

Creating Value through Supply Chain

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STRATEGIC MANAGEMENT

&

LEADERSHIP

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Creating Value through Supply Chain – (12%)

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2	Warehousing
3	Warehouse Management Systems
4	Inventory Management
5	Physical Distribution & Logistics Systems
6	Supply Chain Information Systems
7	Supply Chain Performance Management

INTRODUCTION

Managing parts of the Supply Chain over which organization has some control up to a specific level is a key value creator for respective stakeholders. Even though firm practically cannot influence or have complete control over these sub activities, the possible scope under the control of the business is considerable enough to go for more value additions over competition.

This chapter looks at the supply chain, how supply chain management is capable of providing core competencies to the firm and how this may lead towards developing a competitive advantage over the other rivals.

- Relationships

- Operational Efficiencies

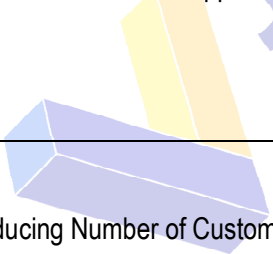
Creating Competitive Advantage in the Supply Chain

Organization should have a conscious decision on the status of its supply chain.

- Whether to simply create a threshold competence by using threshold resources
- Whether to create a competitive advantage by using core competencies

Methods of Improving Supply Chain

There are different methods to be used by organizations in improving its supply chain.

 <p>Reduce Number of Suppliers</p>	
<p>Reducing Number of Customers</p>	
<p>Coordinating Production, Warehousing and sales and marketing</p>	

Supplier Involvement in Product Development and Component Design	
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2.0 Warehousing

Efficient Warehousing Management involves establishing and operating a system for holding inventories of goods and keeping them secure and in good condition until required; and also an efficient and economical system for receiving goods into store and retrieving them when required.

A warehouse is a commercial building for the storage of goods. Warehouses are operated by different types of business organizations;

Manufactures

Importers

Customs Department of the Government

Wholesalers



Transport & Distribution Companies

Purpose of Warehousing

The purpose of warehousing is to hold goods until they are required for use or sale. Key functions of warehousing are;

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Functions of a Warehouse Management System

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Warehousing Processes

Receiving Goods in to Store	
Holding Goods in Store Until Required	

Retrieving Goods when required	
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Warehousing can be an expensive operation, but costs can be reduced by means of efficient systems for accepting goods in to store, location and storage and retrieval for use of dispatch.

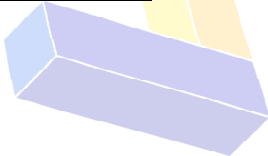
Online Selling -

Warehousing Cost Management & Performance Controls

3.0 Warehouse Management Systems (WMS)

A Warehouse management system is an IT system for controlling the movement and storage of goods within a warehouse and processing associated transactions such as receiving goods, putting them away, picking goods for shipment and shipping them. A WMS monitors the progress of products through the warehouse.

Features of WMS



4.0 Inventory Management

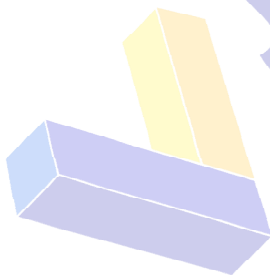
Even though value is created via having sufficient levels of stock, a balance needs to be maintained between holding stocks to meet customer demand on time and management of inventory holding cost.

Efficient inventory management involves monitoring inventory levels, to ensure that there is efficient response to inventory demands without holding inventories in excess.

Purpose of Inventory Management

- a)
- b)
- c)
- d)
- e)

Costs of Inventory & Inventory Management



EOQ for Purchases

Just-in-time Ordering Systems

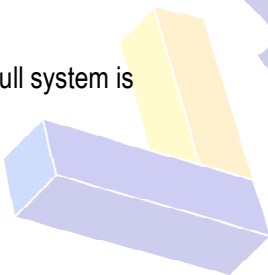
Just-in-time purchasing is

Just-in-time production is

"Pull" ordering and production Systems

A Push system is

A Pull system is



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5.0 Physical Distribution & Logistics Systems

Non-Physical products can be distributed via digital platforms. Physical and tangible products should be supported via physical distribution and logistics.

- Logistics Systems

- Outward Logistics

- Physical Distribution

Channels of Distribution

Channels of distribution facilitates the delivery of goods from the manufacturer's point to the consumer's consumption point. Following aspects of logistics and physical distribution to be concerned;

- Location of Warehouses



- Method of Transportation

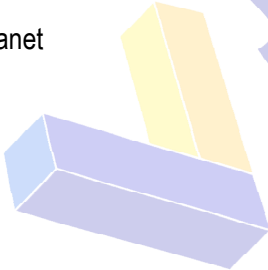
- Size of Transport Vehicle

Integrated Logistics Management

- Order Management
- Freight Management
- Warehouse Management

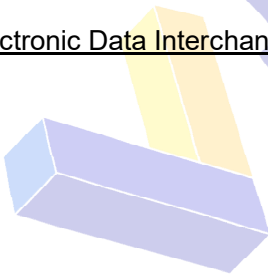
6.0 Supply Chain Information Systems

Various applications of information technology can be used to improve supply chain processes by improving efficiency and minimize cost.

Internet	
 Intranet	
Electronic Data Interchange (EDI)	

Radio Frequency Identification Devices (RFID)	

Electronic Data Interchange (EDI)



RFID Technology

An RFID consists of 03 elements

- 1)
- 2)
- 3)

RFID has some advantages over Bar Codes

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RFID tagging can take place at 03 Levels;

- (i)
- (ii)
- (iii)

E-Procurement

E-Procurement is a general term for the purchase of supplies and services through the internet and other information and networking systems such as EDI. These are operated through a secure network / website where orders are placed electronically.

E-Procurement is a comprehensive and complete process than mere e-purchase.

This focuses on the complete purchasing mix, or the “Five Rights of Purchasing”;

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E- Procurement websites

Benefits of E-Procurement

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7.0 Supply Chain Performance Management

Organizational management should monitor and control the supply chain and to initiate this organization needs information about performance of different aspects / areas of supply chain. These are provided by a Supply Chain management System.

Following 02 key challenges should be addressed by the organization in implementing a Supply Chain Performance Management System;

- 1.
- 2.

Supply Chain Operations Reference (SCOR Model)

Benefits of SCOR Model

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Balance Scorecard and Supply Chain Performance Measurement

Financial Perspectives	
Customer Perspectives	
Operational Perspectives	
Learning & Innovation Perspectives	

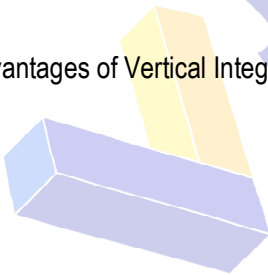
Service Level Agreements

8.0 Purchasing Strategies

Business Process Outsourcing

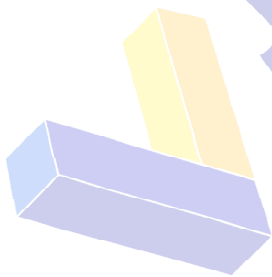
Integration

Advantages of Vertical Integration



Disadvantages of Vertical Integration

KNOWLEDGE IN PRATICE – TESTED AREAS



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