

# Warehouse

Production support

## What is Warehouse?

Warehousing is the Keeping of physical goods before they are sold. Warehouses safely and securely keep products in an organized way to track where items are located, when they arrived, how long they have been there, and the quantity on hand.

In ecommerce, products are kept until an order is placed online, at which point the order is shipped directly to the consumer from the facility in which it was stored. In traditional retail, inventory may be for the moment stored in a warehouse before it's shipped to a brick and automobile spare shop.

For small or new businesses, warehousing may be done from home until they outgrow the space. At that point, a business will have to rent storage space, lease a warehouse, or outsource logistics to a third-party and store inventory in their facility. See the Warehouse show in Figure 1.1.

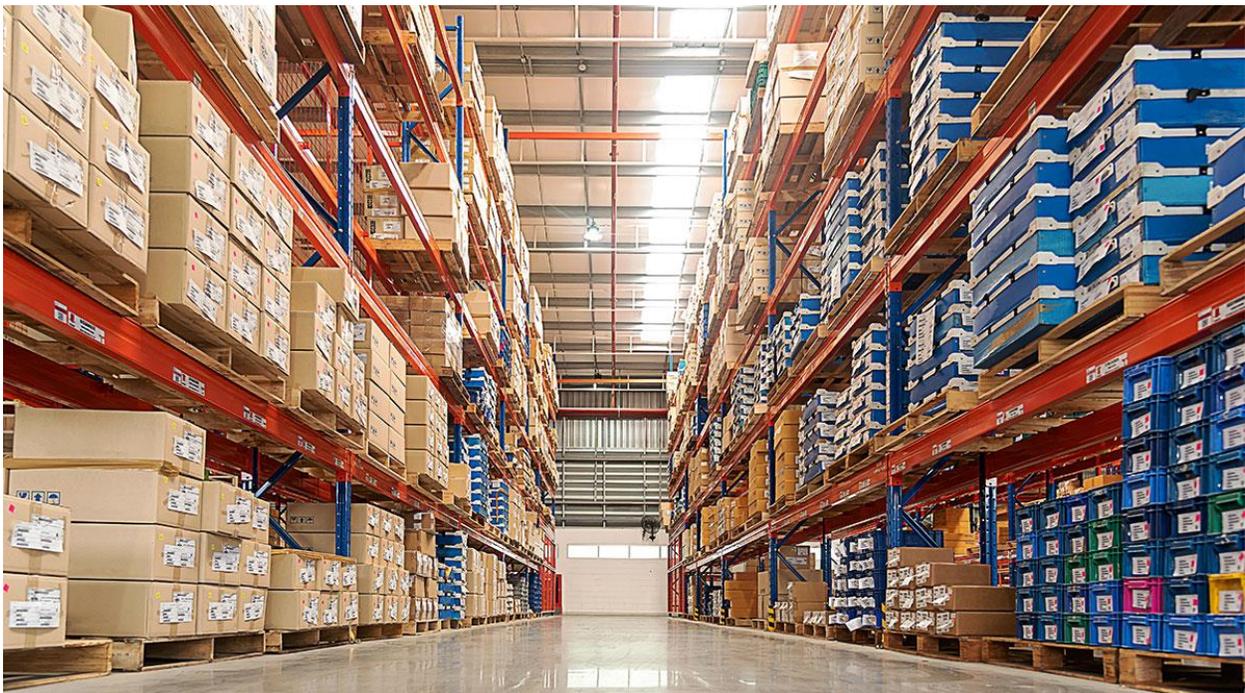


Figure 1.1. Warehouse

## Advantages of Warehouse

- Protection and Preservation of goods.
- Regular flow of goods.
- Continuity in production.
- Convenient location.
- Easy handling.

- Useful for small businessmen.
- Creation of employment.
- Facilitates sale of goods.
- Availability of finance.
- Reduces risk of loss.

### **Function of Warehouse**

**Storage:** Storage is the basic function of warehousing. Surplus commodities which are not needed immediately can be stored in warehouses. They can be supplied as and when needed by the customers.

**Price Stabilization:** Warehouses play an important role in the process of price stabilization. It's reach by the creation of time utility by warehousing. Fall in the prices of goods when their supply is in abundance and rise in their prices during the slack season are avoided.

