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BUS 320
CH 11

Logistics is the transporting, storing, and handling of goods in ways that match target customers' needs with a firm's marketing mix – both within individual firms and along a channel of distribution. **Physical distribution (PD)** is another common name for logistics.

Customers think in terms of the physical distribution **customer service level** – how rapidly and dependably a firm can deliver what they, the customers, want.

PD is, and should be, a part of marketing that is “invisible” to most consumers.

Most customers would prefer very good service at a very low price. But that combination is hard to provide because it usually costs more to provide higher levels of service. So most physical distribution decisions involve trade-offs between costs, the customer service level, and sales.

- As service level increase, transportation costs initially fall as the firm makes larger shipments – and then rise a bit as shipments become more frequent
- Inventory costs rise as the retailer carries more computers to meet any level of demand
- Cost of lost sales initially falls because customers are not likely to buy a different product when the model they want is in stock. However, as customer service climbs to higher levels, the seller must raise prices to cover the higher service levels. This leads to some customers choosing alternatives – and raises the cost of lost sales
- When all of the costs above are added together, and total costs fall as service level increases – but then rise. The optimum level of customer service occurs where total costs are minimized

Information technology can improve service levels and cut costs at the same time. Better info flows make it easier to coordinate activities, improve efficiency, and add value for the customers.

The **physical distribution concept** says that all transporting, storing, and product-handling activities of a business and a whole channel system should be coordinated as one system that seeks to minimize the cost of distribution for a given customer service level. Both lower costs and better service help to increase customer value.

The **total cost approach** involves evaluating each possible PD system and identifying all of the costs of each alternative.

The **supply chain** is the complete set of firms and facilities and logistics activities that are involved in procuring materials, transforming them into intermediate or finished products, and distributing them to customers.

Electronic data interchange EDI – an approach that puts info in a standardized format easily shared between different computer systems. With EDI, a customer transmits its order info directly to the supplier's computer. The supplier's computer immediately processes the order and schedules production, order assembly, and transportation. Inventory info is automatically updated, and status reports are available instantly.

Transporting is the marketing function of moving goods. Transportation makes products available when and where they need to be – at a cost.

Storing is the marketing function of holding goods so they're available when they're needed. **Inventory** is the amount of goods being stored. Storing is necessary when production of goods doesn't match consumption. This is common with mass production. Storing can increase the value of goods, but storing always involves costs.

Private warehouses are storing facilities owned or leased by companies for their own use. **Public warehousing** are independent storing facilities.

Bar codes, UPCs, numbers, and electronic radio frequency identification RFID tags make it easy for computers to monitor inventory, order needed stock, and track storing and shipping costs.

A **distribution center** is a special kind of warehouse designed to speed the flow of goods and avoid unnecessary storing costs.