

Introduction

Session 1: Principles of Supply Chain Management and Strategy

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Reference Book: Min, H., (2019) "The Essentials of Supply Chain Management", New Business Concepts and Applications



WHAT IS SUPPLY CHAIN



"According to Chopra and Meindl (2016), supply chain management can be 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"

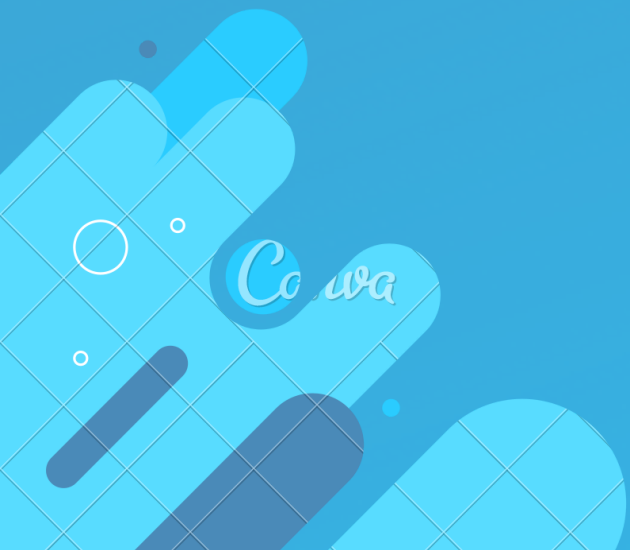


WHAT IS LOGISTICS



•According to Bowersox et al. (2013), logistics can be defined as

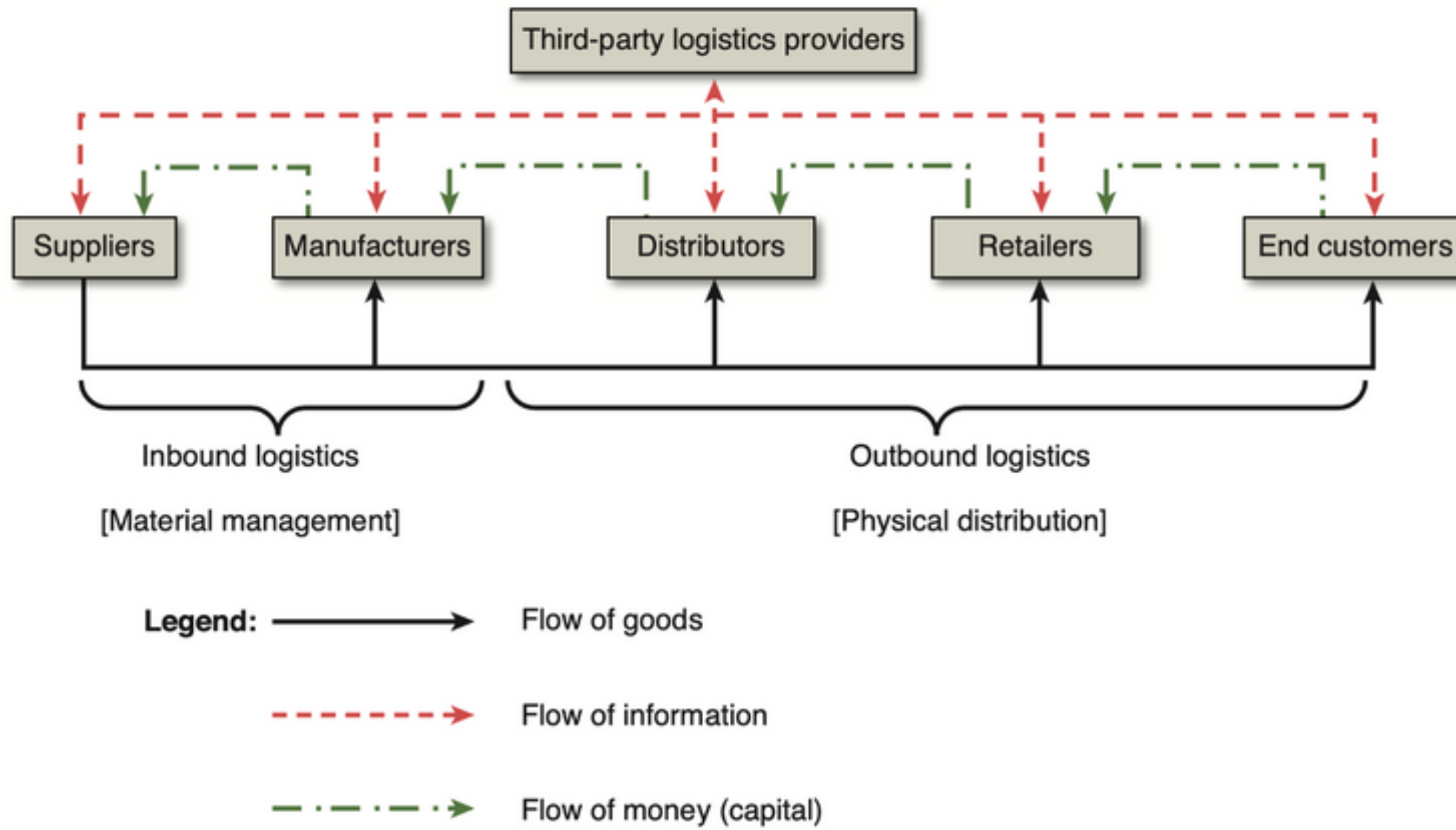
"the process of planning, implementing, and controlling procedures for the efficient and effective transportation and storage of goods, including services, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements" (p. 4).



