Managing Supply Chain Inventory

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Supply Chain Integration - Dealing with Conflicting Goals

• Lot Size vs. Inventory
• Inventory vs. Transportation
• Lead Time vs. Transportation
• Product Variety vs. Inventory
• Cost vs. Customer Service
Supply Chain Management:
Pitfalls and Opportunities

Conflicting Objectives in the Supply Chain
1. Purchasing
   • Stable volume requirements
   • Flexible delivery time
   • little variation in mix
   • large quantities
2. Manufacturing
   • Long run production
   • High quality
   • High productivity
   • Low production cost

Supply Chain Management:
Pitfalls and Opportunities

3. Warehousing
   • Low inventory
   • Reduced transportation costs
   • Quick replenishment capability

4. Customers
   • Short order lead time
   • High in stock
   • Enormous variety of products
   • Low prices
Symptoms of Supply Chain Problems

- Stock-outs and High Inventory
- Long Cycle Times
- High Returns
- High Costs
- Poor Service Level

SCM without DBM

- Volvo green cars
- HP Pavilion
- Barilla pasta
- Campbell chicken soup
  “the Dumbest Marketing Ploy Ever”

Supply Chain  Sales and Marketing
### Information Definition

- No Supply Chain Metrics
- Inadequate Definition of Customer Service
- Inaccurate Delivery Status Data
- Inefficient Information Systems
- Ignoring the Impact of Uncertainties
Operational Problem

- Simplistic Inventory Stocking Policies
- Discrimination against Internal Customers
- Poor Coordination
- Incomplete Shipment Methods Analysis

Strategic and Design Problems

- Incorrect Assessment of Inventory Costs
- Organizational Barriers
- Product-Process Design without Supply Chain Consideration
- Separation of Supply Chain Design from Operational Decisions
- Incomplete Supply Chain
Opportunities

- Design for Supply Chain Management
- Integrate Database throughout the Supply Chain
- Integrate Control and Planning Support Systems
- Redesign Organizational Incentives
- Institute Supply Chain Performance Measurement
- Expand View of Supply Chain