

Importance of Supply Chain Management in Corporate World

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Abstract—Supply chain management (SCM) hence a business terminology carries enormous importance in corporate world, the priority of any entity is to maximize the value of the firm by providing a quality product at a reasonable prices, SCM helps in the process by dividing the responsibility among suppliers & intermediates availing the necessary required material for better production. Supply Chain Management initiate with designing & planning of a product, make an efficient execution, as per the customer satisfaction, & simultaneously keep thorough check on the requirement of the consumer. One of the strategy opted by organizations to improve the profit margin is by reducing the cost, & the good supply chain helps reducing the cost of production. In a good supply chain the quality raw material is timely & economically available. Whole of companies Supply Chain Management includes right from the stage of product being raw material till the final stage where finished goods reaches to the end consumer & after sales feedback. The companies having well planned supply chain management have a competitive edge over competitors. This paper explains the techniques, theories, software & models of SCM so to make further innovation & recommendations to improve this contemporary concept of management, also seek expertise by analyzing the SCM of multi-national corporations for example the walmart saves thousands annually by having good supply chain. In the era of internet online buying & selling became a trend, so the companies like Amazon, Ebay, flipkart selling millions of products has to maintain effective supply chain connections. This paper shed some insight on big corporation's strategies to create & supply a quality product.

1. DEFINITION

Supply Chain Management is the oversight of material, information, & finances as they move in process from supplier to manufacturer to wholesaler to retailer to consumer. Supply chain management involves coordinating & integrating these flows both within & among companies. It is said that the ultimate goal of any effective supply chain management system to reduce inventory (with the assumption that products are available when needed). As a solution of successful supply chain management, sophisticated software system with web interfaces are competing with web-based application service providers (ASP) who promise to provide part or all the SCM service for company who rent their service (Rouse, 2016)

2. INTRODUCTION

In today's time where the technology & social media has become the significant tools of communication, raises the level of competition in almost every commercial as well as non-commercial field. The organizations have to very particular about all the aspects of business so they may successfully establish in market & generate demand for their products. In this well diversified commercial world, firms & enterprises try to attain expertise in what they produce & provide. The Supply chain management has become very crucial element, for instance it impacts on whole of the process through which products & services originates & reaches to ultimate consumers. The constituents of SCM consists of supplier of raw material, the manufacturer (the producer of product), the distribution channel (the distributors, the wholesalers, the retailers), the customer & then to the ultimate consumer. SCM literally affects every aspects trade; hence it is to be considered as opportunity for all those individuals/ firms to perform effectively which assists organization improving the quality of products & services, control over cost & ultimately satisfying customer requirements. The best supply chains as per the Gartner research firm Unilever tops the charts for the first time in 2016 followed by McDonalds, Amazon, Intel, H&M (new comer) in top five followed by Indite, CISCO systems, Samsung Electronics, The Coca Cola Company, & the tenth spot held by Nestle (Gartner, 2016). All top 10 chains belong to Multi-National corporations selling their products worldwide & manage to maintain the standards.

3. TOP SUPPLY CHAINS:

The Multi-National corporations supply their product in a global market & logistics they follow is reliable & effective. Crucial role has been played by the supply chain manager by controlling the chain efficiently and managing personal resources optimally. The bigger chain directly puts impact on cost, which automatically reflects on revenue. Now briefly we are going to analyze supply chain of top corporations & try to figure out secret behind the strength:

4. APPLE:

Research firm Gartner ranks Apple number one company having a best supply chain management for consecutive three years from 2010-2013. The company achieved revenues worth 170.9 billion, current CEO Tim Cook says “inventory is fundamentally evil” he also believes that value of technology depreciates quickly (1-2% every week), new technology arrives makes previous one considered outdated, he says treat inventory like Dairy business, if it get past its freshness date, then we have a problem.

Apple, a tech company in 2011 performed better than Dell, HP, Blackberry, & Motorola. In inventory turnover (how many times company’s inventory can be sold or replaced over specific time period) of 2011 Apple was 2 times better than Dell, 5 times better than HP, 4.5 times better than Blackberry, & 5.5 times better than Motorola, by simply having better supply chain.

Apple buys material from several suppliers; & shipped to its manufacturing plant in China & shipped directly to consumers via fedex/UPS, who brought from Apple’s online store. For other distribution channel such as retail store & other distributors they stock their product in EIK grove, California (central warehouse) & distribute them from there.

