



Overview & Objectives

Module 2 – Basic Logistics & Supply Chain Terminology

Why Terminology Matters

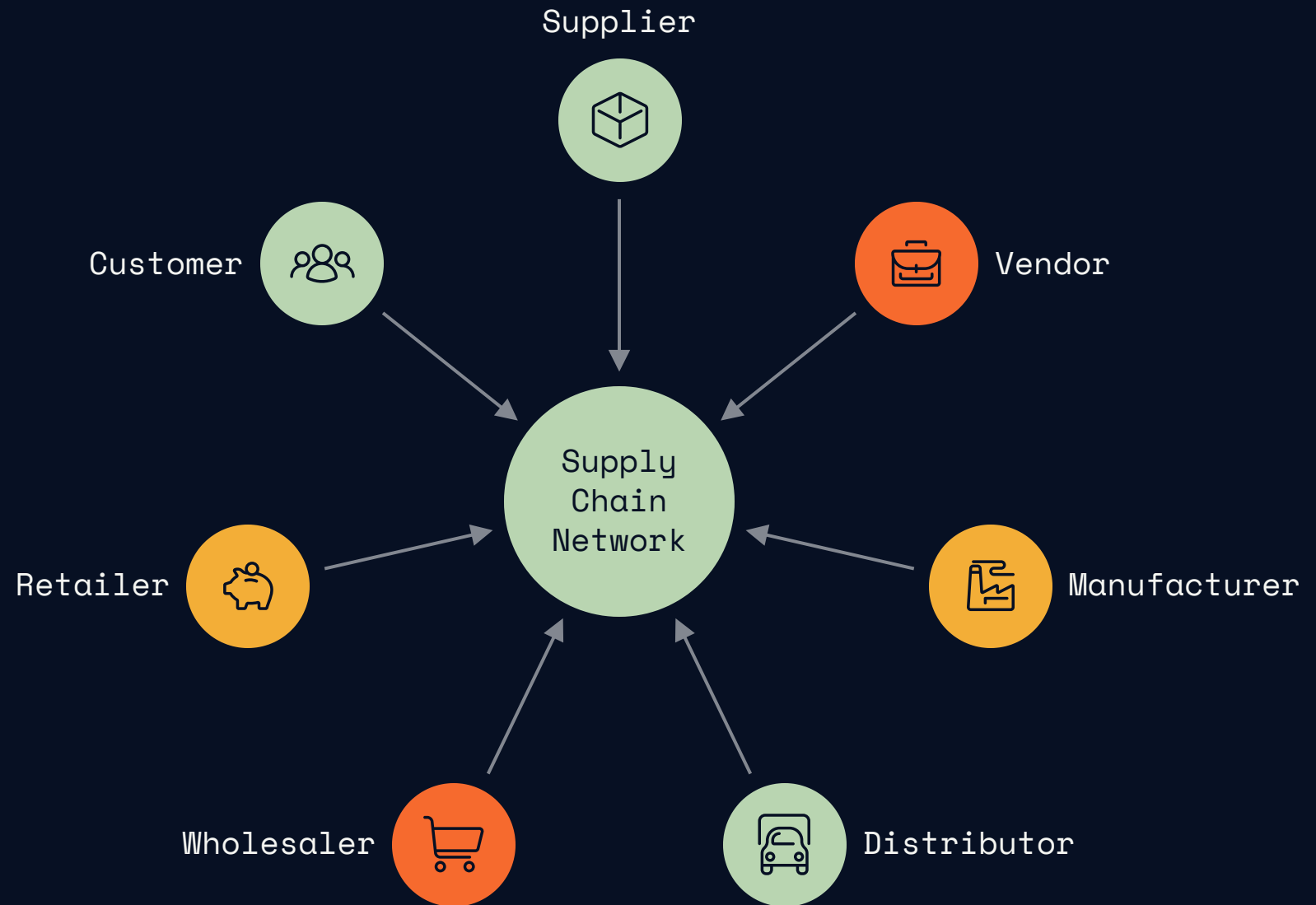
- Facilitates clear communication with suppliers, vendors, manufacturers, and customers.
- Prevents costly operational confusion and errors.
- Enhances overall supply chain efficiency.

Learning Objectives

- Master core supply chain and logistics vocabulary.
- Understand foundational inventory concepts (SKU, MOQ).
- Apply terminology in real-world professional scenarios.
- Build confidence for industry-specific interview questions.

