

To meet customers' requirement, the goods produced must move from the point of production to the point of consumption in an environmentally friendly and effective manner, with less damages and at least cost – this is the main aim of Distribution & logistics.

# Distribution & Logistics

An Essay

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## **Introduction:**

The terms Distribution and Logistics are interwoven in that they play common roles and complement each other in most cases. It is difficult to dichotomize the two. In years past, recognition that the processes whereby we satisfy customer demands are of critical importance to any organization began to grow and is still growing. For businesses to meet the continuing service needs of customers, the process products development, manufacturing, and delivery to customers must be given utmost attention and ensure they are met. These crucial processes must be interconnected to provide basis for a reliable system that will be cost effective and also guarantee customer satisfaction through proper delivery on-time and in-full, this where the logistics function steps in, it connects all those aforementioned processes. There has been so much focus in the internal processes of most organization in the time past, however survey and studies have shown that the customer should be the focus. If procurement of materials happens and production is executed with strict internal controls in terms of quality and lean execution, it is of no use if such products are not sold and taken to the final consumer.

Distribution on the other hand has gone beyond being only concerned with transport and warehousing. For a successful distribution to happen, demand management must be given the desired attention and scrutiny it requires. The anticipation and fulfilment of customers' orders is key as one of customer service requirement. Forecasting in short and long terms, sales and market studies, customer requirement criteria and order fulfilment records are the key elements to a successful demand management. Some of this required information range from customers' requirements as a function of actual usage and consumption, schedule of production and status of inventory, and marketing

activities information viz promotions that may influence demand positively and create distortions in operations. Irrespective of how accurate forecasting may be, it is obvious that most times, the demand wouldn't be met on-time and in-full due to some prevailing logistics matters – businesses should rather strive to diminish her reliance on forecast dependence and improve information gathering on demand by putting in place systems that would encourage more rapid response to that demand in terms of supply and order fulfilment.

### **Definition of Distribution & Logistics:**

Distribution can be defined as the process of ensuring customers order are fulfilled in the right quantity, quality, at the right time, right place and at the least cost. Logistics on the other hand can be defined as all the activities involved in ensuring that the customers' orders are met ranging from material procurement, warehousing, and shipment to the desired customers. Logistics can also be looked at as a branch of military which oversees procurement, maintenance and transporting material, personnel, and facilities to the required venue. It is the thorough synchronization of a multifaceted operation involving facilities, people, and or supplies. Therefore, Logistics involves the control, recognition, cohesive planning, and strict monitoring of all internal and system-wide material, fragment, and product movement, including the necessary information movement.

Distribution and logistics can then be defined as integrated activities to enhance material flow to ensure the realization of customers' orders on-time and in-full in excellent and efficient manner. At the long run, distribution and logistics aims at achieving the underlisted goals and objectives:

- Ensuring the movement of goods through the supply chain from suppliers to manufacturers, quality assurance, warehousing, Sales, and distribution to the final consumers.
- Making available relevant information that could enhance operations and customer satisfaction such as sales forecasts, sales data, and promotional campaigns, as such providing the organization with a sustainable, competitive advantage which will place the business at advantage over competition.

### **Distribution Vis-a-Vis Logistics**

The detailed planning and processes involve in the efficient and effective supply of goods and materials to designated points is referred to as logistics. It considers processes and activities related to supply management, consignment and shipping packaging, quality maintenance of the product, environmental considerations in shipping and delivery, fleet handling/controls, security, routing of delivery, tracking of shipped products and materials, and warehousing. Logistics involves a lot of physical activities which makes it easier to gather information on it than other supply chain elements.

Distribution on the other hand is the soft skill part of logistics management system in which major focus is order fulfilment throughout the outlined channels of distribution. Distributions considers sales forecasts, customers requirement through customers information gathering system, customers' orders and the fulfilment of such orders ensuring customers' satisfaction. On the other hand, the distribution channel can be described as the chain of negotiators and entities that serve as a link or pipe through which the product or service moves on its way from originating point to a consumer.

All the processes involved in the manufacturing and distribution of goods from manufacturing end to the consumer is known as Distribution logistics or transport logistics or sales logistics and serves as the link between production and the marketplace. The definition of the customers depends on the position of the buyer in the supply chain or logistics end. Therefore, a customer could be a wholesaler, a distributor a processor or a consumer. From the foregoing, distribution logistics is composed of goods management, conveyance, and provisional storage. For a sustainable distribution and logistics protocol, structured information, decision-making and control processes must be realized.

