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COURSE NAME:

**(Concept of logistic and distribution)**

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**Introduction.**

Work in logistic involves the integration of information, transportation, inventory, warehousing, material handling, packing, human resources and sometimes security. The goal is managing life cycle of a project from birth to completion.

Logistic is a business concept that evolves during the 1950’s due to the increasing complexity to supplying business with materials and transporting products in an increasingly globalized supply chain. The complexity led to a call for experts in the process who are called logisticians.

To create efficient logistics, it is necessary to have both efficient and effective internal material flow between companies. Supply chain management is used as a similar concept but emphasizes on the significances of integrating flows within the individual company with other companies in the supply chain. Supply chain also encompasses the planning and management of all activities involved in logistic management such as collaboration with supplier, intermediaries, third party service providers and customers also.

**Scope and definition.**

Logistic has become one of the most exciting and challenging operational areas of business and public sector management in various ranges of activities which includes inventory control, order processing, distribution, communication, customer service, demand forecasting, procurement, return goods handling, warehousing and storage and many other activities.

Logistic is the part of supply chain process that plans, implement, and control the effective forward and reverse flow and storage of goods, service, and related information between the point of origin and the point of consumption to meet the customers requirement.

According to Philip Kotler, He defined logistic as planning, implementing, and controlling physical flow of material and finished goods from point of origin to the point of use to meet the consumers need at a profit.

**The historical perspective**

Logistic is a word traced from the Greek word Logistikos and the Latin word logisticus meaning the science of computing and calculating. The term logistic was frequently used during the ancient period in connection with the art of moving armies, food supplies and armaments or soldiers to the frontline where there is war. It was however traced in the years of 17th centuries during French war. The term logistic gained power during the World War two in arm operation as a term referencing the movement of supplies, men, and equipment across boarder. after WWII, US then used the term Logistics Officially.

In the current situation Logistics gained wider meaning and is being used in business to refer to movement of raw materials from suppliers to the manufacturer and finally movement of finished goods to the consumers.

**Importance of logistics and distribution.**

Logistic as a vital part of supply chain management utilized in planning, implementing, and controlling the flow and storage of goods and service to meet customers requirement as a business concept played a lot of roles which may include.

**1-Improvement of efficient.** creating visibility into company’s supply chain can further improve production. efficiency business management can utilize the analyzed data and tracked movements of goods in and out of business from transportation management system for process optimization and avoiding potentials disruption.

**2-Seamless Delivery.** Logistic and distribution are important elements of successful supply chain that helps increase the sale and profit of business that deal with the production, shipment warehousing and delivery of products. reliable logistic service can boost a business value and help in maintaining a positive public image.

**3-Provision of quality customer satisfaction.** Satisfied customers are vital and help define a business true success. good logistic management creates reliable strategy that helps provides superior service to meet customer demands.

**Integrated Logistic and supply chain.**

Integration has been one of the dominant themes in the development of logistic management. The integration started at the local level of transport and warehouse operation into physical distribution system. Many businesses are integrating supply chain networks that traverse the global world comprising of several tiers of supplier and distribution using different transport modes and carriers. Looking at the integration of the logistic functions some years back and now, it shows that it has widened its scope from the distribution of finished goods to end-to-end supply chain and has elevated from an operational to strategic level.

**The logistic concept.**

Logistics involves range of activities that are related to production and distribution of goods for consumption which is composed of two branches.1.the material management which is concerned with activities of production parts and finished goods including their packaging and recycling.2. Physical distribution involves making parts and finished goods available for consumers particularly transportation and warehousing.

However, three logistic concepts are formulated regarding interrelationship between the logistic function for cost effective and efficiency operation.

1.The total trade-off concept. According to this concept, various cost related to logistic management system cannot be treated separately and a trade-off has to be created to achieve the objective of overall minimization’s e.g., firm may increase the number of Warehouse (involve investment opportunity cost) hence may help in reducing the transportation cost but at the same time it may elevate the inventory and order processing cost.

2.Total cost concept. According to this concept various logistics costs must be considered collectively and counterbalance to attain optimum cost level while choosing various alternative courses of actions with respect to production distribution. E.g. taking choice for transportation type, a firm has to consider all other costs (inventory holding, Warehouse costs) associated with a given transportation type and not just transportation cost.

