

A Course Material on

LOGISTICS AND SUPPLY CHAIN MANAGEMENT



Subject : LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Subject Code : BBA404

Class : BBA 4th Semester/ 2nd Year

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2021

LECTURE - 12

1.7 SCOR Model of Supply Chain Strategic Decisions :

The supply chain operations reference model (SCOR) is a management tool used to address, improve, and communicate supply chain management decisions within a company and with suppliers and customers of a company. The model describes the business processes required to satisfy a customer's demands. It also helps to explain the processes along the entire supply chain and provides a basis for how to improve those processes.

The SCOR model was developed by the supply chain council with the assistance of 70 of the world's leading manufacturing companies. It has been described as the "most promising model for supply chain strategic decision making." The model integrates business concepts of process re-engineering, benchmarking, and measurement into its framework. This framework focuses on five areas of the supply chain: **plan, source, make, deliver, and return**. These areas repeat again and again along the supply chain. The supply chain council says this process spans from "**the supplier's supplier to the customer's customer**."

a) Plan

Demand and supply planning and management are included in this first step. Elements include balancing resources with requirements and determining communication along the entire chain. The plan also includes determining business rules to improve and measure supply chain efficiency. These business rules span

inventory, transportation, assets, and regulatory compliance, among others. The plan also aligns the supply chain plan with the financial plan of the company.

b) Source

This step describes sourcing infrastructure and material acquisition. It describes how to manage inventory, the supplier network, supplier agreements, and supplier performance. It discusses how to handle supplier payments and when to receive, verify, and transfer product.

c) Make

Manufacturing and production are the emphasis of this step. Is the manufacturing process make-to-order, make-to-stock, or engineer-to-order? The make step includes, production activities, packaging, staging product, and releasing. It also includes managing the production network, equipment and facilities, and transportation.

d) Deliver

Delivery includes order management, warehousing, and transportation. It also includes receiving orders from customers and invoicing them once product has been received. This step involves management of finished inventories, assets, transportation, product life cycles, and importing and exporting requirements.

e) Return

Companies must be prepared to handle the return of containers, packaging, or defective product. The return involves the management of business rules, return inventory, assets, transportation, and regulatory requirements.

Benefits of Using the SCOR Model

The SCOR process can go into many levels of process detail to help a company analyze its supply chain. It gives companies an idea of how advanced its supply chain is. The process helps companies understand how the 5 steps repeat over and over again between suppliers, the company, and customers. Each step is a link in the supply chain that is critical in getting a product successfully along each level. The SCOR model has proven to benefit companies that use it to identify supply chain problems. The model enables full leverage of capital investment, creation of a supply chain road map, alignment of business functions, and an average of two to six times return on investment.

This is just a brief overview of the SCOR model. It contains many more details and levels that can be analyzed within a company.