A Course Material on

LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Subject : LOGISTICS AND SUPPLY CHAIN MANAGEMENT

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LECTURE – 1

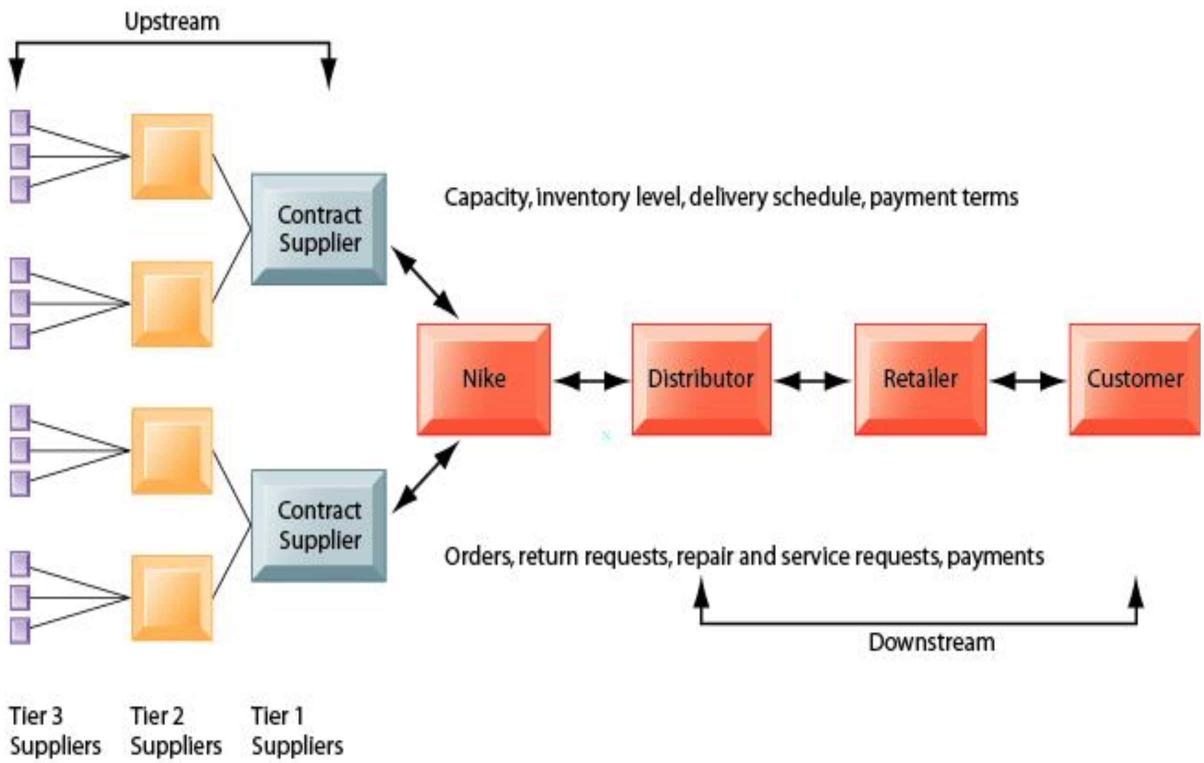
BBBA404: LOGISTICS AND SUPPLY CHAIN MANAGEMENT

UNIT -1: Supply Chain Management

UNIT -1: Supply Chain Management - Concepts, Issues in Supply Chain Management; Demand Volatility and information distortion, Managing networks and relationships; Performance Measures; Decisions in the Supply Chain World; Models for supply chain decision making

1.1 Supply Chain Management

Supply chain management refers to the coordination of activities and involved in making and moving a product. The **supply chain** is the network of businesses and business processes involved the creation and selling of a product, from suppliers that procure raw materials through retail outlets and customers. The upstream portion of the supply chain includes the organization's suppliers and the processes for managing relationships with them. The downstream portion consists of the organizations and processes for distributing and delivering products to the final customers. The manufacturer also has internal supply chain processes for transforming the materials and services furnished by suppliers into finished goods and for managing materials and inventory.



NIKE'S SUPPLY CHAIN

This figure illustrates the major entities in Nike's supply chain and the flow of information upstream and downstream to coordinate the activities involved in buying, making, and moving a product. Shown here is a simplified supply chain, with the upstream portion focusing only on the suppliers for sneakers and sneaker soles.

Inefficiencies in the supply chain, such as parts shortages, underutilized plant capacity, excessive inventory, or runaway transportation costs, are caused by inaccurate or untimely information and can waste as much as 25% of operating costs. Uncertainties also arise because many events cannot be foreseen—product demand, late shipments from suppliers, defective parts or raw material, or production process breakdowns. More accurate information from supply chain management systems reduces uncertainty and the impact of the **bullwhip effect**, in which information about the demand for a product gets distorted as it passes from one entity to the next across the supply chain. With perfect information about demand and production, a firm can implement an effective **just-in-time strategy**, delivering goods in the right amount and as they are needed.