### **The importance of Distribution & Logistics to Business Operations:**

Reliance on effective Distribution and logistics networks has increasingly become the norm of organization just to enable them to compete in the global market and networked economy. We all know that in today's world, business relationships encompass beyond outmoded enterprise limits and seeks to establish entire business processes throughout a value chain of multiple companies. These are some of the reasons why Distribution and Logistics operations are key to business growth and sustainability.

- **Customers order tracking and fulfilment:** Customer is the king in any business, the need to satisfy him need not be overemphasized. The customer is the reason why the business is existing because by satisfying him, other business objectives would be met. It is therefore noteworthy that customers' orders must be understood in terms of quality, quantity, area of need and payment term – there should be no ambiguity. The key role of customer service is to ensure that the product is delivered to the customer or consumer, and this is one of the distribution and logistics element. As a concerned

business that want to have competitive advantage, orders taken must be tracked when being supplied and the total fulfilment must be ensured

- **Profit making:** Distribution and logistics constitute about 50% of the total cost element of the company where I work today, this is because this function is elaborate i.e., from procurement until the product is delivered to the customer or consumer. If huge cost is assigned to distribution and logistics function, it is ideal also to expect much profit from that end. At least, cost reduction and effective management of resources can add to the bottom line and encourage growth. The whole aim of SCM is to reduce operation cost while delivering quality goods and services to the customers.
- **Reduction of Customer Complaints:** Complaint from customers, in most case emanate from dissatisfaction from supplies or services rendered. Sometimes it is either goods or services are delivered/rendered on time, or it has to do with quality or quantity of item supplied or even the timing of the supply – this creates dissatisfaction and can lead to the loss of that customer to competition. It is one of the aims of distribution and logistics to minimize or eliminate these complaints through fast reaction to orders and requests of customers.
- **Cash flow:** Due to the huge cost associated with distribution and logistics management, cash can be tied down in this function especially with materials or inventories if not properly managed. There should be a continuous flow of activities, operations, and effective inventory management within the distribution and logistics function to enable ease of doing business. Of course, this is the reason why the function should be efficiently and effectively managed.

- **Competitive advantage:** A distribution and logistics function that is adequately and properly managed in line with functional policies and procedures will give a return on investment to offset cost and deliver revenue. High performing distribution and logistics function will deliver competitive advantage especially with today's customer demand for next-day and even same-day delivery.
- **On-time and in-full delivery:** One of the challenges which organizations face with customers is on-time and in-full delivery of goods and services. This index measure customers order fulfilment in terms of Quantity, Quality and the timing of the delivery. It is expected the customers' orders must have the right quality, quantity and supplied within the time the customer needs the goods – the truth is that these are not fulfilled in many cases, one leg may be missing especially the timing aspect – this is a problem distribution and logistics management seek to tackle. A distribution and logistics function that is adequately and properly managed in line with functional policies and procedures will meet these requirements.
- **Risk management:** The risk level in supply chain function is high because any disruption in distribution and logistics function or the flow of materials or activities would naturally delay the entire system. Environmental related challenges, weather characteristics, natural occurrences (e.g., Covid-19 lockdown), inflation, fuel scarcity etc. are all major distribution and logistics risk elements. When these disruptions occur, and if not absolutely managed could damage the reputation of the organization and malign her dependability.
- **Revenue generation:** The aim of doing business is to generate revenue and make profit. This is as well a distribution and logistics goal. Business can respond very fast to



demand and supply resulting in higher revenue if the distributive and logistics function is properly run. A lot of revenue can come from this function especially when it is end-to-end. The fast and effective reaction to customers' requirement and the volumes of sales created from this function will certainly create more demand and place the business on a higher pedestal to competition.

## **Two Main Categories of Logistics**

**Inbound logistics:** This aspect of logistics handles the primary processes of logistics, which focuses on purchasing and ordering the incoming materials, parts, and/or semi-finished and finished materials either from customers or suppliers to manufacturing units or resource always called plants, warehouses which could be internal or external.