DIFFERENCE BETWEEN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

AREA	SUPPLY CHAIN	LOGISTICS
SCOPE	PRODUCTION, DELIVERY, DEMAND FORECASTING, SOURCING ETC	PHYSICAL STORAGE AND MOVEMENT OF GOODS
FOCUS	TACTICAL ASPECTS	STRATEGIC ASPECTS
RELATIONSHIPS	WITH ALL SUPPLY CHAIN PARTNERS	MOSTLY WITH PARTNERS THAT ARE INVOLVED IN PHYSICAL MOVEMENT
GOALS	REDUCING TRANSPORTATION COST, INVENTORY LEVELS ETC	CUSTOMER SERVICES, RISK, FLEXIBILITY AND RESILIENCE

SUPPLY CHAIN ENTITIES



EVOLUTION OF SUPPLY CHAIN

Table 1.1. The Evolution of Supply Chain Management Disciplines

Evolution Stage	Time Period	Philosophy	Key Driver	Key Performance Metric
I	Early 1980s	Product driven	Quality	<ul style="list-style-type: none">• Inventory turns• Production cost
II	Late 1980s	Volume driven	Cost	<ul style="list-style-type: none">• Throughput• Production capacity
III	Early 1990s	Market driven	Product availability	<ul style="list-style-type: none">• Market share• Order fill rate
IV	Late 1990s	Customer driven	Lead time	<ul style="list-style-type: none">• Customer satisfaction• Value added• Response time
V	Early twenty-first century	Knowledge driven	Information	<ul style="list-style-type: none">• Real-time communication• Business intelligence

DEMAND, VALUE AND SUPPLY CHAIN

Table 1.2. The Comparison of Demand Chain, Value Chain, and Supply Chain

	Demand Chain	Value Chain	Supply Chain
The Role in Demand Planning	Demand creation	Demand performance	Demand fulfillment
Key Strategy	Product strategy	Financial strategy	Channel strategy
Primary Activities	New product development Market research Sales and promotion Forecasting	Cost accounting Pricing Revenue management Capital investment Value-added services	Procurement Manufacturing Logistics Payment
Key Stakeholders	End customers	Shareholders	Supply chain partners

A BEHIND THE SCENES LOOK AT STARBUCKS

GLOBAL SUPPLY CHAIN



**What supply chain activities/partners were
involved in the video**

Supply Chain Strategy.

