

LOGISTICS & PROCEDURES FOR EXIM

Tomas CJ

(MIB) Sri Krishna Arts & Science, Kuniamuthur Coimbatore.

Mucyo Sabine

(MIB)) Sri Krishna Arts & Science, Kuniamuthur Coimbatore.

Abstract

The Logistics include freight, transportation, warehousing, materials handling, protective packaging, inventory control, marketing, customer services etc. It means the scientific planning, controlling and supervision of material-person-energy and information flow in the system. Logistics is the business of making the Cargo available in the right form at the right place and at the right time at the least possible cost. Logistics plays a very important role in most of the business. Therefore this paper explains the objectives of logistics, Types of logistics, A brief procedure to import & Export. It provides an acceptable service to the customer in a cost effective manner reducing time and adding value to the product involved in the transfer process. This is the point where the concept of logistics was thought over and came into being.

Key words: - Logistics, Types of logistics, Procedures for EXIM.

Supply Chain Management

SCM formerly known as logistics management now includes more aspects apart from the logistics function. SCM basically means delivering the right product to the right place at the right time and at the right price. SCM is the one area wherein much operational efficiency can be gained, thereby reducing organizations costs and enhancing customer service. It is the Supply Chain Management that is conceptualized as something even larger than logistics that links logistics more directly with the user's total communications network and with the firm's engineering staff. A supply chain is, in fact, a network of facilities and distribution options that necessarily performs the functions of procurement and acquisition of material, processing and transformation of the material into intermediate and finished tangible products and finally the physical distribution of the finished tangible products to the customers, whether intermediate or final ones.

Logistics

The Council of Logistics Management defined the term Logistics as follows:

"Logistics is the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from the point of origin to the point of consumption, for the purpose of conforming to customer requirements."

The Objectives of Logistics

1. Rapid Response

F-flexibility objective of an organization: Some companies measure this as response time to customer's order. On an average how much time do we need to fulfill one particular type of customer's order in a year? This is a measure of rapid response. Logistics should ensure that the supplier is able to respond to the change in the demand very fast. Entire production should change from traditional push system to pull system to facilitate rapid response. Instead of stocking, the goods and supplying on demand, orders are executed on shipment to shipment basis information Technology plays an important role here as an enabler. IT helps management in producing and delivering goods when the consumer needs them. This results into reducing of inventory and exposes all operational deficiencies. Now the management resolves these deficiencies and slashes down costs.

2. Minimum Variance

D-delivery objective of an organization, this can be measured as 'On Time Delivery' or OTD. If 100 deliveries are made in a month/quarter/year how many reached as per the commitment made to the customer? This percentage is OTD.

Any event that disrupts a system is variance. Logistics operations are disrupted by events like delays due to obstacles in information flow, traffic snarls, acts of god, wrong dispatches, damage in transit. Traditional approach is to keep safety stocks and transport the goods by high cost mode. The cost of this approach is huge. Logistics is expected to minimize these events, thereby minimize and improve on Time Delivery.

3. Minimum Inventory

This is component of cost objective of a company. Inventory is associated with a huge baggage of costs. It is termed as a necessary evil. Objective of minimum inventory is measured as Inventory Turns or Inventory Turnover Ratio. Americans call this measure as turn velocity. Logistics management reduces these turns without sacrificing customer satisfaction. Lower turns ensure effective utilization of assets devoted to stock. Logistical management should keep the overall wellbeing of a company in view and fix a minimum inventory level without trying to minimize the inventory level as an isolated objective.

4. Movement Consolidation

Transportation is the biggest contributor to logistics cost. Transportation cost depends on product type, size, weight, distance to be transported etc. For transporting small shipments just in time [reduction in inventory costs] expensive transport modes are used which again tend to hike the costs. Movement consolidation is planning several such small shipments together by integrating interests of several player s in the supply chain. Generally, large shipment size and long distances reduce transportation cost per unit. Movement consolidation shall result into reduction in transportation costs.

5. Quality

If the quality of product fails logistics will have to ship the product out of customers' premises and repeat the logistics operation again. This adds to costs and customer dissatisfaction. Hence logistics should contribute to TQM initiative of management. In fact, commitment to TQM has made the management world over wake up to the significance of logistics function. Logistics can play a significant role in total quality improvement by improving the quality of logistics performance continuously and continually.

6. Life Cycle Support

Cradle to cradle logistical support produce, pack and repack. A company has to support a product not only while selling it but it has also to give a good after sales service and in some cases support the product when it is being disposed off. In some countries it is mandatory for the manufacturer to support the product when it is being disposed. Example in European countries they have to ensure proper disposal of electronic goods like laptops.

Logistics function is expected to provide life cycle support to the product after sale.

This includes

1. After Sales Service: the service support needed by the product once it is sold during its life cycle

2. Reverse Logistics or Product recall as a result of:

1. Rigid Quality Standards [Critical In Case Of Contaminated Products Which Can Cause
2. Environmental Hazard
3. Transit Damage [Leaking Containers Containing Hazardous Material]
4. Product Expiration Dating
5. Rigid Laws Prohibiting Unscientific Disposal of in terms Associated With Product Packaging
6. Rigid Laws Making Recycling Mandatory
7. Erroneous order processing by supplier.

Types of Logistics

1. Return Logistics (Reverse Logistics)

In order to increase the sales as well as the market share, many companies advertise that their goods will perform well over a period of time. The customer is, therefore, led to believe that in case he buys the product of that company, he is assured of satisfactory performance of the product. But at the same time, it is very much obvious that the company cannot assure the satisfactory performance of each and every of its product which is sold in the

market. Few of the products sold may not perform as advertised over the specific period of time. Such products need to be brought back by the company to confirm good customer service. Multination Companies (MNCs) to protect their market image and to stall its competitors from grabbing its customers, recall immediately the defective or substandard product from the market.

