



BACHELOR OF COMPUTER APPLICATION

SEMESTER 5

DCA3143
E-COMMERCE

Unit 11

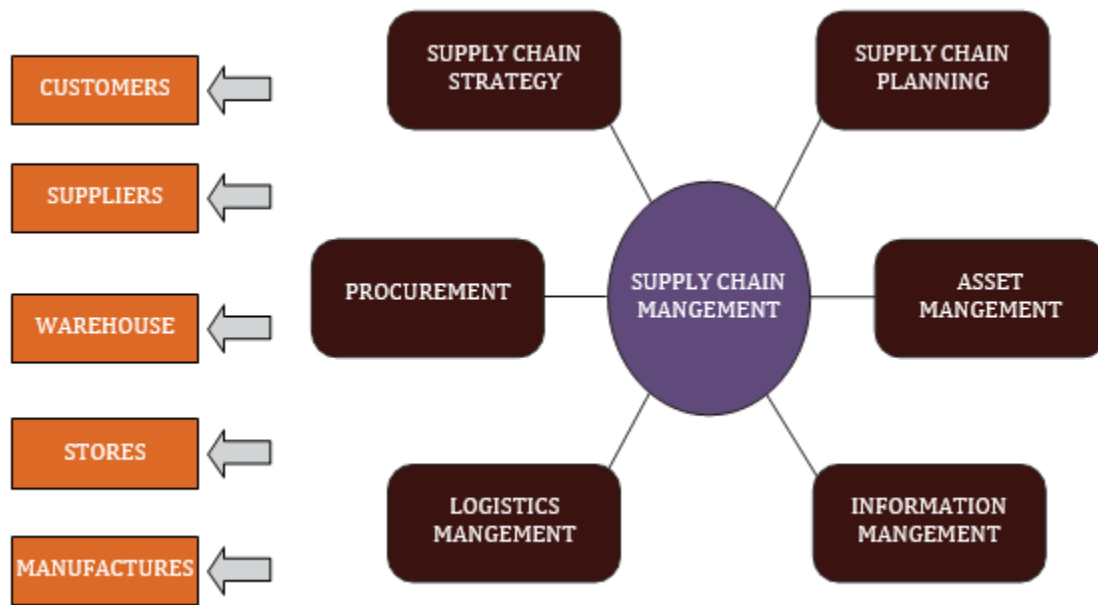
The Basics of Supply Chain Management

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1. INTRODUCTION

Supply planning, demand planning, inventory planning, capability planning, and distribution planning are the five fields of supply management. Supply planning defines the most efficient way to meet the demands generated by the demand plan.



Source: www.tutorialspoint.com

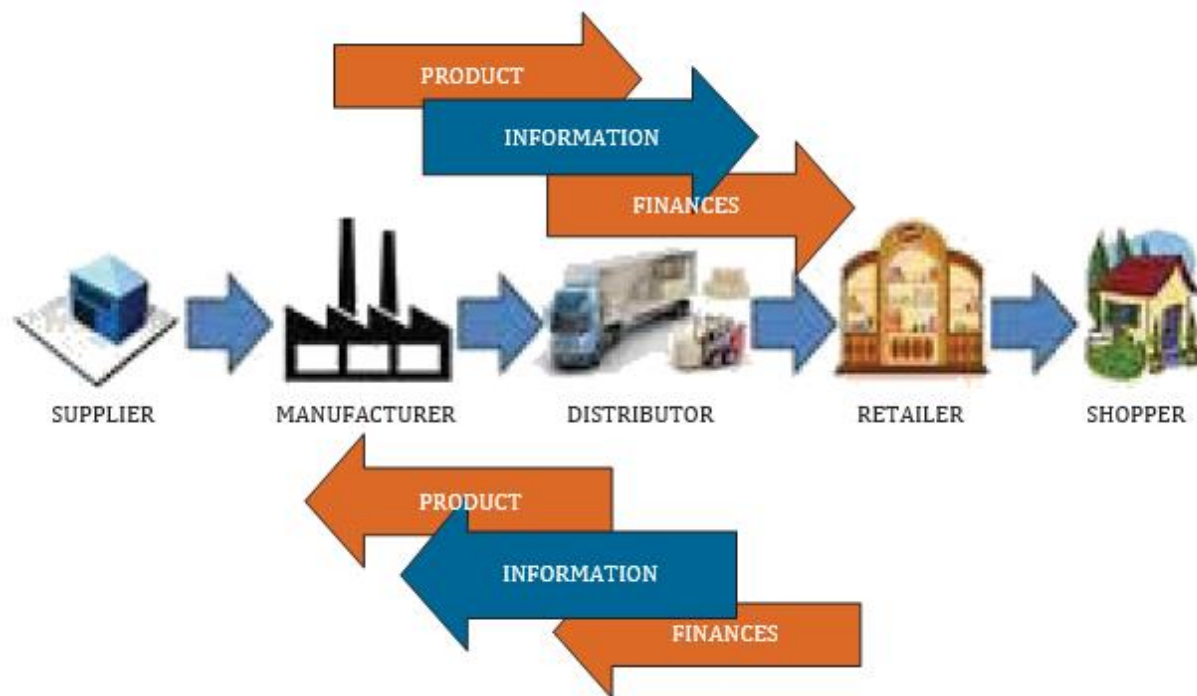
Fig 1: Supply Chain Management

A supply chain is described as an entire process of producing and selling commercial products, including all stages from material procurement to product manufacture to distribution and sale.

Supply Chain Management can be described as controlling the flow of goods and services from the point of manufacture to the end of consumption. It also includes the transportation and storage of raw materials used in work-in-progress, inventory, and fully furnished items.