**Outbound logistics:** Unlike the inbound type, this focuses on outgoing goods or materials whether finished, semi-finished or raw materials, storage and movement of these products and materials and the management of information along this chain from the production line to the consumer or end user.

## **Types or Fields of Logistics**

Considering the activities involved in Logistics operations, including the complexities and intricacies therefrom, the following types exist:

**Production logistics:** Production logistics ensures that production materials are made available for manufacturing to occur and make products available for distribution and logistics to ship to customers. Plant or production capacities are utilized to make products available for shipping to satisfy customer's need. Production logistics rely on

manufacturing concept of production planning, supply and operations planning, layout planning, and control to deliver on expected results.

**Procurement logistics:** In this type of Logistics, supplier management, ordering, and order controlling, market research, requirements planning, make-or-buy decisions exists and are adhered top. The aim is to buy right and reduce purchase prices of materials, items, and service. Also, procurement cost is reduced while security of materials and purchases are ensured. Procurement could be national or international and involves a lot of process and procedures especially international procurement which involves international procurement and shipping plus clearing regulations.

**Disposal logistics:** This aspect of logistics handles wastes emanating from manufacturing and operational activities. This practice is readily seen in our cities these days, it is a very convenient way to evacuate wastes from companies and streets. Such wastes are taken to designated waste areas where they can be reprocessed or converted to other energy sources. This process also reduces logistics cost.

**Distribution logistics:** The aim of distribution logistics is to deliver, or ship finished products to customers or consumers. The focus here is finished product and not raw materials. The starting point is order generation from customers by way of order processing, warehousing the manufactured product, and moving the products or transporting them to the customers. This process is critical because it is the part of supply chain process that ensures customers order fulfilment.

**Reverse logistics:** When a supplied material or item will be reused after the content has been exhausted by taking steps to return such materials back to the factory is called Reverse logistic. Reverse logistics considers all those operations which are seen ad part

of product reuse. The management of products and the sale of excess, plus those returned by the purchaser being returned to dealers from buyers is called reverse logistics. It is the process of designing, executing, and regulating the efficient, cost-effective flow of raw materials, in-process portfolio, finished goods and the necessary information from the point of utilization to the point of origin for the purpose of evoking value or appropriate discarding.

**Green logistics:** This is in line with the United Nations Development goals – Goals 3 & 15 which deals with “good health and well-being” and “life on land” respectively. Green Logistics illustrates all efforts to determine and lessen the environmental impact of logistics pursuits. They include all actions involved in movement of goods and services, forward and reverse logistics and other forms of logistics. Green logistics can be achieved via intermodal freight transport, path optimization, vehicle capacity optimization and urban logistics.

**Global logistics:** Global logistics is an embodiment of total logistics system from end to end, from project inception unto completion, acceptance test and commencement of production. It also considers manufacturing efficiencies and meters the fulfilment of customer’s orders. Global logistics has featured prominently in daily business discussion especially as the world has become a global village. It covers both local and international movement of goods, materials, and services. Shipping, haulage, freighting, and all forms of goods movement are all covered by global logistics. Unlike other fragments of logistics, it requires skills in international goods movement procedure, policies, and safeties to ensure no encumbrance occurs during the goods/materials movement.

## **The Concept of Distribution Management:**

Distribution management is the process the process of managing and monitoring goods movement from raw materials to manufacturing to quality assurance to Packaging to warehousing to delivery to final customer and consumers. In this process, several movements and procedures are involved, including raw materials vendor organization, packaging, warehousing, portfolio, supply chain, logistics and also blockchain. Distribution management is an essential process that is used to supervise the activities and movement of organizational outputs and goods beginning from a supplier to the manufacturer progressing to a retailer or a wholesaler and end point which is the consumer, customer, or a client.

The management of distribution system has posed several challenges to business organizations in that the flow of materials can be halted or slowed down at any time due to unforeseen challenges from haulage, means of transportation, road conditions and breakdowns of haulage equipment thus placing the downstream side of the supply chain on hold. Sometimes the materials may either not arrive on time or it arrives too late. The material can also get accidented or get damaged or bad before arrival at the needed destination. Sometimes customers' orders are not supplied on time and in full thus creating room for competition to latch upon that deficiency to win the customer over. These are some of the challenges which distribution management tends to tackle. Efficient and effective distribution management is needed for a successful business growth.

