SUPPLY CHAIN MANAGEMENT
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In commerce, *supply chain management* (SCM), the management of the flow of goods and services, involves the movement and storage of raw materials, of work-in-process inventory, and of finished goods from point of origin to point of consumption. Interconnected, interrelated or interlinked networks, channels and node businesses combine in the provision of products and services required by end customers in a supply chain. Supply-chain management has been defined as the “design, planning, execution, control, and monitoring of supply-chain activities with the objective of creating net value, building a competitive infrastructure, leveraging worldwide logistics, synchronizing supply with demand and measuring performance globally.”

LOGISTICS

Logistics is generally the detailed organization and implementation of a complex operation. In a general business sense, logistics is the management of the flow of things between the point of origin and the point of consumption to meet the requirements of customers or corporations. The resources managed in logistics may include tangible goods such as materials, equipment, and supplies, as well as food and other consumable items. The logistics of physical items usually involves the integration of information flow, materials handling, production, packaging, inventory, transportation, warehousing, and often security.

CORE CONCEPTS OF SCM

Shortly after your alarm clock goes off and the coffee maker kicks on, the aroma of your favorite coffee fills the air. The supply chain is responsible for getting those coffee beans across the world and to your kitchen. Something so common in every household, takes a great deal of planning, demand forecasting, procurement, and logistical expertise to move those beans to local sellers while still fresh. Without a strong supply chain in place, your caffeine-fix options would be severely limited.
SCM involves a series of key activities and processes that must be completed in an efficient (fuel-conserving, cost-reducing, etc.) and timely manner. Otherwise, product will not be available when needed by consumers like you.

The Seven Rights of Fulfillment

The ability to meet customer requirements, for everything from coffee beans to Crocs, is built upon the expectation that everything is done correctly in the supply chain. And that means doing it right the first time – no mulligans, no mistakes are allowed. In the quest to provide quality service and satisfy customers, world-class companies along the supply chain are guided by the Seven Rights of Fulfillment.

If you think about it, every order needs to be executed according to these seven goals. You must attempt to deliver a “perfect order” to every customer every time. Doing it right the first time makes the customer happy, saves the cost of fixing errors, and doesn’t require extra use of assets. Thus, every part of the organization has a vested interest in pursuing perfection.

The Perfect Order = The Ultimate Goal of Order Fulfillment.

- The perfect order includes the Seven Rights of Order Fulfillment:
  - The Right Product
  - To the Right Customer
  - At the Right Time
  - In the Right Place
  - In the Right Condition
  - In the Right Quantity
  - At the Right Cost

- A “perfect order” helps an organization obtain and fill orders at the best value for the customer.

A “perfect order” delivery is only attained when all Seven Rights of Fulfillment are achieved. To accomplish a perfect order fulfillment, the seller has to have your preferred product available for order, process your order correctly, ship the entire order via the means that you request, provide you with an advanced shipping notification and tracking number, deliver the complete order on time and without damage, and bill you correctly. A seller’s ultimate goal is to make the customer happy by doing the job right, which gives them a good reason to use the seller’s services again in the future.
SCM Flows

If the goal of SCM is to provide high product availability through efficient and timely fulfillment of customer demand, then how is the goal accomplished?

Obviously, you need effective flows of products from the point of origin to the point of consumption. But there’s more to it. Consider the diagram of the fresh food supply chain. A two-way flow of information and data between the supply chain participants creates visibility of demand and fast detection of problems. Both are needed by supply chain managers to make good decisions regarding what to buy, make, and move.

Other flows are also important. In their roles as suppliers, companies have a vested interest in financial flows; suppliers want to get paid for their products and services as soon as possible and with minimal hassle. Sometimes, it is also necessary to move products back through the supply chain for returns, repairs, recycling, or disposal.

Because of all the processes that have to take place at different types of participating companies, each company needs supply chain managers to help improve their flows of product, information, and money. This opens the door of opportunity to you to a wide variety of SCM career options for you!

SCM Processes

Supply chain activities aren't the responsibility of one person or one company. Multiple people need to be actively involved in a number of different processes to make it work.

It's kind of like baseball. While all the participants are called baseball players, they don't do whatever they want. Each person has a role – pitcher, catcher, shortstop, etc. – and must perform well at their assigned duties – fielding, throwing, and/or hitting – for the team to be successful.

Of course, these players need to work well together. A hit-and-run play will only be successful if the base runner gets the signal and takes off running, while the batter makes
solid contact with the ball. The team also needs a manager to develop a game plan, put people in the right positions, and monitor success.

Winning the SCM “game” requires supply chain professionals to play similar roles. Each supply chain player must understand his or her role, develop winning strategies, and collaborate with their supply chain teammates. By doing so, the SCM team can flawlessly execute the following processes:

- **Planning** – the plan process seeks to create effective long- and short-range supply chain strategies. From the design of the supply chain network to the prediction of customer demand, supply chain leaders need to develop integrated supply chain strategies.

  Broadly, the typical sales and operations planning steps are:

  1. **Define Your Plan** using demand planning and statistical forecasting generate a demand plan aligned with seasonality & product life cycle trends.
  2. **Agree on an Inventory Strategy** to achieve desired service levels by defining statistical safety stocks and reorder point replenishment models.
  3. **Optimize Supply** by rebalancing inventory across sites to resolve supply gaps.
  4. **Manage Your Constraints** to ensure that there is enough capacity to fulfill demand increases and balance worker capacity with material levels
  5. **Make Decisions** by evaluating financial trade-offs to maximize revenue and optimize inventory

- **Procurement** – the buy process focuses on the purchase of required raw materials, components, and goods. As a consumer, you're pretty familiar with buying stuff!

Procurement is just one of the many roles involved in a good supply chain. It should be considered a core component of a company’s corporate strategy. Proper
procurement management is vital because an organization can end up spending over half of its revenue on purchasing goods and services. Procurement makes a huge difference between the success and failure of a business. The procurement process includes the following steps:

1. Identifying requirements
2. Approving the request for purchase
3. Finding suppliers
4. Making inquiries and receiving quotations
5. Negotiating the terms
6. Making a final selection of the vendor
7. Creating a purchase order and goods receipt
8. Shipping management
9. Receiving invoices and making payments

- **Production** – the make process involves the manufacture, conversion, or assembly of materials into finished goods or parts for other products. Supply chain managers provide production support and ensure that key materials are available when needed. Production has following planning steps:

1. Sales Forecasting
2. Sales and Operations
3. Demand Management
4. Detailed Scheduling
5. Production:
6. Material Requirements Planning
7. **Distribution** – the move process manages the logistical flow of goods across the supply chain. Transportation companies, third party logistics firms, and others ensure that goods are flowing quickly and safely toward the point of demand. It is an overarching term that refers to numerous activities and processes such as packaging, inventory, warehousing, supply chain, and logistics.
8. **Customer Interface** – the demand process revolves around all the issues that are related to planning customer interactions, satisfying their needs, and fulfilling orders perfectly.