FORMULATING SUPPLY CHAIN STRATEGY

- ▶ Strategic Dimensions Strategy
- ▶ Functional Dimensions Strategy
- ▶ Winning Strategy
- ▶ Supply Chain Operational Strategy (Cost, Speed, Flexibility, Dependability and Quality)



STRATEGIC DIMENSIONS STRATEGY



Corporate strategy (Whole Business)



Business unit strategy (Business unit)



Functional strategy (Task Oriented)





FUNCTIONAL DIMENSIONS STRATEGY



INTRA-FUNCTIONAL COORDINATION

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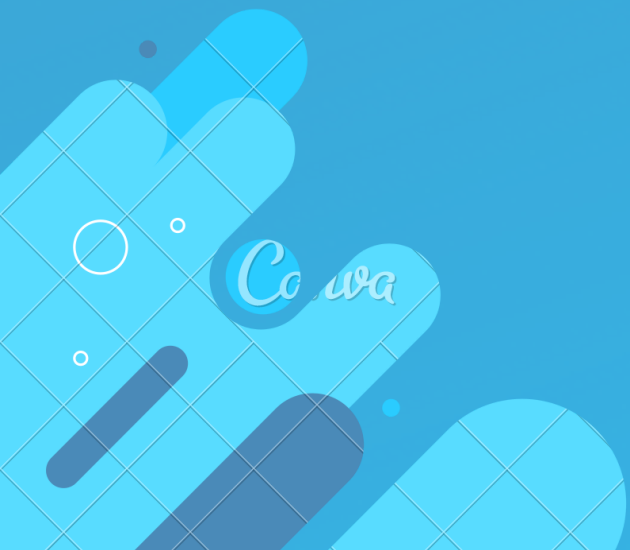
INTER-FUNCTIONAL COORDINATION

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INTER- ORGANIZATIONAL COORDINATION

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“VICTORY” (WINNING STRATEGY) MODEL

