

TIL 5370

# International Logistics



## Module 7 – Final Project (Inclusive of Phase 1)

### Challenges of Logistics

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# Table of Contents

<b>Challenges of Logistics</b> .....	3
<b>External Environmental Analysis</b> .....	3
The General Audit of Environmental Influences .....	3
The Nature of the Marketing Environment.....	4
The Rise of a New “P” in Business.....	4
<b>Production and Supply</b> .....	4
Services .....	6
Military .....	6
Environment.....	6
<b>Conclusion</b> .....	8
<b>Final Project: Phase 1</b> .....	9
<b>References</b> .....	10

## Challenges of Logistics

All companies have to manage the ever-changing environments that businesses have to operate within. The global environment is highly volatile, especially during the global pandemic that is still ongoing. “When the exchange rate from the external environment is larger than the exchange rate from within the company, the end is near.’ Jack Welch, former executive manager of General Electric.” (Chira, 2016, p. 125) In order to develop a strong marketing plan, the environments need to be reviewed to enhance the plan and be the most effective.

### External Environmental Analysis

This area of logistics can be formed by any number of elements, but specifically by the follow subtopics within the external environmental analysis.

#### The General Audit of Environmental Influences

We can find out here what environmental factors influence a company logistics and how it will affect the future. The current factors have to be reviewed and known that are currently impacting the company in order to provide a proper analysis and understanding of what will come in the future. The major factors that influence this area are “...legal and political, economic factors, and technological factors...” (Chira, 2016, p. 126) The legal and political aspect depends on the area being traversed, all countries/regions/states/cities/neighborhoods have different restrictions placed upon companies within their area. Does the company have to pay a fee if they conduct business in the neighborhood or do they need to go to community events to get approvals first? Economic factors are also abundant in a role of logistics. “Information about the economy can help predict increases or decreases in manufacturing, which influences the number of truckloads of products being moved.” (THE TOP ECONOMIC INDICATORS INFLUENCING LOGISTICS SUCCESS, 2021) And then we have the technological factors that will play a role, from how quickly technology transfers and the different type of research and development going on, or even allowed by the government.

## The Nature of the Marketing Environment

Marketing faces many dynamics and complexities as the course of business changes for the company or the market trying to be sold to changes. “Dynamics refers to the rate and frequency of the changes registered on a market. Complexity is the result of diverse environmental influences and the amount of knowledge necessary in order to face these changes, assuming that the market factors are interconnected.” (Chira, 2016, p. 126) Having a team with their finger on the pulse of the market and previous experiences of the company will assist in traversing the marketing environments. Each piece of the puzzle has to be reviewed and make sure it is the best move and timing for the company, along with the market they are working to serve.

## The Rise of a New “P” in Business

Partnerships, the new “P”, is when “Companies resort to forming partnerships...” (Chira, 2016, p. 128), in comparison trying to compete against each other. This typically occurs as the market becomes extremely competitive and customers are seeking more and more demands on their products/services and the profits are eaten up as companies compete for lower pricing against each other.

## Production and Supply

Supply chain management is a multi-faceted process with a lot of moving elements and a lot of stakeholders. New technology attempts to make the supply chain more efficient yet investing in the wrong technology complicates productivity while limiting profits, resulting in supply chain problems (Amazon's Supply Chain Challenges, 2020). Because effective supply chain management provides several benefits for businesses, organizations must overcome obstacles in order to keep things operating smoothly.

Manufacturing organizations who produce goods need to make sure that the products and services they provide are aligned with what the current marketplace demand. According to

our textbook there are several issues that firms need to consider regarding production and supply. We will list and discuss these aspects so that you will have a better understanding of them as follows. The first item is having access to the most cutting-edge technologies available. This enables the creation of a wide range of commodities, both simple and complicated (Chira, 2016, p. 129). Next is concentrating on developing positive relationships with suppliers. It is best to use a single raw material source and to keep that trusting relationship. Third is factories that specialize in producing a specific type of product. It is preferable to avoid producing the same sort of product in different factories. It is preferable to produce a specific good at a single location to optimize the potential of grouping individual items for transportation. Fourth is using international vendors. The production business should not be restricted to operating in a single country. It should be able to compete on a worldwide scale (Chira, 2016, p. 129). Fifth would be putting off the launch of a new product on the market. If the final configuration of a product that is going to be launched has not yet been determined, it is preferable to postpone its manufacturing rather than squandering time after the manufacturing run is completed and the items are stored. The sixth aspect is creating alliances. In order to cut costs, some firms develop strategic agreements with their raw material suppliers. The seventh and final aspect is approaching the end customer. The product must be positioned in a store where the eventual customer may easily obtain it. As a result of globalization and the desire to cut costs as much as possible, we are seeing a shift in production to nations that are far away yet preferred because of their lower labor costs (Chira, 2016, p. 130).

Many logistic challenges impact companies today as well in the marketplace. For example, cutting the product's life cycle short. Or the demand for color and other finishing touches to be varied in the final product. Less inventory, an attempt to sell directly to the customer, the ability of customers in a foreign market to access the producer as quickly as possible, and a reduction in the time and expense of conveying the commodity to the final consumer (Chira, 2016, p. 130).

## Services

Logistics also applies to services and not only to products. Many companies that produce goods also provide a service in today's marketplace (Chira, 2016, p. 131). Logistics for services sometime is just as if not more complex than it is for products. It needs to be adaptable and every changing to keep up with the consumers' needs and demands.

