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Article 02 – The Importance of Logistics in Supply Chain Strategies

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THE IMPORTANCE OF LOGISTICS IN SUPPLY CHAIN STRATEGIES

While not immediately obvious, there is a distinction between logistics and supply chain management.

Logistics management is primarily focused on the efficient transportation or warehousing of goods. This can have a major impact on the overall costs of the business, and the organisation's price competitiveness and viability.

Supply chain management takes account of logistics (so there is an overlap). However, it also considers how a business distinguishes and positions itself from its competitors, such as how responsive and tailored it seeks to be in meeting the demands of its targeted customers.

The extent or the nature of the impact of logistics under the different types of global supply chain strategies will vary. It will influence the flow of goods (from sourcing and production to delivery and after-sales service), the timing of production, as well as inventory management. For example:

01 Make-to-Stock (MTS)

Logistics is crucial in ensuring that the finished goods are stored in the right locations and that the goods can be quickly and efficiently transported to customers when required. Logistics can also impact the timing and frequency of production runs.

02 Make-to-Order (MTO)

In this context, logistics will have a significant impact on lead times, as goods are only produced after a customer's order is received. Logistics can also impact the speed and efficiency of transporting raw materials and components to the production site and in the delivery of finished goods to customers.

03 Assemble-to-Order (ATO) and Engineer-to-Order (ETO)

The effect of logistics tends to be significant in the stage of transporting raw materials and components to the production site, as well as in the delivery of finished goods to customers (especially if it is large, weighty or of unconventional shape).

Therefore, it is essential for organizations to have effective logistics systems to support their global supply chain strategies.