

Logistics of watts and volts



As the consumer market is growing, demand for electronic goods is seeing a growth spurt. To cater to this burgeoning demand, logistics service providers need to gear up their service speed and quality. In this era of globalisation, India is witnessing a huge demand for logistics service provider with companies now concentrating on managing their supply chain mechanism in a better way and deepening their market penetration.

MEGHNA CHUKKATH

shares excerpts from few industry players.

Continuous improvement in logistic infrastructure has led logistics service providers to be perceived as a far better way of controlling both internal and external logistic processes. Lucrative growth in India's consumer electronic and durable industry has boosted the 3PL sector, generating estimated revenue of US\$ 69 Million in 2010. The market is further anticipated to post a CAGR of around 36 per cent during 2012-2014, on the back of rising demand for warehousing and transportation in consumer electronics and durable industry. Globalisation has exposed the consumers to an environment of innovative products from refrigerators to automobiles. "The level of intelligence implanted in the products from our cars, to our homes, is improving day by day. This has led to an increase in the demand for 3PL (third party logistics) business with companies extensively focusing on managing their supply chain mechanism in a better way and managing their market penetration. The demand is expected to grow in the years to come, due to the

introduction of new and better products regularly. The industry for electronic goods in India has been witnessing a remarkable growth and there has been a surge in demand for the same and this in turn has boosted the 3PL sector further," believes **Vineet Agarwal, Managing Director, TCI.**

Challenges

Managing complex, global supply chains with high-value inventories and demanding customer specifications requires innovative solutions supported by advanced IT capabilities. Among the many categories of electronics merchandise, high-velocity and high-value consumer goods present the most vexing and dynamic supply chains. Some aspects of consumer electronics are more fashionable than fashion; their volatility can be even more severe, their lifecycles shorter, and their margins thinner than that of designer apparel. In this cornucopia of electronic goods, and the need to deliver products, of premium and good quality, requires effort. Retailing and logistics are concerned with product

availability. Many have described this as 'getting the right products to the right place at the right time'. Unfortunately more often than not, this description does not do justice to the amount of effort that goes into a supply chain system and the multitude of ways in which these systems can go awry. "The trick of the trade is to make logistics look simple, day in and day out, whilst reacting to volatile consumer demand on one side and the complexities and challenges inherent to FMCD logistics, on the other. There are myriad challenges which need to be fulfilled everyday to provide a delightful service to customers and to customers' customers. Therefore, in hindsight, when it comes to buttonholing the challenges faced during logistics, holistic and disciplined SLA based approach of LSPs can act as vital bridge between these electronic companies and their satisfied end customers," explains **Aditya Gupta, Zonal Business Head - North, Diesel**.

At one point in time logistics gave way to forecasting and outsourcing as a major focus for electronics companies. New transport options, such as sea-air combos, are helping meet short sales cycles while controlling costs. Electronics companies are also using dynamic routing to reallocate shipments based on the latest point-of-sale data. With globalisation, consumers are demanding innovative and multi-featured electronic goods. Technology has in fact led to a shorter shelf life of electronic goods. Agarwal comments, "With a launch and introduction of new products day by day, the need for logistics and 3PL specialists has become essential. However, despite the high demand, the sector faces challenges due to poor infrastructure and products do not get delivered due to real time. Poorly coordinated planning, intra-state border issues, cumbersome documentation, bureaucracy and corruption reduce the average speed of trucks to 21 km/hour. Hence, a truck delivering a cargo can cover only 300-500 km per day, as opposed to almost double that distance in larger developed countries." Yet from these challenges emerges real innovation. Out of necessity, consumer electronics supply chains have been pushed to the bleeding edge and are forging new paths for sourcing, production, distribution, logistics, and even financing strategies. Every supply chain is unique, but some pressures across the consumer electronics supply chain are common. These include:

- Strong retail price pressure



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- Products where shelf life can be far shorter than production cycles
- Rapidly changing customer demands
- Relatively fixed production and logistics constraints
- The need to balance product innovation with feature rationalisation
- The need to become more global
- Distribution to multiple sales channels, each with their own logistics needs

Consumer electronics companies are addressing these challenges by enhancing their ability to understand, analyse, and respond to the market but the logistics sector more or less faces same constraints firstly, due to infrastructure and its limitation secondly, because of the government policies and approach.

