CHAPTER-9

COMMUNICATION

Communication is the urgency of every creature of the world so as to transfer intention of the mind to others. It helps the mankind in every walk of life. Communication is an important, but often a neglected area of physical distribution system. This chapter firstly explains the role of the communication in the physical distribution process and then identifies its components. Further, the chapter identifies the components of communication system in case of vanaspati industry with special reference to companies selected for the present study. Lastly, the role of documentation has been analyzed.

A. Communication and the Physical Distribution System

Relevant informations regarding various activities are of paramount significance in the planning and control aspect of physical distribution. This information is provided to an organization by an effective and efficient communication system. But organizations are not able to effectively link the communication system to an efficient physical distribution system.

Because of a great deal of logistical flow of future transactions, an inaccurate appraisal can result in under or over estimation of inventory level which may either lower the customer service or increase the total cost of the product. An enterprise that processes an incorrect order confronts all the costs of logistics without the resultant sale. The speed of the information flow is also directly related to the integration of facilities, transportation and inventory. The customer-order-processing and order-control are two
important managerial tasks which are directly associated with logistical communication. The order processing is a routine activity and includes; completing order forms and their checking, inventory updating, status reporting, internal processing, credit checking and dispatch of communication. Order control is concerned with the administration of an order until it is correctly received by the customer without any loss and in a undamaged condition.

An order is a critical information, which represents the basic input to the physical distribution system. At the time of making delivery of an order, only logistical performance is not sufficient but, the order must also be accepted in toto i.e. quality and quantities mentioned in the order must be accepted, otherwise, the customer may refuse to take delivery. The various components of the physical distribution system are discussed in relation to the selected organizations.

B. Communication in Vanaspati Industry and in Selected Companies

The communication system has the following four components:

1 Order transmission
2 Order processing
3 Monitor and control
4 internal co-ordination

These four components of communication system in vanaspati industry and in selected companies have been discussed below:
1) **Order Transmission:**

There are a number of methods of order transmission in practice in different enterprises such as, personal delivery, postal mail, telephone, fax, E-mail etc. The selection of communication media is based upon the characteristics of these means such as; speed, dependability, cost and accuracy in performance. The means of order transmission can be classified on the basis of speed; accuracy, cost and dependability of message delivery. The selection of communication method is a problem of cost against performance. The selection of method of order transmission is affected by the desirability of speed, accuracy and dependability as against the cost. The following chart shows the relative features of alternative order transmission modes.

**Chart**

**Relative Features of Different Modes of Order Transmission**

<table>
<thead>
<tr>
<th>Method of order Transmission</th>
<th>Speed</th>
<th>Accuracy</th>
<th>Cost</th>
<th>Dependability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal Delivery</td>
<td>Moderate</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Postal Mail</td>
<td>Slow</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Telephone</td>
<td>Fast</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Teletype (Fax, E-Mail)</td>
<td>Fast</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

*Source*: Field Survey.

From the above chart, it is clear that every method of order transmission has its own strengths and weaknesses regarding the speed, accuracy, cost, and dependability. As a general rule, the more rapid form of order transmittal, the costlier it will be the per message per unit. High-speed
communication is desirable when rapid replenishment of inventory is necessary or when fast order transmittal can result in more economical performance in other areas of the overall physical distribution system. Any increase in the order processing speed, results in reduced inventory tide-up throughout the system and consequently reduce the safety stock. Hence, there is a direct trade-off between increased communication cost and inventory level.

Dependability is another parameter, which helps in the process of selection of order transmittal mode. It is the mechanical measure of performance. Alternative method of order transmittal can be evaluated for dependability by the consistency of message delivery. As a general rule, the longer the time of message delivery, the greater is the inconsistency of average performance. Inaccuracy in order transmittal results from human involvement. Written method of order transmission using standard format will be more accurate than the verbal method.

Physical distribution operations start with the transmission of an order and ends when customer receives delivery without any damage. So, order transmission should be given proper care because, no distribution activity can begin until the order arrives at the order processing point. Then the available methods of order communication are to be evaluated with regard to speed, cost, dependability and accuracy. The three basic facts of order transmittal are:

a) The span of time for order transmission should be as consistent as possible considering the risks of system malfunction and consequent stock-out problems.
b) Order transmission should be as direct as possible, with minimum of change in order form and intermediate delay.

c) Whenever possible, customer order should be transmitted by mechanical means rather than manual to minimize human error.