Supply chain management's main goal is to keep track of and link the manufacturing, distribution, and shipping of goods and services. Companies with a strong and tight grip on interpal inventories, manufacturing, distribution, internal productions, and sales accomplish this.

Figure 2 portrays the flow of a product from the producer to the manufacturer, who then sends it to the distributor for distribution. The dealer then sends it to the wholesaler or manufacturer, who distributes the products to different stores where consumers can easily obtain them.



Source: www.tutorialspoint.com

Fig 2: The Flow of Supply Chain Management

Supply chain management essentially combines demand and supply management. It employs various techniques and methods to view the entire chain and function efficiently at every level. Every unit involved should strive to reduce costs and assist businesses in improving their long-term profitability while also adding value to their stakeholders and customers. This method may also reduce prices by eliminating unnecessary expenses, movements, and handling.

The significant benefits of supply chain management are as follows:

- Improves customer support and relationships.
- Creates more efficient distribution systems for in-demand goods and services.
- Enhances production and company processes.
- Reduces the cost of storage and transportation.

- Reduces both direct and indirect costs.
- Assists in the delivery of the correct goods to the correct location at the correct time.
- Supports the efficient execution of just-in-time stock models by improving inventory management.
- Assists businesses in adjusting to globalisation, economic upheaval, rising customer preferences, and other variations.
- Assists businesses in reducing waste, lowering prices, and increasing efficiencies in the supply chain.

Finally, supply chain management helps to contribute to an organisation's financial performance. It aims at leading companies using the supply chain to boost differentiation, increase revenue, and reach new markets. In addition, the aim of supply chain management is to increase competitive advantage and shareholder value.

Caselet

When the customer in a Walgreens store buys a tube of Colgate toothpaste, it triggers a series of information flows that result in product replenishment. Toothpaste purchased is scanned at the billing counter. The information on the black and white bar code goes directly to a computer at Walgreens' regional distribution center and to Colgate-Palmolive's computer as well.

A replenishment order is automatically generated from the bill counter terminal and data is shipped to Walgreens' distribution center. Colgate-Palmolive product is immediately loaded onto Walgreens' trucks. Once it enters the store, the product is immediately placed on the shelf. A source tag and Walgreens' price label are affixed to the package by Colgate-Palmolive to save time and effort at the store.

Because of this, immediate access to information, both Walgreens and Colgate-Palmolive know exactly what, where, and when something is being sold. Additionally, Walgreens' stores purchase information on customers to be used to plan promotions and to merchandise their stores. By sharing this information, Walgreens' and Colgate-Palmolive have become partners in this supply chain.

Everyone benefits. Colgate-Palmolive can plan its production and distribution activities. Walgreens' does not need to maintain a large inventory and does not have to worry about keeping its stores in stock because Colgate-Palmolive shares the distribution activities.

1.1 Learning Objectives

After studying this chapter, you will be able to:

- ❖ *Maximise the net value produced –*
- ❖ *Understanding key drivers of Supply Chain Management*
- ❖ *Understanding Cycle View of Supply Chain*

2. DEFINITION OF SUPPLY CHAIN MANAGEMENT

Supply Chain Management is primarily concerned with the effective integration of suppliers, factories, warehouses, and stores to ensure that the item is produced and supplied in the right quantities, to the right locations, and at the right time, thus reducing total system costs and meeting service requirements.

The management of the measure of goods and services is referred to as supply chain management, and it involves all processes that turn raw materials into finished goods. It entails actively streamlining a company's supply-side operations to increase consumer satisfaction and achieve a competitive edge in the industry.

Supply Chain Management is defined as “the integration of key business processes from end-users through original suppliers that provide products, services, and information and add value for the customers and other stakeholders” (Cooper et al., 1997b, p. 2).

Definition by the Logistics Management, USA-SCM covers sourcing and procurement, conversion, logistics management practices, sourcing and procurement, conversion, logistics management practices, and planning and management. It also entails working with channel partners, intermediaries, third-party service providers, and consumers to coordinate and collaborate. SM is a supply and demand management system that combines supply and demand management within and through organisations.

Some examples of efficient supply chain management are in Citibank Singapore and General Electric. Citibank Singapore takes its banking services into its major corporate clients' offices by providing computers connected to the bank's headquarters. General Electric