3.Total system concept. In this all the components of physical system which impact the market at the same time are considered .the total system concept is the most commonly used concept .it is derive from the total cost concept and its application to design and specification ,accounting of enoromental demands ,selecting of compatible materials ,production technology and quality assessment of all materials and operation can assure the containment of a long term performance .the system concept defines a system as election of interrelated components.

**Planning for Logistics.**

Logistic planning can be a form of logistic management where business, company, and organization owners strategize how to deliver the right products to right customers at the right time at the lowest cost. The goal is to build lean and cost-effective logistic operation that can always achieve service level and withstands supply chain disruption.

Planning process for each company might be slightly different because it involves critical thinking through logistics systems such as the production, procurement, and shipping .so planning all the distinctive logistic functions involves each system approach such as the warehousing, fulfilment, returns, raw material, handling, and inventory management.

The logistic planning process has levels which includes the strategic, tactical, and operational which can be further discussed in the next course title.

**The financial impact of logistic.**

The accounting side of a business looks at how much the company spend on transport and warehousing and what opportunities for cutting cost through discounts or less expensive vendors. Adopting what Geishecker calls a “score keeper” captures information largely for the purpose of historical reports.

In the past transportation and warehousing have served easy targets for corporate cost-cutters because they were highly visible functions while inventory expenses have come down steadily over the past decades because of low interest rate, but not cost of internal budget slashing placing finance with its emphasis on the price of inventory and money at the forefront of cost-saving opportunities.

The potential cost of logistic service directly affects the firm financial performance. outsourcing or self-service business always must spend on the logistic costs. Inventory cost is the major element of total logistic cost. The more reasonable the logistic cost, the higher the level of business efficiency and vise-versa. Logistic cost includes, transport cost, raw material inventory, inventory cost, cost of order processing and the information system, costly paperwork, delivery, and payment.

It is by hypothesis that statistically significant positive relationship between the cost of logistic quality and firm financial performance .in other words the high the cost of logistic quality, the high the finance

**Globalization and logistics.**

Globalization became an integral part of success in a sector where firms of every size competing for a foothold in the foreign market in addition to the local markets. To build a market influence, survive and outpace competitors’ logistics companies need to adopt to the changing conditions of globalization. Globalization can be defined as integration of production, distribution and the use of goods and services among the economies of the globe or world.

Globalization as a concept basically integrate and mix cultural diversity, economic and infrastructural benefits through expansion of transitional investment, information and communication system and technology.

Logistic system which is part of supply chain has continually been influenced by innovation and the global challenges. Globalization process has imposed structural changes in the system of logistics, supply chain management, transport regulation, organizational structure, value system, and the competitive vibrations in the market.

Numerous ranges of emerged forms through which globalization appears an affects logistics which starts with the internet technology, collaboration between companies and the associated forms. Global logistics depends on information technology like never, it is not only tracking shipments, but also moving millions of dollars’ worth production around the world.

**Integrated system in logistics.**

To be successfully in the current global and digital environment, businessmen look for an integrated logistics service that can serve as the backbone of their business. Integrated system supports business operation right from supply chain and procurement, customer fulfilment and returns.it involves the process of anticipating customers’ needs and demands acquiring, storing, and dispatching raw materials and coordinating deliveries. The logistic integrated system is a service-oriented aiming at building better and stronger channels and communications.

**Benefits of the integrated logistic system.**

The integrated logistic system increases collaboration and high visibility, anticipating and meeting customer demands, reduction in operational costs, high profit margins, reduction in waste and its flexibility.

**Competitive advantage through Logistics.**

Competitive advantage is the attributes that allows organizations to outperform its competitors.it may include accesses to natural resources, high skilled labor, geographical locations access to new technology.

**Logistic and supply chain management.**

Logistic and supply chain management are terms that are prevalent and are used frequently in the modern business world and other areas involving several activities including military operation among many others. However, it has become difficult to indicate whether both are the same or not, but many have been using the two terms interchangeably. there are existing distinctive differences between the two.

Logistic is a term used to describe the process of handling goods within the specific departments at the same time keeping inventory document of the status.

