

Logistics, the supply chain and competitive strategy



Estd. 1990

Main Title Goes Here....

- Supply chain management is a wider concept than logistics
- Competitive advantage
- The supply chain becomes the value chain
- **The mission of logistics management**
- **The supply chain and competitive performance**
- **The changing competitive environment**

Supply chain management is a wider concept than logistics

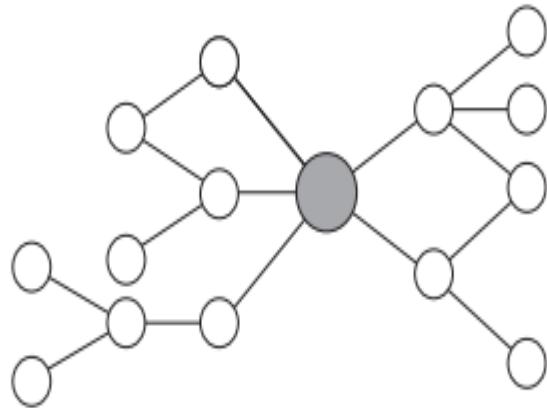
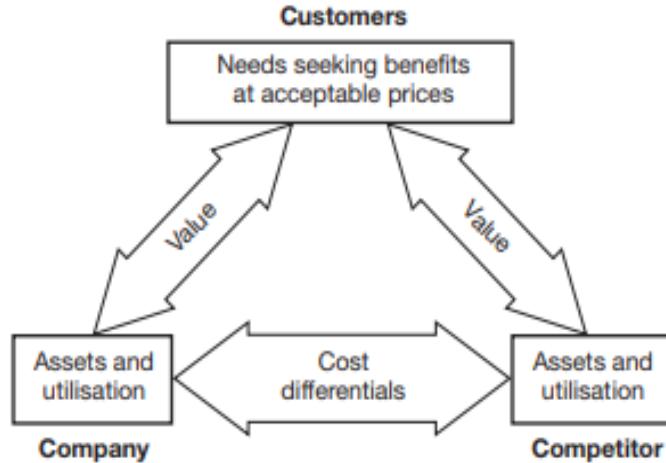


Figure 1.2 Competitive advantage and the 'Three Cs'



Extending this idea it has been suggested that a supply chain could more accurately be defined as:

Source: Ohmae, K., *The Mind of the Strategist*, Penguin Books, 1983

Supply chain management is a wider concept than logistics

Figure 1.4 Logistics and competitive advantage

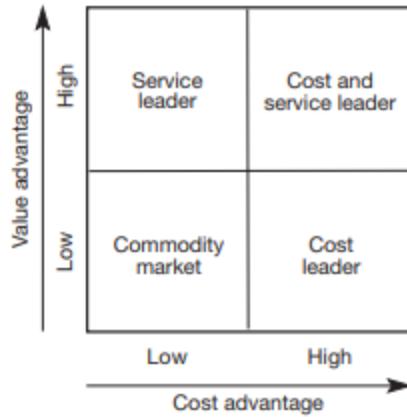
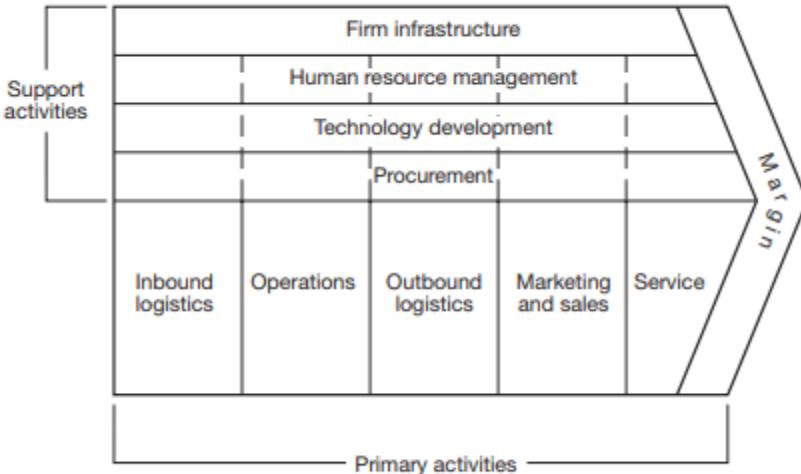


