

A Course Material on

LOGISTICS AND SUPPLY CHAIN MANAGEMENT



Subject : LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Subject Code : BBA404

Class : BBA 4th Semester/ 2nd Year

Prepared by:
Dr. Chaitali Bhattacharya
Faculty of Commerce and Management
Rama University, Kanpur
2021

LECTURE - 8

1.4.2 Relationships in the Supply Chain

The term "relationships" covers a lot of ground in supply chain management. There are strategic relationships, tactical relationships, transactional relationships, internal relationships, and possibly more. There are also relationships among members of the supply chain community.

For the moment, it's important to realize that relationships among the supply chain estates must be maintained for balance. Too much power and influence in any one camp and you risk undermining the effectiveness of your supply chain.

Importance of relationship management for a successful supply chain management

Relationship management is a term that refers to practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle, with the goal of improving business relationships with business partners (customers internal and external/ vendors/ outside agencies) RM systems are designed to compile information on customers across different channels – or points of contact between the customer and the company – which could include the company's website, telephone, live chat, direct mail, marketing materials and social media.

Relationship management can be between a business and its customers (customer relationship management) or between a business and other businesses (business relationship management).

Need of Relationship Management

Mitigate Risks: To effectively reduce supplier risks, whether in terms of operations, unforeseen cost implications, or regulatory compliance, you need increased visibility. Vendor management can track your suppliers and provide the data you need to identify supplier risks so you can take the necessary steps to mitigate them, or choose an alternative vendor. You can easily verify supplier information, such as qualifications and certifications, track performance, and even look into the supplier's financials to get a broader picture of their risk level in order to protect your organization.

Optimize Performance: Once you have a supplier active in your vendor management system, you can track and measure performance against the contract. This will enable you to ensure optimal performance. The data you receive from tracking performance can signal challenges before they become problems and identify areas that may need improvements.

Reduce Costs: When you have increased visibility, you can see invisible costs that you can then better control in order to save on costs. Additionally, having strong relationships with your suppliers, due to effective procedures and processes thanks to vendor management can help you to negotiate better rates and have access to discounts and incentives that can increase your profit margin.

Create Loyal Relationships: Good vendors are hard to come by. If the company is working with excellent suppliers, they should be doing everything they can to strengthen their relationships with them in order to build loyalty. With effective supplier management, they can ensure efficiencies that lead to smooth processes, which can help the company build the loyalty they need to keep their great suppliers as part of their supply chain for the long term.

Increase Administrative Efficiencies: The company's vendor management program can significantly drive administrative efficiencies. As a central hub for vendor master data and record keeping, this program can cut down on duplication of data, loss of contracts and other information, administrative labour costs, and errors. Having one central place for all of their vendor data can help them manage the relationships with heightened efficiency, which their suppliers will appreciate.

Increase On-boarding Speed: The time and resources it takes to onboard new vendors can slow down the productivity and cost money to the company. But with supplier management, it's a breeze to obtain all relevant vendor information, such as bank details, capability information, regulatory data, and capacity details and input it into the system in a fast and error-free way for approval. The quicker the company can bring their vendors onboard, the quicker they can move through the procurement process and receive their goods or services so they can put them to use.

Protect the Brand: The company's brand holds a lot of value. They do not want to tarnish it due to the actions of an unprofessional or unethical vendor. A supplier management program can provide them with the information they need, such as a supplier's social and environmental standards, to reduce the risk of a serious incident stemming from a vendor's actions.