The illustration of Logistic Management.

**Reverse logistic.**

**Supply chain community**

**Raw Material Manufacturer Distribution Whole-salers Retailer End-User**

**flow**

Supply chain management is a terminology used to describe all activities which includes purchase of raw materials, receiving of raw materials, manufacturing and production of goods and delivery of the desired goods to the final distribution to consumers.

**Raw materials Supplier Manufacturing**

**Consumers Customers Distribution**

Major differences between logistic and supply chain management are their intended goals and objectives within an organization. Logistic goals within an organization department are ensuring that customers attain maximum satisfaction during their interaction with the organization, on other hand supply chain management has the goal and objective of ensuring that the company achieves competitive and comparative advantages through effectiveness and efficiency.

**Customer service and logistics.**

Customer service concept varies from organization to organization. Many different organizations have different policies and views towards customer service. Customer service in an organization’s activity can be considered a set of functions or activities taking place in the customer service departments of an organization with the aim of dealing with customers and satisfying their demands which includes complaints, claim handling etc.

Customer service as a process. This is another perspective of customer service that takes place between a seller, buyer and sometimes third party that create something of long- or short-term value for the properties. from this view customer service can be defined as a process to effectively provide considerable added value for the whole supply chain.

Customer service from the customers perspective and in the context of logistics, it is known to be the 7R’S which refers to providing right customer with the right product at the right place, right time and right cost in the right condition and right quantity.

**Importance of customer service.**

Customer service is very vital in operating a business, company and running of an organization.

Retaining customer is very key in a business this is because it is very cheap to retain first customers than to acquire new customers. Customer service retains customers to extract more value from them.

Customer service is not just about being courteous to your customers but a vital element of business operation that can impact bottom-line and affect how company is viewed in the public.

Customer service boosts employee morale and reduces turnover costs. Employees love to effectively and quickly help customers to make customers happy symbolizing good Job done.

**Customer service elements.**

Customer services involve a lot of activities which is referred to as components or elements. According to the study sponsored by the national council of physical distribution management, customer service elements can be categorized into three.

1.Pre-transaction element. It arises prior to the actual transaction taking place. This includes written customer service policy, single order, contact point accessibility, or order personal, system flexibility, organizational practice.

2.Transaction elements. They are directly related to the physical transaction. includes order life cycle, order preparation, inventory availability, delivery alternatives, delivery time, delivery availability and order status information.

3.Post transaction elements. This involves order that occurs after delivery has taken place, example includes, call-out time, order preparation, invoicing procedures, claim procedures, return policy, production tracing, availability of space, customer complaints and procedures.

**Developing a customer service policy.**

Customer-service elements have a significant effect on a firm’s sales and benefits. Developing precise and detailed policy for serving customers is a key to success for any organization.

When setting a policy with respect to customer service, consider the following

points in this section.

1.Defining Proper Service Levels.

Customer-service policy must be focused on customers. Most organizations tend to set service levels based on management judgments and experiences results of past activities, and some norms of associated industry. This approach, however, usually leads to unreliable service levels because in most cases there are differences between what a firm and its management consider about their services and what the customer experiences and perceives. In contrast, an appropriate

2.Customers Are Not the Same.

It should be remembered that every single customer has their own needs and expectations,

none of which are the same. Moreover, they do not provide equal benefits to the organization which is same for a firm’s products. Some are more beneficial than others. As a result, in setting policies for customer service, a firm should not assign the same service levels to all customers and products instead, it should apply some grouping and segmentation based on the differences.

3.Increasing Service Levels Are Costly.

It is important to remember that any service level has its own cost. As the level of services increase, the associated costs also rise. when setting customer-service levels, the trade-off between revenue from services and the cost of establishing them should be considered. The purpose of any organization should be to minimize the overall costs of its logistics system while providing a logical and satisfying level of service.

In addition, a firm’s customer-service policy should be definite and clear. Following an organized and structured approach will achieve this. The following section introduces the steps for developing an appropriate policy.

**The following are the steps for developing Customer-Service Policy**

1.Determining Major Elements of Customer Service from the Customer’s Point of View. First step in setting any service policy is identifying which service elements are important to a customer when dealing with a firm. and how the relevant elements are derived from customers’ viewpoints.

