



16ME410 - SUPPLY CHAIN MANAGEMENT

Logistics and the Bottom line

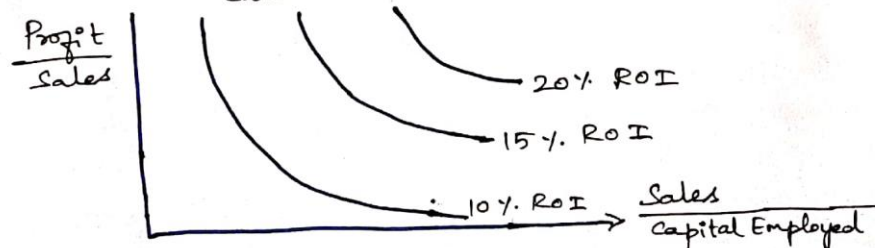
The cost of Satisfying customer demand is not fully understood by organisations. The reason is traditional accounting systems tend to be focused on product costs rather than customer costs.

Logistics not only generates cost but also generates revenue through the provision of availability.

1. In Logistics, the "bottom line" has become the driving force
2. Another influence on decision making and Management is cash flow.
3. The next influence is the resource utilization and the use of working capital.
4. The pressure in most organisation is to improve the productivity of Capital - "to make assets sweat".
5. Here, the organisation utilises Return-on-Investment (ROI)

$$ROI = \frac{\text{Profit}}{\text{Capital Employed}}$$

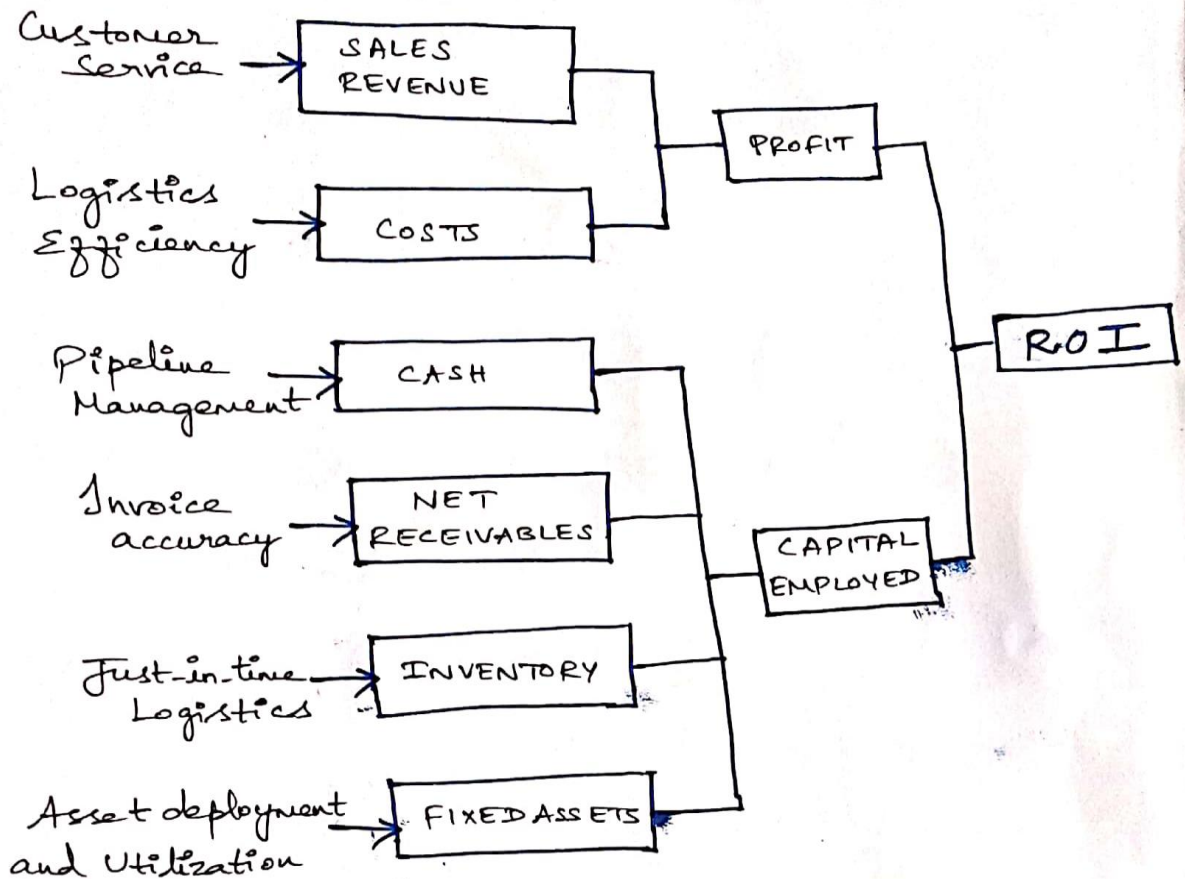
$$ROI = \frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Capital Employed}}$$



IMPACT OF MARGIN AND ASSET TURN ON ROI



LOGISTICS IMPACT ON ROI



LOGISTICS AND THE BALANCE SHEET

Impact on the operating income logistics can affect the balance sheet of the business in a number of ways.

By examining the elements in the balance sheet, the final flow of the logistics variables can be analysed



LOGISTICS MANAGEMENT AND THE BALANCE SHEET

