Supply Chain Management and Transport Logistics

John J. Liu
## Contents

<table>
<thead>
<tr>
<th>List of illustrations</th>
<th>xiii</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preface</td>
<td>xxi</td>
</tr>
</tbody>
</table>

### PART I

**Business supplies and logistics: theories and methodologies**

1. **The art of winning in supply chain logistics**
   - Firm-focal supply chain logistics: advancements and trends 3
   - Winning-before-doing (WBD): adaptation and simulation 11
   - Supply chain operations 17
   - Supply chain logistics 24
   - Problems 40
   - Appendix 1A Review of probability 43
   - Appendix 1B Newsboy solution under continuous demand 44
   - Bibliography 45

2. **Capacity and productivity of supply chain logistics**
   - Measuring supply capacity: the Institute for Supply Management index 46
   - Supply production capacity and facility 48
   - Prototype example: production capacity at Diagnostic Equipment (DE) 50
   - TPS: the origin of lean manufacturing 52
   - MRP system 56
   - SOF system 63
   - Adaptive capacity planning: a hybrid of MRP and SOF 65
   - Six-sigma quality versus TPS quality 74
   - Problems 81
   - Appendix 2A M/M queues 83
   - Bibliography 89
Contents

3 Inventory and reserve systems 90
   The micro/macro paradox of inventories 90
   Simple repetitive inventory decisions 97
   Variability and variability reduction 106
   Repetitive order system under uncertain demand 115
   Multiple-item repetitive order systems 124
   Problems 135
   Appendix 3A Loss function 139
   Appendix 3B Derivation of optimal (R,Q) order policy 141
   Bibliography 143

4 Forecasting in supply chain and transport logistics 144
   Characterizing demand propagation in a supply chain 144
   Principle of time-series forecasting 151
   Forecasting first-order stationary ARMA process 163
   Forecasting first-order nonstationary ARIMA process 173
   General time-series forecast models 175
   Forecast-facilitated order planning and bullwhip effect 184
   Problems 192
   Appendix 4A Derivations in least-MSE time-series forecasting 194
   Appendix 4B Invertibility of MA(1) process 195
   Appendix 4C L-Step least-MSE forecast for ARMA(1,1) process 196
   Appendix 4D The sum of an equal-ratio series 197
   Bibliography 198

S4 Supplement to Chapter 4: review of time-series demand 199
   Uncorrelated time-series 199
   First-order moving average MA(1) process 204
   First-order autoregressive AR(1) process 209
   Mixed autoregressive moving average (ARMA) process 217
   Nonstationary first-order time-series processes 218
   Prototype example: aggregation of time-series demand at Quick-Engine 220
   Problems 231
   Appendix S4A Stationarity and ergodicity 233
   Appendix S4B Basic aggregated time-series processes 236
   Bibliography 239
## PART II

**Supply chain management: sourcing and outsourcing**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Supply chain economics and efficiency</td>
<td>243</td>
</tr>
<tr>
<td></td>
<td>Back to basics: the economics of supply chain management</td>
<td>244</td>
</tr>
<tr>
<td></td>
<td>Efficiency of supply chain management and logistics</td>
<td>254</td>
</tr>
<tr>
<td></td>
<td>Frontier efficiency assessment</td>
<td>259</td>
</tr>
<tr>
<td></td>
<td>SFA model</td>
<td>260</td>
</tr>
<tr>
<td></td>
<td>DEA model</td>
<td>265</td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
<td>269</td>
</tr>
<tr>
<td>6</td>
<td>Transportation and distribution</td>
<td>271</td>
</tr>
<tr>
<td></td>
<td>Distribution in the supply chain</td>
<td>271</td>
</tr>
<tr>
<td></td>
<td>Basic transportation systems</td>
<td>282</td>
</tr>
<tr>
<td></td>
<td>Distribution network decisions</td>
<td>290</td>
</tr>
<tr>
<td></td>
<td>Warehousing and delivery systems</td>
<td>301</td>
</tr>
<tr>
<td></td>
<td>Warehousing operations management</td>
<td>307</td>
</tr>
<tr>
<td></td>
<td>Winning-before-doing warehouse strategies and operations</td>
<td>315</td>
</tr>
<tr>
<td></td>
<td>Problems</td>
<td>324</td>
</tr>
<tr>
<td></td>
<td>Appendix 6 Review: linear programming</td>
<td>326</td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
<td>331</td>
</tr>
<tr>
<td>7</td>
<td>Maintenance and contingent supply chains</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>Maintenance and contingent supply chains</td>
<td>333</td>
</tr>
<tr>
<td></td>
<td>Firm-focal maintenance supply chain management</td>
<td>334</td>
</tr>
<tr>
<td></td>
<td>Maintenance supply chain models</td>
<td>340</td>
</tr>
<tr>
<td></td>
<td>Contingent service supply chain</td>
<td>346</td>
</tr>
<tr>
<td></td>
<td>A case study: two-stage P&amp;A supply chain under Poisson demand</td>
<td>350</td>
</tr>
<tr>
<td></td>
<td>Managing contingent-sale warranty service operations</td>
<td>357</td>
</tr>
<tr>
<td></td>
<td>Appendix 7A Exponential process</td>
<td>368</td>
</tr>
<tr>
<td></td>
<td>Appendix 7B Poisson process</td>
<td>370</td>
</tr>
<tr>
<td></td>
<td>Appendix 7C Warranty repair claim process</td>
<td>372</td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
<td>373</td>
</tr>
</tbody>
</table>
PART III
Integrated supply chain and transport logistics: integration of all-mode supply chain logistics

8 Maritime logistics

Basics of maritime logistics 377
Maritime trade flows 377
Maritime cargo 379
Ships 379
Tramp shipping 380
Ship chartering 382
Maritime economics 387
Strategies in ship chartering 393
Summary 396
Remarks and acknowledgments 396
Bibliography 397

9 Global ports and logistics facilitation: contemporary issues and challenges

Background 398
Port as a key component in logistics facilitation 400
Implications for port management and governance 407
Implications for the port community 408
Conclusions 412
Notes 413
Bibliography 413

10 Information technology in supply chain management and transportation logistics

Background 416
IT infrastructure for global supply chain 421
Applications of ISs 435
Problems 443
Bibliography 444

11 Aviation logistics management

Aviation logistics in a supply chain 446
Production and cost analysis of aviation services 452
Aviation demand 464
Revenue management in aviation logistics 470
Contents

Regulation for international aviation logistics 474
Problems 478
Notes 480
Bibliography 481

12 Environmental logistics 483
The role of logistics in economic development and the environment 485
Controversies in environmental logistics 498
International laws, conventions, and standards on logistics
  environmental management 515
Summary 516
Note 517
Bibliography 517

Index 519