

**Supply Chain Management for Efficient
Consumer Response Conference**

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SUPPLY CHAIN STRATEGIES

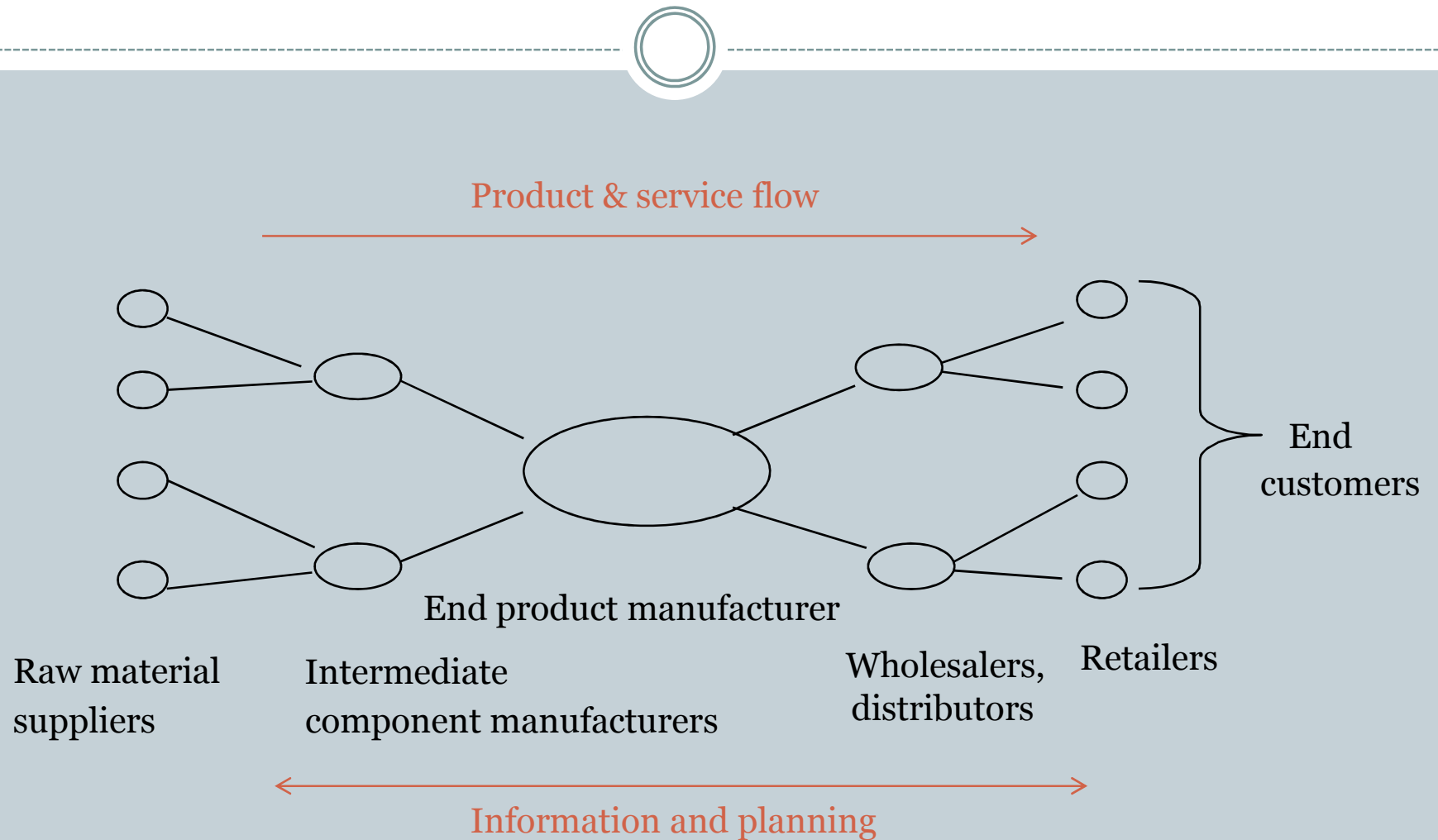
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Supply Chain Definitions



- **Supply Chain** is a term that describes how organizations (suppliers, manufacturers, distributors, and customers) are linked together.
- **Supply Chain Management** is a total system approach to managing the entire flow of information, materials, and services from raw-material suppliers through factories and warehouses to the end customer.

Figure 1. A Generic Supply Chain



Supply Chain Management Stages



	SCM Stage	Management Focus
Stage 1 to 1960s	Warehousing and Transportation	Operations performance Support for sales/marketing Warehousing Inventory control Transportation efficiencies
Stage 2 to 1980	Total Cost Management	Logistics centralization Total cost management Optimizing operations Customer service Logistics as a competitive advantage
Stage 3 to 1990	Integrated Logistics Management	Logistics planning Supply chain strategies Integration with enterprise functions Integration with channel operations functions

SCM Management Stages



	SCM Stage	Management Focus
Stage 4 to 2000	Supply Chain Management	Strategic view of supply chain Use of extranet technologies Growth of coevolutionary channel alliances Collaboration to leverage channel competencies
Stage 5 2000+	e-Supply Chain Management	Application of the Internet to the SCM concept Low-cost instantaneous sharing of all databases e-Information SCM synchronization