## **Significance of Distribution Management System:**

This is the beginning or the starting point of getting things started in an organization especially those into manufacturing and supply. No organization can requisite materials for

production and other related services without distribution and logistics getting involved at the early stage, same goes for finished goods – to ensure customer satisfaction and compliance to delivery norms and practices. Therefore, distribution and logistics has unswerving effect and influence on organizational profits and success. As such, the benefits of distribution and logistics practices should be harnessed to enhance organizational growth, increase revenue and profit and enhancing the employee's welfare at the long run.

### **The benefit of Distribution and logistics Network:**

A distribution and logistics network model explains and integrates an associated class of enormous storage amenities, operations facilitation, and various transactional transportation systems. The aim is to have a huge logistics and distribution organizational strategy fashioned to translate a company's products and goods from a manufacturer's end to a product seller, retailer, or buyer who has signified interest in the company's products. This is key to organizational development and growth and to stand the forces of competition thus developing competitive advantage.

### **Advantages of Distribution Management System:**

**Higher Business Profits:** With regular and precise delivery of goods to customers on time and in full, more volumes of products are shipped to customers thus increasing revenue which in turn would impact the bottom line positively. Distribution management system would ensure that customers' orders are properly tracked and delivered, raw materials and goods would be promptly delivered to the manufacturing site and finished good would be appropriately delivered to the customers in the right time, right quantity and the right place and right person thus improving business performance and profit.

**Waste Elimination:** There are lots of wastages that come with shipping of materials and finished goods. One way of managing and eliminating this setback is through the implementation of distribution management system which would focus on one hand the characteristics and intricacies of products, materials and services and fashioning out efficient and effective means of handling such products to ensure wastage does not occur.

**Reduced Warehousing Cost:** Cost of storage of goods and materials will be reduced because produced item and materials will promptly and efficiently ship to customers and prospects quickly and effectively to avoid accumulating huge quantities of products and materials in the existing warehouse. Some associated cost that emanates from this huge storage is damage or spoilage cost. By regular evacuation of products and materials to the designated customers, the more the saving from warehousing cost.

**Reduced Shipping charges:** Distribution management package will have an advantage of diminished and minimum shipping charges when compared to the conventional haulage systems which are not anchored on automation and software enhanced. Modern distribution and logistics activities are equipped with performance enhancing software to enable tracking of haulage and shipping directions to ensure nothing goes wrong with the process. With this information, issues encountered during haulage could be promptly attended to and resolved.

**Faster Delivery to Customers:** Customers are more satisfied as deliveries are made faster. This helps improve customer relationships and can also improve reward and bonuses because customers obtain their orders in good time. Bonuses accruing from best customers, highest volume customers, etc. can be enhance.

## Challenges of Distribution Management

**Weather Disruptions:** Severe and damaging weather events can affect disrupt distribution management in several ways. Heavy rains storms and environmental flooding including erosion can inhibit the development and distribution management activities. These events are natural occurrences although countermeasures can be put in place to mitigate some of them.

**Raw Material shortage:** Raw material shortage can lead to lack of manufacturing inputs and create pressure on customer orders satisfaction. For example, if agricultural output like maize, sorghum, millet etc. are used as inputs to manufacturing, if the output of such crops has been diminished by bad crop years, damages from pests, insecurity which did not allow people to go to farm, scourges and pandemics, then possibility of having enough raw materials for production would be in doubt.

**Human Disruptions:** There are series of human elements or disruptions that can influence badly the distribution management. Incessant strikes as is the case with education in Nigeria, protests, riots, and war as is the case between Russia and Ukraine, kidnapping, banditry, killings and farmers/herders clashed can significantly disrupt distribution plan and execution.

**Infrastructural Challenges:** Transportation impedances resulting from vehicle failures, transport vehicle bad shape, interruptions in maintenance, and accidents triggering damage, delayed and cancelled flights, damaged haulage equipment, lack of spares for repairs and many other restraining issues including legislations, rules and regulations for shipping and clearing points. These are some of the infrastructural challenges militating against normal flow of distribution management.