Figure 1.7 The value chain

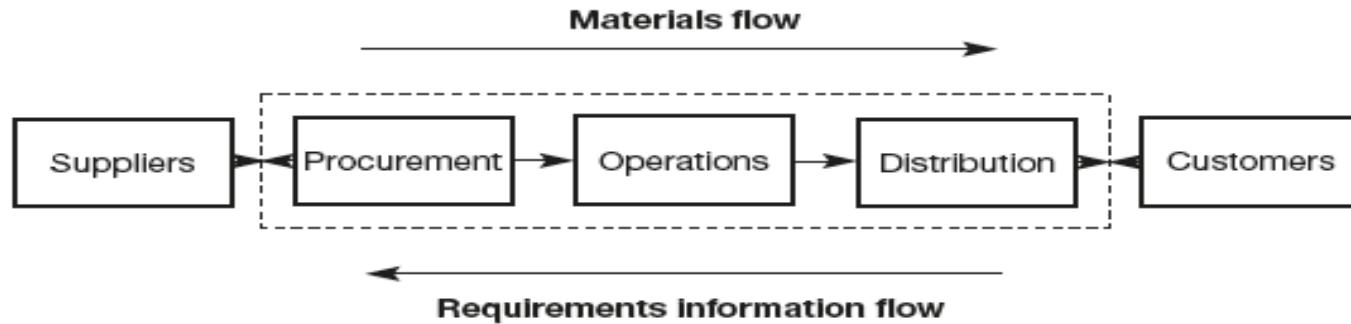


Source: Porter, M.E., *Competitive Advantage*, The Free Press, 1985

The mission of logistics management

- The scope of logistics spans the organization, from the management of raw materials through to the delivery of the final product

Figure 1.8 Logistics management process



The supply chain and competitive performance

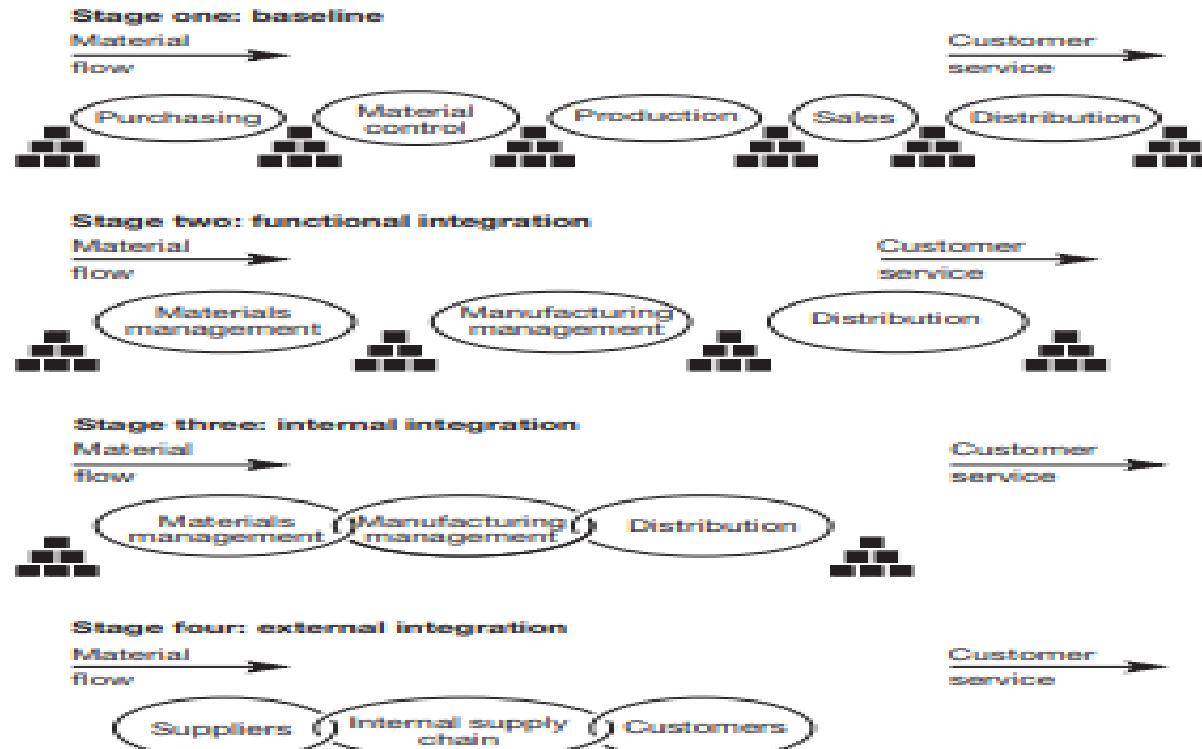
- The supply chain is the network of organizations that are involved, through upstream and downstream linkages, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer.
- A shirt manufacturer is a part of a supply chain that extends upstream through the weavers of fabrics to the manufacturers of fibers, and downstream through distributors and retailers to the final consumer

