

Logistics management practices: an overview of Indian Industries

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Introduction:

Organizations implement various business enhancement methods to improve business performance. Logistics as well as supply chain management has been considered to be the indispensable factor for the companies to obtain competitive edge. In fact, logistics as well as supply chain management has fetched attention since the early 1980s. In this paper, we provide a theoretical framework on the current research of operations management of logistics and supply chain. We first elucidate the conception of logistics and supply chain management in this paper, which defines the scope of our related research papers.

We will first understand what logistics is; Logistics is the management of the flow of goods between the point of origin and the point of consumption in order to meet some requirements, for example, of customers or corporations. The resources managed in logistics can include physical items, such as food, materials, animals, equipment, and liquids, as well as abstract items, such as time, information, particles, and energy. The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, warehousing, and often security. The complexity of logistics can be modeled, analyzed, visualized, and optimized by dedicated model software. The minimization of the use of resources is a common motivation in logistics for import and export. Note that the above definition of logistics is not unified, although it might be indeed, in current environment, a commonly acknowledged one. For example, Council of Logistics Management (now renamed as Council of Supply Chain Management Professionals) referred to logistics as “the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, services, and related information from point of origin to point of consumption for the purpose of conforming to customer requirements,” which includes in bound, outbound, internal, and external movements and return of materials for environmental purposes. As we can see, the concept of logistics focuses on the product flow, which is the meaning by which this word has been translated in Chinese. It also puts emphasis on the activities of handling product, which include the storage, transportation, distribution, and packaging and processing. Although business logistics involves many activities, the traditional research of operations management on logistics mainly relates to the fields of logistics facility, transportation, and inventory planning.

Global Scenario

Logistics is one of the most important basic industries for any economic growth as it is the management of the flow of products from the place of their origin to the place of their consumption, thus the industry also involves the integration of material handling, warehousing, packaging, transportation, shipping security, inventory management, supply chain management, procurement, and customs service.

The global logistics industry mainly comprises a complex range of freight and cargo related transportation sectors, such as shipping, warehousing, courier, and road/rail/air freight.

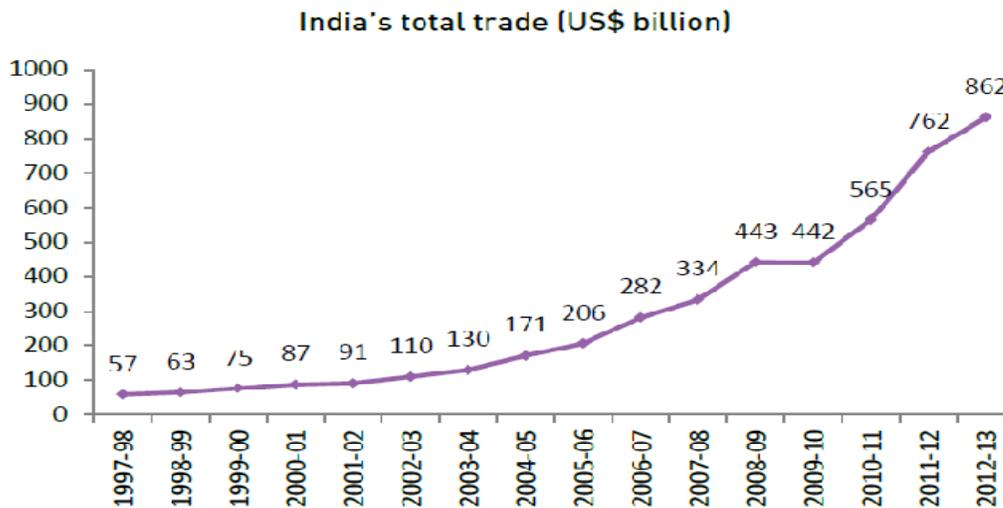
According to the report from C and M Research, the total global logistics market reached a value of about \$4 trillion in 2013, representing an almost 10% of global GDP. The global transportation services market is fastest growing sector with more 7% year on year growth since 2011, it was revenue of 3.8% trillion in 2016. The US currently accounts for more than a 42% of global transportation services sector. Over the next few years the global logistics market will see the growth in demand away from traditional Western economies to the emerging markets of China, India, other Asian economies, the Middle East and Latin America. However the size of the US and European logistics industries will still remain strong.