Understanding the Supply Chain Network

Key Roles and Typical Flow



Business roles are fluid and may frequently overlap in modern operations.

Operational Metrics: Key Performance Terms

Defining critical indicators for process efficiency and throughput

- **Lead Time**

The total time elapsed from process initiation to final completion.

- **Cycle Time**

The duration required to complete one single unit of work.

- **Order Fulfillment**

The end-to-end process of receiving, processing, and delivering customer orders.

- **Demand**

The total volume of customer requirements placed on the system.

- **Supply**

The availability of resources and materials to meet incoming demand.

- **Capacity**

The maximum output volume a system or process can achieve under optimal conditions.

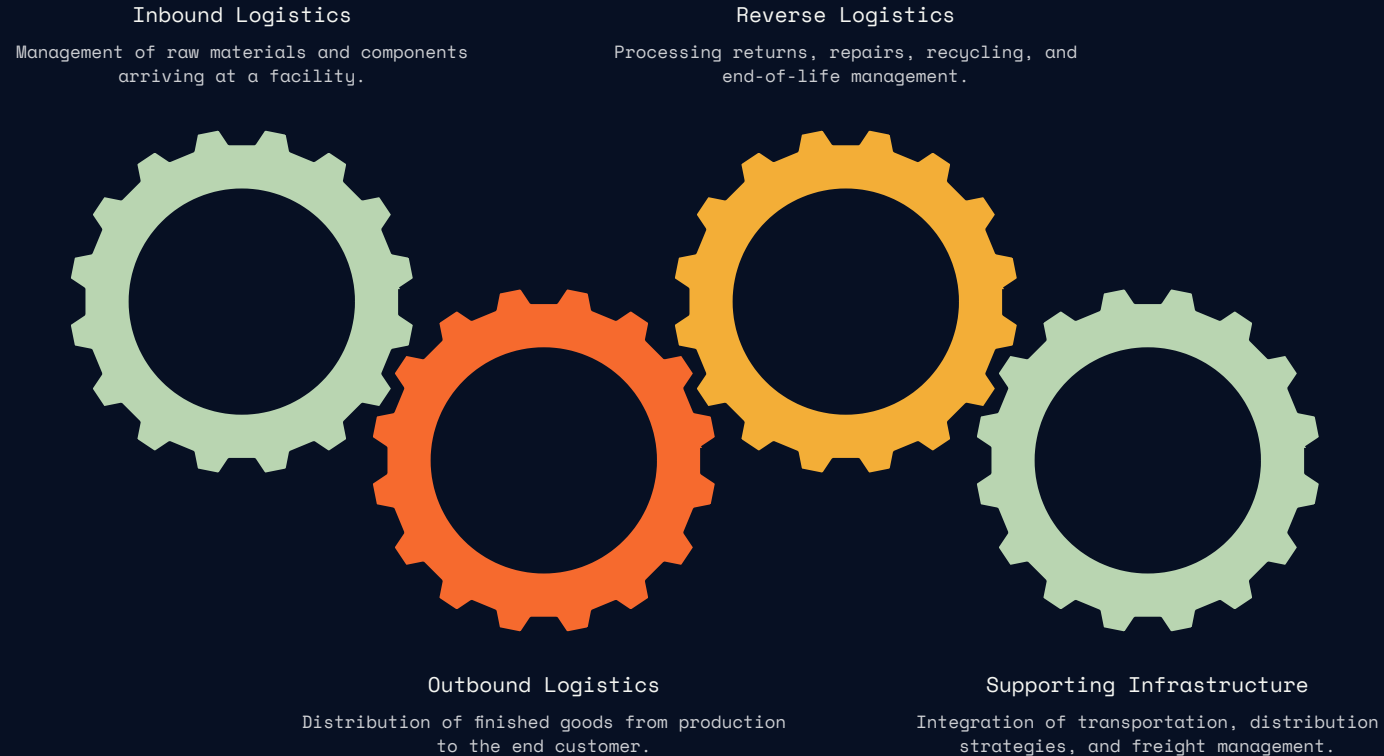
- **Throughput**

The actual rate at which work is successfully processed through the system.

Operational Examples: Order Fulfillment Lead Time is 3 Days; Packing Station Throughput is 100 Orders per Shift.