Pilferage

Cargo theft has been around for centuries, unfortunately, crime has evolved along with cargo transportation methods. Cargo theft is an international problem affecting consumers and businesses alike. In today's global economy, raw materials manufacturing and sourcing often occurs

in one part of the world, while the finished product is warehoused and consumed in another. Cargo can be stolen at any point in between, compromising product integrity and availability. Gupta is of the view that, "It won't be a misnomer to compare logistics to the 'Jugular Vein' of electronics industry. As most of the electronic items belong to 'high value aspirational' category, it is as prone to pilferage as a funambulist is to the risk of failing. But nevertheless, apart from being more vigilant, it is our endeavor to address the poignant concern by constantly devising and implementing ways of combating these challenges through the following safeguards-

- Installing CCTV cameras at strategic locations within warehouses. To a vast extent, these CCTV cameras have proved successful as a deterrent against any larceny attempt.
- Special emphasis and strict adherence to 'Perpetual Count' (be it random, planned, transaction wise or category wise cycle count activity) and month end, 100 per cent wall to wall count.
- Deploying top-notch quality security agencies and sensitising security guards about the importance of thorough frisking of every individual physically and also by using metal detectors.
- Strict adherence to restricted entry policy at all warehouses to refrain any unauthorised personnel from entering the warehouse.
- Maximising usage of closed body vehicles and proper methodical sealing of same
- Also, plans of using sealed roll-over cage bars for small but high value items are also in pipeline.
- Use of tamper proof stickers/holograms and color coded BOPP tapes also helps in keeping a check on pilferages especially during transit.





Vineet Agarwal,
Managing Director, TCI

To combat thefts, there is a need for Global Positioning System (GPS) on all its critical routes for monitoring and better route planning. This helps the company in tracking consignments, meet timelines, and optimise productivity. The technology helps in the overall safety of the driver and the trucks. It monitors driver's behavior on a daily basis and keeps a track on how fast or slow he is driving the vehicle and gives vital information for prevention of any accidents. It also keeps a check on fuel dispensing."

- A good insurance policy to cover goods both during warehousing as well as during transit can act as a savior."

The rash of supply chain thefts is forcing retailers, large and small, to work together against shrinkage. Inventory theft, much of which is part of a huge black-market industry costs companies, and ultimately customers, a good deal of cash. The electronics industry demands for professional warehousing security practices and logistic companies are taking a number of actions to improve facility and vehicle security. "Range of locks is applied to secure the vehicle and cargo, such as king pin locks that prevent the tractor and trailer from being separated, air brake valve locks that prevent brake release, etc. To combat thefts, there is a need for Global Positioning System (GPS) on all its critical routes for monitoring and better route planning. This helps the company in tracking consignments, meet timelines, and optimise productivity. The technology helps in the overall safety of the driver and the trucks. It monitors driver's behavior on a daily basis and keeps a track on how fast or slow he is driving the vehicle and gives vital information for prevention of any accidents. It also keeps a check on fuel dispensing," says Agarwal.

Aftermarket service

Managing the flow of goods through the forward-facing supply chain is hard enough, but keeping the reverse supply chain running smoothly presents a number of unique challenges. Reverse logistics is a necessity, mostly, for an information technology-intensive business. Reverse logistics has always been a concern for manufacturers and retailers, but until recently this process has got little respect in the supply chain. It's been an afterthought for a long time and reverse logistics, for many years, has been looked upon as a necessary evil. Earlier, companies were more focused on the forward supply chain, pushing goods through the pipeline to meet demand, and leaving returns to the workers at the store and warehouse level. It is only now that the concept of aftermarket is gaining popularity. Still, there is a long way to go especially for the unorganised segment. Agarwal elucidates, "After sales services include reverse logistics and supply chain management, repair and warranty services and return management services that help deliver great end-customer experience by minimising down time. Customer satisfaction is the prime concern for all the logistics providers. Hence,

aftermarket after-sales service is essential for satisfying the customers through logistics solutions as well.

A logistics player offers services like:

- Exchange logistics wherein services like warranty management, serial number validation and product exchange, are provided to reduce the administration and logistics costs of the customers.
- Return logistics on the other hand manages logistics of the repair service, improving visibility to reduce cost and improve reliability.
- Service parts logistics is another service provided to customers at different locations, field engineers or Pick up Drop off (PUDO) point."

There are a significant number of such points in the reverse supply chain that add up to a lot of cost. By not properly addressing the touch points, companies can negatively impact profitability, customer satisfaction and brand image.

Gupta mentions some of the more prominent challenges

- Electronic items are not only fragile in nature but are also usually high in value which warrants special care and training for storage, Inbound/Outbound flow and during their primary/secondary distribution.
- Electronic /FMCD are "Sales-Centric" industries therefore the cardinal rule is that Actual Date of Delivery (ADD) should be sooner than Expected Date of Delivery (EDD).
- Most of the electronic items prostrate to seasonal fluctuations, and even the best of prognostications can go haywire due to various external factors. For example – This year can be termed anything but "prosperous" for almost all the air conditioning manufacturing companies in India as the early and more than expected monsoon has played a spoilt-sport to the otherwise meticulously drawn out and ambitious sales projections of these companies.
- Perseverance coupled with smooth coordination with both transporters and end customers is needed to ensure better flow of material as well as information
- There is a constant need for eliminating the looming chances of mismatches, transit damages, bottlenecks in reverse logistics as known as 'Sales Returns', obsolescence and stock-outs and other unforeseen challenges [CC](#)