GANT: Creating value across a virtual network A good example of a virtual organisation is the Swedish clothing brand GANT. At the centre of the network is Pyramid Sportswear AB, which directly employs fewer than ten people. Pyramid contracts with designers, identifies trends, uses contract manufacturers, develops the retailer network and creates the brand image through marketing communications. Through its databases, Pyramid closely monitors sales, inventories and trends. Its network of closely co-ordinated partners means it can react quickly to changes in the market. The network itself changes as requirements change, and it will use different designers, freelance photographers, catalogue producers, contract manufacturers and so on as appropriate.

SOURCE: CHRISTOPHER, M., PAYNE, A. & BALLANTYNE, D., *RELATIONSHIP MARKETING: CREATING STAKEHOLDER VALUE*, BUTTERWORTH HEINEMANN, OXFORD 2002

The supply chain and competitive performance

Figure 1.9 Achieving an integrated supply chain

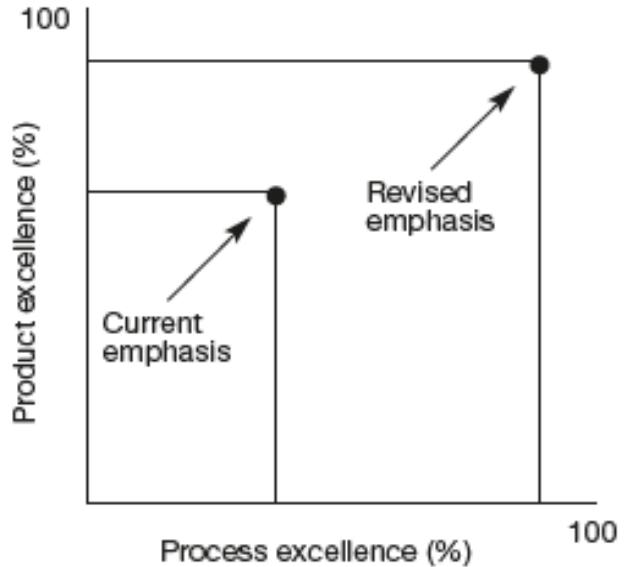


Source: Stevens, G.C., "Integrating the Supply Chain", *International Journal of Physical Distribution and Materials Management*, Vol. 19, No. 8, 1989

The new rules of competition

- Class Discussion (What are the rules)
- In today's marketplace the order-winning criteria are more likely to be service-based than product-based.
- Competitive advantage = Product excellence \times Process excellence
- The customer in today's marketplace is more demanding, not just of product quality, but also of service. (Customers take control)

Figure 1.10 Investing in process excellence yields greater benefits



Managing the ‘4Rs’

1 Responsiveness

- Organizations must be much more *demand-driven* than *forecast-driven*

2 Reliability

- Improving supply chain reliability is through reducing process variability, Like usage of 6 Sigma

3 Resilience

- Resilience refers to the ability of the supply chain to cope with unexpected disturbances, may not be the lowest-cost supply chains but they are more capable of coping with the uncertain business environment

4 Relationships

- Partnership sourcing, improved quality, innovation sharing, reduced costs and integrated scheduling of production and deliveries