2.Identifying the Relative Importance of the Major Service Elements.

After the list of key service elements is derived, next step is to determine the elements’ relative importance and priority. Appropriate questionnaire can be designed that captures the key elements and asks a sample of customers to weigh each element based on how important customers consider that element to be when dealing with the firm. The scale of ranking can be optional. This steps customers ‘priorities in service elements are recognized. The designed questionnaire can be sent to the customers in several ways for example, by e-mail, fax, mail, and through face-to-face interviews.

3.Determining Customer Evaluations of Current Service Levels and Firm’s Competitiveness. Identifying the elements is not important to customers by itself because it will not set a proper policy. So, Managers need a broader view of the firm’s current situation in providing services and its position compared to other rivals. To get this information, they require customers’ judgments. And for collecting customer’s viewpoints, again, a questionnaire is useful. Knowing how customers evaluate other competitors in delivering services is important because the results may show that high-level services are provided, but it is not a competitive advantage for that organization if it is not higher than its rivals?

4.Identifying Different Segments of Customer Service.

A firm’s customers consist of different groups, each with distinctive needs and expectations. may be from different parts of the country or even from outside national borders and need different packaging methods, distinct modes of transportation, and others Thus, they mostly require distinct service levels, so providing the

same services for all groups are neither economical nor feasible .it is through that customer are not the same; some provide the firm with more profit than others.

Some are much more beneficial than others; therefore, they require more attention and higher service levels as a result, it is necessary for any firm to identify different groups of its customers and set the service levels for each class based on its expectations and profitability. This gives rise to the need for customer segmentation represents a group of customers with similar needs, preferences, and behaviors2 that are different from others Analysing Service Requirements for Each Segment and Defining Service Packages

With the identified segments and valuable data from previous steps, a firm can analyses the real requirements of each segment and define proper service packages with the appropriate associated levels.

**Customer-Service Level**.

customer service level is how many times customers got services of different quality usually expressed as a percentage and has immense influence on a contact center’s reputation.

providing customer service is a mixed blessing. high-level services increase customer satisfaction, which leads to high profitability; on the other hand, it is costly because each level of customer service

needs to allocate different resources and therefore has a certain amount of cost. Hence, it is important to strike a balance between cost and profitability of customer-

A Sample Model for Defining Cost-Effective Customer-Service Level

Determining a cost-effective customer-service level that simultaneously considers

profits and associated costs are a major concern. Mostly, it is unclear to an organization which service level will satisfy customers and what amount of inventory is required to accomplish that.

Cost of service

Service level

According to Jeffery in logistics and supply-chain literature, there are a wide range of models for determining service level and the appropriate investment in inventory, each of which considers different variables and constraints and has its own advantages and disadvantages.

Logistic Regression Modelling

There are two groups of models developed: planning models and insight models.

**Planning models** were developed to model the relationship between delivery performance

and inventory and for use in future model development. The planning

models were developed for each individual product in addition to an aggregate

model for both groups

**Insight models** was to understand other factors ‘impacts on the relationship between delivery performance and inventory. Insight models were developed for each group of products.

The result of each planning and insight models was a binary variable. The variable is 1 if the order was on time or early, and a value of 0 shows a late order. The aim of the two modelling groups was determining the weeks of inventory value while providing appropriate service levels for customers.

**Four levels of customer service.**

**1.Unsatisfactory**. means that a company isn't meeting customer expectations. Several factors contribute to unsatisfactory customer service, including the quality of the service, poor face-to-face interactions, the time it takes to receive a product or service or the overall experience with the company.

2. **Meeting customer expectations**. Meeting customer expectations is often the minimum requirement to ensure your company or organization stays in business. Here businesses meet customer needs, and there are no consistent complaints about the service

**3. Exceptional customer service**. It means that you take extra steps to provide high levels of service. At this level, companies have successfully established a loyal customer base, making it difficult for competitors to attract them away.

**4. Exceeding customer expectations**. This type provides customers with a memorable experience, starting with the initial greeting and ending with the closing interaction.

**Measuring Customer service.**

First Identify areas of your customer service that are measurable. There are many ways to measure the success of your customer service.

