Introduction to SCM

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Logistics System

FLOW OF GOODS

SUPPLIER

PROCUREMENT

MANUFACTURING

PHYSICAL DISTRIBUTION

CUSTOMER

FLOW OF INFORMATIONS
Definition

*Logistics management* is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the *point-of-origin* to the *point-of-consumption* in order to meet customers' requirements.

(Council of Logistics Management (CLM), 1986).
Flow of Logistics

SUPPLIER  CARRIER  MANUFACTURER  CARRIER  DISTRIBUTOR  CARRIER  CUSTOMER
Fungsi-fungsi Utama Sistem Logistik

- TRANSPORTASI
- PERGUDANGAN
- PERSEDIAAN
- SISTEM INFORMASI
Supply Chain

Modified from Russell & Taylor (2006)
Illustration of Supply Chain

INBOUND “CPO”

OUTBOUND / DISTRIBUSI FISIK “CPO”

OUTBOUND / DISTRIBUSI FISIK “MINYAK GORENG”

INBOUND “MINYAK GORENG”

Modified from Russell & Taylor (2006)
Supply Chain Management is the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders (The Global Supply Chain Forum).
SUPPLY CHAIN MANAGEMENT:
INTEGRATING AND MANAGING BUSINESS PROCESSES ACROSS THE SUPPLY CHAIN

Source: Lambert et al. (1998)
Customer Relationship Management

• The customer relationship management process provides the structure for how the relationship with the customer is developed and maintained.
• Performance evaluations are undertaken to analyze the levels of service provided to customers as well as customer profitability.

Source: Lambert et al. (1998)
Customer Service Management

• The customer service management is the firm’s face to the customer. It becomes the key point of contact for administering the product/service agreement.

• Customer service provides the single source of customer information, such as product availability, shipping dates and order status.

Source: Lambert et al. (1998)
Demand Management

• The demand management process needs to balance the customers’ requirements with the firm’s supply capabilities.
• Part of managing demand involves attempting to determine what and when customers will purchase.
• A good demand management system uses point-of-sale and “key” customer data to reduce uncertainty and provide efficient flows throughout the supply chain.

Source: Lambert et al. (1998)
Order Fulfillment

• The key to effective SCM is meeting customer need dates.
• Effective order fulfillment requires integration of the firm’s manufacturing, logistics and marketing plan.
• The design and operation of the network has a significant influence on the cost and performance of the system.

Source: Lambert et al. (1998)
Manufacturing Flow Management [1]

• In traditional make-to-stock firms:
  – The manufacturing process produced and supplied products to
    the distribution channel based on historical forecasts.
  – Products were pushed through the plant to meet a schedule.
  – Often the wrong mix of products was produced.

• With SCM:
  – Product is pulled through the plant based on customer needs.
  – Manufacturing processes must be flexible to respond to market
    changes.
  – Changes in the manufacturing flow process lead to shorter
    cycle times meaning improved responsiveness to customers.

Source: Lambert et al. (1998)
Manufacturing Flow Management [2]

• The manufacturing flow process deals with making the products and establishing the manufacturing flexibility needed to serve the target markets.

• Manufacturing flow at the operational level looks like operations management internal to the firm. However, certain characteristics of the process are designed to integrate internal operations management with activities in the supply chain.

Source: Lambert et al. (1998)
Supplier Relationship Management

• Supplier relationship management is the process that defines how a company interacts with its suppliers.

• Long-term partnerships are developed with a small core group of suppliers.

• The purchasing function develops rapid communication mechanisms such as EDI and internet linkages to quickly transfer requirements.

• It is important for the supplier relationships to be win-win. If both parties do not gain from the relationship, the incentive to be in the relationship is diminished and it will likely dissolve.

Source: Lambert et al. (1998)
Product Development and Commercialization

• Supply chain management includes integrating customers and suppliers into the product development process in order to reduce time to market.

• It is critical to have the right people from the internal functional silos along with key customers and suppliers involved in the product development and commercialization process.

Source: Lambert et al. (1998)
Returns Management

• While many firms neglect the returns process because management does not believe it is important, this process can assist the firm in achieving a sustainable competitive advantage.

• As part of this sub process, the team develops procedures for analyzing return rates and tracing the returns back to the root causes.

Source: Lambert et al. (1998)
Implementing Integrated SCM

• The implementation of SCM involves:
  – identifying the supply chain members with whom it is critical to link,
  – the processes to be linked with each of these key members,
  – and the type/level of integration that applies to each process link.

• If the proper coordination mechanisms are not in place across the various functions, the supply chain processes will be neither effective nor efficient.

Source: Lambert et al. (1998)
Supply Chain Management Framework: Elements and Key Decisions

What processes should be linked with each of these key supply chain members?

Who are the key supply chain members with whom to link processes?

What level of integration and management should be applied for each process link?

Source: Lambert et al. (1998)
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