**Economic challenges:** Currently, many economic challenges exist. They include recession drop in per capita income, inflation, depressions, lack of jobs leading to low income and low purchasing power which ultimately results in reduction in consumer or market demands and slows down activities within the supply chain of the business. Also, monetary policies and exchange rate when not in tune with benefits for individuals will result in low purchasing power, observance costs issues and disbursements, erratic changes in currency values or exchange rate and issues with payment for transaction are also economically related and can influence distribution management negatively.

**Product Quality issues:** Product quality issues will lead to product recalls, packaging losses and challenges, and quality management issues and challenges. These will affect consumer order placement, disruption in the flow of products and materials and loss of customer loyalty leading to loss of market share. It is very easy to destroy an organization when the quality of her output is messed with. Quality is given and relates to customer specification, when this is compromised, there would be a drop in delivery of products.

## **Factors influencing Distribution Management**

There are several factors that can affect distribution management. Some of them are listed below:

- **Unit perishability:** Perishable products pose their own distributive challenges especially when there are no matching facilities and equipment to handle them. In this case, the solution is to be precise on delivery – timing is key as well as effort required to get the finished goods shipped to the required destination without incurring damages or costs due to deteriorated goods.



- **Consumer purchasing patterns:** Purchasing behaviors of consumers or customers occasionally come with their own challenges. It can peak sometimes and slows another time. What this means is that distribution management should be able to react adequately to these changes in consumer behaviors. A good way to manage these factors is to look at the patterns of purchases from history and predict what the future holds for the business.
- **Requirements of a buyer:** When buyers capacities and volumes are influenced by changes in a retailer, wholesaler or manufacturers dynamics, the level of inventory the buyer would stock is influenced negatively or positively this in turn trickles down to distribution management and exerts its own pressure as the case may be.
- **Product mix Forecasting:** Various products are seasonal, taking poultry farming as an example, the is the season for chicks, broilers, and layers – the production of poultry feed also follow this pattern. Should there be a distortion in this flow, distribution and logistics management will be affected. Most of the ideal product and good combinations might fluctuate in line with many periods and climate.
- **Optimizing the truckload**– It is pertinent to always optimize truck use including other means of delivery to ensure full return on investment. It would be senseless and cost ineffective to deliver a 15-ton good with a 30-tons truck – where is the economic advantage? It is very important that the entire capacity of the facility be utilized.

## **Channels of a Distribution Management**

The four main distribution channels are enumerated below:

**Wholesaler:** The wholesaler buys in bulk from a distributor and sells to the retailer. Some organization distribute their products only to Distributors and wholesalers who in turn sell to the retailers and the consumers. They are like bulk breakers and provides that platform for those with lower income level and consumers to buy the goods or products. Many companies' goods are circulated from several producers to many other sellers in the distribution channel.

**Retailer:** The retailer is the last man before the consumer. He ensures he procures his goods from the wholesaler or manufacturer (depending on the size, type of goods and the policy of the manufacturer in relation to the scope of customers to deal with) and sells same to the consumers who are the end buyer or the last point on the chain. Some companies or businesses wouldn't include dealing with retailers in their policy, so it is one-off when this is seen happening in some other businesses.

**Distributor:** The distributor is a direct link to the manufacturing outfit. Every organization tries to develop their distributors and ensure they focus on their own products without getting involved in the sale of competitors products. They strive to develop them such that they are given preferential treatment with several rewards for sales performance in terms of volume sold and capacity. The distributors warehouses are extended warehouse for the manufacturer by implication because goods are stored in distributors outlets thus forming a holding bay for the manufacturer. This delivery channel will move the company goods from the main source or company warehouses to an approved a wholesaler or customer.

**Ecommerce:** In this practice, company products and commodities including services are represented virtually online and are supplied to the buyers once orders are placed. This is

the newest and the modern way of sales also showing the most disruptive pattern of distribution management channel. You can buy a lot of things online today without critically considering the spatial disposition of those online markets. The point still remains that those ordered item will still be moved physically to the purchaser.

### **Essential Components of Distribution & Logistics:**

There are four Ps and four Rs that make up the essential components of Distribution and logistics.

