Supply Chain Management and its Components



SUPPLY CHAIN MANAGEMENT

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Introduction:

In business, no product can be produced and consumed in the same place. Logistical considerations play a strategic role for all companies in all areas, whether sourcing raw materials, product assembly, storage, distribution, or customer service standards for dealers and last-mile customers.

Meaning and Definition of Supply Chain:

There is a complete network through which a product moves from the suppliers to manufacturers, dealers, and finally to the end customers. This chain is called the supply chain.

The supply chain consists of a complete system of organizations, people, information, and processes involved in supplying a product or a service to a consumer. The supply chain processes involve transforming natural resources, raw material, components, and human effort into a finished product and delivering it to the end-customer for ultimate consumption.

Supply Chain Management:

Around the 1980s, people started realizing the importance of the supply chain and its benefits. And that's how the term Supply Chain Management (SCM) came into being.

Supply Chain Management is defined as the centralized management of the flow of products and services. It includes all processes, people, and information that transform raw materials into final products. By effectively managing a supply chain, an organization can cut excess costs, deliver products faster, and ensure customer delight.

Components of Supply Chain Management:

The success of supply chain management depends on creating a supply chain that's effective and sustainable. These five components make a supply chain effective.

Planning: The first component of SCM is planning. To ensure the optimum efficiency of the supply chain, planning is a critical component. Proper planning helps an organization match its inventory and operational resources.

By adequately planning material inflow and demand, a company can control the supplies, handle cash flows, and better meet customer needs. The information coming out of planning helps companies consolidate their consignments and benefit from economies of scale.

Sourcing: Every organization wants to work with suppliers that provide quality products at the right price within expected timelines and are willing to adapt to the customer's requirements and preferences. The suppliers should be ready and capable to meet their increased demands during seasonal peaks and not burden the company to place orders during seasonal lulls.

Making: This may include manufacturing goods using raw materials or re-packaging, re-kitting, bundling, assembling, dressing or staging. At this stage, it is critical to optimize the process. This helps minimize variance and eliminate non-conformance to desired quality standards. This is one area where there is always a scope for improvement, even with high tech automated production lines.

Delivering: Once the product is produced, it needs to be delivered to the end customer. To ensure safe and timely delivery of the product, a strong delivery channel is critical. The delivery channel should be capable of handling sudden demand spikes and tackling delivery bottlenecks like port congestions or cold weather, and ensure continuity. This calls for a robust and stable delivery channel.

Returning: When you deal with many customers, it is evident that there will be some who would return your product, whether it is due to the wrong order, defective product or any reason not matching their expectations. Companies that value customer relations don't ask too many questions and prefer to return the product, exchange it with a new product, or refund the money.

The original product needs to be picked from the customer and brought back to the warehouse. In all such cases, reverse logistics becomes very important. Customers avoid buying big-ticket items from companies having a poor reputation in reverse logistics.

Importance of Supply Chain Management:

The vast transformation of SCM began soon after the 80s & started getting tremendous attention from various businesses to improve their processes further. The companies which adopted SCM reported several benefits after making these changes.

Reduced Operating Costs: This is the most significant benefit. SCM helps companies reduce their purchasing cost, production cost, and hence total supply chain cost.

To control their inventory and reduce inventory carrying costs, companies prefer JIT delivery directly to the shop floor. This timely delivery helps companies avoid production breakdowns due to material shortages and thus reduce their production costs. Finally, having a well-planned supply chain allows a company to service a maximum number of customers at lower prices, reducing total supply chain costs.

Better Customer Service: These days' customers have become very demanding. They demand that the right product quality be available at the right price, wherever and whenever needed. Any gap in the customer's expectations and the company's deliverables creates dissatisfaction.

If a customer wants to get his product repaired or returned, he expects the company to act quickly and get the product picked up and serviced quickly. Customer-friendly return policies and seamless supply chain management makes them happy and ensures their satisfaction.

Improved Financial Position: A well-managed supply chain helps a company reduce its costs and make more profits. Also, since the firm gets JIT delivery, it helps a company reduce its investment in fixed assets like plants, warehouses and trucks. Finally, delivering the product early to an end-customer helps the company bill the customer faster. This enhances their cash flows and reduces their working capital cycle.

Supply Chain Management at Varuna:

Whatever your logistics needs, Varuna Group has a logistics service solution. We are constantly evolving along with your growing needs. To fulfil your logistics needs, Varuna is offering the following services:

1. **Inbound Logistics:** Varuna Group helps its customers procure raw material and other components from suppliers and delivers them at the manufacturing facility just when it is required. This ensures there is never a position of stock-out or over-stock.

Varuna takes care of the complete process, including managing the suppliers, ordering and procuring raw material, managing inventory, and transportation.

2. **Outbound Logistics:** Varuna Group helps its customers deliver finished products from production facilities to the next link in the supply chain. The following link may be a central warehouse, regional warehouse, or end-customers.

In this process, Varuna offers several value-added services like labelling, refurbishing, quality checks, and packing, among others.

Through its seamless service, Varuna ensures delivery at the right time to the right customer with complete tracking of the

consignment through GPS tracking.

3. **Reverse Logistics:** Varuna Group helps its customers deliver high customer satisfaction by offering seamless reverse logistics. As soon as a request is received, the team gets into action to pick up and send the product back using the 'path of least resistance.

4. **Third-Party Logistics:** Varuna Group manages end-to-end logistics services as an outsourced activity for many customers. In some cases, they operate a warehouse within the factory premises, ensuring timely raw materials and components delivery.

They plan, execute and control the flow of products and services to fulfil the customers' needs. They also offer a host of value-added services customized as per the client's requirements.

How does Supply Chain Management add value to your business?

A well-managed Supply Chain Management adds tremendous value to your business. Some of the areas where customers benefit by using SCM are listed below:

1. Business Efficiency: Having access to real-time data on production and the availability of the material in the warehouse allows companies to plan backup options like identifying a backup supplier to prevent delays. In the absence of this data, companies cannot create a plan B. This results in stock-outs and delayed shipments, leading to customer dissatisfaction The use of technology and automation helps avoid unnecessary costs and movements and thereby improves efficiency.

2. Reducing Overheads: Having real-time data helps a company also predict their demand more accurately. This allows a company to reduce their overhead costs associated with slow-moving products. The company may decide to stock more fast-moving goods and less slow-moving goods.

3. Improving Cash Flow: A proper study of Supply Chain Management helps a company make well-informed decisions regarding expected demand and choosing the right delivery partners. A good delivery partner ensures fewer bottlenecks, more satisfied customers and improves the cash flow. When a company can deliver a product quickly, it can bill that customer and get paid sooner.

4. Optimizing the truck-load: Supply Chain Management provides options to choose among the various delivery options like Full Truck Load (FTL), Less-than Truckloads, and using smaller vehicles for transporting different kinds of items. This helps companies save transportation costs. The companies may pass on this cost-benefit to end customers with free home delivery or delivery at nominal rates and create customer satisfaction.

Conclusion:

In the last 3-4 decades, Supply Chain Management (SCM) has become a critical aspect of the logistics process. It involves transporting products and services from the supplier to the manufacturer and ultimately to end customers. A well-managed SCM helps a company reduce its overheads, enhance efficiency, improve its bottom line and ensure customer satisfaction.

For any requirement related to Supply Chain Management, get in touch with us. We would be glad to help you.