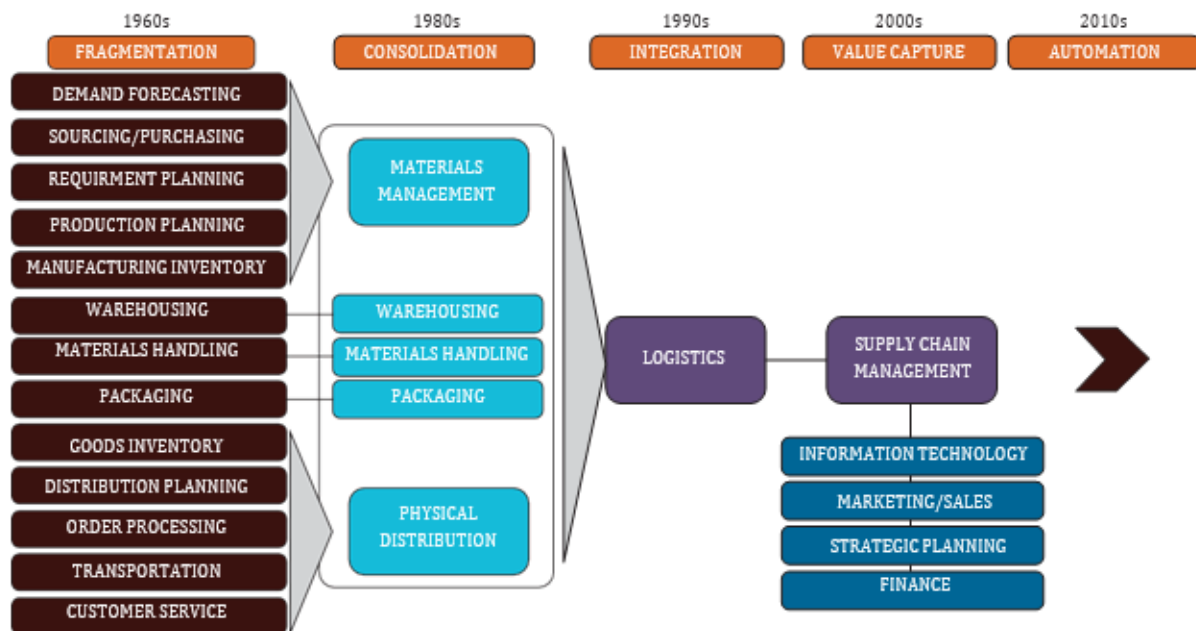
1. uses the Electronic Data Interchange (EDI) to run a computer-based system that reviews the customer's credit and determines whether and where the goods are in stock upon receipt of the order. In less than 15 seconds, the machine issues a shipping order, bills the customer, updates inventory records, sends a production order from new stock and informs the sales representative that its demand is on its way.

Self-Assessment Questions - 1

1. The supply chain concept originated in which discipline?
 - A. marketing
 - B. operations
 - C. logistics
 - D. production
2. A_____encompasses all activities associated with the flow and transformation of goods from the raw material stage, through to the end user, as well as the associated information flows.
3. Which of the following are not key attributes of supply chain management?

3. EVOLUTION OF THE CONCEPT OF SUPPLY CHAIN MANAGEMENT

Since the system was largely fragmented, the growth of supply chain management has been marked by a growing degree of integration of various jobs. This tendency was highlighted in the 1960s as a significant area for future efficiency increases.



Source: <https://transportgeography.org>

Fig 3: The Evolution of Supply Chain Management

Although the duties that makeup logistics have remained largely consistent, throughout the 1970s and 1980s, they were split into two different functions: materials management and physical distribution. In the 1990s, as globalisation prompted functional convergence and the birth of logistics in its real sense, all aspects of the supply chain were brought under a single management view.

However, with the advent of supply chain management, a fuller integration became conceivable only with current information and communication technology deployment. It enables the integrated management and control of information, finance, and good flows and the development of new manufacturing and distribution systems. Supply chain management has evolved into a complicated series of actions aimed at maximising value and increasing competitiveness. More recently, the evolution of physical distribution and

materials management has been dominated by increasing automation in supply chains. This digitalisation is most noticeable in distribution centers, which have seen a significant push toward industrialisation in storage, materials processing, and packing. Automated delivery vehicles may become a reality as a result of automation.

The two ends of the assembly line gradually became linked to the logistics of the supply chain, as information and communication technology developments allowed for the timely supply of raw materials and components from outside and efficient distribution and marketing management. Early examples of logistical engineering included high rack storage, which subsequently became automatically operated, and flat robots' internal transportation of goods. Initially, logistics was divided into four functions: supplying, warehousing, production, and distribution, with the majority of them operating independently of one another.

Firms were taking a more integrated approach with the new organisation and management concepts, responding to the anticipated demand for flexibility without increasing costs. At the same time, several companies used outsourcing and offshore to take advantage of new manufacturing opportunities in developing countries. Activities connected to production management were centralised as production became more fragmented. Spatial fragmentation became a by-product of distribution economies of scale.

Self-Assessment Questions - 2

4. The supply chain management philosophy emerged in which decade?
 - A. 1960s
 - B. 1970s
 - C. 1980s
 - D. 1990s

4. KEY DRIVERS OF SUPPLY CHAIN MANAGEMENT

The four key drivers of the supply chain are facilities, inventory, transportation, and information. The drivers that drive any supply chain can be used to evaluate its performance.

To achieve a strategic fit, we all know that a company's supply chain must balance efficiency and responsiveness to meet its competitive strategy. To maintain this balance, a firm must examine the performance of its supply chain's drivers, such as facilities, inventory, transportation, and information, as this will assist the company in determining how and when it has achieved strategic fit.

Major drivers of any supply chain

- Facilities (for example, Production unit)
- Inventories (for example, Stock of goods)
- Transportation (for example. Modes and Routes)
- Information (for example, Customer demand)

A Framework for Structuring Drivers

- The combined impact of these drivers determines the SC's overall responsiveness and efficiency.
- SC then uses the supply chain drivers to achieve the performance level that the SC plan requires.