- 1) **Product:** To be able to sell what you produce and produce what you sell, the product must meet all the specified qualities and characteristics claimed by the manufacturer, a product lacking the outlined or acclaimed qualities is a recipe for market disaster. So, for distribution and logistics to function properly, product specifications must be met and adhered to. It is of no use claiming what the product is not.
- 2) **Price:** Price must be reasonable and competitive; it is not encouraging to have business price itself out of the market through one of her products especially if the product specifications are not completely sure of. Pricing of products should just be adequate. The business has to agree on the margin and compare it with what is obtainable in the market through a survey.
- 3) **Promotion:** Every product or service requires promotion especially at the initial stage of the product introduction to the market to create market awareness and encourage customers to purchase such product. This a basic market requirement to enhance acceptability. The product must have merchantable quality to guarantee acceptability.

Promotion can come in different forms – some with add-ons, others could be by multiplier when you buy a certain quantity.

- 4) **Place:** The product should be introduced at the right place where it would make positive impact and deliver on investment. Cultures and consumption patterns must be considered to ensure that it wouldn't amount to wastage of resources shipping the product to that place.
- 5) **Reliability:** There should be reliable means of ensuring that products are delivered just in time as customers today are not willing to store up huge inventories in their warehouses which can increase both handling cost, security, and insurance cost. It also increases risk levels especially when fire occurs. So, it is pertinent for suppliers to guarantee order fulfilment which can guarantee on time and in full delivery of products to the customer. In essence, distribution and logistics system should be reliable to guarantee just in time delivery of products.
- 6) **Responsiveness:** Ability to respond in a very short period to a demand is called responsiveness. This is very close to reliability but focuses more on timeliness. Rapid response is a model and an expertise that is spreading swiftly across businesses. Speed of delivery will continue to be a determining factor in distribution and logistics management. Logistics policies and strategies must focus more on creating the means to send smaller numbers, more rapidly, direct to the point of purchase or consumption. This implies employing strategies that will eliminate non-value adding activities, pruning down semi value adding activities and focusing more on value adding activities along the distribution and logistics supply chain pipeline.

7) **Resilience:** Due to the complexities of today's supply chain and logistics activities, companies need to be up and doing to face the numerous disruptions emanating from complex and inconsistent actions from outsourcing and the global supply chain practices. Organizations should readily be able to identify, manage and mitigate supply chain risks which has remained on increase. The aim of resilience in the framework of distribution and logistics management is that there is the need to be able to engross shocks and to remain functional irrespective of unanticipated disruptions. Resilient distribution and logistics companies will typically integrate strategic safeguards at the critical nodes and links in their systems. These safeguards could be in the form of portfolio or amount, possibly shared with the competition. As challenges and uncertainties continue to build up in the industries, organizations should review their strategies and plans to ensure that the aim of logistics is not defeated.

8) **Relationships:** Customers are seeking good relationship to reduce their supplier base and keep them focused on one or two suppliers. They want product consistency and less dealings with numerous suppliers of same product. This aligns with the concept of 'strategic sourcing' which has gained massive support. The careful selection of suppliers to partner with to avoid complex issues of multiple suppliers for the same product is called Strategic sourcing. The merits of strategic sourcing include consistent and enhanced quality, improvement and modernization sharing, minimized costs and the unified scheduling of production and supplies. Companies should explore the option of buyer-supplier relationship which should be based on partnership. There should be mutual benefits obtainable from this strategy which companies can explore both in short and long terms. Again, organizations have realized that distribution and

logistics avails a strong and powerful path to the establishment of partnerships in the marketing channel. Logistics management should therefore be seen as the theme that links the inbound and outbound sources of channel collaborators.

### **Performance Measurement in Distribution & Logistics:**

It is important to mention that anything we cannot measure, we cannot control.

Measurement is fundamental to the growth and development of any human endeavor because it forms the pivot for continuous improvement, it is also important to hold each supply chain function accountable to business measurements that conforms with the execution and planning of the activities to deliver the needed goals. These indicators are a mix of metrics for monitoring the performance of both the internal supply organization and the performance of company suppliers.

**Cost of Goods Sold (COGS):** This is the total average cost of a product from procurement, supplies, manufacturing, quality, and logistics costs. The higher the cost of raw materials, overheads, energy, Packaging materials, delivery, and logistics costs, the higher the cost of goods sold. Organizations make deliberate efforts to reduce these costs to remain in business and have competitive advantage.

