

SUPPLY CHAIN MANAGEMENT PROCESSES

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Abstract

Supply chain management is a systematic approach for managing a distribution of goods from producers of raw materials, through manufacturers and eventually down to end users. Supply chain management affects manufacturing companies in a variety of ways, including a availability of inputs needed for production processes, costs and profitability of manufactured items, company infrastructure and ways in which companies interact with their suppliers and customers. Understanding the ways that supply chain management affects manufacturers from both a daily operational perspective and a strategic viewpoint is important for all managers and entrepreneurs in the industry.

Key words: supply chain management, process, ditribution.

INTRODUCTION

An integration of business processes across a product supply chain starts with ensuring that the strategies pursued by members match. For example, if a manufacturer wishes to implement a just-in-time strategy, the incoming logistics provider and the suppliers have to adopt strategies that allow the required flexibility in supply. If a marketing manager carries out a low-price promotion, the manufacturer of the supply chain has to implement a low-cost production strategy. When strategies match, the company's objectives reinforce each other along the supply chain.

Companies can gain a competitive advantage by integrating business processes together with their global supply chain partners. When different members of the supply chain align their operations through the integration of their business processes, the supply chain becomes more efficient. Such supply chain management can reduce the cost of supplies and improve your business profitability.

The Global Supply Chain Forum identified eight key processes that make up the core of supply chain management [4]:

1. Customer relationship management.

2. Customer Service Management.
3. Demand management.
4. Order Fulfillment.
5. Manufacturing flow management.
6. Procurement.
7. Product development and commercialization.
8. Returns.

The term "procurement" is a source of confusion. The confusion consists in which procurement is defined as "...the act of ... all those activities necessary to acquire goods and services consistent with user requirements" [3]. Other authors use similar definitions. Because these definitions do not adequately represent our view of the supply chain process, we have renamed the procurement process "supplier relationship management".

In an integrated and aligned supply chain, the activities resulting from the matched strategies work together. The manager has to identify the primary activities that the members of the supply chain carry out. For example, the company performs the marketing, another supplier has the contract for transportation and another company manufactures the product. Each primary activity has business processes associated with it. Integrating the processes means that they act in a coordinated fashion. If the manufacturer adds certain features to the product, the marketers receive that information and can develop advertisements promoting the new features.

CUSTOMER RELATIONSHIP MANAGEMENT

The customer relationship management process provides the structure relationship with the customer is developed and maintained. Management identifies key customers and customer groups to be targeted as part of the firm's business mission [1]. Customer teams tailor Product and Service Agreements (PSA) to meet the needs of key accounts and segments of other customers [2]. Teams work with key accounts to improve processes, and eliminate demand variability and non-value-added activities. Performance reports are designed to measure the profitability of individual customers as well as the firm's financial impact on those customers.