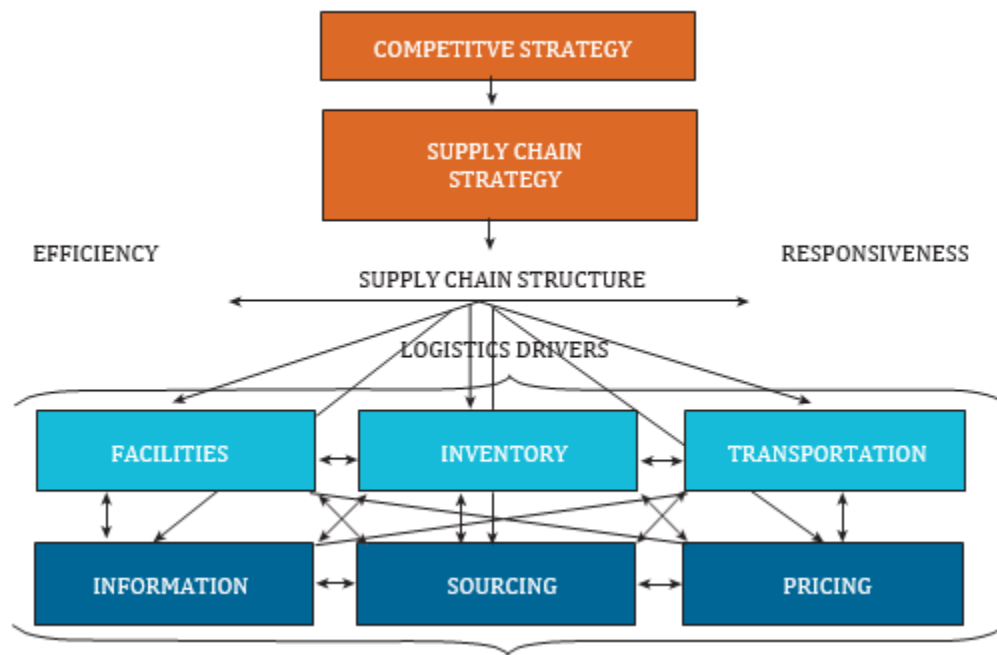


Fig 4: Cross-Functional Drivers

5. TYPOLOGY OF SUPPLY CHAINS

The strategic exploitation of a firm's SCM capabilities and specific skills for competitive advantage is the theoretical underpinning for the development of SCM strategy typology. SCM's strategic reach is an unavoidable result of current production, purchasing, design, and development trends.

In its most basic form, supply chain management entails overseeing the supply chain—a network of organisations and business processes for procuring raw materials, processing them into completed items, and distributing them to clients.

The supply chain connects various businesses, including suppliers, manufacturers, transport-ers, distributors, retailers, and customers.

Varying organisations' supply networks may have different numbers of entities, and it is not always necessary for a supply chain to contain all of them. Each link in the supply chain helps to achieve the goal of reaching clients.

The supply chain is driven by three main inputs: information, materials, and funds flowing among the supply chain members.

Manufacturing facilities transform raw materials sourced from suppliers into intermediate products and completed commodities. The finished goods are delivered to distribution facilities, delivering them to retailers, who then provide them to customers. Primary, secondary, and tertiary suppliers can all be found in supply chains, especially major firms.

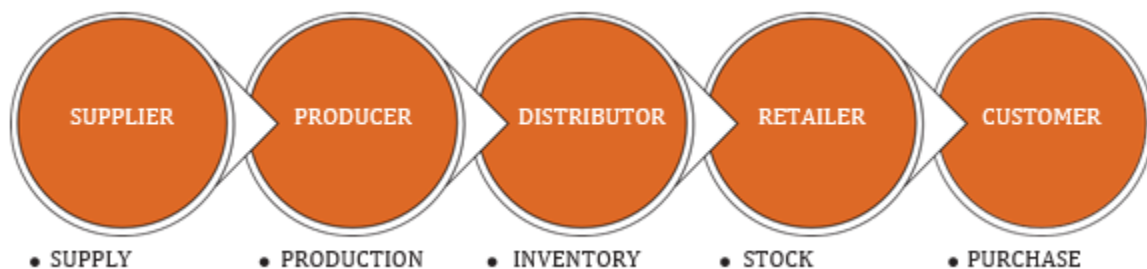
The ultimate purpose of supply chain management systems is to effectively manage the flow of information, materials, and funds along the supply chain, lowering supply chain costs while taking a company's products from concept to market.



Source: <https://boxaroundtheworld.com>

Fig 5: Supply chains exist in both service and manufacturing organisations

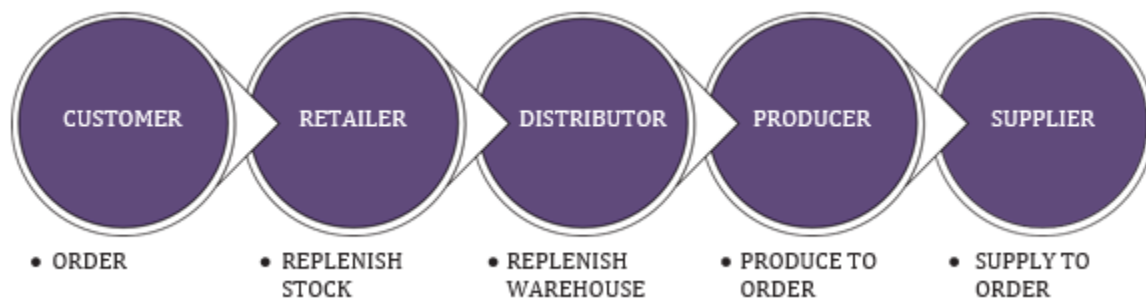
- **Push Approach:** The real demand decides the inventory to be produced in the push model. As a result, it is focused on the individual customer and employs a marketing strategy.



Source: <https://businessjargons.com>

Fig 6: Push Approach

- Pull Approach: Under this model, the buyer places the order first, and then the product is manufactured. It takes a client-centered approach.



Source: <https://businessjargons.com>

Fig 7: Pull Approach

In a word, supply chain management is the integration of fundamental company processes, from the final consumer to suppliers, that provide goods, services, and information to help customers and other parties generate value.

