

15.7: Supply Chain Management Logistics

What you'll learn to do: explain the importance of supply chain management and logistics

In this section you'll learn about the role of supply chain management and logistics in the production of goods and services.

Learning Objectives

- Differentiate between supply chain management and logistics
- Differentiate between inbound and outbound logistics

Supply Chain Management and Logistics

The following video provides an overview of the importance of supply chain management and logistics.



Supply Chain Management

As you saw in the video, **supply chain management** is the process of managing the movement of raw materials and parts from the beginning of production through delivery to the consumer. In many organizations, operational supply chain decisions are made hundreds of times daily, affecting how products are developed, manufactured, moved, and sold. The complexity of the supply chain varies with the size of the business and the intricacy and quantity of items manufactured, but most supply chains have elements in common, such as the following:

- **Customers:** Customers start the chain of events when they decide to purchase a product offered for sale by a company. If the product has to be manufactured, the sales order will include a requirement that needs to be fulfilled by the production facility.
- **Planning:** The planning department will create a production plan to produce the products to fulfill the customer's orders. To manufacture the products, the company will then have to purchase the raw materials needed.
- **Purchasing:** The purchasing department receives a list of raw materials and services required by the production department to complete the customers' orders.
- **Inventory:** The raw materials are received from the suppliers, checked for quality and accuracy, and moved into the warehouse.
- **Production:** Based on a production plan, the raw materials are moved to the production area. These raw materials are used to manufacture the finished products ordered by the customer and then sent to the warehouse where they await shipping.
- **Transportation:** When the finished product arrives in the warehouse, the shipping department determines the most efficient method to ship the products so they are delivered on or before the date specified by the customer.

Take a look at the following video about BYU ice-cream production. Can you identify each of the above elements in BYU's supply chain?



Logistics

When used in a business sense, logistics is the management of the flow of things between the point of origin and the point of consumption to meet requirements of customers or corporations. The resources managed in logistics can include physical items such as food, materials, animals, equipment, and liquids, as well as abstract items such as time and information. The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, and warehousing.



There is often confusion over the difference between logistics and supply chains. It is now generally accepted that logistics refers to activities within one company/organization related to the distribution of a product, whereas supply chain also encompasses manufacturing and procurement and therefore has a much broader focus, as it involves multiple enterprises, including suppliers, manufacturers, and retailers, working together to meet a customer's need for a product or service.

One way to look at business logistics is “having the right item in the right quantity at the right time at the right place for the right price in the right condition to the right customer.” An operations manager who focuses on logistics will be concerned with issues such as inventory management, purchasing, transportation, warehousing, and the planning and organization of these activities. Logistics may have either an internal focus (inbound logistics) or an external focus (outbound logistics).

Inbound Logistics

A manager in charge of inbound logistics manages everything related to the incoming flow of resources that the company needs to produce its goods or services. These activities will include managing supplier relationships, accessing raw materials, negotiating materials pricing, and arranging quicker delivery.

Outbound Logistics

A manager working in outbound logistics will focus on two issues: storage and transportation. They will use warehousing techniques to keep the finished goods safe and accessible. Because the products may need to be moved out to a customer at any moment, proper organization is crucial. Having as little product stored as possible can be advantageous since stored products are not making money, so the outbound logistics manager often has to balance company cost savings with consumer demand. The transportation function is by far the most complex part of outbound logistics. Without transport, there simply is no logistics. For that reason, it's critical to be able to move the product from one location to another in the fastest, most cost-effective, and efficient way possible. Since transportation involves fluctuations, factors such as delays and changes in fuel costs need to be taken into account to cover all possible scenarios that might jeopardize the efficient movement of goods.

This page titled [15.7: Supply Chain Management Logistics](#) is shared under a [CC BY 4.0](#) license and was authored, remixed, and/or curated by [Karen Calendo](#) via [source content](#) that was edited to the style and standards of the LibreTexts platform.

- **12.6: Supply Chain Management Logistics** by Boundless is licensed [CC BY-SA 4.0](#). Original source: <https://courses.lumenlearning.com/waymakerintromarketingxmasterfall2016>.