

The Impact of Inbound and Outbound Logistics on the Supplier-Customer Relationship

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ABSTRACT: Logistics are of two types: Inbound and Outbound. Both of these types of logistics play a significant effect on the supplier-customer relationship. This paper studies the factors that influence this relationship, benefits of managing it, challenges associated with it and also proposes solutions for those challenges. The research conducted in this paper is concept based and is conducted by extensive literature review and industry practices. Various tools have been proposed to measure the impact of the logistics on such relationships. Contemporary practices have been described and technological tools like Transport Management System (TMS) and ERP like SAP have been examined and studied.

KEYWORDS: Supply Chain Management; Inbound Logistics; Outbound Logistics; Supplier-Customer Relationship

I. INTRODUCTION

In the contemporary era, logistics have assumed a significant role in supply chain management. Firms have become more and more competitive in nature. And in order to reduce costs, they indulge in more and more cost reduction strategies. In such a scenario, it is necessary maintain a good and strategic relation with your suppliers and customers. In understanding role played by inbound and outbound logistics on the supplier customer relationship, the companies will be able to understand the various factors, challenges and solutions that are involved in effectively and efficiently managing these relations.

II. KEY CHALLENGES

Meeting customer expectations and on-time delivery are the most important challenges for any company. The challenges that impact inbound and outbound logistics on the relationship of suppliers and customers are;

- Finding reliable suppliers at a competitive price range so that they don't have any dispute between them in the upcoming future
- Estimating the capacity of maximum amount of work that an organization is capable of completing in a given period so that the customers get the final finished product on-time
- To properly align the manufacturing and logistics department towards changing as per the customer requirements
- To manage on-time transportation from all the suppliers to the company in order to ensure there are no delays in the production line due to the lack of raw materials
- To receive the materials on time and maintaining storage and quality control processes to a good quality finished product for the customers to receive

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- To process customer's orders and to prepare the cargo for distribution with activities that include packing, addressing and hiring the most appropriate transportation solution to deliver it properly
- To issue all the documents, insurance and invoices necessary to the freight
- Searching for reliable transport partners that provide door-to-door solutions to any destination needed of the customers
- To develop reverse logistics strategies if the customers are not satisfied with the final product or if the product is damaged
- To keep track of the cargo status throughout the entire freight process and making sure there are no delays in the delivery of the finished product to the customers and so that even the customers keep a track of it.^[2]

Outbound and inbound logistics both activities play complementary roles to the success of the logistics function of the company while one guarantees that your management has all the supplies it needs to keep the production line up and running, the other connects your products to the final buyer. Therefore, both parts should be carefully planned and executed so that your supply chain and logistic can be as effective as possible and you are able to meet your customers' expectations and requirements with ease. All these areas are noteworthy challenge that they really emphasize because it's the better way to maximize all these different processes to boost the customer and supplier relationship.^[5]

III. BENEFITS

- When the vendor pool is done well, they are a part of the process and have access to the communication portals and reporting tools that will improve their performance which takes the vendor management inventory (VMI) to the next level, which also brings the transparency and therefore the trust of the suppliers and customers relationship to another level.
- Through the technology used on inbound programs, management pick up visibility, reporting and analytics improve and optimization opportunities increase which helps the suppliers to easily track and deliver the final product to the customers
- With all improved Key Performance Indicator (KPI) it is easy to cost reduction, on-time pick-up and deliveries, and the ability to continue to measure and improve the process.
- By hiring drivers with good interaction skills, you can better ensure a positive business relationship will result between your company and your clients because the transportation of goods is one of the last interactions a retailer has with a supplier, it's important to focus on relationships
- By reducing inventory and total overhead, while developing cost-effective transportation rates it increases efficiency
- Efficient transportation enables you to gain control of inbound and outbound logistics in the supply chain line it also helps in increasing sales which are the major goal for a better relationship
- By keeping products in stock, delivering shipments on time, and efficiently moving products through the warehouse, you can avoid losing sales and capitalize on existing orders which will strengthen the bond of suppliers and customers
- Going hand in hand with the idea of better relationships through healthy interactions is a focus on improvement of customer service as satisfying customers should be at the heart of everything the company does
- Using a transportation management system (TMS), companies increase supply chain visibility, as they have access to real-time data that can be shared across internal and external sources. Using this information, a company can identify weaknesses in its inbound freight such as inefficient receiving processes, lack of notice to interruptions and unproductive labour so that they loss no sales and increase in productivity.^[1]