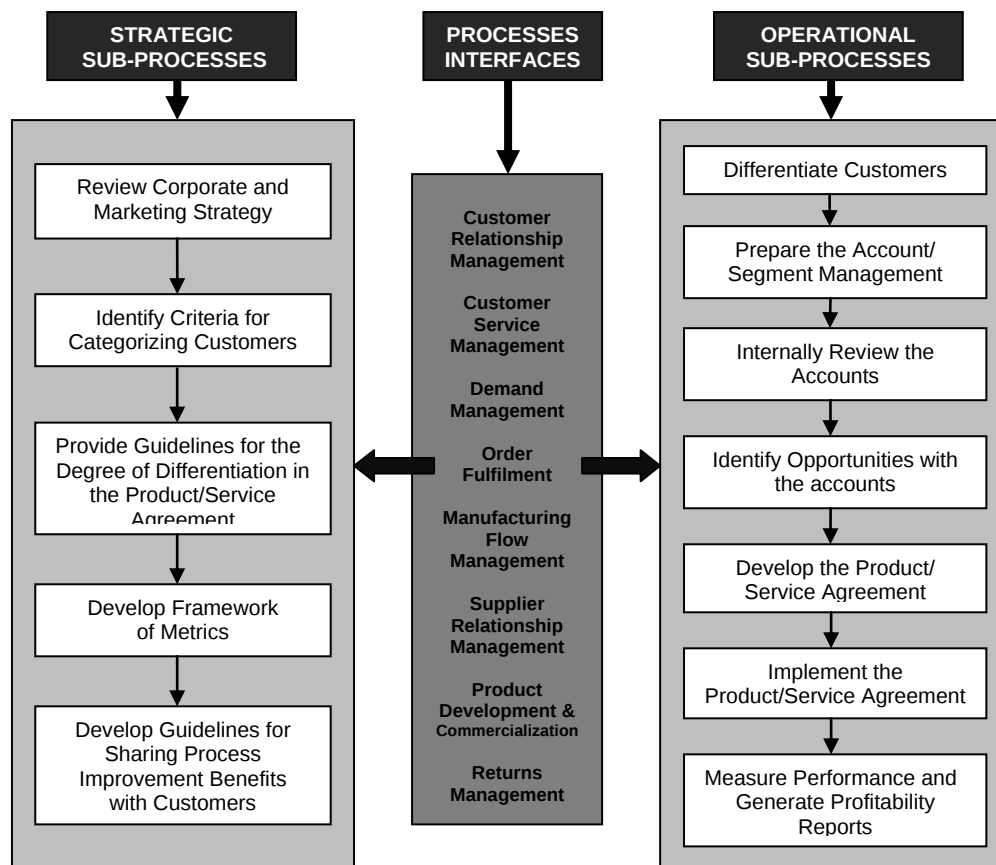


Fig. 1 Customer Relationship Management

The Strategic Process: At the strategic level, the customer relationship management process provides a framework for managing relationships with customers, and is comprised of five sub-processes: Review Corporate and Marketing Strategy, Identify Criteria for Categorizing Customers, Provide Guidelines for the Degree of Differentiation in the Product - Service Agreement, Develop Framework of Metrics and Develop Guidelines for Sharing Process Improvement Benefits with Customers.

1. Firstly, the process team reviews the corporate and marketing strategies to identify customer segments that are crucial to the organization's success now and in the future.
2. Next, the team identifies the criteria for categorizing customers and provides guidelines for determining which customers qualify for tailored Product and Service Agreements (PSAs) and which customers will be grouped into segments and offered a standard PSA that is developed to provide value to the segment. Potential criteria include:
 - Profitability.
 - Growth potential.
 - Competitive positioning issues.

- Access to market knowledge.
- Market share objectives.
- Margin levels.
- Level of technology.
- Resources and capabilities.
- Compatibility of strategies.
- Channel of distribution

As part of this subprocess, the team develops the firm's strategy for dealing with segments of customers who do not qualify for individually tailored PSAs.

3. In the third sub-process, the team develops guidelines for the degree of differentiation in the Product and (Service Agreement PSA). This involves developing the differentiation alternatives and considering the revenue and cost implications of each. The output is the degree of customization that can be offered to customers. The goal is to offer PSAs that enhance the profitability of the firm and the customers. To find and understand the differentiation opportunities, this sub-process will interface with all of the other processes.
4. Developing the framework of metrics involves outlining the metrics of interest

and relating them to the customer's impact on the firm's profitability as well as the firm's impact on the customer's profitability. The customer relationship management process has the responsibility for assuring that the metrics used to measure all of the other processes are not conflicting. Management needs to insure that all internal and external measures are driving consistent and appropriate behavior [5].

5. In the final sub-process, the team develops the guidelines for sharing process improvement benefits with customers. The goal is to make these process improvements win-win solutions for both the firm and the customer.

In summary, the objective of customer relationship management at the strategic level is to identify customer segments, provide criteria for categorizing customers, provide customer teams with guidelines for customizing the product and service offering, develop a framework for metrics, and provide guidelines for the sharing of process improvement benefits with the customers.

CONCLUSION

Supply chain management helps small enterprises meet purchasing and production requirements efficiently. The Council of Supply Chain Management Professionals defines the process as "the planning and management of all activities involved in sourcing and procurement, conversion and logistics." Supply chain management is also a method of improving coordination and collaboration with suppliers, distributors, service providers and customers.

Globalization is becoming a powerful force within corporations and the world community. Thus, it is critical that researchers work to examine global SCM research questions, regardless of data access issues. American companies and their foreign counterpart are increasingly doing business overseas [6]. Booming organizations ought to be exceptional and have all these, so as to extend the importance of Supply Chain Management tomorrow.

References

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