Chapter 3 Global Supply Chain Management

Book: International Logistics: Global Supply Chain Management by Douglas Long

Slides made by Ta-Hui Yang

Outline

- The supply chain concept
- Efficiency in the supply chain
- Channel relationship
- Managing the supply chain
- Market channels

1. The Supply Chain Concept

- Henry Ford
  - Created one of the best examples of a supply chain
  - Started with a car assembly factory
  - Car-parts factory, steel foundry, rubber plantation, iron ore, retailers
  - A very inefficient empire
  - More practical to specialize in what they do best, and buy from others what they do best.

1. The Supply Chain Concept

- Supply chain management definition
  - The integration of key business processes from end user through original supplier that provides products, services, and information that add value for customers and other stakeholders.

1. The Supply Chain Concept

- What is the difference between SCM and logistics?
  - Logistics is getting things to where they need to be
  - SCM takes this process further by organizing the overall business operations and the way it interfaces with other companies and organized ongoing logistical operations

2. Efficiency in The Supply Chain

- If a company can create a highly efficient supply chain where their competitors failed, it has a major competitive advantage.
- How does supply chain integration benefit its members?
  - Cooperation between the chain members reduces risk and improves the efficiency of the overall logistics process
  - Waste and redundancy is eliminated from the supply chain

2. Efficiency in The Supply Chain

- What kind of waste and redundancy are we talking about?
  - Inventory

ore	steel	engine blocks	engines	cars
1200	1150	1100	1050	1000
200 extra	150 extra	100 extra	50 extra	

  - Time
    - Dry grocery product took 104 days from supplier to supermarket
    - Apparel industry took 66 weeks from raw material to retailer

2. Efficiency in The Supply Chain

- Value chain
  - A supply chain is not the same as a value chain
  - A value chain is a management concept
  - each link in the chain must create some value to the product
  - If a link does not provide any value, it must be eliminated
- Supply chain
  - A type of value chain
  - Many value chains doe not involve the movement of any goods

2. Efficiency in The Supply Chain

- Myth
  - Rarely does supply chain operate between more than two firms
  - Rarely see well coordinated logistics between three or more unrelated companies

3. Channel Relationships

- Relationships with outside companies
  - change in companies managing their relationships with other companies over the past few decades
  - A shift from competition and confrontation toward cooperation
- What do channel members compete?
  - over price, quality of service, liability for problems, inventory
  - Also compete for the best price and terms from their suppliers and customers

3. Channel Relationships

- Supply chain: “glass pipeline”
- Primary channels
  - Those companies that are willing to devote resources and take on risk to manage the supply chain
- Basic issues in SCM
  - Risk
  - Power
  - Leadership

3. Channel Relationships

- Push and pull systems
  - Push: an enterprise makes something and then attempts to sell it
  - Pull: an enterprise looks at what customers want and then seeks to satisfy their demand
- Channel relationships with increasing dependence
  - Single transaction
  - Conventional channel arrangement
  - Administrated systems
  - Contractual system
  - Partnership/alliance

4. Managing The Supply Chain

- Establishing the supply chain is only the first step.
- Managing the supply chain is an ongoing and never ending process.
- Goals in managing the supply chain
  - Principle of minimum total transactions
  - Velocity
  - Minimize bullwhip effect
  - Just-in-time (JIT) management systems

4. Managing The Supply Chain

- Bullwhip effect
  - Changes in demand cause increasingly greater changes as on goes up the supply chain
  - Example: car maker
  - Eliminating it entirely may be impossible
- Some ways to control bullwhip effect
  - Demand forecasts
  - Information sharing
  - Shorter lead times
  - Order batching: reduce size and more frequent orders
  - Price fluctuations: keep prices steady

4. Managing The Supply Chain

- JIT systems
  - Outgrowth of the Kanban system from Toyota Production System
  - The essence of JIT is to have supplies delivered only when needed
  - Eliminates the need to keep inventory
  - Most appropriate for repetitive manufacturing, not solution for every company
  - Solves some problems, creates others: production scheduling becomes much more complex

5. Marketing Channels

- Consider logistics demand from the perspective of marketing
- Definition of marketing channels
  - Systems of relationships among businesses that participate in the process of buying and selling products and services
  - 4 Ps: product, place, promotion, and price
  - Example: Coca-cola

5. Marketing Channels

- Economic utilities
  - Form
  - Possession
  - Time
  - Place
- Last mile problem
  - The challenge in accomplishing the final leg of delivery to the customer

5. Marketing Channels

- Product life cycle
  - Describes how a products position in the market changes
  - Growth state -> maturing phase -> decline stage
  - Logistical support required will vary as the product moves through this life cycle

5. Marketing Channels

- Increasing demands of customers for a variety of choices
  - Retailers must make decisions about what to offer and what to decline
  - A company can no longer offer its product through only one channel. The different markets use different channels

5. Marketing Channels

- Power of leadership of the supply chain
  - Legitimate
  - Economic
  - Expert
  - Reward
- Loyalty has shifted from manufacturers to retailers