

Components of Supply Chain Management

Supply chain management should be to achieve efficient fulfillment of demand, drive outstanding customer value, enhance organizational responsiveness, build network resiliency, and facilitate financial success.

Supply chain management is made up of a few components that are very important as well as critical to the system. We shall discuss each of the components in brief.

1. Planning

This is one of the most important stages. Before the beginning of the entire supply chain, it is essential to finalize the strategies and put them into place. Checking the demand for the product or service, checking the viability, costing, profit, and manpower etc., are vital. Without a proper plan or strategy in place, it will be well-nigh impossible for the business to achieve effective and long term benefits. Therefore, enough time has to be devoted to this phase. Only after the finalization of the plans and consideration of all pros and cons, can one proceed further. Every business needs a plan or blueprint or a roadmap based on which the strategies are made. Planning helps to identify the demand and supply trends in the market and this, in turn, helps to create a successful supply chain management system.

2. Information

The world today is dominated by a continuous flow of information. In order to be successful, it is essential that a business stays abreast with all the latest information about the various aspects of its production. The market trends of supply and demand for a particular product can be best understood if the information is properly and timely disseminated through the many levels of the business. Information is crucial in a knowledge-based world economy, and ignorance about any aspect of business may actually spell doom for the prospects of the business.

3. Source

Suppliers play a very crucial role in supply chain management systems. Products and services sold to the end user are created with the help of different sets of raw materials. It is therefore necessary that suitable quality raw materials are procured at cost effective rates. If a supplier is unable to supply on time, and within the stipulated budget, the business is bound to suffer losses and gain a negative reputation.

It is crucial that a company procures good quality resources so it can create good quality products and maintain its reputation in the market. This necessitates a strong role for suppliers in the supply chain management system.

4. Inventory

For a highly effective supply chain management system it is essential that an inventory is kept and thoroughly maintained. An inventory means the ready list of items, raw materials and other essentials required for the product or service. This list has to be regularly updated to demarcate available stock and required stock. Inventory management is critical to the function of supply chain management, because without proper inventory management the production, as well as sale of the product, is not possible. Businesses have now started to pay more attention to this component simply because of its impact on the supply chain.

5. Production

Production is one among the most important aspects of this system. It is only possible when all the other components of the supply chain are in tandem with each other. For the process of production to start it is essential that proper planning and supplies of goods, as well as the inventory, are well maintained. The production of goods is followed by testing, packaging and the final preparation for delivery of the finished product.

6. Location

Any business, that wants to survive as well as flourish, needs a location which is profitable for the business. Take for example; a carbonated drink factory is set up in an area where water supply is scarce. Water is a basic necessity of such business. The lack of water could hamper the production as well as affect the goodwill of the company. A business cannot survive if it has to share an already scarce raw material with the community. Hence, a suitable location, which is well connected, and very close to the source of essential resources for production is vital to a business' prosperity. The

requirement and availability of manpower must also be considered while setting up a business unit.

7. Transportation

Transportation is vital in terms of carrying raw materials to the manufacturing unit and delivering the final product to the market. At each stage, timely transportation of goods is mandatory to sustain a smooth business process. Any business which pays attention to this component, and takes good care of it, will benefit from the production and transportation of its goods on time.

It is essential that a company works towards a safe and secure transportation process. Be it in-house or a third-party vendor, the transportation management system must ensure zero damage and minimal loss in transit. A well-managed logistics system along with flawless invoicing is the two pillars of secure transportation.

8. Return of goods

Among the various components that create a strong supply chain is the facility for the return of faulty/malfunctioning goods, along with a highly responsive consumer grievance redress unit.

No one is infallible. Even a machine may malfunction once in a million times if not more. As a part of a strong business process, one may expect the return of goods under various circumstances. Even the best quality control processes may have unavoidable momentary lapses. In the case of such lapses, inevitably followed by consumer complaints, a business must, instinctively, recall the product/s and issue an apology. This not only creates a good customer bonding, but also maintains goodwill in the long run.

The eight components discussed here are interdependent and ensure a smooth supply chain management system. It ensures the success and reputation of a business. A business must focus on all these components in order to create a flawless supply chain. A supply chain management system is required not just for the timely manufacture of goods; it is also a very critical system for ensuring that consumer requirements are met effectively.