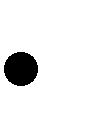
## Supply Chain Management:

It is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible. Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption.

Supply chain management must address the following problems:

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 Distribution Strategy: Centralized versus decentralized, direct shipment, cross docking, pull or push strategies, third party logistics.

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Description automatically generated with medium confidence](data:image/png;base64,iVBORw0KGgoAAAANSUhEUgAAAFgAAAB2CAYAAABMM1RyAAAABlBMVEUAAAD///+l2Z/dAAAABmJLR0QA/wD/AP+gvaeTAAAACXBIWXMAAA7EAAAOxAGVKw4bAAAA20lEQVR4nO3aUQ7CIBAE0Or976xf/Bi1WBkIm/cOIO5kSqLd4wAAAAAAAAAAAAAAAAAAAAAAAHrcBn3OY9I52/ln8LNQE2du58qwV4MdcfZ2fh1yVLhXz99O74Cjg31VNuiewdLhNiVDvq/+AtWdtWZWe5tyLf420Oxwm1IhuyLCPrVlVXubMi3W4DABh717FFdfD02Ja0KDwwQcJuAwAYcJOEzAYQIO81M5TIPDBBzm/+AwDQ7zyijMW+UwV0SYxZMwq1Nhlv/CrK+GWcAGAAAAAAAAAAAAAOj0BP9LEzLv8/gjAAAAAElFTkSuQmCC) Information: Integrate systems and processes through the supply chain to share valuable information, including demand signals, forecasts, inventory and transportation.

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## Features Of Supply Chain Management:

In electronic commerce, supply chain management has the following features.

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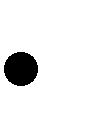
Description automatically generated with medium confidence](data:image/png;base64,iVBORw0KGgoAAAANSUhEUgAAAFgAAAB2CAYAAABMM1RyAAAABlBMVEUAAAD///+l2Z/dAAAABmJLR0QA/wD/AP+gvaeTAAAACXBIWXMAAA7EAAAOxAGVKw4bAAAA20lEQVR4nO3aUQ7CIBAE0Or976xf/Bi1WBkIm/cOIO5kSqLd4wAAAAAAAAAAAAAAAAAAAAAAAHrcBn3OY9I52/ln8LNQE2du58qwV4MdcfZ2fh1yVLhXz99O74Cjg31VNuiewdLhNiVDvq/+AtWdtWZWe5tyLf420Oxwm1IhuyLCPrVlVXubMi3W4DABh717FFdfD02Ja0KDwwQcJuAwAYcJOEzAYQIO81M5TIPDBBzm/+AwDQ7zyijMW+UwV0SYxZMwq1Nhlv/CrK+GWcAGAAAAAAAAAAAAAOj0BP9LEzLv8/gjAAAAAElFTkSuQmCC) On-line, real-time distributed information processing to the desktop, providing total supply chain information visibility

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 The development and implementation of accounting models such as activity based costing that link cost to performance are used as tools for cost reduction

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### Components Of Supply Chain Management:

The following are five basic components of SCM.

* **Plan:**

This is the strategic portion of SCM. You need a strategy for managing all the resources that go toward meeting customer demand for your product or service. A big piece of planning is developing a set of metrics to monitor the supply chain so that it is efficient, costs less and delivers high quality and value to customers.

* **Source:**

Choose the suppliers that will deliver the goods and services you need to create your product. Develop a set of pricing, delivery and payment processes with suppliers and create metrics for monitoring and improving the relationships. And put together processes for managing the inventory of goods and services you receive from suppliers, including receiving shipments, verifying them, transferring them to your manufacturing facilities and authorizing supplier payments.

* **Make:**

This is the manufacturing step. Schedule the activities necessary for production, testing, packaging and preparation for delivery. As the most metric-intensive portion of the supply chain, measure quality levels, production output and worker productivity.

* **Deliver:**

This is the part that many insiders refer to as logistics. Coordinate the receipt of orders from customers, develop a network of warehouses, pick carriers to get products to customers and set up an invoicing system to receive payments.

* **Return:**

The problem part of the supply chain. Create a network for receiving defective and excess products back from customers and supporting customers who have problems with delivered products.

