Key Logistics activities:

1. Customer service standards:
   - customer wants and needs,
   - customer response to service,
   - setting customer level

2. Transportation:
   - mode and transport service selection,
   - freight consolidation,
   - carrier routing,
   - vehicle scheduling,
   - equipment selection,
   - claims processing,
   - rate auditing

3. Inventory management:
   - raw material and finished goods stocking policies,
   - short-term sales forecasting,
   - product mix at stocking points,
   - number, size and location of stocking points,
   - just in time, push and pull strategies

Support activities:

1. Warehousing:
   - space determination,
   - stock layout and dock design,
   - warehouse configuration
   - stock placement

2. Materials handling:
   - equipment selection,
   - equipment replacement policies,
   - order picking policies,
   - stock storage and retrieval,
1.2. Logistics planning and service management

Support activities:

3. Purchasing:
   - supply source selection,
   - purchase timing,
   - purchase quantities,

4. Protective packaging:
   - design for handling,
   - storage,
   - protection from loss and damage,

5. Cooperation with production/operations:
   - specification of aggregate quantities,
   - sequence and time production output,

6. Information maintenance:
   - information collection, storage, and manipulation,
   - data analysis,
   - control procedures

Total cost concept

Setting customer service level (I)

Improved customer service
1.2. Logistics planning and service management

Setting customer service level (II)

- Free cash flow
- Lost sales cost
- Revenue - cost

Improved customer service

Effectiveness (cost minimization) or efficiency (maximizing free cash-flow)?

Demand supply management – ZARA: hot fill-ins

[R.H. Ballou: Revenue estimation for logistics consumer offerings, Int. J Logistics Management 17,1, 2006]

FedEx

- A complete record of each shipment and delivery will be presented with our request for payment.
- We will be helpful, courteous, and professional to each other and the public.
- We will strive to have a completely satisfied customer at the end of each transaction.

FedEx is committed to our People-Service-Profit philosophy.

- We will produce outstanding financial returns by providing total reliable, competitively superior, global air-ground transportation of high priority goods and documents that require rapid, time-certain delivery.
- Positive control of each package will be maintained using real time electronic tracking and tracing systems.

Service Specs at UPS
Moments of Truth

- Concept created by Jan Carlzon of Scandinavian Airways
- Critical moments between the customer and the organization that determine customer satisfaction
- There may be many of these moments
- These are opportunities to gain or lose business

1.2. Logistics planning and service management

Moments-of-Truth

Computer Company Hotline

Experience Enhancers

- The technician was sincerely concerned and apologetic about my problem
- He asked intelligent questions that allowed me to feel confident in his abilities
- A timely resolution to my problem was offered
- Ways to avoid future problems were suggested

Experience Detractors

- I had to call more than once to get through
- A recording spoke to me rather than a person
- While on hold, I get silence, and wonder if I am disconnected
- The technician sounded like he was reading a form of routine questions
- The technician sounded uninterested
- I felt the technician rushed me

1.3. Transport, Inventory and location strategies, decisions and models

Triangle of Logistics Decision making

Customer Service Goals

- Inventory strategy: inventory level, deployment of inventories, control
- Transport strategy: modes, routing, scheduling, shipment size
- Location strategy: number, size, location, assignments of demand to stocking points