

# LOGISTICS COST DRIVERS TO TRACK BY PROCUREMENT

- ✓ Transportation
- ✓ Cost of Inventory Management
- ✓ Costs of Distribution
- ✓ Cost of Warehousing

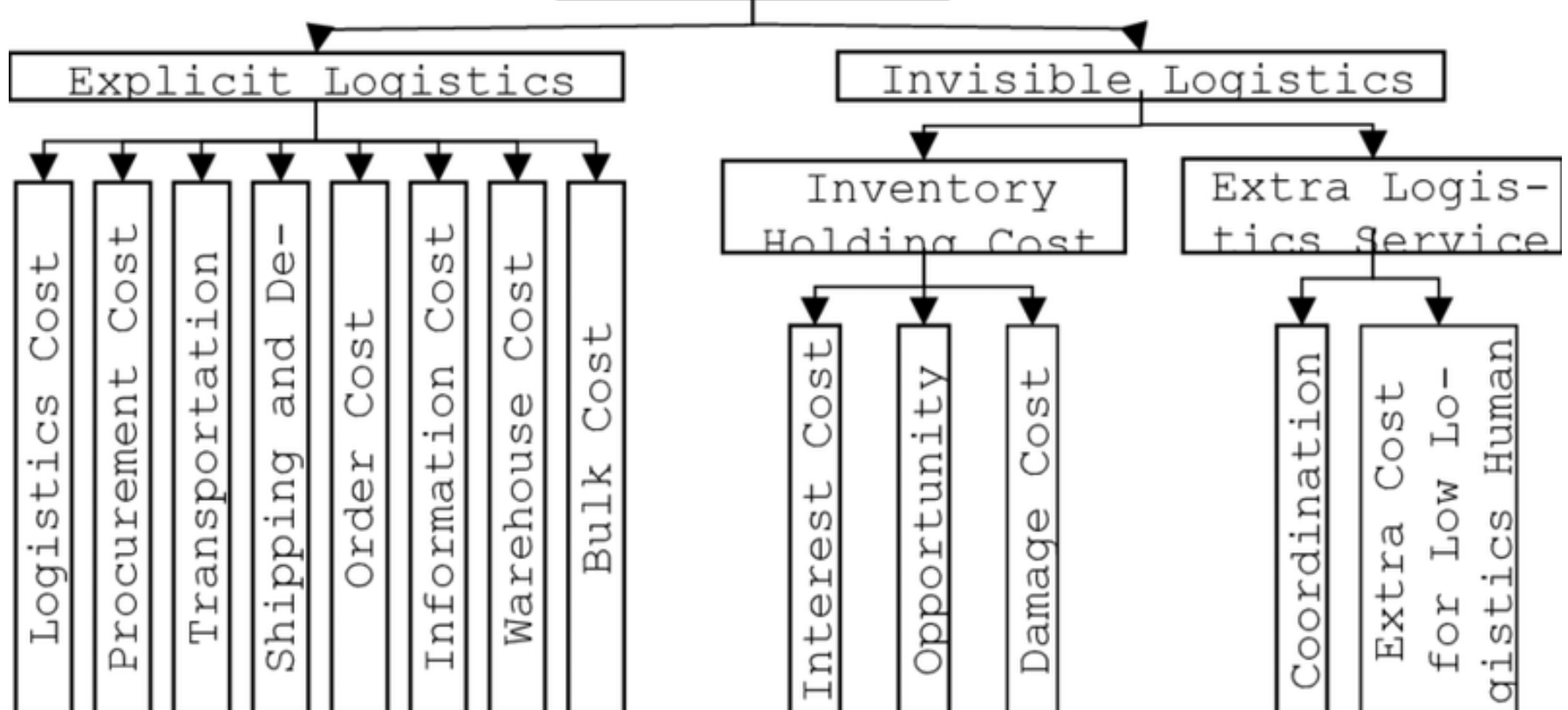


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# WHAT DOES LOGISTIC COST MEAN?

Logistics costs include all costs associated with moving products, including those incurred during the procurement of raw materials, delivery of client orders, and all steps in between.



