**Supply Chain**

**Theories**

Materials Logistics Management theory (MLM). The theory designs mechanisms to ensure that the level of inventory is controlled.

With the IKEA inventory tracking system, the staff can set up both the minimum number of products available before reordering, and maximum number of a specific product to order at one time. These settings help the company nail down the perfect [reorder point](https://dynamicinventory.net/reorder-point-and-safety-stock-calculation), and prevent understocking and overstocking issues. It keeps logistics managers aware of what is sold, and how much inventory enters the store through direct shipping and from distribution centers. They use this information to forecast sales for the next couple of days and order products to meet the forecast demand. If the sales data does not match the expected number of items that should have been sold that day, the logistics manager does a manual stock take.

Customer Relationship Management (CRM) theory. This explains that all the programs are designed to create a good relationship with the public.

IKEA values its customers above all and strives to deliver the best service possible. Constant monitoring of customer satisfaction is an integral part of IKEA’s business strategy. They analyze the number of complaints, returned products, demand for certain products and customer suggestions. Company representatives even visit the homes of their customers to gain feedback and ideas on products that customers might be looking for. The collected ideas are then used as the starting point of a new design process. Finally, IKEA stores provide the visitors with additional facilities, such as play areas for kids as well as food courts and mini shops with traditional Swedish food. This encourages the customers to visit physical stores even in the era of ecommerce and online shopping.

Requirements Chain Management. This is a theory that ensures that the process of supply is done with considerations of all the relevant procedures and requirements.

**Dedicated warehouse areas for fast movers and slow movers**

IKEA warehouses are divided into automated facilities for fast-selling items and manual facilities for slow-selling items. This allows the company to reduce handling costs for low-demand products and ensure the smooth flow of high demand products within the IKEA supply chain.

Total Quality Management (TQM). This is a theory which states that all the raw materials which are supplied must be of relevant quality.

**Costs saved on manufacturing and shipment**

IKEA manufacturing and shipment costs are quite low because its furniture and home accessories are made of recycled and sustainable materials. In such a way the company uses fewer materials and requires fewer resources to produce and ship new parts.

Increase Customer Satisfaction

Customers expect to receive the right product selection and quantity.

Product availability is a key expectation of customers. Auto repair shops who do not have the necessary parts on hand and cannot fix your automobile in a timely manner lose customers because of this.

Correct Time of Delivery - Customers want things to be delivered in a timely manner (i.e., customer satisfaction diminishes if pizza delivery is two hours late or Christmas presents are delivered on December 26).

Cost-cutting measures

Because supply chains ensure that expensive products are delivered fast, retailers avoid storing expensive stocks in their stores for longer than required. Electronics retailers, for example, need 60-inch flat-panel plasma HDTVs delivered quickly to avoid large inventory expenses.

Manufacturers rely on supply chains to ensure that supplies are delivered to assembly plants in a timely manner to avoid material shortages, which would halt production. An unexpected components supply delay that causes an auto assembly plant shutdown can cost $20,000 per minute and millions of dollars in missed pay, for example

Manufacturing and retail companies rely on supply chain managers to help them develop networks that achieve customer service requirements at the lowest total cost possible. A company's ability to compete in the marketplace is enhanced by efficient supply networks. For example, Dell pioneered a new computer supply chain strategy by producing each computer to order and then sending it straight to the customer's location. In turn, Dell was able to save millions of dollars by avoiding big computer inventory in warehouses and retail stores. Dell also avoided stocking up on computers that would quickly become out-of-date due to the rapid evolution of computer technology.

Financial Strengthening

Because of their ability to regulate and reduce supply chain expenses, companies value supply chain managers. This might have a significant impact on the company's bottom line. For example, the US consumes 2.7 billion packages of cereal each year, which means that a one-cent reduction in supply chain expenses per cereal box would save the business $13 million dollars over a five-year period.

Decreases In the supply chain, major fixed assets like plants, warehouses, and transportation vehicles are valued by companies since they reduce the utilization of these assets in the process. The company will save money if supply chain experts can reorganize the network so that it can serve U.S. clients from six warehouses rather than 10.

Firms reward supply chain managers because they expedite product deliveries to customers, which in turn increases cash flow. Customers can be charged 60 days earlier for a product that is delivered in 10 days rather than 70, for example.