Logistics Cost Control from the Perspective of Supply Chain

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Abstract: In recent years, the logistics industry is in the stage of rapid development, with the status of China's foreign trade significantly improved, there are more development opportunities for the logistics industry. Logistics cost, as a key factor for the profitability of enterprises, is of importance for enterprise development, which is self-evident. From the perspective of supply chain logistics cost control, this paper analyzes the composition of logistics cost, in view of its current situation and problems, initially forms the supply chain logistics cost control strategy, and provides feasible suggestions for the current internal control of logistics enterprises, namely cost control.

Keywords: Supply Chain; Cost Control; Logistics; Cost Composition

1. Introduction

With the rapid development of national economy and the improvement of people's living standards, the logistics in the frequency of the people around is also increasing, and it is an understood thing. However, how to continuously promote the development of logistics and control the extra cost has always been a problem in the logistics industry.[1] In 2019, the total cost of national social logistics was 14.6 trillion yuan, up 7.3% year-on-year, while the proportion in GDP was 14.7%. Although the proportion decreased compared with 2018, the total cost was still large. There are many factors that can lead to the phenomenon of high cost, so the industry for logistics cost control methods has also been explored. Next, this paper will discuss how to provide a more comprehensive service for the public with the minimum expenditure, and analyze and research the logistics cost control methods from the perspective of enterprise supply chain.

2. Cost control theory analysis

2.1 The concept of supply chain cost management

The supply chain cost mainly refers to the operation process in which the cost is effectively controlled through the coordination and control of each link of the supply chain process through the use of new technologies and advanced management strategies in the whole supply chain process, that is, in the process of manufacturing, procurement, supply, distribution, retail and so on.[2]

2.2 Analysis of logistics cost structure from the perspective of supply chain

This article under the perspective of supply chain logistics cost according to the general supply chain logistics classification method is divided into six categories, which are production logistics cost, purchase logistics cost, storage
logistics cost, sales logistics cost, transportation and distribution logistics cost, and after-sales service logistics cost. At the same time, it lists the impact indicators for each classification cost, and discusses the logistics cost control measures in various aspects through analysis.

Production logistics cost, mainly refers to the raw material product manufacturing process, the need of manufacturing cost factors of production purchase cost management cost recovery cost in the logistics cost for the factors which influence the cost of the size of material loss production technology.

Purchase logistics cost, refers to the products or resources of suppliers in procurement logistics cost which can be consumed by a series of measures to effectively reduce the cost of spending, aspects of the main control for the unnecessary loss of transportation, the storage of pick arrangement, etc.

Storage logistics cost refers to the cost of logistics consumed by storing commodities. It mainly refers to the cost consumed in warehousing due to the lack of accurate control of the dynamic among product operations[3], which can be reduced through the cooperation among enterprises.

The cost of sales logistics describes all the assets and resources, which include manpower, material and financial resources, that are consumed in the process of displacement for the product to be sold.

Transportation and distribution logistics cost is mainly aimed at the process in which the products are finally delivered to the consumers by the retailers. The waste of costs in this stage is mainly due to the unreasonable stowage of the last kilometer.

Logistics cost of after-sales service refers to the logistics cost to be consumed when after-sales service to customers is provided.

2.3 Development trend of cost control in logistics enterprises

In the 21st century when low-carbon and green logistics are strongly advocated, cost control in the logistics link naturally becomes the focus of attention. The 19th National Congress of the Communist Party of China clearly put forward the concept of "modern supply chain", which is to integrate and optimize the upstream and downstream enterprises and relevant resources, and at the same time to promote the management system of supply chain and logistics cost to be more perfect. So far, many experts are also very concerned about the cost control of progress, and many studies on this topic have made great contributions to the development of logistics industry but for now, the study of logistics cost management in our country is still at the discussion stage[4], systematic logistics costs[5]. There are still many unnecessary costs in the process of supply chain logistics, and there is still room for improvement in cost management and control.

3. Confronting problem

3.1 Transportation cost management is inefficient

Transportation cost accounts for a high proportion in logistics cost, so the problem of reducing transportation cost needs to be solved urgently. Most enterprise managers do not strictly control the logistics and do not consider the long-term benefits that cost management can bring to the company. The insufficient attention of managers can also affect the operational efficiency of junior employees, which mainly refers to the cost increase caused by low efficiency in the process of transportation and distribution.[6] Such a phenomenon also occurs in other aspects such as storage and production. This requires the upper layer to implement the corresponding incentive system according to the actual situation and change the service attitude from top to bottom.

3.2 The degree of information control is not high

The level of science and technology of each enterprise is high or low. For some enterprises whose technological development is not high, they are naturally not competent in the logistics management activities from the perspective of supply chain, which is due to the lack of strong technical support.[7] In some picking, distribution and storage links,
enterprises need to catch up with the pace of modern technology as soon as possible to improve production efficiency, or they will increase the total cost and their own burden invisibly. Problems in service quality, such as goods cannot be tracked in time due to low information level, delayed delivery and other problems will emerge in an endless stream.

