

# The Difference Between Logistics Vs. Supply Chain Management Simplified



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Logistics and supply chain management are two important business functions that coexist. Due to their overlapping functions, it becomes hard for people to understand the difference between the two. Even the industry uses them interchangeably at times, which can create confusion. However, both of them are broad terms with significant differences. To begin with, logistics is a part of supply chain management. In this article, we will understand how both of them, their scope, processes covered, and related departments. Dive in deeper to learn about them in detail.

## **What Is Supply Chain Management**

Supply chain management is the process of procuring goods from suppliers and planning its movement through multiple locations (s) and logistic partner(s) to fulfill the needs at demand centers. It includes multiple stakeholders, including more than one logistics partner moving goods from one location to another to transfer the freight across businesses. Thus, the flow of goods and information is multilateral, and it includes strategic, tactical inputs apart from operational functions. It integrates an organization with its suppliers and customers.

Supply chain management market size is likely to hit [USD 8.8 billion](#) by 2025.

## Attractive Opportunities in the Supply Chain Analytics Market



(Image Credits)

## What Is Logistics

Logistics is a part of supply chain management that deals with the transfer of goods between two locations, and one logistic operation is performed by one party only. They may forward the goods to other logistics companies as per the owner's instructions and procedures.

Logistics market size is expected to touch [\\$12,256 billion](#) by 2022.

It is clear that supply chain management is a broader concept that determines a business's agility and competitiveness, whereas logistics is focused on transferring the goods between two entities in a fast and secure manner. Let us have a look at them to understand their differences better:

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"Logistics is the connection from one node or point to another; supply chain is a series of sequential nodes or points connected to one another. Logistics focuses on transporting goods while supply chain focuses on finished product and/or customers."

-[Michael Fries](#), Sr. Logistics BI Analyst, US Foods

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## Functions Covered Under Supply Chain Management



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In this section, I am going to cover the operations that fall under supply chain management. Have a closer look here:

### **Procurement**

The process of budgeting, vendor development, setting up the framework for quality assurance standards, tying up with logistics partners, releasing purchase orders, and making payments

## **Inventory Management**

Inventory management deals with maintaining optimal quantities of the stored raw materials and semi-finished goods. It considered the production rate as well as the time required to furnish the depleting inventory levels against the economic order quantity (EOQ). It includes ensuring proper warehousing conditions for storing the items and generating data for sales forecasting.

## **Order Shipping**

Order shipping includes the process of confirming the orders placed by customers and coordinating with the logistics partners for shipping the ordered items within the agreed delivery deadline.

## **Shipment Tracking**

Tracking shipments refers to getting information regarding the location, mode of transport, condition, and status of the goods in transient. This information may also be shared with the customers.

## **Development And Maintenance Of Strategic Partnerships**

This function deals with finding new vendors for the items used in manufacturing, maintenance, transportation, and maintaining the existing relations.

Thus, we can see that a supply chain covers multiple functions that require the participation of various departments and stakeholders from outside the organization. The focus remains on refining the flow of goods and information for making the supply model cost-effective, reliable, and faster.

## **Functions Covered Under Logistics**



[\(Image Credits\)](#)

Here, I will cover the primary functions covered by logistics for your kind perusal. Please note that logistics companies are mainly referred to when the final product is to be shipped at customer location like in the case of ecommerce.

## Plan Out The Transport Of Materials

Once the requirement for shipping the freight is raised, the logistics company assesses the handling requirements and the trucks/vessels' availability. Once the availability is

established, the next step is to confirm the route and the personnel responsible for the movement with a backup strategy, if required, based on the shipment's volumetric weight and its value.

## **Generate And Communicate Shipping Labels, Documents**

This function includes generating the shipping labels in the form of QR codes, barcodes, and documents that contain all vital information regarding the shipment, including transport permits. This also helps in tracking the shipment.

## **Transport The Merchandise**

Transporting is the core function where the finished goods are transported from the source location to the final destination by means of trucking/airways/seaways. Adequate care is taken that the load is handled properly and that it does not suffer any damage. The shipper will take note of the condition of the products and report any damages that were detected before accepting the payload. They are also liable to acknowledge any damage caused during the transient.

## **Provide Transportation Updates**

The information regarding delivery status is forwarded to the sender and the customer using [shipping management](#) software. This is required, especially in the case of online selling, and hence, integration with the ecommerce automation software becomes helpful in the order tracking.

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"Supply chain comprises all aspects of a product cycle from origin to end user, for example from farm to fork. Logistics relates to one component of supply chain, addressing efficient product movement, such as from manufacturer to retail store."

- [Peter Reed](#), Senior Partner, KOM International

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## **Major Differences Between Logistics And Supply Chain Management**



[\(Image Credits\)](#)

Now that you had an overview of how logistics and supply chain management function, I will share the major differences between the two in this section. It will help clear your doubts regarding the scope and responsibilities of various stakeholders:

- #1 Logistics is limited to a single organization for a single operation. Supply chain spans over multiple organizations
- #2 Supply chains are a part of the business plan, and supply chain management is a core business process. Logistics isn't a core business function, and they don't have a major impact on the business.
- #3 SCM cannot be outsourced while third party logistics is one of the major industries in the commercial arena.
- #4 Logistics is an old term previously associated with military applications. SCM is a relatively modern term associated with trade and commerce.
- #5 Logistics governs the transfer, flow, and storage of goods within an organization or between two parties. SCM acts as a link between organizations and their mutual business interests.

#6 Logistics doesn't require long term planning and extensive feedback. SCM encompasses inputs ranging from sales forecasting to user inputs.

#7 Both of them also require specialized software tools:

- Logistics require Fleet Management Systems, [Shipment Tracking System](#), [Shipping Management System](#), and [Warehouse Management System](#).
- Supply chain management requires [Inventory Management System](#), [Order Management System](#), apart from logistics modules.

## Over To You

I have covered the differences in detail, but one thing is evident: Both logistics and supply chain management are complementary to each other. Logistics forms an important part of the supply chains, and hence, one needs a broader vision to implement multiple logistics operations within the supply chain. I hope this article helps you understand the differences between logistics and supply chain management.

->Useful Resources:

Resource 1: The Differences Between the Supply Chain and Logistics ([Link](#))

Resource 2: Is Logistics the Same as Supply Chain Management? ([Link](#))

Resource 3: What's the Difference Between Logistics and Supply Chain Management? ([Link](#))

Resource 4: What is the Difference Between Logistics and Supply Chain? ([Link](#))

Resource 5: Why is logistics training so important to Supply Chains? ([Link](#))

->Related Articles:

Article 1: EOQ Formula ([Link](#))

Article 2: Everything You Need To Know About Order Shipping In 2020 ([Link](#))

Article 3: The Comprehensive Guide To Barcodes: 2020 Edition ([Link](#))

Article 4: What is Shipping and Handling? Meaning | Strategy | Costs ([Link](#))

Article 5: Top 3PL companies of 2020 ([Link](#))