## Military

The Military plays one of the biggest roles when considering logistics. From moving its armed services, manpower, vehicle, and supplier all over the world. Making sure that it has enough resources on hand as well as having schedule deliveries for replenishment for items such as foods, gasoline, and supplies.

## Environment

There is a greater concern about environmental conservation as the world population grows. Logistics is also involved in activities such as recycling, carrying hazardous materials, and so on (Chira, 2016, p. 132). The logistics transportation sector produces a lot of greenhouse gas emissions along with noise and aquatic pollution (DDC FPO, 2017). Organizations are becoming more and more aware of these issues and are working on more 'green' logistic solutions. However, it is hard to eliminate the environmental impact of logistics in today's complex and fast-moving supply chains.

## Retailing

Retail logistics is "...all the plans and processes required to move retailers' merchandise – either to stores for sales or display or directly to consumers. The customers are the very heart of retail logistics. (Streamline Retail Distribution with Agile Logistics Strategy, n.d.) There are also many issues that revolve around logistics in the retailing world. Best way to display and maximize display for consumers. Mitigate stock and stock room sizes to reduce expenditures on rent or impractical, nonsalable space. Trying to figure out more direct ship to reduce warehouse

storage and reshipping of items. Utilize technology to keep product flowing as necessary into the stores. Keeping proper packaging to reduce waste of manpower and ensuring customers understand the product to purchase. Working to make retail shops simple and avoid losing customers should be the key to any merchandiser in retail. The logistics to get to this, could take years to properly plan and build/layout a store.

## **The Consumer: The Center of Activity in any Field**

The logistics business has and is always undergoing significant transformations. As the globe becomes more and more connected, consumer expectations have become more prominent. This has ramifications on the entire logistical process and supply chain. Some companies have outsourced their logistics activities so that they can focus entirely on their core business. Companies must concentrate on the result: satisfied consumers, profit, and expansion (Amazon's Supply Chain Challenges, 2020). Because demand is always increasing, fundamental distribution patterns are dramatically evolving and changing. Customer demands are prompting companies of all types to warehouse their goods and raw materials closer to intermediate and end customers (Shippr, 2019).

Consumers all over the world are demanding more and more from companies they purchase products from. Nowadays, consumers are even more likely to acquire things online than in person at a store. This has become even more apparent in the aftermath of the covid-19 epidemic this year. Online commerce has created the sense that products are available at any moment (Chira, 2016, p. 132). Customers also now set the standard for what constitutes good service. Not only is there a want for more, but there is also a huge demand for it. Customer happiness is critical for businesses looking to gain a competitive advantage. What is the reason for this? Because if firms fail to meet a client expectation, other businesses will take their place. From delivery acceptance to flawless execution, logistics organizations must ensure every customer service-related element (Shippr, 2019). Consumers have also been able to acquire a

vast product array at record-low delivery prices thanks to the advent of sites such as Bol.com, Coolblue, and Amazon (Shippr, 2019). Consumer demands are pushing a movement away from process optimization and toward customer-centric logistics.

A logistics service provider must deliver a service that meets the customers' expectations to maintain a long-term relationship, resulting in the right degree of customer satisfaction (Shippr, 2019). As the services industry becomes more competitive, organizations' capacity to understand their clients and assure their pleasure with the services they receive is becoming increasingly important. Of course, the logistics industry is no exception. A few items that customers truly value according to Amazon are as follows. First is free shipping on the products that consumers order. Next is making sure that these products have an excellent price attached to them. Third is the immediate ability to track the status of delivery at any point in time. Fourth is the immediate shipment of the goods after order has been placed by the customer. The fifth and final desire by the customer is next day delivery if not the same day of the products they want or have ordered (Sonnemaker, 2020).

In summary the consumers desire to get the most value of their money they are spending. This is a fundamental idea in every industry, but it is especially evident in logistics. Customers also expect a consistent experience throughout the purchasing process all the way to delivery.

## **Conclusion**

Logistics is not spared from challenges in the business world. In fact, it encompasses many broader aspects that just specific departments within a company. This is something the whole team of the company needs to band together and truly think each step out so that steps are not being duplicated or missed. "A logistical problem occurs when your plans didn't account for something..." (logistical, n.d.) Every step of the way has to be thought through methodically



and truly walk through the steps. If a step works in theory, but not in real life, try something else until it is finally right.

## **Final Project: Phase 1**

All businesses will have challenges that present themselves throughout their lifespan, the focus will be around the challenges presented by and to logistics. This will be seen with an analysis of the external environments, production and supply, retailing, and the consumer who is the end all be all deciding factor. The United States has many of the largest players that are shaping the world of logistics and how it was/is being handled from Wal-Mart to Amazon to UPS and DHL. They are all internationally operating firms and ship around the world. The retailers utilize the logistics companies listed, but they all have created their own internal logistics platforms as well to ensure happy customers at the end of the day.

This will also review what all goes into production and supply; new technologies, creation of great relationships with suppliers, specialization for certain products including factories, does the project need postponement to launch, strategic partnerships, and final consumer. Some areas with logistics having a heavy hand in influence to how it is run include the services industry, military, and environment. All of these are to support the end customer and sometimes the consumer gains a perception that certain ideas are the norm, like 24/7 hours of operation. Changing a business from normal operational hours to 24/7 presents many logistical challenges that will need to be addressed by management before the change occurs.

A tentative layout proposal has been added in the following pages, as well as a few potential sources that will help exercise our review seen within the logistics world and the challenges presented. This should be a good topic to develop for the final exam group project.

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