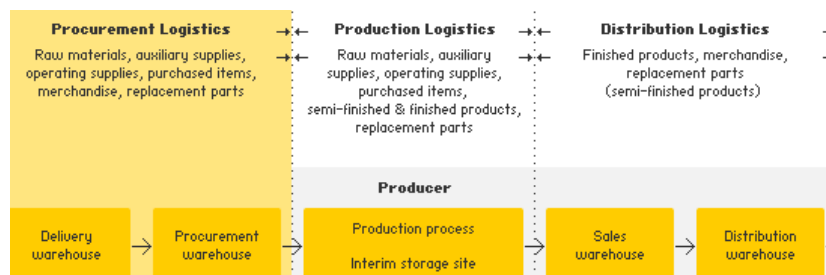


Definition of procurement logistics

From the supplier to the company

The application of logistics concepts in terms of procurement is called procurement logistics. It covers all activities that provide a manufacturer with raw materials, tools and operational supplies as well as with purchase and replacement parts. In the past, the necessary materials were primarily obtained from local sources. Today, a company can readily obtain them around the world thanks to global networks and the Internet. This has an impact on logistics as well.



Allocation of procurement logistics within the logistics system of an industrial company

Concept and scope of procurement logistics

Procurement is a market-linked logistics system. It forms the link between the suppliers' distribution logistics and a company's production logistics. Procurement logistics items are goods that must be supplied to the company as needed - e.g., raw, auxiliary and operating materials, purchases and merchandise that the company needs to manufacture its products. The customer is the source warehouse or, in the case of direct supply, the first production stage in the company [1].

Optimization through system and total cost orientation

The System orientation used in market-linked procurement logistics examines relationships with suppliers' logistics systems. One factor that must be considered is whether efforts to reduce inventories in a company's own supply warehouse will require increased inventories at the supplier's distribution warehouse. Over the long term, this could result in price increases for the suppliers' products. When the supply chain is viewed as a holistic system, it is possible to do things like build a warehouse that is operated jointly by the customer and supplier in order to reduce warehouse inventories in procurement logistics.

Total-cost orientation is also reflected in warehouse-inventory reduction. Lower inventories may result in smaller orders and increased order frequency. This can mean higher transport costs.

In terms of supplying a company, the interdependency between procurement logistics and procurement strategy must be considered. Similar to marketing

instruments used in sales, the instruments related to procurement strategy can be broken down into four groups: [product policy](#), [terms & conditions](#), [communications strategy](#) and [purchasing strategy](#) [1].

Recommended reading

Purchasing and Supply Chain Management | Quayle 2006

Logistiksysteme | Pfohl 2004

Gower Handbook of Purchasing Management | Day 2002

Praxishandbuch innovative Beschaffung | Arnold / Kasulke 2006

References

[1] Logistiksysteme | Pfohl 2004

Related articles

[Distribution logistics](#)

URL

http://www.dhl-discoverlogistics.com/cms/en/course/processes/procurement_logistics/definition.jsp