Mystery shoppers. organize a friend or family member to be a mystery shopper or mystery phone caller. Have them ask specific questions of your staff to test their product knowledge, helpfulness and the time taken to be served.

Survey and feedback forms.

Customer feedback is another good measure of your service. To collect information on customer satisfaction, use survey cards where customers rate aspects of your service for example on a scale of 1 to 5.

Business Website. You can include a feedback section on your website, such as a message board, or make a clear 'contact us' section and say that you appreciate all feedback.

Business records. You can also measure aspects of your business that have numerical values, such as the number of orders, number of complaints and number of hits on your website, as these are affected by your customer service.

**The customer service Explosion**

The Year of the Customer." So much is shifting and rapidly changing in the world of [customer service](https://www.inc.com/customer-service), from advanced cloud-based technologies to the rise of self-service and even advancements in the social customer service sphere. All of which are driven from the explosion of touchpoints accessible for consumers to effectively engage with brands to get the answers they want and the resolutions that they need.

Receiving great customer service triggers the same cerebral reactions as feeling loved, sometimes even increasing heart rate. Customers nowadays carry in the palm of their hand a device that supports dozens of ways to reach you, and they can do just that at any given moment. Consumers expect to be able to find the answers and resolution they need through whichever channel they choose. In the past, customer service focused on "delighting their customers.

The internet doesn't sleep, and sometimes when your customers are having a crisis or need an answer, they aren't sleeping as well. unto itself, but rather an integrated part of your entire customer care plan.

**Channels of Distribution.**

Distribution Channel. Refers to the route that good s or service take from production to the consumers or buyers.

**Distribution channels** are so important in any business because they help a company to increase its revenues and expands it to reach into other areas that offer potential. Very distribution channel has a producer and end consumer, however the number of intermediaries which includes wholesalers, brokers, trasporters ,distributers and retailers all varies.

**There are four main types of distribution channels**

1. Direct – often referred to as business to consumer or direct to consumer. The producer of the products sells them directly to the consumer via traditional retail or online stores under the producer’s brand name .it is typically used when brand awareness is strong.  
  
2. Indirect – often referred to as business to business. The producer uses intermediaries such as wholesalers and retailers to make their product available to a wider market. The wholesaler or retailer buys the product from the producer and takes on the risk of selling the product.  
  
3. Omni / Dual – the producer sells their product through both direct and indirect channels. Different channels are often used in different markets and/or regions.  
  
4. Reverse – this channel sees product flows starting at the consumer and returning to businesses, so that products can be re-used, refurbished, recycled, or disposed of.

Physical Distribution:

Physical distribution focuses on an efficient movement of goods from manufacturer’s intermediaries and the consumer.

Channel and physical distribution decisions are interrelated, but channel decisions are always made earlier.

I. The aim of physical distribution is to provide intermediaries and customers with the right products, in the right quantities, in the right locations, at the right time.

ii. Effective physical distribution saves cost and improves customer service levels. Co-savings can be achieved by reducing inventory levels, using cheaper forms of transport and shipping in bulk.

iii. Physical distribution management concerns the balance between cost reduction and meeting customer service requirements. Tradeoffs are often necessary.

iv. Analyzing the market in terms of customer service needs and price sensitivity will reveal two segments.

vii. High service needs, low price sensitivity.

viii. Besides tradeoffs between physical distribution costs and customer service levels, there are possible conflicts between elements of physical distribution itself. Inventory management may favor low stocks to reduce costs but if this leads to stock out this may raise costs

Elements of the Physical Distribution System:

The purpose of physical distribution system is to make the product available to the customer.

1. Customer service – What level of customer service should be provided?

2. Order processing – How should the orders be handled?

3. Inventory control – How much inventory should be held?

4. Warehousing – Where should inventory be located? How many warehouses should be used?

5. Transportation mode – Which modes of transport should be used to transfer goods on time and without damage?

6. Materials Handling – How Will the Products Be Handled During Transportation?

**Channel Selection.**

Before you choose a distribution channel for your products, consider the following factors.

Type of product. Perishable or is unstable, you will need it to arrive quickly and in controlled conditions. You may need to use a direct distribution method.