Logistics Flow Overview

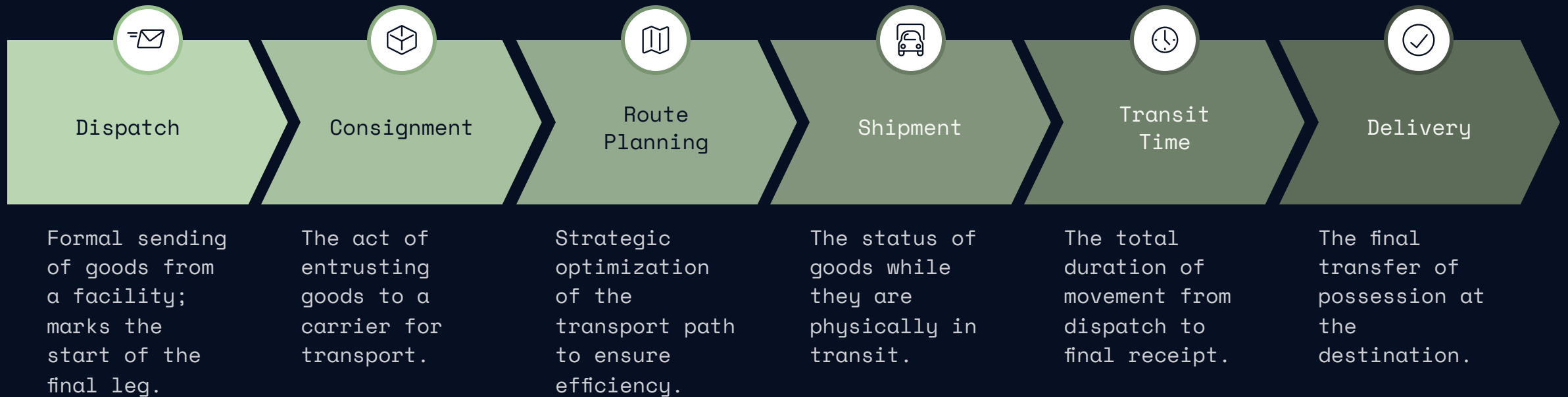
Core flows, supporting infrastructure, and the manufacturing cycle



The manufacturing cycle relies on the seamless integration of inbound, outbound, and reverse logistics to ensure operational efficiency.

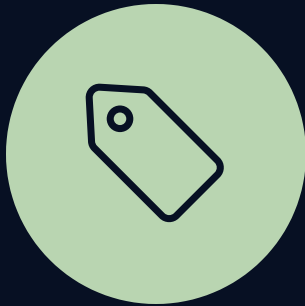
Logistics Lifecycle

Core Terminology and Process Flow



Understanding Essential Inventory Concepts

Key metrics and formulas for effective inventory management



SKU (Stock Keeping Unit)

Unique identifier for each distinct product variant, such as a specific size and color combination of an item.



MOQ (Minimum Order Quantity)

The minimum number of units a supplier requires you to purchase per order to initiate production or shipping.



EOQ (Economic Order Quantity)

A mathematical model designed to minimize total inventory costs by balancing holding expenses against ordering costs.

When Should a Business Reorder Inventory?

Inventory Control Mechanics and Reorder Point Calculation



Step 1: Safety Stock

Establish a buffer to account for demand uncertainty and lead time variability.



Step 2: Define Reorder Level

Set the specific threshold that triggers replenishment orders.



Step 3: Calculate Point

$(\text{Daily Demand} \times \text{Lead Time}) + \text{Safety Stock} = 130 \text{ Units.}$

Common Inventory Problems and Protection Strategies

Balancing efficiency and availability in supply chain management

Stockout



Challenge: Item unavailable leading to lost revenue. Prevention: Predictive demand tracking and optimized reorder points.

Overstock



Challenge: Excess inventory causing wasted capital and high storage costs. Prevention: JIT inventory practices and regular stock audits.

Buffer Stock



Challenge: Balancing safety cushion against holding costs. Prevention: Maintain safety stock levels based on demand variability data.

Putting Logistics Terminology into Practice

End-to-End Retail Case Study



Successful end-to-end management requires precise coordination across all 12 stages, from initial demand estimation to final customer delivery and circularity.

Apply Your Logistics Vocabulary

Interactive Learning Activities



Term Matching

Master key industry concepts including Supplier, Lead Time, and SKU.



Practical Calculation

Determine the optimal reorder point; e.g., 20 units/day demand with a 5-day lead time results in 130 units including safety buffer.



Interview Preparation

Review 8 essential questions designed to test industry knowledge.



Universal Language

Logistics terminology bridges the gap between technical operations and business strategy.

Learn the Language of Logistics. Understand the Process. Build Industry-Ready Skills.