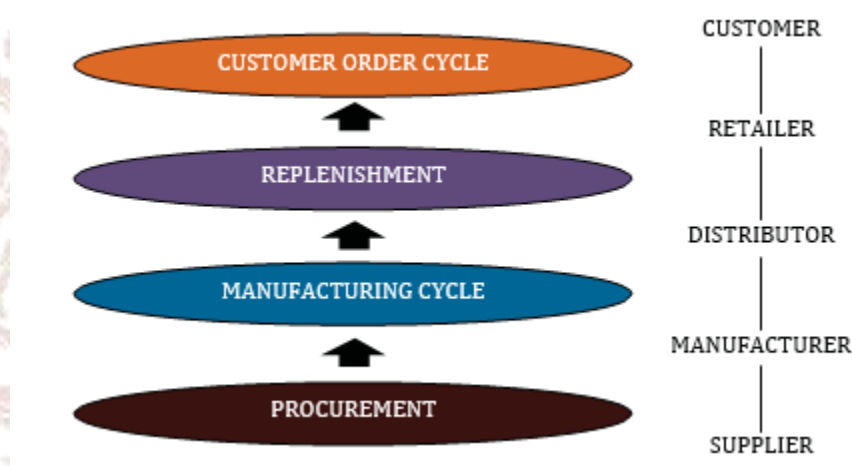
Self-Assessment Questions - 3

5. Positive, long-term relationships between supply chain participants refer to:
 - A. Competition
 - B. Tailored logistics
 - C. Partnerships
 - D. Supply chain management
6. _____ focused on the individual customer and employs a marketing strategy.
7. The supply chain is driven by three main inputs: information, materials, and _____ among the supply chain members.

6. CYCLE VIEW OF SUPPLY CHAIN

The processes and owners of each approach are clearly defined in a cycle perspective of the supply chain. This perspective is valuable when making operational decisions because it describes each supply chain member's roles and responsibilities and the anticipated outcome for each process.

The Cycles of the Supply Chain A supply chain is depicted in a simplified manner as a five-stage process from suppliers to ultimate customers. Each stage has its cycle, a set of operations and transactions between two phases.



Source: <https://www.schain24.com>

Fig 8: Cycle View of Supply Chain

- Each cycle takes place at the crossroads of two stages.
- The cycle of customer orders (customer-retailer)
- A process of replenishment (retailer-distributor)
- The cycle of production (distributor-manufacturer)
- A cycle of procurement (manufacturer-supplier)
- The cycle view clearly outlines the processes involved as well as the process owners. As well as the expected outcome of each procedure describes the tasks and duties of each team member.

Each cycle happens at the point where two phases of the supply chain meet. All four cycles will not be split in every supply chain. For instance, when a store stocks completed goods

inventories in a grocery supply chain and places replenishment orders, all four cycles are likely to be segregated.

Self-Assessment Questions - 4

8. A supply chain includes the chain of entities involved in the planning, procurement, production and _____ of products and services
9. A supply chain is essentially a sequence of linked _____
10. Companies manage their supply chains through _____.

7. PROBLEMS IN SCM AND SUGGESTED SOLUTIONS

BMW experienced a production halt of its 3-Series sedan in Germany, China, and South Africa in May 2017 due to a supplier's failure to produce the essential steering gears. BMW's 1-, 2-, and 4-Series sedans were also affected, in addition to the 3-Series car.

This incident highlights the significance of supply chain management. Businesses can trace the movement of raw materials used to make products, optimise inventory levels to save money, and synchronise supply with customer demand with effective supply chain management. Furthermore, supply chain management allows businesses to keep visibility over their operations to ensure material availability and product delivery to clients. Finally, by identifying areas where a company relies on a single supplier, effective supply chain management can help businesses prevent production halts.

Supply chain management offers great competitive and business advantages to businesses, particularly manufacturers. However, in today's business environment, supply chain management is plagued with difficulties.

Three Key Issues in Supply Chain Management

Key Issue #1: Globalization

Enterprises and organisations face numerous major supply chain management difficulties as a result of globalisation:

Companies are relocating manufacturing operations to countries with lower labour costs, fewer taxes, and/or lower transportation costs for raw materials to cut expenses across the supply chain. For some businesses, outsourcing production entails not just one but also numerous nations for their products' distinct aspects.

Outsourcing expands not only a company's manufacturing process but also its procurement network abroad. The supply chain is complicated when vendors are located in different parts of the country. In manufacturing, storage, and logistics, companies will have to engage with, coordinate, and work with partners across borders. Furthermore, despite the growing complexity in the manufacturer's supply chains, they must prolong or maintain short delivery lead times to consumers who demand their products on time. Finally, to ensure the efficiency of their manufacturing operations, businesses must maintain real-time insight throughout their production cycle – from raw materials to final goods. Localisation of current products demands a considerable change in the supply chain as companies adjust their products to other cultures and preferences as they extend sales into worldwide markets. There is always the risk of losing inventory control, visibility, and management, especially if business apps aren't interconnected. It necessitates successfully handling various data architectures across locations.

Key Issue #2: Fast-changing Markets

Consumer behaviour is influenced by various cultural, social, personal, and psychological elements that are rapidly changing due to technological advancements and globalisation. Consumers are being pressured to conform by social media. In contrast, businesses are being pressured to use these sources of information to adjust to shifting preferences to stay interesting and relevant.

The fast-changing consumer market, like globalisation, poses supply chain management challenges.

Due to continually changing market needs, items have shorter life cycles. Businesses are under pressure to stay up with the newest trends and innovate by offering new products while keeping total manufacturing costs low, as they recognise that fads do not stay forever. This necessitates a flexible supply chain that can be used to produce other items as well as future ventures.

