

A Study on the Problems and Challenges Faced by Business in Inbound and Outbound Transportation with Special Reference to Cement Industry in India

Frackson C Viyano¹, Bindhu Ann Thomas²

Assistant Professor

Department of MBA

Lead College of Management, Palakkad,¹ Kochi Business School, Ernakulam²

Corresponding Authors' Email Id: - frackson@lead.ac.in¹,

bindhuannthomas@yahoo.com²

Abstract

Logistics is used more broadly to refer to the process of coordinating and moving resources, people, materials, inventory, and equipment from one location to storage at the desired destination. The term logistics originated in the military, referring to the movement of equipment and supplies to troops in the field. Logistics play a huge role in the smooth operations of a business. Inbound logistics refers to the transport, storage and delivery of goods coming into a business. Outbound logistics refers to the same for goods going out of a business. Today the most important problem faced in the cement industry is difficulty in inbound and outbound transportation. The distribution of cement from manufacturing to the ender user is a costly affair, mainly its transportation. The selling and distribution costs accounts are more than its revenue. Using more railway routes than roads, shrinking lead distance (distance between the manufacturing facility and market) and opting for sea routes wherever possible were some of the ways by which cost can come down. Inward logistics include coal and limestone transportation, while outward logistics is mostly the final product of cement. Some companies also incur the outbound logistics cost of transporting clinker to their grinding plants. For plants that are closer to the collieries, the inbound transportation costs are less.

Keywords: - *Logistics, Inbound and outbound transportation, problems in cement industry.*

INTRODUCTION

This study mainly focused on the problems and challenges faced by inbound and outbound transportation in cement industries. India is the second-largest cement producer in the world. India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Even since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from India as well as foreign investors. Besides all these, the most important problem faced by the cement industry today is its transportation, especially in its inbound and outbound transportation.

Logistics refer to the overall process of managing how resources are acquired, stored, and transported to their final destination. Logistics management involves identifying prospective distributors and suppliers and determining their effectiveness and accessibility. Logistics managers are referred to as logisticians. Logistics is the process of planning and executing the efficient transportation and storage of goods from the point of origin to the point of

consumption. The goal of logistics is to meet customer requirements in a timely, cost-effective manner. Logistics involves many things like transportation, inventory, packaging, supplies and sometimes, security. There are many types of logistics, for example, military logistics, business logistics and production logistics. The management of logistics can involve main functions like inbound and outbound transportation. Inbound logistics refers to the transport, storage and delivery of the goods coming into a business. Outbound refers to the same for goods going out of a business. The problem affects the side of inbound and outbound transportation in the cement industries. In this study, we are discussing about the problems faced by the cement industry in the case of its inbound and outbound transportation. This study mainly focused on the problems and challenges faced by inbound and outbound transportation in cement industries. India is the second-largest cement producer in the world. India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Even since it was deregulated in 1982, the Indian cement industry has attracted huge

investments, both from India as well as foreign investors. The main important cost required for its operations is in the case of transportation. Its selling and distribution costs have come across 18 percent of sales revenue. The main important factors affecting cement distribution is market demand, seasonal surges, government policies, political lobbies, connectivity, infrastructure, technology, country geography, history and culture.

STATEMENT OF THE PROBLEM

In this study, we are discussing about the problems faced by the cement industry in the case of its inbound and outbound transportation. This study mainly focused on the problems and challenges faced by inbound and outbound transportation in cement industries. India is the second-largest cement producer in the world. India's cement industry is a vital part of its economy, providing employment to more than a million people, directly or indirectly. Even since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from India as well as foreign investors. Besides all these, the most important problem faced by the cement industry today is its transportation, especially in its inbound and outbound transportation. The distribution of cement to the end-user

from the manufacturer is a major cost factor in the landed cost of cement at the end. Cement is a bulk commodity. The main important cost required for its operations is in the case of transportation. Its selling and distribution costs have come across 18 percent of sales revenue. The main important factors affecting cement distribution is market demand, seasonal surges, government policies, political lobbies, connectivity, infrastructure, technology, country geography, history and culture.

OBJECTIVES OF THE STUDY

- To understand the problems faced by inbound and outbound transportation in the cement industry.
- To study about problems faced by logistics in cement industries.
- To know about outbound and inbound transportation works in the cement industry.

RESEARCH METHODOLOGY

The study is based on secondary data, which were collected from various journals, national and international publications, websites, magazines and newspaper.

REVIEW OF LITERATURE

Kaura, M.N and Bala Subtramanian (1979) (1) analysed ten cement unit during the period of 1972 to 1977 shows that the financial performance of the selected cement company is evidenced by profitability liquidity and capital structure ratios have declined.

Nagarajrao B.S and Chandra K (1980)(2) observed the financial efficiency of cement companies for the selected period of the study 1970-71 to 1977-78. It can be analyzed the profitability of selected cement companies has been found downward trend from 1970-71 to 1974-75 because of the reason of inflation, rising of manufacturing cost, continuous fall in capacity utilization due to many reasons.

