that certain corporations may aim to reduce costs or increase profits at the expense of their supply chain participants in order to accomplish these objectives. Companies like this fail to see that just shifting expenses upstream or downstream somehow doesn't boost business in the long run. The rationale for this is because, in the end, all expenses will find their way to the finish line marketplace, where they will be represented in the price paid by the final consumer. Rather of using the usual approach, leading-edge organizations attempt to make the distribution network benefit of the entire more competitive by increasing the value it provides while simultaneously reducing the expenses it incurs overall. They have realized that the actual rivalry is not between companies, but rather between supply chains against one another.

It must be acknowledged that, despite the fact that the notion of supply chain management is pretty recent, it is nothing more than an expansion of the rationale of logistical operations. Logistics management is largely focused with results from this work flows inside an organization, but supply chain management recognizes that internal communication alone is not sufficient for supply chain strategy. From the stage number one spot of properly functioning autonomy where each functional area such as manufacturing or buying does its own thing completely isolated from the other business operations, Figure 10 implies that there is an advancement of assimilation from that situation to a stage 10 role of effective implementation. Example: a manufacturing company that aims to reduce its unit costs of making by running extended manufacturing lines without concern to the accumulation of completed products stock, and need for additional warehouse space, or the effect on cash flow would be an instance of this.

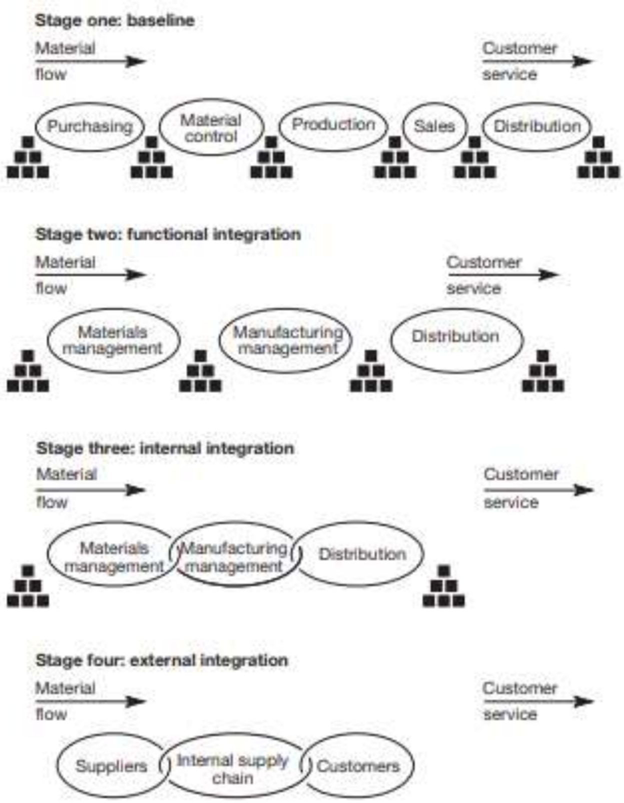

Figure: Achieving an integrated supply chain

Stage 2 organizations have recognized necessity at least a small level of connectivity between adjacent tasks, such as transportation and stock control, or buying and resources control, and have taken steps to achieve this. Establishing and implementing a end-to-end strategic plan, which will be covered in detail later in this book, is the logical next step after completing stage 3. Stage 4 reflects actual supply chain integration in that the notion of connection and coordination that was accomplished in stage 3 is now expanded upstream to vendors and downstream to consumers, so achieving full supply chain integrating. This highlights the need of distinguishing between logistics management, which is critical to making informed decisions.

Logistics:

Considering that logistical activities have consistently been critical to organizations, it is no surprise that organizational supply chain management (SCM) refer to a fusion of numerous ideas and guidelines drawn from the more customary territories of publicising, formation, bookkeeping, purchasing and public transit, as well as from the commands of linked science, hierarchies conduct, and economic implications.

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