**Customer Service Level (CSL):** This is a measure of how happy the customers is with regards to orders placed. The quality of the product supplied, the timeliness of the supply, the Packaging of the products, the completeness of the quantity ordered and the approach with which the products were supplied are all elements of customer service level. If a customer is unhappy about a supply, the service level can drop to less than 70%

depending on the degree of dissatisfaction. So, it considers how customers' orders have been met in accordance with the compliance to cost and satisfaction of the customer.

**On-Time-In-Full (OTIF):** When a customer places an order, the various store keeping unit (SKU) are specified, the time the customer need the shipment or have the orders arrive in his warehouse is also noted. The fulfilment of the orders in time and the completeness of the orders in terms of SKUs ordered is called OTIF. It measures the extent to which the company satisfied the customer in relation to the time the order should be delivered to the customer and the supply of all the variants the customer paid for. It is usually between 95% - 105%.

- **Purchase order cost:** This is the cost that affects the size of order quantities and related inventories. Individual cost per purchase order is a key characteristic in supply planning, as it affects the size of order quantities and the quantity of materials in stock. One of the effects of this cost is in the economic order quantity whereby the greater the Purchase Order Cost, the greater Economic Order Quantity, and also increases the resulting average stock levels. To reduce the stock levels, one way is to reduce the cost per purchase order. An organization with the supply operating at a lower cost level must have considered the purchase order cost and brought it under control.
- **Total supply cost:** Any cost resulting from supply planning, management of the suppliers, supply communication cost and cost of execution of procurement is called total supply cost. Also, the supply overhead cost, computer hardware and software cost, accommodation or office space cost, telecommunication and other related costs are part of this cost. To reduce supply chain cost, this is a key performance indicator (KPI) that must be focused on.

- **Total Acquisition Cost:** This cost is also called either total ownership cost or total logistics cost, it validates for each supplier the cost of items on order or purchased and the cost of purchase order placement, lost sales, float, inventory carrying, transportation, warehousing, and logistics fees. Form the total acquisition cost elements, the terms of payment, Logistics capacity and capabilities, Locations, unit cost, and infrastructure vary from supplier to supplier, this cost can vary significantly for the same materials or SKUs. In aligning the sourcing cost, this KPI is very useful to align the cost to lean approach and reap the benefits of purchasing right.
- **Suppliers return on inventory:** The total profit on the stock keeping units (SKU) provided by a particular vendor divided by average inventory value for that vendor is known as Suppliers return on inventory. This is a good measure or indicator of how efficient the logistics operations executed with that supplier has been. Invariably the deliverables of vendors should be monitored, and improvements encouraged as they are the partners of the business.

### **Challenges of distribution and logistics Management:**

Many challenges exist for distribution and logistics management due to its scope and coverage in the organization. There is the need to outline those challenges and have them in mind such that we would be able to mitigate them when need arises. Some of the challenges are listed below:

#### **1. Quality of Customer Service**

The main reason for distribution and logistics management is to cater for the needs of the customers by improving customer satisfaction. It is about delivering or supplying the right quality and quantity of product or service at the right time and for the right amount of



money. It is difficult to manage customer expectations because it varies from one customer to the other just as humans are different.

## **2.Costing**

It is true that due to the advent of Covid-19 pandemic, the costs of raw materials, energy and labor have increased due to rising inflation and economical constraints. This has led to a rising cost of finished goods and services; these costs are transferred to the customers at the end of the chain. As a result, customers keep lamenting about high costs of goods and services which ultimately affects the disposable income of consumers. It has also become so difficult for some operations to continue production and provide customers with good quality items at affordable rates, because regular adjustments in terms of pricing must be made to keep operations running.

## **3.Risk Management**

Lots of risks exist for distribution and logistics management due to the regular changes in the market structure, emanating from a combination of sources such as consumer demands, government policies and global sourcing issues, thus causing major issues to the operations of businesses. With this, it becomes difficult to meet the supply needs of customers.

## **4.Supplier Relationship**

Though we emphasize mutually sound and harmonious relationship with business partners or suppliers, it has also become apparent that relationships go sour sometimes leading to trust issues and failure in understanding each other. Whatever be the case, the underlining factor is to be able to provide the customers with products of high standards in

a timely manner. This enables the fulcrum to create opportunities for performance improvement.