Market. Whom are you selling products to consumers or other businesses? Are they more likely to purchase from brick-and-mortar retailers, websites like Amazon, or sellers on social media? Can you ship directly, or do you need to work with retailers?

Middlemen. a middleman can help distribute products quickly and efficiently depending on your needs and the demands on your time and budget

**How to Choose a Channel of Distribution**

Once you have a sense of the type of distribution channel that will work best for your business and customers, you need to select a specific option. Depending on your business and where your customers are located, you may need more than one.

To choose the right channels, you will need to:

Consider your competitors. What methods are your competitors using? Why? Does it provide a qualitative advantage over other channels, or is it simply the way the industry has always operated

Examine costs and benefits. After deciding on a method of distribution, creating the support systems that go with it is time-consuming and expensive. Once your company is oriented around a specific distribution channel, it's difficult to reverse your decision. Carefully weigh the costs and benefits associated with each option before committing resources to it.

Rank your options. After examining the different methods available to you, rank them by order of preference according to what will net you the highest revenue at the end of the year, minus associated costs.

Have a plan for growth. You may find that pursuing one distribution channel doesn’t preclude you from adding additional channels as you acquire more capital, or that as your business expands you need additional methods of connecting customers with products. Keep up with your market and competitors so that you can continue to make informed decisions about distribution as your market grows.

**Outsourcing channels.**

Distribution outsourcing. This is hiring a company that specializes in distribution to handle it for company’s need, to see how it would work.

The first step in deciding whether to insource or outsource warehousing or distribution is to define the operational goals after doing in-depth analysis of current situation.

There are different levels of outsourcing which nit all will suit your business requirements. Some of them includes.

A transactional relationship with a service provider with agreed deliverables but not on long-term agreement.

A negotiated term agreement for the provision of services that also allows for the exchange and free flow of information.

A true partnership contract that defines the relation and provides full visibility into each other’s operation with possible gainsharing

Insourcing can be an option

It may be better to keep warehousing and distribution operations in-house. main advantage is that you retain direct control of your facilities, inventory, processes and data and you control your own workforce.

Another possible reason to keep your operations close is that it tends to give your key customers and other stakeholders the confidence that they are dealing with a single integrated and efficient organization.

**Advantages of outsourcing your distribution**

One of the main reasons for outsourcing is the focus on core business and leave specialized services to the experts.   Another hard reason is the reduced need for capital investment in plant and equipment and possible savings in the cost of maintenance and repairs.

There are other softer benefits that can’t be easily quantified such as fewer staffing headaches and not having to be an expert on the supporting technology.

**Experience and specialization**

Here we looked at Supply chain operations which are not normally the main area of expertise for business owners and managers. so, outsource partner should have an established business with tried-and-tested processes and extensive in-depth knowledge of your industry and your market.

**Infrastructure and use of technology**

Outsource third-party distribution companies (3PLs) have access to the latest I.T. systems and software.  They have the capacity to stay up to date with the latest developments in the field especially in information management and reporting. They will ensure your needs are met by using the fastest, most efficient, and cost-effective methods.

**Continuous improvement**

Eliminating inefficiencies and improving overall customer service is made possible by sharing both experiences and information.  Openness between the customer and the supplier of services leads to receiving innovative ideas for improvement which can give your company a competitive edge.

**Flexibility and economies of scale**

A 3PL can scale up or down resources as your business changes because he works in combination with the needs of other companies, usually on a 24/7 basis.  Volumes fluctuate, some urgent requirements may be unplanned, and there will be seasonal variations in demand. Outsourcing can smooth out some of these headaches.

**Less capital expenditure**

Acquiring warehousing space and infrastructure for distribution requires a large capital investment.  It ties up capital that could be used for business expansion.  Dedicated assets, including property, people and equipment, are expensive and are often under-utilized.  When the facilities and resources are owned and operated by a third party, less capacity is wasted.

**Disadvantages of outsourcing?**

**Cost**

Outsourcing convenience comes at a price, the overall cost of outsourcing will probably be greater than if it is managed in-house.it may be offset by the benefits of speed to market and access to the latest technology.

