

# Value Added service in logistics

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# Value Added Logistics (VAL)

- Value Added Logistics (VAL) is the creation of a higher added value in the logistics chain.
- Every transport company can move products from A to B, but it is difficult to stand out with that in a market full of competition.
- Carriers therefore provide an increasing number of services: not only do they organise transport, they also pack, weigh and label the products.

# Value-Added Role of Logistics

- Form Utility
- Place Utility
- Time Utility
- Possession Utility

# Form Utility

- It refers to the value added to goods through a manufacturing, production or assembling process. For example, form utility results when raw materials are combined in some predetermined manner to make a finished product.
- The simple process of adding the raw materials together to produce the soft drink represents a change in product form that adds value to the product.

# Place Utility

- Logistics provides place utility by moving goods from production surplus points to points where demand exists. Logistics extends the physical boundaries of the market area, thus adding economic value to the goods. This addition to the economic value of goods and services known as place utility.

# Time Utility

- Not only must goods or services be available whenever consumers need them, but they must also be at that point when customers demand them. This is called time utility or the economic value added to a good or service by having it at a demand point at a specific time.
- Logistics creates time utility through proper inventory maintenance and the strategic location of goods and services. For example, logistics creates time utility by having heavily advertised products and sales merchandise available in retail stores at precisely the time promised in the advertising effort.

# Possession Utility

- It is primarily created through the basic marketing activities related to the promotion of products or services. We may define promotion as the effort, through direct and indirect contact with the customer, to increase the desire to possess a good or to benefit from a service.
- The role of logistics in the economy depends upon the existence of possession utility, for time or place utility make sense only if demand for the product or service exists.

# Value-Added Functions

- Efficient logistics contributes to added-value in four major interrelated ways:
- **Production costs.** Derived from the improved efficiency of manufacturing with appropriate shipment size, packaging and inventory levels. Thus, logistics contributes to the reduction of production costs by streamlining the supply chain.
- **Location.** Logistics adds value by taking better advantage of various locations, implying access to expanded markets (more customers) and lower distribution costs.
- **Time.** Added value derived from having goods and services available when required along the supply chain (e.g. lower lead times) with better inventory and transportation management.
- **Control.** Added value derived from controlling most, if not all, the stages along the supply chain, from production to distribution. By better synchronizing cycles and lead times, logistics enables better marketing and demand response, thus anticipating flows and allocating distribution resources accordingly.



# Examples of the value added logistics and supply chain services are:

- Assembly
- Consolidation
- Co-packing
- Cross Docking
- Direct Store Delivery
- Fulfillment
- Import/Export
- Inspection
- Inventory Management
- Module/Floorstand Displays
- Packaging
- Pallet Exchange
- Pick and Pack
- Pool Distribution
- Record Retention
- Reverse Logistics
- Sorting
- Transloading Transportation Management