When Tim cook initially took over the supply chain of Apple, he reduced the number of suppliers & make them compete, cuts down the list of suppliers from 100 to 24, he (Tim Cook) also shut down warehouses to limit overstocking, shuts 10 out of 19. By 2013 Apple was only dealing with 154 key suppliers (way lower than Amazon) & kept only one central warehouse in perfect data with 250 stores. (CLARA LU, 2014)

5. AMAZON:

The company started its venture in 1995 under the leadership of Jeff Bezos as online shopping website Amazon.com, started off delivering books but now they are practically selling over 6 crore products. At peak times they are receiving 400 orders per second & their annual revenue is aprox \$90 billion. (Aaron Fraser, 2016)

In 2015 Gartner ranked Amazon top supply chained company, beating McDonalds, & Unilever for a tear now they have been trying reducing their delivery time, & going for Same-Day-Delivery depending upon the transections & situations (1-7 days). Amazon has become a logistic company facilitating storage & sale of goods from third party vendor, for this purpose they are hiring thousands of employees for network fulfilment.

Their warehouses are well geographically planned, closer to metropolitan cities. The warehouses are classified into 5 storage areas such as:

1. Library prime storage –Books & magazine

2. Case flow prime storage – broken case & high demand
3. Pallet prime storage – full case & high demand
4. Random storage – smaller items & modern demand
5. Reserve storage – Low demand/ irregular shaped products

6. MCDONALDS:

In 1937 McDonalds started as drive-in restaurant by two brothers, Richard & Maurice McDonalds in California. Now McDonalds is one of the world’s leading in food service retailer, they have more than 33,000 restaurants across the globe, & serve more than 67 million customer each day, having their outlets in 118 countries.

McDonalds is present in India for the past 15 years, & has become one of leaders in food retail space. In India McDonalds have around 250 restaurants & serves 6.5 lakh customers a day.

McDonalds infuses 400 crore in supply & delivery chain before they opened their 1st restaurant in India McDonalds have around 38 suppliers on long term basis categorized as Tier 1 & Tier 2 suppliers. In Tier 1 14 crore supplier provides processed food such as French fries & potato wedges. In Tier 2 suppliers who are growers & processors provides lettuce poultry items vegetable patties. The flow of items is from Tier 2 to Tier 1 who processes them.

Distribution centers are owned by company itself & in India more than 9000 employees working in this company. (New, 2015)

7. THE COCA COLA:

Speaking of world’s most powerful brands, coca cola is the elite one in global soft drink market for over more than 100 years as per interbrand’s latest global ranking. The company’s objective is to be on top in every category they indulge in. the coca cola enterprise purchase concentrate from The coca cola company& add some ingredients to make some of the most popular beverages in Belgium, Great Britain, Franc, Luxembourg, Netherland, Norway, & Sweden.

Coca cola follows EBP (ENTERPRISE BUYER PROFESSIONAL) process, the inventory management is through collecting the database through sales channels, distributors, & retailers. Sales driven forecasting, through marketing research & business analysis. Concentrate on inventory turnover to maintain benchmark standards. Bottling plants close to North America’s major railway transport gateways, & trucking terminals for providing door- to-door services in eco-transport system.

8. NESTLE:

A Swiss transnational food & Drink Company, headquarters located in Switzerland& the world largest company measured

in terms of revenues, Nestle in 2014 ranked number 72 by fortune global 500 in the world as list of top companies,

As per Gartner research firm, Nestlé's supply chain has been in top 25 list from 2012-2014. Nestlé's market capitalization is approximately 231 billion Swiss francs & has over 8000 brands with wide variety of products spread in many markets all around the globe, such as coffee, water bottles, breakfast cereals, infant food, seasonings, soups, health nutrition, frozen food, & pet food.