### **5. Qualified Personnel**

Sometimes it is very difficult to get employees who are experienced and ready to do the calls of distribution and logistics management. As a difficult role especially as it challenges the integrity of the individual – majority have failed in this role because of compromise in their integrity. Employees in this field must have an understanding of their role, responsibilities and accountabilities in a challenging global logistics environment.

### **6. Unforeseen Delays**

Delays are always experienced for the supply of good and materials from Procurement for the purpose of manufacturing and delivery of good to customers. In Nigeria where there are bad roads, high cost of diesel, failed and non-operational rail lines and non-usable it is difficult to deliver materials 100% on time and in full. Same goes for imported items which are delayed due to government policies, shipping guideline and costs especially with time differences and a variety of shipping time frames. When items are sourced from different countries, delays like this are very common.

### **7. Fast-Changing Markets**

Today, a lot are happening on the online platforms and markets where people buy and sell their goods and commodities. As technological advancements are changing our markets each day, it makes it difficult to stay in tune with the rapid changing market structures.

## **What I learned from the course:**

For the past three weeks I have been focusing and studying books and literatures on Supply Chain Management to enable me to understand the basics and rudiments of the course to confirm the alignment of my studies to what I have experienced in my work life. For the fact that it is a major course of study for me because it directly relates to the course I am studying, it became imperative that I must digest a lot about the theories and practices of supply chain. It is important to note that Companies of today have realized the opportunities and potential benefits of using supply chain management process to deliver superior performance and outperform competition, deliver better customer satisfaction, and enhance shareholders well-being. Insofar as one of the aims of supply chain management is cost savings, end to end supply chain management gives superior results in that it considers all facets of the chain and plugs any loophole that could lead to deficiency in performance. I have learnt a lot from this course especially with regards to procurement, manufacturing, and delivery. I have gone through each facet of the chain to understand how they function in harmony to deliver the expectations.

As a course of interest, it has broadened my experience about the relationship between supply chain, Logistics and Distribution. I have realized that an organization's performance and brand reputation depend on the supply chain's cost, speed, quality, and reliability. Timely supply chain information flow is critical in aligning product development, procurement, manufacturing, and shipping. It is of no doubt that reducing the cost of supply chain would reduce the total cost of doing business for the organization. World

class supply chain management principles enhances the growth and development of the business and keeps them focused on the customer.

### **How I would apply the knowledge to study better at AIU:**

Distribution and logistics management is a course of general interest and useful in all facets of life including academics. It is the core of customer order satisfaction and triggers business influence and relationship between customers and the business entity. With the learnings from this course, I should be able to communicate effectively with my fellow students and be able to contribute my learnings in any distribution and logistics discourse. It is true that AIU is an academic environment, but it is vicariously a business environment as it produces business gurus and academia who would deliver tomorrows business ideals. Sharing my experience with AIU community also tends toward my communication acumen and improved confirmation of my assimilation of the subject matter. We have been tutored on how to create a website of my own, considerably websites contents entail a lot of distribution and logistics principle because the aim of a website is to share ideas and inform customers about your product or service.

### **Conclusion:**

Companies and all types of businesses are engaging superior importance on the design and administration of distribution and logistics developments and the combination of those processes upstream and downstream with those of dealers and consumers. The business of the future will unquestionably be market-driven, with distribution and logistics procedures supporting and assisting to harness the benefits of business growth. The distribution and logistics arm of supply chain management will coordinate the activities

involved in making raw and finished materials available for manufacturing and ensure that the outputs are delivered to the customers and consumers alike. No manufacturing organization will survive without either an internal distribution and logistics arm or the outsourced system.

It is pertinent to note that distribution and logistics management has featured prominently in the corporate discourse and business engagements of today. It is an essential process of business management and customer relationship. Businesses that want to grow exponentially must dwell more on effective distribution and logistics management arm of supply chain management by entrenching logistics policies and procedures which every employee will follow and adopt as a means of interaction and reaching out to customers, suppliers and other clients and consumers. For business objectives to be met, distribution and logistics principles must be improved to improve market share by delivering superior performance, and corporate objectives. Distribution and logistics functions and activities are not the sole responsibility of one individual or one organization. The stakeholders in distribution and logistics management need to be actively involved in all the different processes to make it work.

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