Outsourcing your inbound freight management logistics solutions provider will yield increased profitability, production, and administrative support and with inbound freight management logistics solutions provider will yield better inventory management, reduced carrying costs, improved on-time deliveries, Less handling and damage, efficient receiving, proactive notification of disruptions, administrative efficiency all this increased customer satisfaction and the relationship between suppliers and the customers.^[3]

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IV. BEST PRACTISES FOR SUPERIOR CUSTOMER SERVICE

Logistics plays an important role in customer satisfaction, which is more important than low products costs. We should think logistics as a customer-facing portion of the company which strikes every day to add value for their customers. One of the best practices in Logistics management is to execute a fine-tuned logistics strategy. 40% can be saved on logistics costs by making quick and informed decisions. The strategy will help in adding flexibility to decision making process and help in predicting service disruptions at every level to improve performance. Every business needs different logistics to assess the operational success. To avoid fluctuations, the only way is to estimate your logistics processes, evaluate successes and inefficiencies, and alter your logistics management strategy to fit your company's changing needs. Most companies focus on outbound logistics and give less importance to inbound logistics. There are usually more critical matters for a business to attend to, which lacks control over inbound freight. However, in order to improve savings and customer service, it is condemnatory to gain control of inbound logistics.^[8]

A lot of companies do not pay attention to Vendor Compliance Programs where companies are missing out potential profits, streamlined logistics functions and improve customer service. It is important to have a vendor compliance program which includes current logistics environment, technology and efficiency. To ensure its success, it is important to work on solving problems and improve service rather than fighting over requirements. Companies reduce inventory and safety stock and focus on improving warehouse operating costs and enhanced customer service. A well-established Reverse Logistics Strategy will reduce storage and distribution costs, improves brand reputation and satisfy customer demands. To manage reverse logistics is quite a challenge which many companies avoid managing it. It also reduces environmental waste and believes in implementing green practices for improving customer's experience. A good reverse logistics program generates maximum value for each item returned. 69% of customers think that efficient customer service is a quick resolution of problems. An average retailer's reverse logistics costs for consumer goods are equal to 8.1% of total sales. Transport Management System (TMS) is software which measures and gives detailed report on shipping records for inbound and outbound freight, monitor vendor and reduces overall transportation costs by 30%.^[7]

Implementation of TMS is a bigger task as these systems are expensive and complicated. The three things you will use about your TMS for to start seeing savings right away are:

- Increase Usage of Preferred Carriers
- Lower Cost Mode Selections
- Better Routing

Visibility into Logistics functions helps in adapting logistics management and make better decisions. Having visibility is the basis of optimization. It's what allows you to plan, monitor and implement any and all changes within your logistics operations. The benefits from gaining end-to-end visibility into logistics functions are to reduce the costs of unexpected shipping charges, avoid logistics disruptions, optimize inventory level and enhance customer service.^[4]

Outbound logistics is known for storing product and helps in moving it as quickly as possible for maintaining safety. According to the research, 50% of those who adopt Lean logistics practices outline immediate improvement. Also, to implement lean logistics, it is important to be efficient with inventory management. While we integrate both TMS with a good Warehouse Management System (WMS), will give you all the information regarding material handling and outgoing shipments. With this information, we can identify how many employees are needed, when and where the shipment is coming from and how to improve customer satisfaction by reducing the costs. Everything in logistics works around customer service. Approximately 70% of consumers are willing spend more money for good customer service, so it may be the most important part of your business. 3PL ensures tracking of goods and has high accuracy in customer service. It is predicted that by 2020, customer satisfaction will be given more importance than brand, product and costs. A business will focus more on customer loyalty by providing them facilities like discounted coupons, vouchers, taking feedback from the customers. A recent survey shows that 62% of B2B customers, and 42% of B2C customers believe in making future purchases with a company that has satisfied the customers with the quality of the product.^[10]