Product recall is a critical competency resulting from

- a. Increasingly rigid quality standards.
- b. Product expiration dating.
- c. Responsibility for hazardous consequences.

2. Military Logistics

Military logistics is the art and science of planning and carrying out the movement and maintenance of military forces. In its most comprehensive sense, it is those aspects or military operations that deal with:

- (a) Design, development, acquisition, storage, distribution, maintenance, evacuation, and disposition of material,
- (b) Evacuation, and hospitalization of personnel,
- (c) Acquisition or construction, maintenance, operation, and disposition of facilities.

3. Third Party Logistics (3PL)

3PL, Third Party Logistics describes businesses that provide one or many of a variety of logistics related services. Types of services would include public warehousing, contract warehousing, transportation management, distribution management, freight consolidation. A 3PL provider may take over all receiving, storage, value added, shipping, and transportation responsibilities for a client and conduct them in the 3PL's warehouse using the 3PLs equipment and employees or may manage one or all of these functions in the clients facility using the clients equipment, or anything combination of the above. 3PL can be defined as the "Business of proposing physical distribution reforms to a client and undertaking comprehensive physical distribution services."

Brief Procedures for Exporting and Importing Cargo from outside India and to India

The goods which are transported through Air is brought to the cargo terminal and the cargo hubs/terminals are located in various parts of the country. For example: Delhi, Mumbai, Kolkata, Chennai, Nagpur, Amritsar, Hyderabad and many more.

In order to import/export the goods, out of India's the following procedures of different governing bodies are fulfilled. The steps of which are mentioned below.

Export

- Shipper/consigner- prepares an invoice and packing list for the goods / cargo to be sent.
- Based on the invoice and the packing list the shipper/consigner or his customs house agent (CHA) files the shipping bill with the customs. The shipping bill is a customs document which is processed for carrying out the export formalities.
- The IATA (International Air Traffic Association) agent who is also called a freight forwarder generates the Airway bill (AWB) for particular airlines after negotiating rates and incentive.as a matter of right the IATA agent generating the AWB for the shipper/consigner get 5 % IATA commission on the freight from the airlines plus certain incentives as agreed.
- Agent approaches Airlines who issues a carting order (CO) which is a confirmation for carriage of the goods/cargo.
- The agent approaches AAI (Airports Authority of India) along with carting order, AWB and shipping bill. AAI generates Terminal storage and processing receipt (TSP) after collecting the charges, based on the rates fixed by AAI.
- By showing the TSP, the truck or vehicle carrying the cargo enters the AAI export area where the cargo is offloaded in the truck dock area. The cargo is weighed and in case of any discrepancy of weight AAI

penalizes the shipper or agent and amendment is carried out in all the documents because all charges of AAI and airlines are based on the chargeable weight.

- From truck clock areas the cargo is shifted to the examination area where customs official examines the content and values of the goods being exported and once the cargo is ok. Customs issues a “ LET EXPORT ORDER” after which only the cargo can be exported.
- The cargo is then x rayed/screened and is shifted to bonded area from where the airlines built the ULD’s (Unit Load Device) which can be pallets/containers, etc and takes it to the aircraft for loading.
- In export AAI offers 24 Hours free storage in the examination area after which AAI raises a demurrage charges and the bill is raised to the shipper or the agent and 48 Hours free storage in the bonded area after which demurrage charges bill is raised to the Airlines.

Import

In case goods or items are imported to India. The following procedures are followed in order to receive the goods.

- Once the cargo is brought by the Airlines deposit the cargo with AAI based on the IGM (IMPORT GENERAL MANIFEST). AAI being the custodies of cargo are responsible for safe storage of the goods.
- The airlines send a cargo arrival notice to consignee. The consignee or his appointed customs house agent (CHA) approaches the Airlines with the cargo arrival notice who issues a DELIVERY ORDER and provides the consignee copy of the Airway Bill along with packing list and invoice.
- The agent files a Bill of Entry (BOE) with customs, based on the packing list and the invoice, which is authenticated by customs.
- The agent approaches AAI with the Delivery order, (AIRWAYS BILL) AWB copy and the (BILL OF ENTRY) BOE for location slip, which provides the details of the location of the cargo. AAI provided the cargo from the respective location to the agent.
- The cargo is examined by customs and after assessing the value and the content of the goods, customs gives a report. Based on this custom duty is paid to by the consignee.
- Then customs issues “OUT OF CHARGE” only after which the goods can be delivered to the consignee.
- The agent approaches AAI with this out of charge copy from customs, based on which Bank Challan is issued. The agent or the consignee pays the amount being the custodian of cargo. AAI charges the consignee for the storages processing of cargo depending on the chargeable weight. However, AAI offers on 72 Hours free period for storing the cargo. The AAI finally issues a gate pass to take the goods out of bonded area.
- The goods are delivered to the party based on the gate pass.

Conclusion

Learning more about the various tasks and challenges of logistics, especially about transport, finance, and supplies will be a great help for a logistician and the people who would like to know how to import and export their goods in a correct procedure. Logistics is a highly robust business discipline capable of providing industry with important tools and a new corporate knowledgebase. Its inherent capabilities offer industry a platform from which the intellectual promise of cross cultivated intelligence can be realized. This helps industrial people capable of driving the next wave of successful companies.

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