Indian Scenario

The Logistics sector in INDIA has today become an area of priority. One prime reason for the same stems from the reason that years of high growth in the Indian economy have resulted in a significant rise in the volume of freight traffic moved. The large volume of traffic has provided for growth opportunities in all facets of logistics including transportation, warehousing, freight forwarding, express cargo delivery, container services, shipping services etc. The growth path also suggests that increase demand is being placed on the sector to provide the solutions required for supporting future

growth. Strength of the logistic sector is likely to be one of the key determinants of the pace of the future growth of the economy.

The market size of the logistics sector in INDIA is estimated to be between USD 90-125billion. Given that the Indian economy has grown to over USD 1.73 trillion, these estimates may already be well below the actual size of the industry. Sources estimates that the industry employs over 45 million people and is going at the rate of 15% with sub-sector growing at even 30-40% per annum. Due to these reasons the Indian logistics sector is viewed as one of the most attractive in the world. Recent policies by the government attract a strong growth area for logistics in the future. Despite holding promise the logistics sector in India remains mired in several complexities which have the potential of holding it back. These includes significant inefficiencies in transportation, poor condition of storage infrastructure, complex tax structure, low rate of technology adoption, and poor skills of logistics professionals.



Source: Directorate General of Foreign Trade; IMAcS analysis

Indian Logistics Industry: Current Scenario and Future Outlook

Logistic is the strength of the economy, providing the efficient, cost effective flow of goods on which other business sectors depends. The logistics industry in India is developing swiftly and it is the association of infrastructure, technology, and new types of service providers that will describe whether the industry is able to help its customers lessen their logistics costs and provide efficient services.

Despite weak economic response, the logistics and warehousing industry continued to see growth largely due to growth in retail, E-commerce and manufacturing sectors. The logistics sector is projected to grow at around 10-15% in the period 2017-2018. With this forward looking attitude and promise of growth and improvements, the service oriented logistics is all set to expand beyond the horizons in the later half of this decade, utilizing this fiscal year as its launch pad.

Estimated Future Growth:

The Indian Logistics sector growth depends on the escalation of its soft infrastructure like education, training and policy structure as much as the hard infrastructure. To support India's rapid economic growth of logistics industry is very important. It is anticipated that the Indian logistics sector will continue to show strong growth of 10-15% annually, leading the rhythm of growth of the economy at large.

Demand Drivers

In 2014 the Global economic outlook and indeed that of India is expected to considerably progress as India Inc. beings to deal with the economic fall. Many policies are expected to be implemented which will give a fresh impetus to India's growth engine particularly in the corporate and SME sector which in turn will drive up demand for the logistics sector. The biggest boost up to the growth of the industry is coming from the rising consumer demand, particularly in the semi metro and small cities of the country. This is being further stimulated by the revolutionary growth being seen in e-commerce which is encouraging logistics companies to respond with new innovations in service since logistics is the most significant component in the success of an online business.

Logistics-Future Trends in India

India has become the prime destination for logistics service providers all over the world.

The demand for logistics services in India has being largely driven by the growth of the economy. The growth is projected at 7-9% in next few years, with the Compounded Annual Growth Rate (CAGR) expected to grow at rate of 7-8%. This growth is expected to gain greater momentum due to exponential growth of the Indian economy.

India is also experiencing a big retail boom as the buying capacity of the middle and upper middle segment of the population have scaled new heights. Many large MNCs from the retail industry are planning to set up operation in India and large local retailers are also planning to expand their operations.

But with the infrastructure largely under-developed and incapable of catering to a growing economy, logistics management in India becomes too complex. The poor condition of infrastructure directly translates to higher turnover, pushing up the operating costs and reducing efficiency. There are other problems such as complex regulatory compliances and limited adoption and utilization of technology, which has resulted in increased paper work and inability to communicate effectively with customers.

In spite of dismal infrastructural scenario, the hopes of the logistics sector are kept up by the various upcoming infrastructural projects like logistics parks and hubs and other initiatives by public and private sectors. The future of the logistics sector depends not only on the continued development of infrastructure but also on the capability of the service providers in adopting themselves and making optimal utilization of technologies.

Conclusion

The future of the Indian Logistics Industry lies ultimately in value propositions for the customer. Value solutions can be engineered only if the complex strands of supply-chain mesh together seamlessly. These solutions are expected to command a premium but also come at a cost. The cost-conscious Indian market first has to be made to appreciate the value of premium services first. This would result a reduction in cost down the line, which can only happen when most of the deficiencies mentioned above are removed. Logistics companies can leverage further economies of scale when operations are expanded. This may require industries to collaborate with logistics service providers to nurture their businesses, possibly in a way the automobile industry in India nurtured the auto-component companies. The future is bright for logistics industry in India- the expectation is that a tipping point for the industry will soon be reached which will propel it to greater heights.

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