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Customer service plays an important part in transportation and logistics management. If a business is not doing well, then it is highly recommended, collaborating with 3PL which will help the business to get on track. Finding the best logistics management will enable the company to increase competitive advantage through customer experiences. After all, the end result is to provide as much value to the customer as possible while creating optimized business operations.^[12]

V. KEY SUCCESS FACTORS FOR EFFECTIVE LOGISTICS PRACTISES

There are various factors involved in the success of supply chain management. Efficient logistics is about planning. The process involves procurement, storage of goods and delivery of the goods to the right place, at the right time and for the right cost. The purpose of planning is to minimize the deviations in the supply chain. However, one must be prepared for the unforeseen circumstances as well. These situations can be related to:

- The products (sourcing, purchasing and production)
- Unavailability of the transportation
- Any internal issue in the organization

In today's world, technology plays a vital role in increasing the efficiency of an organization. There is software like SAP OR ERP that provides timely information about the movement of goods. The operator and client will get details about the goods that are dispatched from the supplier followed by the procurement of the goods at the warehouse and finally delivering the goods at the right place. Robots perform functions at the request from an order fulfillment system. Robot Technology is not only used to warehouse pulling but also for outbound logistics. They are also used to manage inbound and outbound strategy. With advances in technology and the IoT, most major companies, including Wal-Mart, Google, and Amazon, have launched autonomous vehicle and truck pilot programs. These vehicles have sensor system which helps in identifying different cars on the road.^[11]

Effective logistics management is insufficient without proper warehouse management. It uses variety of warehouse elements such as individual stock keeping units (SKUs) that are handled and stored, e.g., dimensions like automatic ID labels (bar codes). Decision making process depends on Transportation system which helps in determining the best delivery routes that ensures safety of goods. Facility, location, transportation and inventory management decisions are inter-related so a firm has to evaluate the impact of transportation decisions on the total cost of the supply chain. A key factor of business performance is the role of logistics function which ensures the smooth working of material, products and information throughout the supply chains. The best practices used by the companies is to improve the efficiency of operations and increase productivity.^[6]

VI. SOLUTIONS TO OPTIMIZE THE INBOUND LOGISTICS AND OUTBOUND LOGISTICS PROCESSES

Experts consider the inbound logistics process "the final frontier" for companies who wish to reduce transportation costs. The entire process is difficult and requires significant effort from supply chain managers and warehouse operators. Building strategic relationships with suppliers help in adapting to changes in the shipping landscape. Companies often receive the freight costs their vendors quote due to lack of evidence over market rates. But, with a transportation management system (TMS), your company has access to fluctuating rates based in line with market conditions. Companies use this information about transporter to set real-time vendor allowances. This ensures that you get the best rate possible at low cost. Controlling inbound and outbound freight can make the difference between profit and loss for your company. It is important to reduce freight costs as it conducts a freight rate analysis and reviews contract.^[9]

On the other hand, the outbound logistics process is about getting your products to customers. Implementation of Warehouse Management System would improve the performance of outbound logistics. We can control inventory by various techniques:

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- ABC Classification
- FSN Classification
- VED Classification

Using Cross-Docking for Your Warehouse Operations:

Workers sort incoming goods before quickly transferring them to an outbound truck. While it is not advisable for every business, engage a cross-docking approach allows businesses to use less warehouse space and undervalue material handling. It also helps in expanding product quality, lowers the number of returned products and increasing customer satisfaction. During the staging process, where products are for the time being kept on the dock before shipping, workers can quickly inspect products and eliminate damaged finished goods from the outbound shipment.^[12]

VII. CONCLUSION

The supplier-customer relation is deeply influenced by a multitude of factors. Each of these factors is significant in managing this relationship effectively. In this research, extensive literature available on the subject was examined. We can conclude that both inbound and outbound logistics play a very significant role in managing supplier-customer relations. Managing these relations well will result in efficient working of the supply chain and reduction of costs. Effective supplier-customer relation also helps establish long lasting business relations and preferential treatment.

Apart from this, the use of technology and tools like an ERP, TMS, WMS among others helps develop efficiency in the Supply Chain. An efficient supply chain is essential to smoothen the entire process.

In the competitive business environment in which firms have to constantly ensure their competitiveness, every small aspect makes a difference. Hence having a thorough understanding into this process will help firms maximize their efficiency and obtain the necessary competitive edge.

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