Companies must constantly upgrade product features in addition to developing new items. Enhancing product features necessitates a supply chain overhaul to accommodate product modifications.

Forecasting demand for new products is difficult due to innovation. Fast-changing markets require ongoing creation, which means businesses will have to predict demand for new items constantly. Companies must build and maintain an agile supply chain that can respond quickly to changes in demand and production requirements.

Companies should consider whether they have all the data necessary to make informed planning decisions in response to the difficulties posed by rapidly changing markets. For example, if stated lead times from suppliers are greater than real lead times, more inventory levels than are required would affect network design and optimisation decisions. To discover demand signals early in the planning process – omni channel retail has produced silos of sales data that must be blended and harmonised.

Key Issue #3: Quality and Compliance

Social media influencing consumer behaviour emphasizes the need to provide high-quality items. Reading reviews, comments, and feedback is the number one social media activity that drives online purchase behaviour, according to eMarketer data. Furthermore, social media has increased consumers' expectations of product quality and the costs of product recalls. As a result, businesses are under increased pressure to provide high-quality items constantly. They can do so by focusing on quality throughout the supply chain, including raw material procurement, manufacturing, packaging, logistics, and product handling.

Product quality and compliance are frequently linked. Businesses must guarantee that their products are manufactured, packaged, handled, and shipped following local and international regulatory norms. Enterprises are needed to prepare compliance documentation such as permits, licenses, and certification and complete quality control and safety checks, which can overwhelm them and their supply chain management systems.

Emerging technologies such as the Internet of Things, Smart Packaging, and Blockchain transform how compliance is enforced and measured. On the other hand, these technologies will generate streams of data that enterprise technology from the previous 20 years will be unable to handle. Managers should consider where these investments make

sense and ask IT if the company is using microservices and big data platforms to support these high data lifting requirements.

Overcoming Supply Chain Challenges with Data Management and Integration

The need for better data management and integration lies at the heart of all these supply chain concerns, from globalisation to compliance.

Faced with worldwide operations, market expansions, and tougher quality and regulatory standards, businesses are becoming overwhelmed by large amounts of data from many suppliers and consumers in various geographic regions, which they must manage appropriately. It comprises information from all supply chain stages, such as direct and indirect material prices, labour agreements, rental contracts, tax paperwork, freight bills, compliance certificates, etc.

By connecting the manufacturer's supply chain management systems with suppliers and partners, data management and integration are critical to overcoming these issues. Thanks to data management and integration, manufacturers may gain much-needed insight and control over their supply chain activities, including procurement, manufacturing, storage, and delivery.

Raw data from suppliers, partners, and even customers are frequently made up of both structured and unstructured data, making it even more challenging for businesses to ingest, evaluate, and derive insights from these disparate bits of data. To ensure a smooth flow of data, proper data management and integration turn this raw data into suitable formats required by various supply chain management systems.

At the most basic level of the value chain and in every operation, data management and integration handle supply chain management difficulties. Furthermore, offering visibility to manufacturers, suppliers, and partners can strengthen trust and long-term relationships.

Self-Assessment Questions - 5

11. Businesses can trace the movement of _____ used to make products, optimise inventory levels to save money, and synchronise supply with customer demand with effective supply chain management.
12. Raw data from suppliers, partners, and even customers are frequently made up of both _____ and _____ data.

8. SUMMARY

- A supply chain is more than just a series of links running in a straight line from raw material extraction to end-user consumption.
- To ensure timely and effective fulfilment of client requirements, highly linked supply chains dynamically draw on the talents and resources of multiple enterprises.
- As the organisation's supply chain skills develop, it is able to fulfill orders more efficiently, satisfy customer demands more effectively, respond to change more effectively, become more robust to disruptions, and enhance financial performance.
- Physical and information flow connect the organisations that make up the supply chain.
- Supply chain management (SCM) executives encounter obstacles when it comes to integrating supply chain-specific strategies with the overall corporate business strategy. Supply chain management (SCM) executives face specific challenges.
- The administration of the movement of goods and services is referred to as supply chain management, and it encompasses all procedures that transform raw materials into finished items.
- It entails actively simplifying a company's supply-side processes in order to increase customer value and achieve a competitive advantage in the market.
- The impact of the supply chain, whether favorable or negative, is felt across the company. The impact is divided into two categories: customer satisfaction and return on investment.

Happy customer = happy business = higher performance
- To succeed in this new world, supply chain professionals must improve their teamwork, communication, and leadership abilities, and combine these with in-depth technical knowledge to become a dominant force in supply chain management software.

9. GLOSSARY

Supply Chain: Everything from the supplier's delivery to the producer to the final distribution to the end-user is included in a supply chain.

Supply Chain Management: The administration of the movement of goods and services is referred to as supply chain management, and it encompasses all procedures that turn raw materials into finished commodities.

10. CASE STUDY

The world's leading aerospace company, Boeing is the largest manufacturer of commercial jet airliners and military aircrafts. Headquartered in Chicago, Boeing operates in 70 countries with culturally diverse workforce.

Boeing has an arch-rival in the form of its European Counterpart Airbus. Airbus is the largest civil airliner in service. Airbus also has expanded into military transport aircraft sector. Every strategic move of these two giants is followed closely and counter-measures are swiftly planned to capture the market share of each other. When Airbus started its ambitious super jumbo A380 project, Boeing quickly followed suit with its dream liner 787.