**Risk bearing:** When the cargo are stored in warehouses they are unprotected to many risks in the form of theft, deterioration, exploration, fire etc. Warehouses are constructed in such a way as to minimize these risks. Contract of bailment operates when the goods are stored in wave-houses.

The person storing the goods in warehouses acts as boiler and warehouse keeper acts as boiler. A warehouse keeper has to take the reasonable care of the goods and safeguard them against various risks. For any loss or damage sustained by goods, warehouse keeper shall be liable to the owner of the goods.

**Financing:** Loans can be raised from the warehouse keeper against the goods kept by the owner. Goods act as security for the warehouse keeper. Similarly, banks and other financial institutions also advance loans against warehouse receipts. In this manner, warehousing acts as a source of finance for the businessmen for meeting business operations.

**Grading and Packing:** Warehouses nowadays provide the facilities of packing, processing and grading of goods. Goods can be packed in convenient sizes as per the instructions of the owner.

### **Types of Warehouses**

- Private Warehouses
- Public Warehouses
- Bonded Warehouses
- Government Warehouses
- Co-operative Warehouses

## **Private Warehouses**

Private warehouses are owned and operated by big manufacturers and merchants to fulfill their own storage needs. The goods manufactured or purchased by the owner of the warehouses have a limited value or use as businessman in general cannot make use of them because of the heavy investment required in the construction of a warehouse, some big business firms which need large storage capacity on a regular basis and who can afford money, construct and maintain their private warehouses. A big manufacturer or wholesaler may have a network of his own warehouses in different parts of the country.

## **Public Warehouses**

A public warehouse is a specialized business establishment that provides storage facilities to the general public for a certain charge. It may be owned and operated by an individual or a cooperative society. It has to work under a license from the government in accordance with the prescribed rules and regulations.

Public warehouses are very important in the marketing of agricultural products and therefore the government is encouraging the establishment of public warehouses in the cooperative sector. A public warehouse is also known as duty-paid warehouse.

Public warehouses are very useful to the business community. Most of the business enterprises cannot afford to maintain their own warehouses due to huge capital investment. In many cases the storage facilities required by a business enterprise do not warrant the maintenance of a private warehouse. Such enterprises can meet their storage needs easily and economically by making use of the public warehouses, without heavy investment.

Public warehouses provide storage facilities to small manufacturers and traders at low cost. These warehouses are well constructed and guarded round the clock to ensure safe custody of goods. Public warehouses are generally located near the junctions of railways, highways and waterways.

They provide, therefore, excellent facilities for the easy receipt, dispatch, loading and unloading of goods. They also use mechanical devices for the handling of heavy and bulky goods. A public warehouse enables a businessman to serve his customers quickly and economically by carrying regional stocks near the important trading centres or markets of two countries.

Public warehouses provide facilities for the inspection of goods by prospective buyers. They also permit packaging, grading and grading of goods. The public warehouses receipts are good collateral securities for borrowings.

## **Bonded Warehouses**

Bonded warehouses are licensed by the government to accept imported goods for storage until the payment of custom duty. They are located near the ports. These warehouses are either operated by the government or work under the control of custom authorities.

The warehouse is required to give an undertaking or 'Bond' that it will not allow the goods to be removed without the consent of the custom authorities. The goods are held in bond and cannot be withdrawn without paying the custom duty. The goods stored in bonded warehouses cannot be interfered by the owner without the permission of customs authorities. Hence the name bonded warehouse.

Bonded warehouses are very helpful to importers and exporters. If an importer is unable or unwilling to pay customs duty immediately after the arrival of goods he can store the goods in a bonded warehouse. He can withdraw the goods in installments by paying the customs duty proportionately.

In case he wishes to export the goods, he need not pay customs duty. Moreover, a bonded warehouse provides all services which are provided by public warehouses. Goods lying in a bonded warehouse can be packaged, graded and branded for the purpose of sale.

**Government Warehouses** -These warehouses are owned, managed and controlled by central or state governments or public corporations or local authorities. Both government and private enterprises may use these warehouses to store their goods. Central Warehousing Corporation of India, State Warehousing Corporation and Food Corporation of India are examples of agencies maintaining government warehouses.