Kumar B. Das (1987)(3) has made research on the financial performance of the cement industry. It can be analyzed that the net fixed assets as a percentage of total assets decreased for 1970-71 to 1977-78 that was 553.5 % to 44.04 %, respectively. Current liabilities have increased that the current assets.

DISCUSSIONS & ANALYSIS

The distribution of cement from manufacturing to the ender user is a costly affair, mainly its transportation. The

selling and distribution costs accounts are more than its revenue. Using more railway routes than roads, shrinking lead distance (distance between the manufacturing facility and market) and opting for sea routes wherever possible were some of the ways by which cost can come down.

Inward logistics include coal and limestone transportation, while outward logistics is mostly the final product of cement. Some companies also incur the outbound logistics cost of transporting clinker to their grinding plants. For plants that are closer to the collieries, the inbound transportation costs are less. For plants located far away from the collieries, they have the option to import coal. While the freight cost could be optimised on the imported coal through the usage of company's own ships for part of the quantity, the international prices of imported coal and its volatility together with the strengthening of the dollar against the rupee could derail this. This could impact the delivery prices of imported coal and also the cost of production. In the case of a final product, the costs of handling and secondary movement are very high. Although transportation by sea is the cheapest option, unless there is the right connectivity from the port to the consuming centre the gains are minimum.

Companies, which have plants located closer to the markets as well as to the source of raw materials have an advantage over their peers, as this leads to lower freight costs. Also, plants located in coastal belts find it much cheaper to transport cement by the sea route in order to cater to the coastal markets such as Mumbai and the states of Gujarat and Tamil Nadu. Checking logistics costs is an ongoing process for cement companies. Many are trying to reduce the costs by around 5-7 per cent by optimising the distance of transport.

The distribution of cement to the end-user from the manufacturer is a major cost factor in the landed cost of cement at the end. Cement is a bulk commodity. The main important cost required for its operations is in the case of transportation. Its selling and distribution costs have come across 18 percent of sales revenue. The main important factors affecting cement distribution is market demand, seasonal surges, government policies, political lobbies, connectivity, infrastructure, technology, country geography, history and culture.

For every 50kg bag of cement, the logistics cost come to around Rs 18-15 by road and Rs 12-15 by the railway,

depending on the distance. For example, India's third-largest cement manufacturer, Ambuja cements, is now using sea routes to transport its cement from Gujarat to the southern market. Today 70 percent of the cement movement worldwide is by sea. About 3 percentage of the gross revenue is spent on inward logistics, while outward logistics accounts for another bulk of 15%. Checking logistics costs is an ongoing process for cement industries. Many are trying to reduce the cost by optimising the distance of transportation. Statistics suggest that about 45% of the cement produced in the country is being transported by railway. Cement makers prefer roads for shorter distances.

In order to solve these problems facing by this industry, some solutions must be taken like if one wants to work the truck freight to a particular destination, the right cost should be taken into account all the statutory duties, all the toll taxes, fuel costs and all other allied costs, cost of vehicles, turnaround efficiency, everything. These known efficiency parametres should arrive at the right price. Here the cost can be reduced only by increasing the efficiency.

CONCLUSION

From this study, we can understand the problems faced by the cement industries in the case of inbound and outbound transportation. The distribution of cement from manufacturing to the end user is a costly affair, mainly its transportation. The selling and distribution costs accounts are more than its revenue. Using more railway routes than roads, shrinking lead distance (distance between the manufacturing facility and market) and opting for sea routes wherever possible were some of the ways by which cost can come down. The distribution of cement to the end-user from the manufacturer is a major cost factor in the landed cost of cement at the end. Cement is a bulk commodity. The main important cost required for its operations is in the case of transportation. Its selling and distribution costs have come across 18 percent of sales revenue. The main important factors affecting cement distribution is market demand, seasonal surges, government policies, political lobbies, connectivity, infrastructure, technology, country geography, history and culture. In order to solve these problems facing by this industry, some solutions must be taken like if one wants to work the truck freight to a particular destination, the right cost should be taken into account all the

statutory duties, all the toll taxes, fuel costs and all other allied costs, cost of vehicles, turnaround efficiency, everything. These known efficiency parametres should arrive at the right price. Here the cost can be reduced only by increasing the efficiency.

REFERENCES

- I. Kaura, M.N and Bala Subtramanian (1979).
- II. Nagarajrao B.S and Chandra K (1980).
- III. Kumar B. Das (1987).
- IV. <https://www.linkedin.com/pulse/supply-chain-3-2-logistical-problem-solutions-cement>
- V. <https://www.ibef.org/industry/cement/cement-india.aspx>
- VI. <http://www.indiancementreview.com/News.aspx?nId=xBCSWv62WLmhy2tuszVEIg>