Airbus, by virtue of its multi-country lineage in EADS, has its manufacturing process scattered across many European nations including the UK, France and Germany. Its final assembly plant is located at France, where huge parts are brought through several transportation modes for assembling into an aircraft. This approach to manufacturing has been criticized by experts, who cited this as one of the reason for the A380 project delays and cost over runs.

Ironically, Boeing tried to adapt a similar approach to manufacturing the 787. It experimented with radial outsourcing with major parts of the plane outsourced to companies in Canada, Australia, Korea, Japan and Europe. Comparatively, Boeing is into higher percentage of outsourcing for its engineering and design work. It is debatable as to whether this is the primarily reason for the numerous delays and hefty cost overruns the 787 project has witnessed over the past several years. On several occasions, Boeing admitted design flaws, leading to delays.

Boeing's customers are increasingly cautious of their delayed delivery schedules of 787. Some reports say that the first delivery of its new 787 aircraft would slip well into mid of the first flight in December 2009. The report also indicates that the company officials opine that they over reached on the new manufacturing method used with 787, but they remain committed to the outsourcing model.

However, further delays have been indicated and increasing competition has been cashing on the situation in a big way. Airbus has been receiving orders from several Airlines who cancelled the 787 orders in favour of its A380.

Discussion Questions

- a) The CEO of Boeing has decided to take an unbiased opinion of an external consultant to critically analyse the whole production model adapted in 787. If you are requested by Boeing as external consultant to submit a preliminary report, critically examine the outsourcing model of 787.
- b) Suggest remedial measures in the Boeing's supply chain to avoid a failure like 787 in the future.

11. TERMINAL QUESTIONS

SHORT ANSWER QUESTIONS

- Q1. Define Supply Chain
- Q2. Definition of Supply Chain Management
- Q3. Problems in SCM

LONG ANSWER QUESTIONS

- Q1. Explain the Cycle view of supply chain management.
- Q2. What are the key drivers of supply chain management?
- Q3. What are the Pull and Push Approaches in supply chain management?

12. ANSWERS

SELF ASSESSMENT QUESTIONS

1. Marketing
2. Supply Chain
3. Customer Power
4. 1980s
5. Facilities, inventory, transportation, and information
6. Competitive strategy
7. Supply Chain Management
8. Push approach
9. Fund flowing
10. Distribution
11. Suppliers and customers
12. Information
13. Raw Materials
14. Structured, Unstructured

TERMINAL QUESTIONS

SHORT ANSWER QUESTIONS

Answer 1: A supply chain is described as a complete production process and the selling of commercial goods, covering all stages from material procurement to product manufacture to distribution and sale.

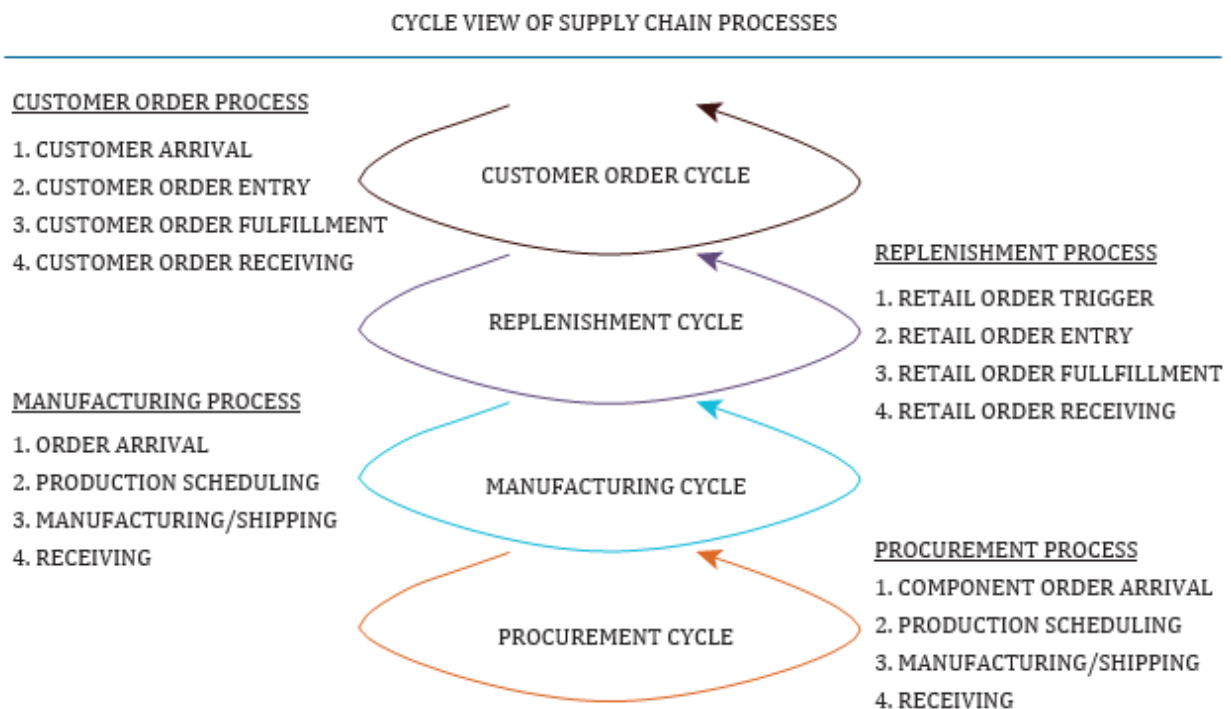
Answer 2: A supply chain is comprised of all the businesses and individual contributors involved in creating a product, from raw materials to finished merchandise. Examples of supply chain activities include farming, refining, design, manufacturing, packaging, and transportation.

