

**These questions and answers should help you to think about, revise and consolidate the material covered in Lecture 10.**

1. How does the configuration of the supply chain affect supply chain planning and control?
2. Explain what the Bullwhip Effect is and outline its possible causes.
3. Why are partnerships needed for effective supply chain collaboration and what are the important factors that need to be considered in a partnership?
4. Explain the key principles in Vendor Managed Inventory (VMI).
5. What is Collaborative Planning, Forecasting and Replenishment (CPFR)?
6. Explain why both process focused measures and customer service measure are needed in supply chain performance measurement and give an example of each type of measure.
7. What processes does SCOR recommend should be measured in any supply chain?

#### **Sample answer**

##### **4. Explain the key principles in Vendor Managed Inventory (VMI).**

In VMI the supplier (or vendor) takes on the responsibility of managing the supply of one or more items for the customer. The customer assists in the process by providing full visibility of demand data so that the supplier can decide when and how much to replenish inventory to ensure the customer does not run out or is not over-supplied.

VMI avoids the customer having to send purchase orders to the supplier. VMI requires agreements between the supplier and the customer. First, the supplier must agree to take on the responsibility to manage supply for the customer. Second, the customer must be able to facilitate the process by giving the supplier access to data on real demand and real inventory levels. In some cases the customer may limit the replenishment quantity and/or frequency, e.g. the customer may stipulate a maximum amount that the supplier can supply per week.

A diagram could be used to support your answer.

Now try some of the questions for yourself, for instance Q3 on supply chain partnerships