20.3 billion Powdered & liquid beverages, 16.7 billion milk products & ice-creams, 13.5 billion prepared dishes & cooking aids, 13.1 billion nutrition & health science, 11.3 billion pet care, 9.6 billion confectionary, 6.9 billion water bottles has been sold by Nestle in a geographical area such as 43% of the sales was in America, 28% in Europe, 29% come from Asia, Oceania, & Africa. (wikipedia, 2016)

Supply chain of Nestle is not entirely one dimensional endeavor because the products they have in market arrives through joint venture, for instance they have 50-50 affiliations with General Mills (their cereal partner worldwide), & with The Coca Cola Company (their beverage partners worldwide). In 2013 they started new storage & shipment facility in Vietnam even though Brazil, Columbia, Indonesia are the world's largest coffee bean producers but not the much population as consumer, and on the other hand Vietnam is largest in Robusta bean & rapid growing coffee drinking population. Nestle considers certain factors which benefits creating good supply chain such as Market Diversification, guarding one's revenue from unexpected supply chain disruption, & saving fuel & shipping cost.

9. SUPPLY CHAIN'S EFFECTS:

More & more research on supply chain management make realize that every single seller in the market is the part of chain one way or the another, either large, medium or small enterprise every single store is playing their part.

10. EFFECT ON PRICE:

Supply chain of any organization reflects directly on their cost of product, as we understand in commercial world we all act as intermediate & make profits through distribution chain. The bigger the chain is, the higher the cost & vice-versa, price of a product rises constantly by involving more & more individual/firm into the supply chain. For instance ask yourself a question that why the prices of the product are less when bought from online sites as compare to when bought them from retail stores? Now if given proper thought it is supply chain policy follow by the organization. Apple's CEO Tim Cook reduced the number of suppliers to 24 which earlier was 100, he (Tim Cook) also shut-down 10 warehouse out of 19 & concentrating on product's turnover & trying to sell every product they produced so they do not have to incur storage cost. Another example Amazon, online selling site, selling

more than 6 crore products (selling almost everything) & selling them at prices comparatively economical than retail distributors, by directly dealing with manufacturers & strengthen their delivery system.

11. EFFECT ON BRAND:

All top companies became top companies because they manage to make available their product in almost every market in globe through their effective distribution channels; the product is up to the mark as the customer demanded. The distribution channel not only assists corporation in spreading product among population but responding them with valuable feedback from the users of the product. Feedback helps organization designing products according to the requirement of customers. In India majority of population is vegetarian hence the multi-national corporations such as McDonalds, KFC have to provide vegetarian products to satisfy the demand, India is indeed a heavily populated country & no organization can afford to ignore such heavy demand. Providing quality product increases the brand value, on the other hand if well established product such as Maggi, a Nestle product, very popular with Indian population, got raised question on its quality hurts brand value, & many distributors had to burn the defective inventory(maggi), but currently the situation is back to the normal & product is available & being consumed by customers.

12. EFFECT ON CUSTOMERS:

Ultimately it all initiated & comes down to customer satisfaction, every plan & strategies implemented by the organization are based upon the requirement of the consumer. The good supply chain facilitate quality product in market & create awareness among the population about the products & services. Availability of alternatives create competition among the organizations, & then companies started strategizing towards the improvement in quality of product or mould & make amendment as required, also economize the prices to increase the sales, directly effects customers. Now days as many experienced online shopping, one can purchase any product without concerning about its national & international availability. Once the transaction is been done, product will reach at your door step with in a stipulated period. Customers are been facilitated with tons of schemes on online & off line market depends upon the situation such as schemes on price, additional free product, cash on delivery, cash back offers, exchange offers & on & on. Whole point is in this fierce competitive corporate world every business trying to sell product has to be at its best in all aspects, which most importantly include pleasing customer & satisfy their demand.

13. RECOMMENDATIONS:

- Establish governing authority such as supply chain council

- Aligned staffing of supply chain
- Engage collaborative strategic sourcing
- Concentrating on cost of ownership, & not on price
- Well defined agreement under supply chain function
- Optimum utilization of resources owned by organization
- Well responsive supply chain
- Think globally act local
- Focusing on core supplier
- Collaboration between all constituents (supplier, manufacturer, distributors, consumer) of supply chain for demand forecasting & inventory management.

14. CONCLUSION:

SCM is a field filled with potential as any individual/firm/organization/company enter into market became a part of it, what matters is if one can make an effective link between suppliers, manufacturers, distributors, & most importantly with ultimate consumer. Once the chain has been developed use it with most delicate & effective manner, & also make necessary changes may required by corporate environment varies from market to market & country to country. Organizations need to make sure of quality standards & price stability to have competitive edge over competitors & satisfy consumer requirements.

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