3.3 Inventory costs due to uncertainty

In the process of inventory, different enterprises will adopt different storage methods. When the fixed goods are stored in the storage location, the space utilization rate of the storage location will be reduced and the mobility will be lacked; when the goods are placed randomly, the work efficiency of the employees will be reduced and the expenses of the enterprises will be increased invisibly. At the same time, the change of order quantity, transportation time and storage conditions will also affect the change of storage mode and logistics cost.[8] With the improvement of economic level and the development of science and technology, the structure of supply chain becomes more complex, and the uncertain factors increase naturally.

4. Countermeasure and suggestion

4.1 Cost control in supply chain

In the process of transportation and distribution, the problem of "last kilometer" has always been a problem for enterprises and countries. The factors that affect the slow delivery and high charging of the "last kilometer" are that the delivery staff are not familiar with the delivery roads, the navigation is not accurate, or the road traffic conditions are not good. In view of the above situations, logistics enterprises can cooperate with the providers of navigation software to increase the functions required for vehicle positioning, staff tasks and other dispatch based on the original equipment of navigation; or to transfer some distribution products to the drivers cooperating with taxi software for distribution, so as to reduce the pressure of employees. When the industry starts to purposefully promote the centralized operation of enterprises and the effective integration of resources, such problems can also be effectively alleviated.

At this stage, some enterprises have begun to outsource their own industries to reduce their burden, but compared with other companies that may compete with each other, it is obviously better to give to their employees to ensure the quality and safety of products. For example, if the vehicle is outsourced to the driver of the company, it will be changed from "self-employed" to "other employed". This is the operation mode that the enterprises have been trying. For enterprises with a certain scale and spare power, the self-supporting logistics mode can be used to effectively control the cost of each link of supply chain logistics for internal manufacturing, purchasing, sales and other links.

In the sales process, there will also be problems about the logistics cost that are difficult to control. In the face of customers, when they sell, they invest a certain promotion cost, but not necessarily get the corresponding return. Therefore, in order to make effective use of resources, in the face of different types of customers, enterprises can investigate them, analyze the impact of customers on the sales of enterprises to take different logistics service programs.

4.2 Enhance enterprise technology sharing

In the face of the weak level of informatization in some enterprises, it not only needs the R & D efforts of enterprises themselves, but also needs the help of the state, government and partners in the same industry. The government, as the "middleman", can take some subsidy policies for the enterprises with higher information level or advanced management system to help the enterprises with lower information level, improve the overall scientific and technological level of the industry, so as to effectively control the logistics cost.[9] For enterprises, not only technology can be shared, but also information sharing can control the unnecessary cost of logistics between the upstream and downstream of the supply chain, clearly understand the needs of customers, and effectively reduce the situation of overproduction and inventory accumulation.

4.3 Form a closed-loop management method
Managers often fall into such a misunderstanding that in order to complete a short-term assigned task index, they spend a lot of time and money to improve the recent operation results and maintain the temporary profit effect. However, there will also be the situation that the company's strategy and actual operation are not equal because the long-term strategy of the enterprise is ignored. Using the closed-loop management method, managers should first put forward the objectives before the implementation of the work, and finally check and analyze the reasons according to the plan, which can enhance the systematic work of the enterprise, improve the quality of products, and realize the comprehensive benefits of "economy and environment", similar to PDCA cycle management method.

5. Conclusion

Logistics cost control has become an important condition for the development of logistics enterprises. It is an inevitable trend for logistics enterprises to improve the cost control system in the supply chain and further put forward the cost reduction strategy. At the same time, its control needs to be analyzed from multiple perspectives, which can start from each stage of the supply chain. By describing the composition of logistics cost, this paper initially explores the control strategy of logistics cost from the perspective of supply chain, and obtains the following basic conclusions:

(1) Innovation is critical in logistics cost control activities. As the first driving force of leading development, innovation is applicable to technology development, business philosophy and management system.

(2) From the perspective of supply chain, the control process of logistics cost is inseparable from the help of the government. The government plays a key role in cost control. Without government subsidies or human support in some projects, it is difficult for enterprises to support projects with large consumption of funds or other resources, and the progress of cost control naturally stagnates.

(3) The upstream and downstream enterprises in the supply chain can share information and form a closed-loop management, which is convenient to understand customer demand and industry status, adjust the purchase quantity according to demand, and reduce inventory and transportation.

(4) In order to get more detailed customer needs, the industry can consider the integration of some enterprises, centralized management, so that resources can be effectively used, supply chain logistics costs can be effectively controlled.

(5) Enterprises with conditions can decentralize the power, alleviate the low efficiency and high cost problems caused by the centralized mode, and disperse the "marginal" power on the basis of the centralized mode, so as to improve the efficiency of logistics operation.

References