# TRANSPORTATION



Transportation is the moving of goods between locations. It could be from the supplier to the buyer, where the buyer could be a distributor or a retailer. It can also be moving the goods from the distributor or retailer to the customer.

MODE	FIXED & CAPITAL COSTS	OPERATING COSTS
Road	<ul style="list-style-type: none"><li>• Land, Roads, Parking, Ramps, Bridges, Tunnels, Signalization</li><li>• Vehicles and trailers</li></ul>	<ul style="list-style-type: none"><li>• Maintenance, Labor, Fuel</li></ul>
Rail	<ul style="list-style-type: none"><li>• Land, Tracks, Bridges, Tunnels, Signalization</li><li>• Locomotives and Wagons</li><li>• Rail yards and Terminals</li></ul>	<ul style="list-style-type: none"><li>• Maintenance, Labor, Fuel</li></ul>
Pipeline	<ul style="list-style-type: none"><li>• Land, Pipes</li><li>• Pumping stations and Tanks</li></ul>	<ul style="list-style-type: none"><li>• Maintenance, Energy</li></ul>
Air	<ul style="list-style-type: none"><li>• Land, Field, Terminal</li><li>• Aircraft</li></ul>	<ul style="list-style-type: none"><li>• Maintenance, Fuel, Labor, Airport charges</li></ul>
Maritime	<ul style="list-style-type: none"><li>• Land for port terminals</li><li>• Cargo handling equipment</li><li>• Ships</li></ul>	<ul style="list-style-type: none"><li>• Maintenance, Fuel, Labor, Port Charges</li></ul>
Telecommunications	<ul style="list-style-type: none"><li>• Towers, Hubs, Poles, Cables</li><li>• Exchanges, Servers</li></ul>	<ul style="list-style-type: none"><li>• Maintenance, Energy</li></ul>

