

**NCFE Level 2**

# Certificate in the Principles of Warehousing and Storage

OPERATIONS

DISPATCH

SERVICES

LOGISTICS

STORAGE

STOCK

## Workbook 1

## Section 1: Introduction to warehousing and storage

In this section, you will explore the six rights of logistics and the different types of warehousing. You will also learn about the different functions and benefits of warehousing.

### The six rights of logistics

Please read the following as it will help you to answer question 1.

#### What is logistics?

The term 'logistics' was first used, according to researchers, by members of the military to describe the process of providing troops with equipment and supplies. Today, the technical definition of logistics is:

That part of supply chain management that plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services between the point of origin and the point of consumption to meet customers' requirements. (The Council of Supply Chain Management Professionals)

Read the following scenario to see how logistics works.

#### Scenario

Danny's Dog Beds is a company located in Birmingham that produces a range of beds and bedding for dogs. The company sells its products through its website and a range of small, local pet supply shops. Danny's Dog Beds only produces enough product to meet demand online and from local suppliers. The company coordinates with its warehouse to ensure that products are sent to suppliers and customers quickly and efficiently.

From this scenario, you can see that logistics is the process of coordinating production and distribution.



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### The six rights of logistics

In logistics, it is considered that customers have six rights, which are:

- **the right product** – the customer should receive the product they ordered
- **in the right quantity** – the customer should receive the correct amount of product they ordered
- **to the right place** – the product should be delivered to the correct location
- **at the right time** – the product should be delivered when promised
- **in the right condition** – the product should be delivered in the same condition it was ordered in, for example, if a customer orders a brand-new games console, it should arrive in pristine condition
- **at the right price** – the product should be reasonably priced

### The different types of warehousing

Please read the following as it will help you to answer question 2.

A warehouse is a building in which companies receive and store their goods. It is also where goods are dispatched from when an order is placed. There are a number of different types of warehouse, including:

- private
- public
- automated
- climate controlled
- distribution centre
- bonded





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To learn about each one, read the information in the following table.

Type of warehouse	Information
Private	A private warehouse can be owned and operated by a company or manufacturer. It is used to store and distribute the company's/manufacturer's goods to its shops or suppliers. Companies may have multiple private warehouses spread across the country to meet demand.
Public	A public warehouse can be owned by a company or an individual. Space is rented out to the public to store and distribute their goods. For example, a company may have a surplus of goods that need to be stored for a specific period of time.
Automated	In an automated warehouse, computer and robotics technology are used to store and retrieve goods. The automation may be a simple conveyor belt or a more advanced robotic arm that picks goods to be distributed.
Climate controlled	A climate-controlled warehouse stores goods that need specific conditions. For example, food that requires freezing conditions.
Distribution centre	In a distribution centre, goods are not usually stored for very long and may even arrive in the morning before being shipped to their destination in the afternoon. A distribution centre may receive goods from a number of suppliers.
Bonded	A bonded warehouse is licensed by the government to receive and store imported goods. A customs duty has to be paid before the goods can be released. Only companies/individuals authorised by HM Revenue and Customs (HMRC) can run a customs warehouse.



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The following image shows a warehouse.



The following image shows a distribution centre.



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### Distribution centre examples

#### Tesco

Tesco has 28 distribution centres across the UK and Republic of Ireland so that the company can ensure its stores have the correct stock when it is needed. The company transports 60 million cases of goods to 3,000 stores every week and its distribution centres take up 11.5 million square feet of space.

The company has lots of different distribution centres, including:

- A 'fresh' distribution centre network, which supplies every store with fresh and frozen products.
- General merchandise distribution centres, which supply stores with electrical, homeware, health and beauty products and clothing.
- Grocery distribution centres, which provide stores with tinned, packet and bottled goods.

#### Coca-Cola®

Coca-Cola® has one distribution centre in Northampton, which stores:

- 24,000 pallets of goods
- goods manufactured at the company's factory in Milton Keynes
- goods from across Britain and goods that are imported

As well as receiving goods from the company's factories, the distribution centre dispatches goods to customers. In a year, the distribution centre handles one million pallets of goods and has enough space to park 100 delivery trailers. The Coca-Cola® warehouse uses forklift trucks and different kinds of storage equipment to make the distribution centre efficient.

#### Did you know?

Amazon has introduced a one-hour service in some parts of the country, which means you can receive your order within an hour of making a purchase.





## Section 1: Introduction to warehousing and storage

**Knowledge Activity 1:** Go online and research the warehouses of two large companies. Describe what you find in the space below. Include information such as the size of the warehouse, the number of employees, and what, if any, automation there is.




### The functions of warehousing

Please read the following as it will help you to answer question 3.

Warehousing is known for providing storage for products and goods, but it also serves other functions, which we will explore in this section.

#### Storage

The primary function of a warehouse is to store goods. Goods are usually stored in a warehouse from when they are produced until they are sent to suppliers or customers.

#### Protection of goods

A warehouse will provide protection for goods, for example, it will be set up to prevent damage to, or loss of, goods that could result from the elements such as rain and wind. A warehouse will also provide protection for goods with specific environmental needs, such as those that need to be kept in a humidity-free or dust-free environment or in freezing temperatures. Additionally, a warehouse should minimise the risk of loss of goods by theft.

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