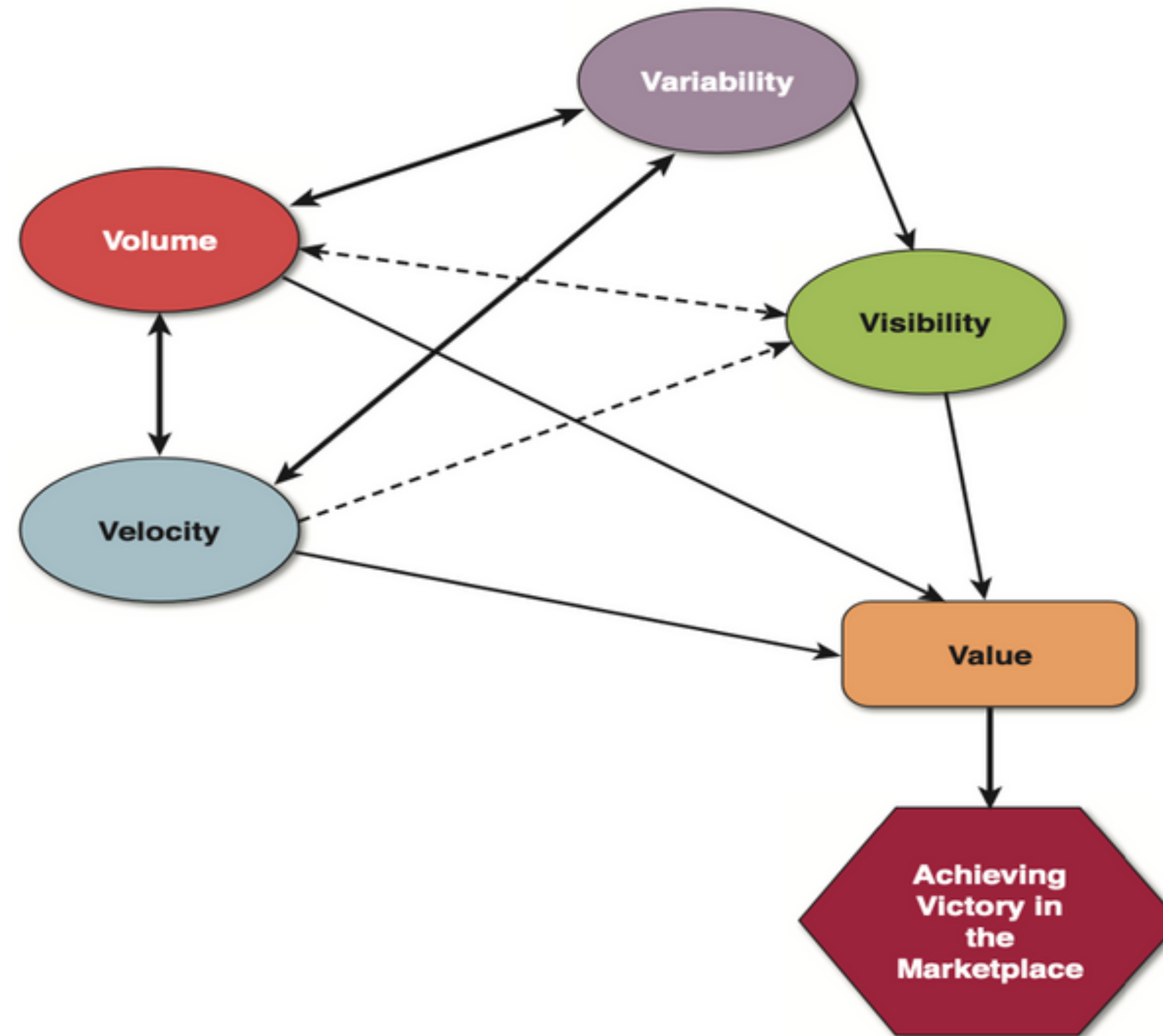


Figure 2.1. A “Victory” model for supply chain strategy

SUPPLY CHAIN OPERATIONAL STRATEGY

- Cost
- Speed
- Flexibility
- Dependability
- Quality



Operational Objectives

RED OCEAN VERSUS BLUE OCEAN STRATEGY

Table 2.1. A Comparison of the Red Ocean and Blue Ocean Strategies

Red Ocean	Blue Ocean
Industry boundaries are defined and accepted, and the competitive rules of the game are known. Therefore, prospects for growth and profit are dimmed and reduced.	A consistent pattern of strategic thinking behind the creation of new markets and industries where demand is created rather than fought for and the rule is irrelevant.
Red ocean represents all the industries in existence today. Red ocean strategy accepts constraints of the game—and pursues either differentiation or low-cost strategy. A majority of new ventures are known to target red ocean.	Blue ocean provides companies with guidelines on how to escape from intense competition from the same market place, where there are limited customers with an increasing number of competitors, by creating a <i>new</i> marketplace where there is less competition, if any. Pursue both differentiation and customer value.
Commoditization of product/service offerings. Cutthroat competition for the existing market and demand.	Superb business performance by creating a leap in value for customers. Innovative technological capabilities do <i>not</i> necessarily create the blue ocean.

PUSH VERSUS PULL STRATEGY



Push Strategy: this strategy “pushes” the product to the end user or customer through sales promotions and other incentives.



Pull Strategy: demand-driven strategy that determines the production, distribution, and service delivery schedules based on the actual customer demand.