**Loss of visibility and control**

Reliant on the competency and the ability of the third-party logistics and its staff to continuously deliver a superior service. Assume that they are working to the best. All these problems can be mitigated by agreeing on how to measure success and including these metrics within the contract.

**Reputational risk.**

The 3PL will be responsible for one of the most critical functions of your business customer service .so their mistakes, whether they have poor employment practice or lack of respect for the environment, reflects directly on your business.

**Key issues and challenges for logistic and the supply chain.**

There are multiple shifts in the world of supply chain, transport and logistics which are posing challenges.

External environment. This is composed of all the outside factors or influences that impact the operation of business. The business must act or react to keep up its flow of operations. The external environment can be broken down into two types: the microenvironment and the macro environment.

**Types of External Environments**

The microenvironment consists of the factors that directly impact the operation of a company.

The macro environment consists of general factors that a business typically has no control over. The success of the company depends on its ability to adapt.

Each type of environment has factors, or influences, to consider. We will review factors for both micro and macro environments, as well as how they relate to our gas station example.

**The Microenvironment**

Five factors that affect the microenvironment Suppliers: E.g at a gas station, what happens if your suppliers don't show up with food, beverages, gas, and other products? You'll have nothing to sell, which will have a direct impact on your operation. Customers: Customers are a requirement to run a business. If no one is buying, the business will close. Marketing Intermediaries: Middlemen have a direct impact on a business operation. They could be distributors, wholesalers, and other related people. Financiers: Typically, business owners take out a loan to get started, and the growth of the business depends upon their ability to obtain additional loans.Public Perceptions: a good reputation with the general public? You may have to work on this as you revitalize the business.

**The Macro Environment**

There are six factors that affect the macro environment, and these include.

Economic: Economic factors include supply and demand, exchange and interest rates, taxes, and government spending. The way the company reacts to economic changes is key, and this is where creativity comes into play. Sociocultural: This includes how consumers behave. Political: Changes in government policies and spending can affect business operation. For instance, does the business accept electronic benefits transfer (EBT)? Are there government projects in your area that will increase traffic? If so, the projects might have a positive effect on your business.

**Logistics and distribution**

Following the current economic scenarios, [Logistics](https://pedrazachb.com/services/logistics-and-distribution/) is one of the critical trade facilitators. Every business, small or large, depends on the [logistics](https://pedrazachb.com/services/logistics-and-distribution/) and distribution part of supply chain management for growth and flow. When a business starts dealing with import and export aspects of trading, [logistics](https://pedrazachb.com/services/logistics-and-distribution/) becomes a supreme source that keeps your business running.

Every company would strive to grow while having the edge over the competition by expanding strategically into global markets and thereby increasing revenues. The environment around these companies is constantly evolving, and we have been witnessing a major shift in the political, economic as well as technological domains around us. These changes are major, and the same reflects in the management of import and export processes. The [logistics](https://pedrazachb.com/services/logistics-and-distribution/) and distribution processes inclined towards a more diverse and flexible adaptation to keep up with the pace.

THE CHALLENGES

From the spectrum of different lead time to the complexity of collaborating, distribution is facing a lot of challenges across the way. looking at a situation where a business must collaborate with remote suppliers and partners while constantly following regulations and other trade tariffs. The same gets a frustrating hindrance due to economic and political instabilities. For many reasons, a hasty decision can lead to operational inefficiencies, eroding sales and extremely high [logistics](https://pedrazachb.com/services/logistics-and-distribution/) costs. The entire logistic and distribution process is very fragile. Every movement hinders the cost and effectiveness along the supply chain management line, and every decision needs to be in sync with a well-thought strategic approach.

The breakdown in the network effects in terms of reputation and money. Having a snap proof network continues to remain one of the greatest challenges in the import and export industry as the demand keeps on changing and new norms keep on entering the market. A comprehensive network minimizes the number of intermediaries and thereby helps to minimize damage or loss in transit.