**Co-operative Warehouses** - These warehouses are owned, managed and controlled by co-operative societies. They provide warehousing facilities at the most economical rates to the members of their society

## **Need for Warehousing**

**Seasonal Production**- You know that agricultural commodities are harvested during certain seasons, but their consumption or use takes place throughout the year. Therefore, there is a need for proper storage or warehousing for these commodities, from where they can be supplied as and when required.

**Seasonal Demand**- There are certain goods, which are demanded seasonally, like woollen garments in winters or umbrellas in the rainy season. The production of these goods takes place throughout the year to meet the seasonal demand. So there is a need to store these goods in a warehouse to make them available at the time of need.

**Large-scale Production** - In case of manufactured goods, now-a-days production takes place to meet the existing as well as future demand of the products. Manufacturers also produce goods in huge quantity to enjoy the benefits of large-scale production, which is more economical. So the finished products, which are produced on a large scale, need to be stored properly till they are cleared by sales.

**Quick Supply** - Both industrial as well as agricultural goods are produced at some specific places but consumed throughout the country. Therefore, it is essential to stock these goods near the place of consumption, so that without making any delay these goods are made available to the consumers at the time of their need.

**Continuous Production**- Continuous production of goods in factories requires adequate supply of raw materials. So there is a need to keep sufficient quantity of stock of raw material in the warehouse to ensure continuous production.

**Price Stabilization**- To maintain a reasonable level of the price of the goods in the market there is a need to keep sufficient stock in the warehouses. Scarcity in supply of goods may increase their price in the market. Again, excess production and supply may also lead to fall in prices of the product. By maintaining a balance of supply of goods, warehousing leads to price stabilization.

### **Characteristics of Ideal Warehouses**

- Warehouse should be located at a convenient place near highways, railway stations, airports and seaports where goods can be loaded and unloaded easily.
- Mechanical appliances should be there to loading and unloading the goods. This reduces the wastages in handling and also minimizes handling costs.
- Adequate space should be available inside the building to keep the goods in proper order.
- Ware houses meant for preservation of perishable items like fruits, vegetables, eggs and butter etc. Should have cold storage facilities.
- Proper arrangement should be there to protect the goods from sunlight, rain, wind, dust, moisture and pests.
- Sufficient parking space should be there inside the premises to facilitate easy and quick loading and unloading of goods.
- Round the clock security arrangement should be there to avoid theft of goods.
- The building should be fitted with latest fire-fighting equipment's to avoid loss of goods due to fire.

## Importance of Warehouse

**Central Storage Location** A centralized location for all your storage needs help to decrease the creation gap. This means you can get, store, circulate, and deliver products effortlessly to save time and cost.

**Improved Order Processing** At the point when clients submit their orders, all they're worried about is the delivery of their products. They need auspicious delivery and quality services. Any potential satisfaction issue isn't their worry, it's yours.

**Offers Additional Storage** You can have a storage space your creation facility, yet your stock volume can exceed it during your bustling months. For this situation, getting a warehouse space will make the most sense. You need your products to be safe from harm and robbery. Essentially, warehouse space is incredible for putting away surplus products, which clients and customers don't require promptly.

**Improved Production Quality** It's anything but difficult to expect that warehousing stock control frameworks just screen amounts. With better storage management, it's conceivable to monitor your production quality. You can utilize it to follow your crude materials and finished products.

**Leverage Seasonal Growth** As a private company, you don't need amazon-like facilities to hit your business targets. A warehouse space will simply do the trick. For this situation, you have scale your tasks when the shopping seasons come. You can monitor purchaser trends and stock up on inventories for peak seasons. This won't prompt a critical increment in expenses. Basically, a warehouse enables you to help your tasks as required with no cost weight. You can exploit new chances and deals cycles in the market.

**Risk Management** As an entrepreneur, the exact opposite thing you need is to encounter violent fluctuations in prices. This normally happens when the supply of a specific product exceeds the market demand. On the off chance that you choose to move, you can without much of a stretch endure loses. Rather, you can utilize a warehouse to store your product.

**Final thoughts warehousing** as a business owner, you have different choices, including private, public, and bonded warehouses. Whatever your choice, utilizing warehousing services can streamline your supply chain.