PUSH VERSUS PULL STRATEGY

DIFFERENTIATOR	PUSH STRATEGY	PULL STRATEGY
PRIVE BUSINESS DRIVER	OPTIMIZATION VS COUST	FLEXIBILITY AND RESPONSIVENESS
SUPPLY CHAIN STRATEGY	PLANNING AND S&OP	LEAN AND AGILE
LEAD TIME	LONG	SHORT
PRICING	HIGHLOW	EVERYDAY LOW

PUSH VERSUS PULL STRATEGY

DIFFERENTIATOR	PUSH STRATEGY	PULL STRATEGY
MANUFACTURING	LONG, ECONOMIES OF SCALE	SHORT, FLEXIBLE
MARKETING STRATEGY	ADS AND PROMOTION	PERSUASION
INVENTORY	HIGH STOCK	LOW STOCK
SUPPLY CHAIN RELATIONSHIPS	CRITICAL, VENDOR FOCUSED	CRITICAL CUSTOMER FOCUSED

LEAN SUPPLY CHAIN STRATEGY

"Lean supply chain is a supply chain management philosophy and set of practices that was originally developed by **Toyota 1960s** and emphasizes the elimination of waste and the continuous improvement of processes to increase efficiency, reduce costs, and enhance value for customers"

(Narasimhan and Das, 2016, p. 118).



LEAN SUPPLY CHAIN STRATEGY

7 Wastes of Lean



Inventory



Waiting



Defects



Overproduction



Motion



Transportation



Over-processing

AGILE SUPPLY CHAIN



"Agile supply chain is a supply chain management approach that emphasizes flexibility, adaptability, and responsiveness to customer demand, changing market conditions, and emerging opportunities. It involves the use of cross-functional teams, information sharing, and rapid decision-making to enable quick response to changes in demand, supply, and technology"

(Christopher and Ryals, 2014, p. 371).



LEAN, AGILE AND LEAGILE

ATTRIBUTE	LEAN	AGILE	LEAGILE
GOAL	COST AND STOCK CONTROL	STRONG RESPONSIVNESS TO CHANGE, AVAILABILITY OF PRODUCT ON CUSTOMERS NEEDS	BALANCE OF ELIMINATING WASTE AND RESPONSIVENESS TO DEMAND
FEATURES	ELIMINATING WASTE, IMPROVED EFFICIENCY, HIGH QUALITY	FLEXIBILITY, MARKET SENSITIVITY, PROCESS INTEGRATION	FOCUS ON EFFICIENCY TOWARDS RESPONDING TO VOLATILE DEMAND
PRODUCT	LONG LIFE STANDARD PRODUCTS	PERSONALIZED AND INNOVATIVE PRODUCTS WITH SHORT LIFE CYCLE	BALANCED PRODUCTS
DEMAND	LITTLE VARRIED AND PREDICTABLE DEMAND	VERY VARIED AND UNPREDICTABLE DEMAND	BALANCED DEMAND
FOCUS	RELY ON CULTURE AND PROCESS IMPROVEMENT. DO MORE WITH LESS	RELY ON INFORMATION SHARING, COORDINATION/COLLABORATION BETWEEN ALL PARTNERS	RELY ON ALL, CULTURE, PROCESS AND INFORMATION SHARRING BETWEEN ALL PARTNERS

ZARA

Zara's Rapid Rise as a Cool Supply Chain Icon



COLLABORATIVE SUPPLY CHAIN STRATEGIES (CSCS)

- **Vendor Manager Inventory (VMI)**
- **Collaborative Planning, Forecasting and Replenishment (CPFR)**

VENDOR MANAGER INVENTORY (VMI)

Uses real-time sales data to forecast demand and automatically replenish inventory levels.

P&G is able to take over the responsibility of managing inventory levels from Wal-Mart, and ensures that P&G products are always in stock at Wal-Mart stores.



COLLABORATIVE PLANNING, FORECASTING AND REPLENISHMENT (CPFR)

The two companies work together to share sales data, inventory levels, and other information to create a more accurate and efficient demand forecast.

Nestle is able to adjust its production schedules and shipping plans to ensure that the right products are delivered to Wal-Mart stores at the right time.