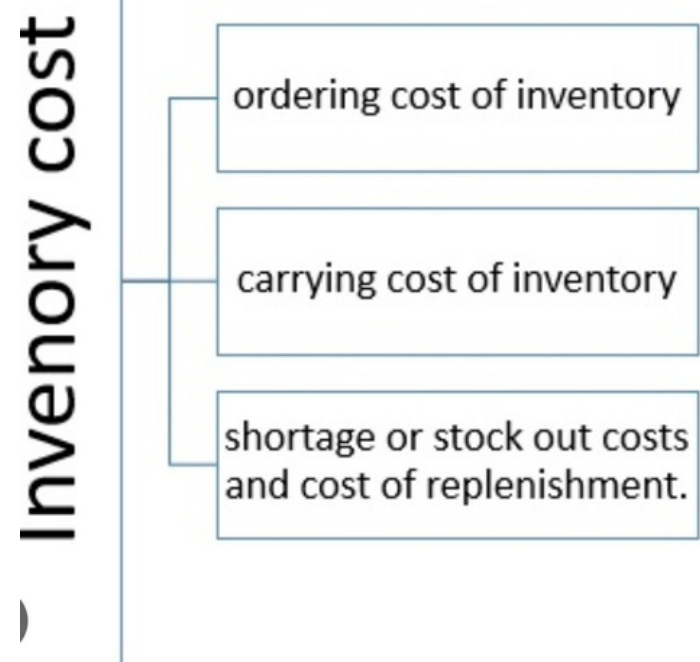
# COST OF INVENTORY MANAGEMENT



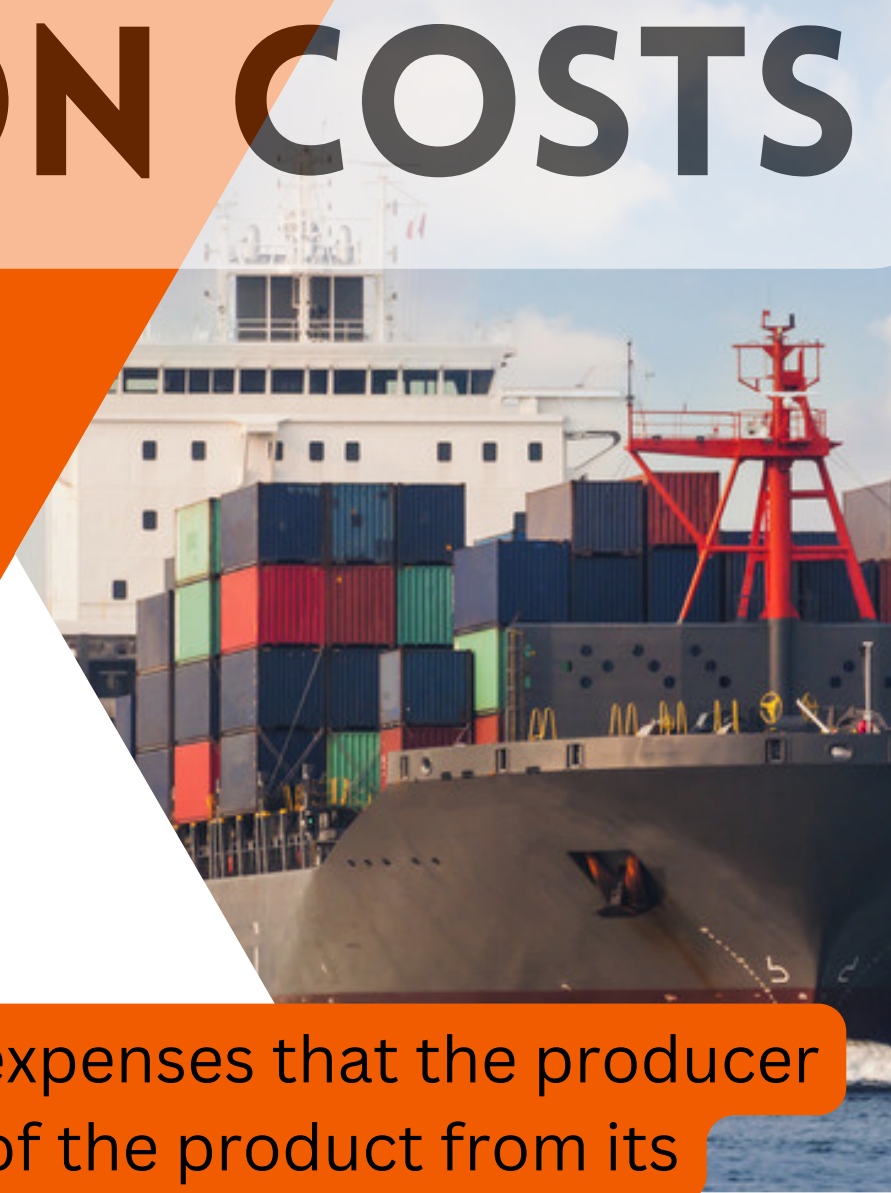
An inventory cost refers to all the costs associated with holding and the management of inventory. The costs include all expenses related to ordering, warehousing, protecting, and deteriorating costs.

Blind spots in your inventory management can lead to:

- Poor forecasting
- Shipping delays & misdirection errors
- Escalating production costs
- Wasted or obsolete inventory
- Low rate of inventory turnover
- Volatile and variable overhead costs
- Data-entry errors (for tracking)
- Lost customers



# DISTRIBUTION COSTS



Distribution cost is the total of all those expenses that the producer of a product incurs to make the delivery of the product from its location to the end customer's location possible.

- Vendor efficiency, vehicle utilization, scheduling, and throughput times can all be massive contributors to your logistics costs.
- Naturally, this area of supply chain optimization is ripe for tracking across vendor touchpoints due to high variability in costs.
- More variability means that it's more difficult for your business to track and manage data, in order to make informed decisions.



# COSTS OF WAREHOUSING

Warehousing costs refer to the fees associated with operating a warehouse, such as rent, utilities, labor, insurance, maintenance, and taxes.

Properly measuring performance data is key to managing your warehousing costs – you can start by asking yourself the following questions:

- How often are you measuring (tracking) performance?
- What is your picking accuracy?
- What is your shrinkage rate for inventory?
- Is the percentage of customers retained increasing year-over-year?





**Did I help?**

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QUESTIONS**

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