From the field survey, it has been observed that order transmission in all the three selected units, are mainly based upon the personal delivery, mail and telephonic means of communication. Some times orders are also booked with the field staff appointed by the respective company. Generally, the selected companies use the telephonic means of communication for order transmission. This mode of transmission is generally preferred for its speedy nature. It saves time used in order transmission and provides maximum service in meeting the customers and dealers requirements. Thus, this mode meets the maximum requirements for an optimum transmission. Despite telephonic transmission of orders, some dealers, personally visit the factory, and get their order transmitted personally. Mail orders are generally rare.

2) Order Processing: -

After receiving an order, the order-processing department prepares order on the prescribed order-form. After the order form has been filled up, it is checked for finding and avoiding the error. Control over the form in which the orders are placed may take many forms. Most of the companies are using standard order forms offering a list of pre-printed items opposite, which only quantities need to be filled. Sometime companies also allow the customers to use their own purchase form. These must be checked for finding out any error.
The order-processing department also acknowledges the customer's order as well as the information regarding the possible time to be taken for the delivery of goods. It helps the customers to plan ahead in case of non-execution of an order within the reasonable limits of expected delivery time. In the absence of this, the customer may feel uneasy and is likely to spend huge money on communication to get a reply, which ultimately may increase the total distribution cost.

The order forms are also utilized in the companies for the preparation of various types of records such as manufacturing and purchasing schedules, sales record, credit status report, and many other types of record as may be desired by the organization. The flow of information must be expedited to the various departments. There is no substitute for speed in internal order processing. The faster an order is processed, the more quickly things which depend upon order processing, will occur.

The checking of the creditworthiness of the CFA/dealers/customers follows this, if the goods are sold on credit basis. This function should be performed quickly so that processing is not delayed.

Order processing involves continuous inventory updating. Inventory files may be updated daily, weekly, fortnightly or monthly. It would help the companies to an easy and quick availability of information regarding stock by which, it may be estimated that whether, the company is in a position to fulfill the demands at a particular time or not.

After checking for creditworthiness, the prices and updating of files, an order is passed to the godown for execution. At the time of making of an order to the godown, required information/instructions should also be issued.
to the godown-keeper and the customer also is informed about the status of his order.

After receiving the order, the warehouse/godown staff arranges for the carrier in case the customer does not arrange it. Simultaneously, this department prepares necessary documents of dispatch. These documents serve a number of purposes like; account of stock, advice to the customers, billing to the customers, and intimation to the concerned departments, such as finance, accounts, production, marketing and purchase etc. This is done to fulfill the requirements of an integrated comprehensive information system ensuring co-ordination at all levels. The order picking and assembling time should be less than one day in a well-organized warehouse.

All the companies selected under the present study are following similar norms of order processing. In all the selected companies, the sales department of the concerned company receives and processes the order. After this the sales department makes an arrangement for the transportation and finally passes the order to the godown along with necessary documents and instructions. After receiving all these documents and instructions the godown staff assembles and picks the material and sends feedback to the concerned departments. Thus, every effort is made by the companies to keep the stock ready for distribution during demand period at the godown or depot near the consumption point. This helps in reducing the time period required for order processing. The need of credit checking in case of vanaspati business is much less, as the most of the material is either sold on cash basis, or to be sold to government agencies such as BHEL, Hotel corporation of India, DCM, North Railways, ITBP, CRPF, BSF etc. and through company
owned-depot on advance payment basis. All the selected companies accept advance in the form of security ranging from Rs. 1500 to Rs. 50,000 depending upon the demand of a particular dealer. That is why, the need for credit checking becomes less. But, MARKFED and ABC are also providing credit facilities to dealers in certain circumstances (e.g. ABC provides credit facilities up to Rs. 50,000 if the dealer picks the material of Rs. 2,00,000). In this case credit checking becomes more significant. Inventory updating forms a major aspect of order processing in all the selected companies. All the selected companies (i.e. HVOC, ABC and Markfed) take up the inventory review daily.

The above-mentioned method applied by these three selected companies' helps in quick and efficient distribution of large quantities in a very short span of time.

3) Monitoring and Control: -

This component of communication system ensures the information feedback for management review of all physical distribution activities. For this purpose, a review procedure can be designed to evaluate vendors, transportation, suppliers, back-order, and damaged goods' on a continuous basis. Exception reports from logistical monitoring can also be transmitted to other functional areas of the company. Monitoring always relates to customer service or to the cost of system performance.