KEEPING UP THE PACE WITH TECHNOLOGY

The distribution and [logistics](https://pedrazachb.com/services/logistics-and-distribution/) are at an impacting end of this constant technological evolution. When it comes to import and export [logistics](https://pedrazachb.com/services/logistics-and-distribution/) management, there has been a constant need of staying aligned with what the technology has to offer for improvements in this domain. The time today demands constant automation, seamless integration with Realtime information outflow at the helm of various software available across the market. Which allows the end to end the flow of information and control to ensure that the transit is smooth. The adaptation becomes costly and time-consuming but is a must.

**COMPLIANCE WITH THE GLOBAL TRADE PRACTICES**

Importing as well as exporting, we are directly pointing at a lot of international laws and norms, that are critical to the business practices. The legal system is primary and needs to be taken into proper consideration. Every country has a different set of rules and regulations, and the same reflects upon the distribution and [logistics](https://pedrazachb.com/services/logistics-and-distribution/) practices. These regulations may sometime end up with a delay and every agency involved needs to produce different licenses as well as permits to keep the flow smooth. The problem is that the political scenarios keep on changing dramatically.

**REAL-TIME AGILITY IN DISTRIBUTION AND LOGISTICS**

Every export and import business strive to keep the performance maximum and the costs minimum. Both the factors are directly linked to the type of transportation, fuel costs, etc. Therefore, companies starts to think about the optimal mode of transport, many other issues are getting their necks up and demanding immediate attention.

These issues include missed delivery dates, labor strikes, which in turn results in customer dissatisfaction. This challenge can be coped with contingency plans with includes real-time communication as well as collaboration with all the parties including factories, [logistics](https://pedrazachb.com/services/logistics-and-distribution/) providers, forwarders, and brokers. With improved visibility, the companies may be able to make informed decisions and identify opportunities.

**RETAILING.**

Distribution processes always finishes with retailing, where each transaction sells a product or service that has personal, family, or domestic use whether in the form of food, clothes, or car. Logistic has affected retailing very much. The mixing of retailing and logistic now has provided great benefits. logistic is concerned with producing, executing, transporting, sorting, providing services and managing inventories that interact with each other.

Big cycle of logistic starts with planning the physical movements of products from wholesaler to retailers to customers and implementing and controlling them. An optimum retail logistics is the one which lead us to 100%satisfaction in accessibility to an shelves goods for customers when they are needed.

There are three areas of challenges encounter in retailing which includes 1) the decreasing inventory 2) Reducing stockout 3) Customer’s service.

However, retailers and retail logistics has developed tasks concerning with managing the components of the logistic mix which includes.

1. storage facility. Retailers managed the warehouse or stock room facility to enable them keep stock in anticipation of or to react to demand for products.
2. inventory. all retailers hold stock to some extent, considering the amount of stock or inventory (finished product and component parts) that must be held for each product and the location of stock to meet demand change.
3. Transportation. Products must be transported in some way at some stage from production to consumption. Retailers therefore must manage a transport operation that involve different forms, different sizes and scheduling.
4. Utilization and packaging of products according to the consumers decision and product presentation.
5. Direct store delivery. The decision to use direct store delivery or distribution centers depending on the characteristics of the merchandises and the nature of demand. the vendor offering the DSD undertakes additional services such as the merchandizing and information-gathering about inventory level.
6. Distribution centers are to lower inventory levels because the amount of backup stock needed in centralized distribution centers should not be less than the amount of backup stock needed in all the stores served by the centers.

**CONSUMERS.**

Customer obsession is an expression which is a priority of concern today, and the winners will be those companies that best meet consumers’ demands. One of the most critical challenges today lies in the fact that the consumer is in control throughout the purchasing journey right up until delivery, but after that, their power often ends there. Many merchants have not given the consumer the opportunity to control the delivery. When consumers do get to influence what delivery options have been ordered, are given the ability to affect delivery also after check-out, and they have shaped where, when, and how delivery will take place, then the logistics are working and can contribute to an even stronger relationship between the customer and seller.

**Conclusion**

In this essay an introduction ad concept of logistics defined and viewed in the context of movement of materials from location of origin to final destination of consumption, scope and definition were discussed and key words “Logistikos” Greek word and “Logisticus”from Latin word explained from the historical perspective of logistics, importance of logistics as part of supply chain management discussed, distribution and channels of distribution were discussed and importance of distribution channels also looked at. Customer service and elements and importance of customer service to the business community were discussed.

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