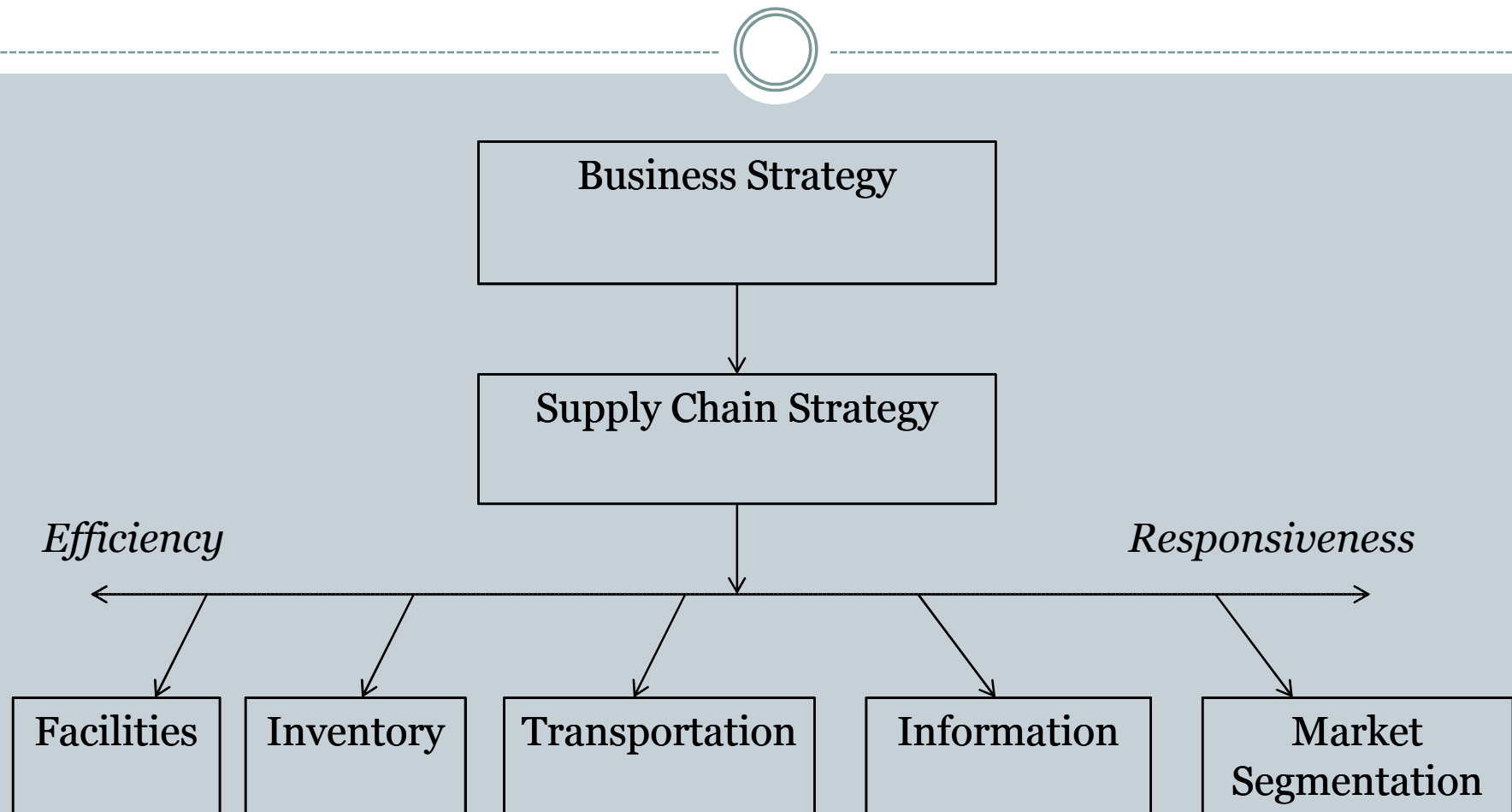
(Source: Adapted from Ross, 2003)

Strategy Definitions



- **Business Strategy:** Long-term master plan for the company; establishes the general direction.
- **Functional Strategies:** Further develop the business strategy in segments of the business; must be aligned and coordinated.
- **Operations Strategy:** Translates the business strategy into operations terms; assures coordination with other areas; provides direction and guidance for operations decisions.

The primary “drivers” for achieving strategic fit in Supply Chain Strategy



(Source: Adapted from Chopra and Meindl, 2007)

Supply Chain Strategy: Five Key Configuration Components



- Operations strategy
- Outsourcing strategy
- Channel strategy
- Customer service strategy
- Asset network strategy

Operations strategy



Strategy	When to Choose This Strategy	Benefits
Make to stock	For standardized products selling in high volume	Low manufacturing costs; Meeting customer demands quickly
Configure to order	For products requiring many variations	Customization; Reduced inventory; Improved service levels
Make to order	For customized products or products with infrequent demand	Low inventory levels; Wide range of product options; Simplified planning
Engineer to order	For complex products that meet unique customer needs	Enables response to specific customer requirements

(Source: Cohen and Roussel, 2005)

Outsourcing strategy



- Outsourcing activities with low strategic importance or that a third party could do better, faster, or more cheaply.
- Outsourcing allows companies to focus on their core competencies and enhance their competitive positioning.

Channel strategy



Supply chain width, or channel width is usually described in terms of:

- Intensive distribution
- Selective distribution
- Exclusive distribution.

Customer service strategy



- Customer service strategy should be based on two things: the overall volume and profitability of customer accounts and an understanding of what customers really want.
- Both pieces of knowledge are integral to supply chain strategy because they help company to prioritize and focus their capabilities.

Asset network



Most companies choose one of three network models based on such factors as business size, customer service requirements, tax advantages, supplier base, local content rules and labor costs:

- Global model
- Regional model
- Country model

Conclusions



- Supply chain strategies cannot be determined in isolation.
- It is challenging to design and operate a supply chain so that total system wide costs are minimized, and system wide service levels are maintained.
- Uncertainty and risk are inherent in every supply chain.



Thank you for your kind attention!