Monitoring helps in the identification of developing trends, such as regional demand, competitor's action and other preferences like; colour, size etc. Properly reviewing and evaluating these informations and relating these
to decision points within the company can result in a more accurate reaction to unanticipated or uncontrollable factors in the market place.

An important aspect of monitoring is performance measurement. Measure of efficiency and effectiveness combines to provide performance control. After the measure of effectiveness and efficiency, an enterprise is capable of making its comparison with the operational plan. 'Effectiveness' indicates whether the desired job is being done, but efficiency involves a comparison of actual to planned for whatever level of performance the system is generating.

Performance control requires a number of informations to be prepared about an enterprise depending upon the nature of control employed. As a general rule, the higher the level of management reviews in the organization, the more selective the control information and the reporting will be. The basic four levels of information include direction, variation, decision and policy revision. At each level, the information may be related to trend monitoring or exception correction.

The essential feature of all control systems is the quality of reports generated from the communication system. Following three types of reports are generally used in the physical distribution control system.

a) Status Report: -

This type of report provides informations regarding some aspects of logistical operations. Status reports can be developed for all activity centers of physical distribution. The basic objective of developing status reports is to provide relevant information to the line managers to discharge their responsibilities in the physical distribution process. Stock status reports are
commonly used status reports in the inventory management. The amount of information contained in the individual report will depend upon the company's degree of inventory management sophistication and the extent to which automated data processing is used.

b) **Trend report:** -

Trend reports are more selective in contents than status reports. These types of reports are very useful to the administration for exercising control over various sub-systems. Trend reports are based upon the status reports and provide information regarding daily inventory summary, weighed performance, back order, shipment schedule etc. With the help of trend reports, position of an enterprise is reviewed and corrective actions are taken. Trend reports can also be generated for other activity centres, such as transportation, warehousing etc.

c) **Special reports:** -

Special reports can be generated at any level of administration and for a particular purpose. Mostly these types of reports are generated to provide details on specific area of performance.

The companies selected under the present study make regular review of various activities for the purpose of monitoring and exercising control. All the companies are in a habit of preparing inventory reports daily, monthly, and yearly. The sales department in consultation with the area officers/managers develops these reports and other concerned departments viz. Godown staff, accounts department etc. as the case may be. However, no specific reports like trend reports, special reports are developed by HVOC. In case of an emergency, the field staff of these companies review various
factor in order to increase the efficiency and effectiveness of the distribution systems.

4) Internal Co-ordination: -

The useful information derived from the customers orders are often needed by other units/departments of the organization. Therefore, an organization would need to evolve a system for reusing the information for the customers including the marketing channels.

The flow of information is of utmost significance in the field of physical distribution, due to the fact that efficient and effective distribution of related information affects the level of customer service. A physical distribution manager must determine the amount and type of information needed to maintain the harmonious relations between customers and suppliers. Further, it also provides the effective communication with other departments of the organization. For internal co-ordination, two types of information flows are necessary i.e. internal and external information flows.

The internal co-ordination enables the companies to provide the level of customer service needed by the market and helps in influencing important management decisions regarding the long-term trend in marketing. Thus, the co-ordination forms the stimulus for the physical movement of goods in addition to providing the necessary data on performance and systems requirement.

The companies selected under the present study are using similar pattern for internal co-ordination. Internal informations in these companies are developed from:
(a) **Market data:** Marketing territory covered; competitor's sale, market potential, sales potential etc.

(b) **Sales Data:** Cash sale; credit sale, sales by dealers, direct sale, sale at various depots, inventory at various depots etc.

(c) **Marketing Personnel:** Number and location of regional offices, sales force employed at various places viz. dealers, CFAs etc.

(d) **Territory-wise performance, depot-wise performance, salesmen-wise performance etc.:** Similarly external information of these companies is developed from:

(a) **Economic Indicator:** Per-capita income; wholesale price index of agricultural commodities, import of edible oils etc.

(b) **Institutional Information:** Government policies; tax structure etc.

(c) **Consumption and production Information:** Total consumption of vanaspati; total production of vanaspati, prices of vanaspati, production capacities etc.

(d) **Climatic and weather conditions:** Indigenous production of edible oils, weather conditions of India and abroad (i.e. oil producing countries, fulfilling raw-material needs of the industry).

(e) **Market Information:** Preference of peoples; habits, taste of peoples subsidy and discount on vanaspati, tax structure, stronghold of competitors in the market etc.

