Supply Chain Management

Supply Chain Management is the process by which a business effectively controls the supply of goods from point of origin to the final place of delivery, be that direct to a production line, or some other nominated point.

This statement, taken alone, will not necessarily identify all aspects of true Supply Chain Management because the Supply Chain is ultimately affected by much that happens prior to the goods being made available at the point of origin.

The most important aspect of any Supply Chain Management is to clearly identify what the final customer actually wants, work out the best way to achieve this, and see how it fits in with any systems already in place.

In simple terms “Procurement and Product Development” is the starting point of any Supply Chain Management system because if the necessary controls are absent in the supply of raw materials, components and product development then it is going to be very difficult to satisfy the final end-users needs.

Having established an acceptable “Procurement and Product Development” strategy, the next stage is to ensure that all the “Manufacturing” requirements can be met within the existing manufacturing structure, based on the forecasts provided.

Once it is established that the “Manufacturing” requirements can be satisfied, the next area to address is “Goods available at the point of origin”. Assuming no third party has any additional work to complete on the product before delivery, it is at this stage that final goods inspection should take place before release, with specific regard to the end users defined requirements on packaging, labeling, marking, documentation etc. This is an area that at times does not attract the necessary consideration, and can ultimately be responsible for a lot of customer complaints.

Having made the goods available at the point of origin the physical movement of the goods enters the Logistics phase, and the scope of the logistics that is the responsibility of the Manufacturer/Seller/Vendor /Consignor will be determined by the contract entered into with the Buyer/Customer/Consignee.

There are many differing sales terms used in contracts with the most familiar probably being Ex-Works, FOB, CFR, CIF, DDU and DDP.

The problem with some terms of sale is that they leave a “grey area” with regard to responsibility for certain logistics costs and for transfer of control of the logistics movement. In an effort to remove this “grey area” there has been a shift towards total control of the supply chain by either the Vendor or the customer, and as such the prominence of contracts running on a VMI or similar basis has occurred.

There are many reasons for running on a VMI, or similar basis besides eradicating this “grey area”, but the main one is to take total control of the Supply Chain and reap the benefits that are possible from such an action.

The more automated/IT driven we become and the greater the reliance we put on our systems, the more we seem to be swamped by “jargon” or simply put “abbreviated descriptive terms”. That said it is much better to refer to “Vendor Managed Inventory” as VMI, especially once acquainted with the terminology.

The purpose of this introduction in to Supply Chain Management is not to delve into the exact science of each and every component of the Supply Chain but more to emphasize the fact that there are many components, and because of this there becomes a critical need for total visibility within the supply chain.

This need for visibility has been the major influencing factor in the design of our in-house “cArgotrack” system.

cArgotrack has been created first, and foremost, with the requirements of the customer in mind and all the reports within the system reflect this.With the knowledge that the customer can confidently view critical data via our user friendly access to the system, we have been able to take away a lot of worries for the Vendor and Buyer alike.

They have been able to confidently move into contracts offering full VMI and similar services such as Buyer consolidation, some of which are explained in more detail in another section.

1. Verticals: Industries that are clearly segmented along identical business groups, interdependent on each other. An automobile brake system assembler nests under Automotive Vertical and his suppliers of brake pads, brake shoe, brake drum, callipers, slack adjusters etc too form part of the Automotive Vertical.

2. Each Vertical is unique with its own pressures and influences and their own industry specific problems. With this, we open up to "the specific services” like VMI, Consol Hub, Inland/Delivery Clusters, Door to Door etc.

3. Business Critical Factors. Although there are common problems across the verticals, each vertical has its own specific problems too, but here we are concerned with their Supply Chain problems that are business critical.

4. Each business is governed by “Stakeholders”, not necessarily Stakeholders in monetary terms but in no small measure in terms of “Responsibility”. They drive the business and their influence is very significant. If the SCM System lends support to their objectives, it is “Mission Accomplished”.

5. Tools in cArgotrack are on line tools and how those tools are being used by Argonaut Group of Companies to support the program are being dealt with, in the site. We cannot divulge everything we would like to at this point, but what we say or list is intended to offer a snapshot of what is available within cArgotrack.

The terms like Verticals, Business Critical Factors and Stakeholders have reference within the site.