

## The Logistics Wastes

As in life, business is about managing tradeoffs. Tradeoffs are found not only across the business functions but within each one. For instance, in manufacturing, it is commonly recognized that small batches provide greatest flexibility in accommodating customer demand yet incur higher per-unit costs of production. So, there is a tradeoff found among small and large batches in production. In marketing, small-budget promotions tend to enjoy lesser impact than big-budget promotions – another tradeoff. Logistics is full of tradeoffs. The most commonly held tradeoff in logistics is that between the level of service offered to customers and the cost incurred in providing that service. This trade off describes our challenge to manage “Total Logistics Cost”.

Lean Six Sigma Logistics is about capturing the tradeoffs present within logistics and between logistics and other functions found in the company. When you do this, you are essentially putting the supply chain to work in your favor, rather than working against it. And it is through this level of coordination that your supply chain can outpace the supply chains of rivals.

Logistics is a necessary function for all companies. No business can live without it. Companies that do not do it well, in fact, threaten their very survival. Companies that recognize and manage the tradeoffs by measuring total cost can transcend this “systems” thinking to the larger environment, the supply chain in which they operate. In the absence of integrated logistics and total cost perspective, the logistics wastes are inevitable. It is the logistics wastes that we need to eliminate.

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We’ve all heard the phrase “You can’t make something out of nothing.” Resources are necessary to accomplish anything great or small. But problems arise from using resources unproductively, applying the wrong resources, failing to tap into necessary resources, or directing resources toward the wrong outputs. In each of these instances, waste is created. Costs are incurred, people’s time is consumed, opportunities for value creation and growth are lost, and customers are left less than satisfied.

While much has been said and written about the wastes found in a manufacturing environment, relatively little is mentioned of the wastes in logistics. The wastes in logistics are just as prevalent as any other functional area of the firm though they are not always as visible, given the scope of logistics activity. In fact, it has been suggested that more than 80 percent of the work of logistics takes place outside the view of supervision—suggesting all the more that precise, yet robust processes must be developed for logistics. The logistics wastes we need to eliminate are:

- Inventory waste
- Transportation waste
- Space and Facilities waste
- Time waste
- Packaging waste
- Administration waste
- Knowledge waste