All these informations (both internal and external) are reviewed at different time intervals for providing better customer service and developing the long term policies of the company.
The units selected under the present study, have hardly any report regarding the measurement of performance of any physical distribution activity. These companies have only limited data pertaining to stock, sale, production, and customer order and market information. Even this data is, hardly, used in physical distribution planning. It is observed that none of the companies under the present study develops any data for control purposes. There is no effort on behalf of these companies to evaluate the cost of distribution at existing level of customer service. However, ABC makes specific reports at the end of every month to measure the performance of each depot and dealer. At the end of every month, target versus sales report is prepared. For measuring customer service, factors like; timely delivery, availability, quick service etc. are taken into consideration. The companies should make efforts to develop trend reports and special reports like; position, diagnostic and policy reports. HVOC should prepare more frequent status reports regarding inventory. This will help in better control of the inventory. Figure on the next page shows the direction of physical movement of vanaspati along with the direction and type of information flows within the channel members.

In order to ensure a complete account of material at different stages, as well as to keep the information readily available, the various activities of communication requires the application of proper documentation system.

C. Documentation and Communication

In order to have an effective communication in physical distribution process, a number of documents and standard forms are needed to be used at each stage of the communication system.
Figure

Information & Products (Vanaspati) Flow in a Physical Distribution System

Keys:
- Physical Movement
- Order Transmittal
- Marketing Informations flow
- Producer's Transport (Hired or Own Trucks)
- Buyer's/Retailer's Carrier
- CC: Producer's Communication Centre
During the physical distribution process different types of documents are used by different companies to facilitate receipt, dispatch and storage of goods. Following documents are commonly used by the vanaspati companies.

a) **Goods Receipt: -**

The transporter prepares this document. The receipt and dispatch of vanaspati by road involves the issue and verification of trucking document. Before accepting the dispatch of goods, the weight, number and type of goods are verified with reference to trucking document received with the consignment. After verification of this document and receipt of stock, an acknowledgement is issued with remarks about verification as are necessary in token of having received the consignment.

When the sales department receives an order, the Assistant Sales Officer (distribution) (ASO) makes necessary arrangement for the dispatch of goods. First of all, he makes an arrangement for the carrier. When, carrier receives an order from ASO, he prepares the good receipt (G.R.) popularly known as 'BILTY' on the basis of information received from the A.S.O. This document contains all the particulars about the product such as weight, quantity, quality, and name of the product, place of destination, date and the terms on which the goods are to be transported by the carrier. Thus, G.R. is a document which serves the purpose of a receipt for the goods tendered for dispatch and a contract document between the consignor and the carrier to the effect that the latter agrees to move the goods of the former on certain terms and conditions. When the vehicle reaches at the prescribed destination, he (carrier) informs the consignee, who will take delivery, and
the truck operator usually gets his signature on G.R. in token of having received the goods. Then, the truck operator hands over the G.R. to the consignor at the time of receiving contracted freights.

b) Programme Pad: -

After having received an order from the dealer or depot concerned, A.S.O makes an arrangement for the dispatch of goods immediately. He prepares a document called programme pad in four copies of different colours. The programme pad contains the full detail of the material to be dispatched such as; number of packets, weight, name of the party and date. Out of these four copies, the sales department retains one; one copy is sent to the company's refined oil godown (in case only if the company also produces refined oil), one copy to vanaspati godown and last copy to the dispatch department.

c) Bill of Goods: -

When godown officer receives the copy of programme pad, the billing assistant prepares a bill in four copies. One copy of the bill is sent to the party concerned (i.e. consignee or depot or dealer) with the transporter, one copy is retained in the godown for record purposes; one copy is used for excise modvat; and the last copy is used for the excise duty purpose.

The necessary registers and documents are maintained in every godown/depot/dealer or stocking point for proper account of consignment received and dispatch, besides stock accounting. These registers help the depot holders/dealers to review the stock, forecast the demand and in exercising efficient inventory control.
The selected companies for the present study are using their own godowns within the factory premises and hired depot/CFA godowns in the field for the storage, sale and distribution of their products. These companies are providing the prescribed set of documents to the godowns or depot holders in which various statements and reports regarding transactions and stocks are furnished to the head office from time to time. The format of these documents varies from company to company but more or less these documents depict the same information in all the companies. The documentation in the selected companies facilitates efficiency and effectiveness.

In this chapter it is concluded that, accurate communication of relevant information is of utmost importance for the smooth and efficient physical distribution. Lack of relevant information may lead to inaccurate forecasting and result in inventory deficiency or inventory over commitment.