



Fact Sheet

Supply Chain Management

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What's involved in the process of "Supply Chain Management" - what does it really mean?

Our E-Business Advisers discuss the potential benefits for your firm:

1. What is Supply Chain Management?

Every business has a network of customers and suppliers that they deal with – their Supply Chain.

It comprises:

- Who you trade with
- What you produce and how you produce it
- The links and processes that connect you.

Understanding more about your Supply Chain helps you to establish priorities for working more closely with customers and suppliers.

Supply Chains exist in both service and manufacturing organizations, although the complexity of the chain can vary greatly from industry to industry.

A Supply Chain really stretches "from the *supplier's supplier* to the *customer's customer*." (www.supply-chain.org)

Supply Chain Management tends to refer to those products and processes which are core to you doing business.

For non-core items, e.g. stationery, business travel etc, we suggest you read the "eProcurement Fact Sheet" in this series.

"Supply Chain Management" has been likened to a well-practiced baton relay team. Such teams are stronger when each player knows just how to be positioned for the handover.

Relationships are strongest between those runners who directly pass the baton, but the entire team needs to make a coordinated effort to win the race.

There has been an increasing degree of cooperation between firms involved in Supply Chains.

Like the baton relay team - cooperation benefits all, in this case by keeping costs down.

Supply Chain Management software can help facilitate this.

2. What are the benefits?

Supply Chain Management software improves your understanding of your Supply Chain and customer orders.

There are many benefits:

- More accurate forecasting of demand and supply.
- Better planning and scheduling - leading to reduced costs for logistics, warehousing and manufacturing thanks to better planning.



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- Speeding up of communication between partners and suppliers, leading to reduced lead times.
- Reduced inventory levels, achieved by just-in-time (JIT) stock ordering.
- Reduced administration costs - orders are sent electronically, also leading to less data errors.
- You can also allow customers to track orders - improving customer satisfaction levels.

3. How do I start the process?

You need to identify your needs, and what will bring you the most benefit.

As this process can be involved, it probably would (dependant on your capabilities and time) be beneficial to use a specialist consultant.

Either 360e staff or your local Business Link will be able to help you identify an appropriate person.

If you do decide to use a consultant, it is still vital that you drive the process forward - you know your business, suppliers and customers, and you will probably have an idea about the benefits you are trying to gain.

The easiest way to start the process is to identify how goods and information flow through your business.

You need to be clear about those areas where you need to exchange information with partners, and where the bottlenecks in your Supply Chain are.

You need to talk to your suppliers and customers at the earliest stage about the technical issues - you need to be able to tie into

their systems. Again, a specialist consultant would be of use to you at this point.

If you supply a big company, you may have little choice about what software system you use: if you want to do business with them, you will have to use whatever system they want you to.

The next stage is to work out which areas of your Supply Chain, such as transport, distribution, warehousing and stock inventory costs are costing you the most money.

This will show you where Supply Chain software could save you the most money, what functions of your business you want to incorporate - and whether these savings can justify the full costs of implementing the software.

If you don't supply a big customer, you probably have more options:

- Put in place a specialised Supply Chain Management system
- Use the Supply Chain-related modules of larger software packages
- Use enterprise resource planning (ERP) packages

Supply Chain software packages are very often specifically tailored to industries. You need to choose a seller with experience in your industry.

Again, a consultant would be able to help you with this.

It is also vital that, whichever system you do choose, that you carefully plan the implementation and staff training, to maximise the benefits to your firm.



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4. Useful Links

www.supply-chain.org -

The Supply Chain Council provides a model (the Supply-Chain Operations Reference-model (SCOR)) to evaluate Supply Chain Management needs. The site also provides access to a list of software vendors.

www.businesslink.gov.uk -

National Business Link web site, with links to local Business Link offices. Also has guides on implementing Supply Chain Management.