### Measuring A Supply Chain’s Performance:

The performance of a supply chain is evaluated by how it reduces cost or increases value. SCM performance monitoring is important; in many industries, the supply chain represents roughly 75 percent of the operating budget expense. Three common measures of performance are used when evaluating SCM performance:

* Efficiency focuses on minimizing cost by decreasing the inventory investment or value relative to the cost of goods sold. An efficient firm is therefore one with a higher inventory turnover or fewer weeks‘ worth of inventory on hand.
* Responsiveness focuses on reduction in both inventory costs and missed sales that comes with a faster, more flexible supply chain. A responsive firm is proficient in an uncertain market environment, because it can quickly adjust production to meet demand.
* Effectiveness of the supply chain relates to the degree to which the supply chain creates value for the customer. Effectiveness-focused supply chains are called ―value chains‖ because they focus more on creating customer value than reducing costs and improving productivity.

To examine the effect of the Internet and electronic commerce on the supply chain is to examine the impact the Internet has on the efficiency, responsiveness, effectiveness, and overall performance of the supply chain.

### Advantages of Internet/E-Commerce Integrated Supply Chain:

The primary advantages of Internet utilization in supply chain management are speed, decreased cost, flexibility, and the potential to shorten the supply chain.

##### Speed:

A competitive advantage accrues to those firms that can quickly respond to changing market conditions. Because the Internet allows near instantaneous transfer of information between various links in the supply chain, it is ideally suited to help firms keep pace with their environments. Many businesses have placed a priority upon real-time information regarding the status of orders and production from other members of the supply chain.

##### Cost decrease:

Internet-based electronic procurement helps reduce costs by decreasing the use of paper and labor, reducing errors, providing better tracking of purchase orders and goods delivery, streamlining ordering processes, and cutting acquisition cycle times.

* **Flexibility:**

The Internet allows for custom interfaces between a company and its different clients, helping to cost-effectively establish mass customization. A manufacturer can easily create a custom template or Web site for a fellow supply chain member with pre-negotiated prices for various products listed on the site, making re-ordering only a mouse click away. The information regarding this transaction can be sent via the Internet to the selling firm‘s production floor and the purchasing firm‘s purchasing and accounting departments. The accuracy and reliability of the information is greater than the traditional paper and pencil transaction, personnel time and expense is reduced, and the real-time dissemination of the relevant information to interested parties improves responsiveness. These advantages can benefit both firms involved in the transaction.

* **Shortening the supply chain:**

Dell computers has become a classic example of the power the Internet can have on a supply chain. Dell helped create one of the first fully Internet-enabled supply chains and revolutionized the personal-computer industry by selling directly to businesses and consumers, rather than through retailers and middlemen. In mid-1996, Dell began allowing consumers to configure and order computers online. By 1998, the company recorded

roughly $1 billion in ―pure‖ Internet orders. By reducing sales costs and attracting customers who spend more per transaction, Dell estimates that it yields 30 percent greater profit margins on Internet sales compared to telephone sales.

### Disadvantages of Internet/E-Commerce Integrated Supply Chain:

##### Increased interdependence:

Increased commoditization, increased competition, and shrinking profit margins are forcing companies to increase outsourcing and subcontracting to minimize cost. By focusing on its core competencies, a firm should be able to maximize its economies of scale and its competitiveness. However, such a strategy requires increased reliance and information sharing between members of the supply chain. Increased dependency on various members of the supply chain can have disastrous consequences if these supply chain members are unable to handle the functions assigned to them.

##### The costs of implementation:

Implementation of a fully-integrated Internet-based supply chain is expensive. This expense includes hardware cost, software cost, reorganization cost, and training costs. While the Internet promises many advantages once it is fully integrated into a supply chain, a significant up front investment is needed for full deployment.

##### Keeping up with the change in expectations:

Expectations have increased as Internet use has become part of daily life. When customers send orders electronically, they expect to get a quick confirmation and delivery or denial if the order can not be met. Increasingly, in this and other ways, customers are dictating terms and conditions to suppliers. The introduction of Internet-based supply chains make possible the change to a ―pull‖ manufacturing strategy replacing the traditional ―push‖ strategy that has been the standard in most industries.