Answer 3: The COVID-19 pandemic exposed how brittle global supply chains had become. Although the effects of the pandemic only represent a small percentage of any global supply chain's risk, the increase in demand and supply variability caused parts and materials shortages, shipping delays and rising costs.

LONG ANSWER QUESTIONS

Answer 1: The processes and owners of each approach are clearly defined in a cycle perspective of the supply chain. This perspective is quite valuable when making operational decisions because it outlines each supply chain member's roles and duties and the anticipated outcome for each process.

CYCLE VIEW OF SUPPLY CHAIN PROCESSES



Each cycle takes place at the crossroads of two stages.

- The cycle of customer orders (customer-retailer).
- The cycle of replenishment (retailer-distributor).
- The cycle of production (distributor-manufacturer).
- The cycle of procurement (manufacturer-supplier).

The cycle view clearly outlines the processes involved as well as the process owners. Requires the roles and responsibilities of each member and the desired outcome of each technique.

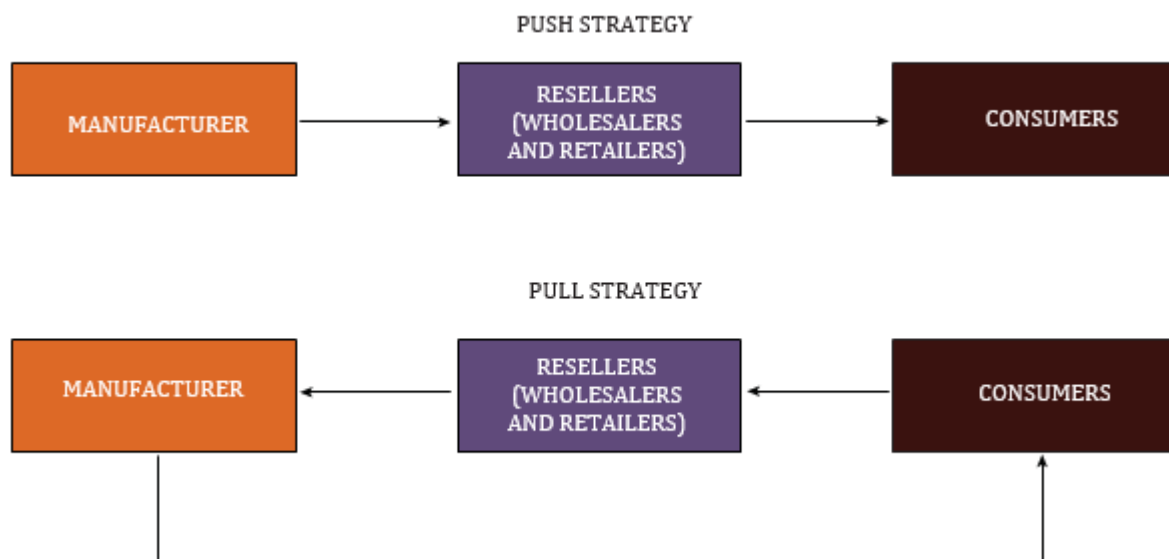
Answer 2: The four key drivers of the supply chain are facilities, inventory, transportation, and information. The drivers that drive any supply chain can be used to evaluate its performance.

To achieve a strategic fit, we all know that a company's supply chain must balance efficiency and responsiveness to meet its competitive strategy. To maintain this balance, a firm must examine the performance of its supply chain's drivers, such as facilities, inventory, transportation, and information, as this will assist the company in determining how and when it has achieved strategic fit.

Major drivers of any supply chain

- Facilities (for example, Production unit)
- Inventories (for example, Stock of goods)
- Transportation (for example, Modes and Routes)
- Information (for example, Customer demand)

Answer 3: Products are pushed through the channel from production to retailers in a push-based supply chain. It indicates that production is dependent on forecasted demand. Procurement, production, and distribution in a pull-based supply chain are driven by need rather than by expectations.



For example, your corporation may opt for a Push-based system, but it will come to a halt at the retail store as the customer “pulls” the product from the shelves. Manufacturers may decide to build up raw material inventories, wait for the price to rise, and then release it (at least, he can use it later.)

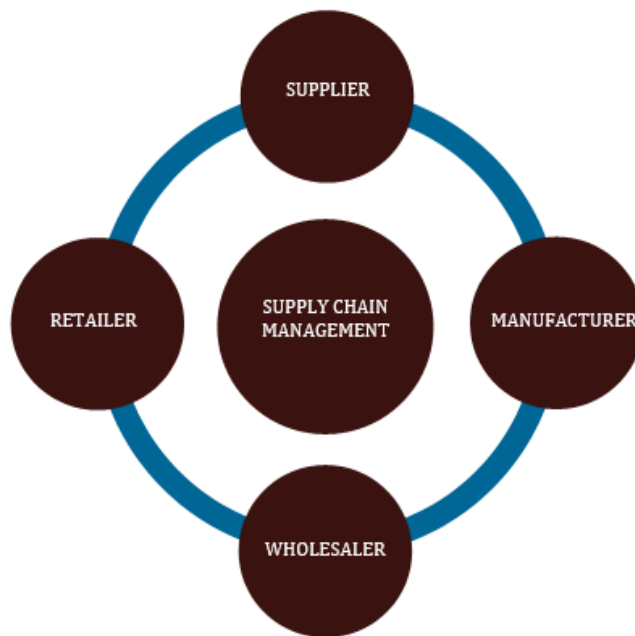
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CONCEPTUAL MAP

Source:<https://www.michiganstateuniversityonline.com>

Supply Chain Management