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Supply Chain Management: implication for logistics service providers

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Supply Chain Management
Centre of Excellence

Institute of Road Transport Engineers (IRTE)

Supply Chain Management: Implications for Logistics Service Providers

Edward Sweeney

Director of Training and Education

NITL

Dublin, 21st May 2002

Agenda

- **NITL**
- **What is SCM?**
- **Implications for LSPs**
- **Some Future Trends**

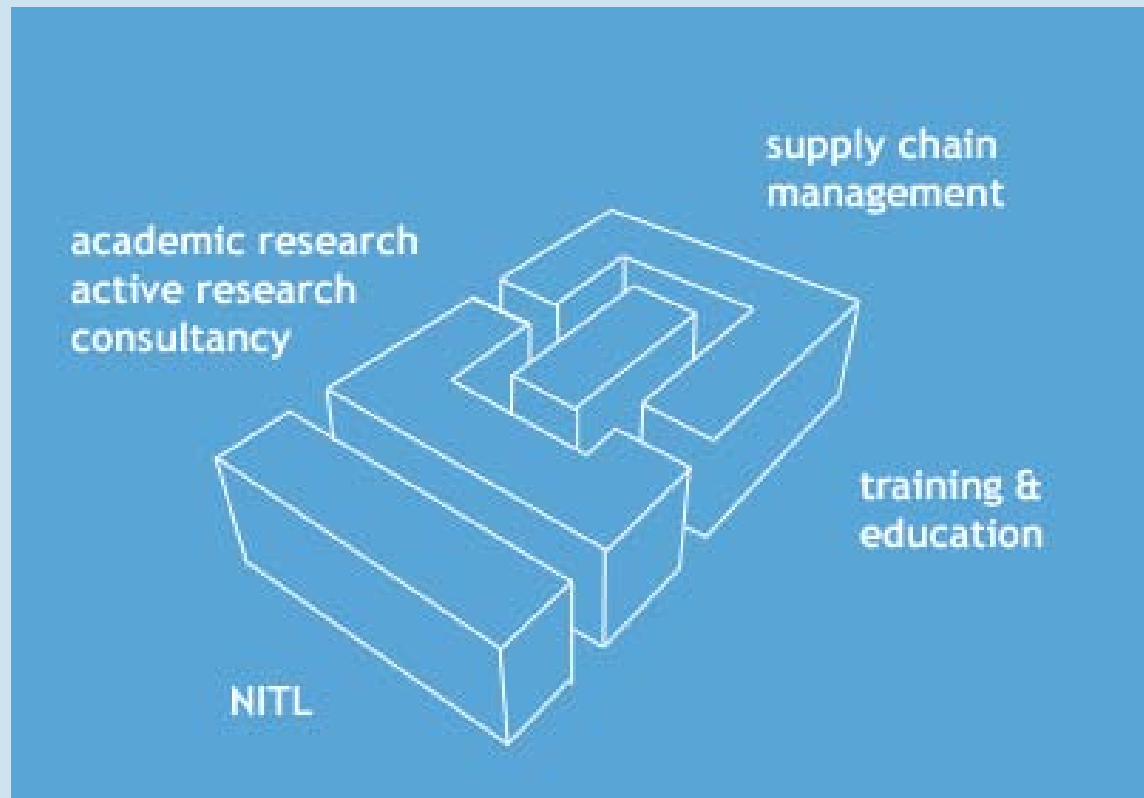
History of NITL

- Report “World Class to Serve the World”
- National Centre for Supply Chain Excellence
- Supported by the National Development Plan, managed by the Department of Enterprise, Trade and Employment, set up at the DIT
- April 1998

Mission Statement

NITL will support the achievement of competitive advantage in Irish firms by creating a fundamental new resource for logistics and supply chain efficiency.

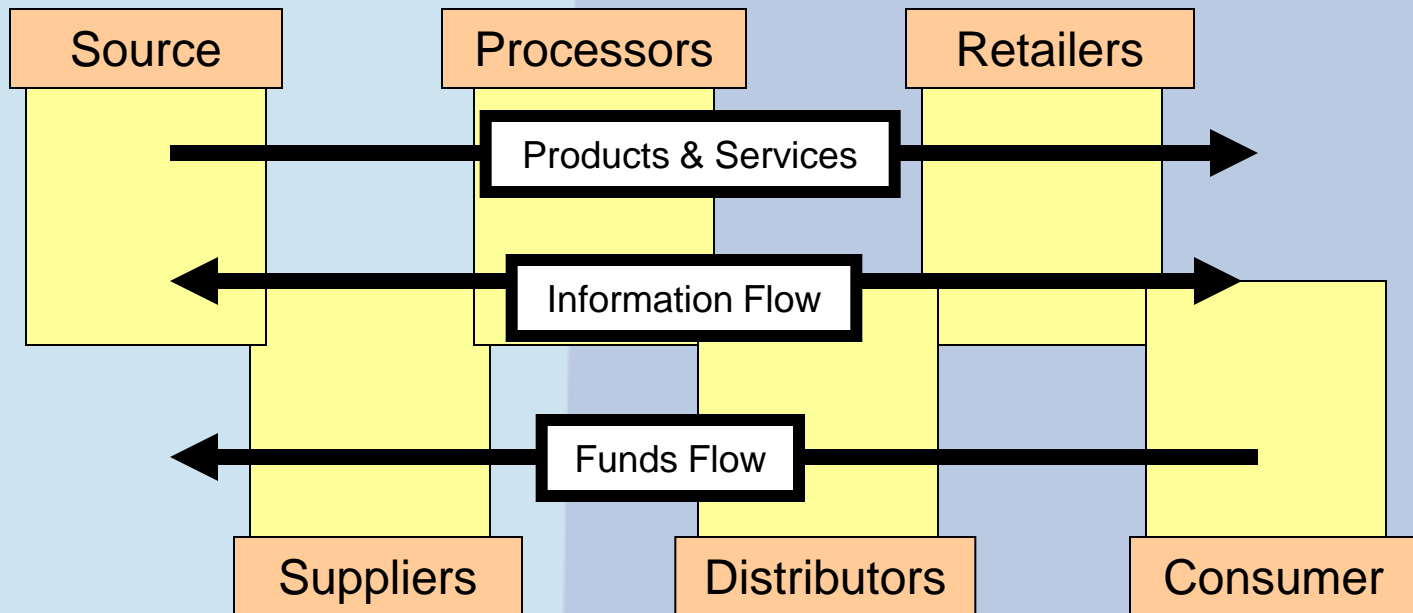
NITL Structure / Activities



Fundamental 1 - The Aims of Supply Chain Management

- 👉 **Supply Chain Management aims to achieve competitive advantage through:**
- 👉 ***Enhanced Customer Service***
- 👉 ***Optimised Costs and Investments***
- 👉 **SCM provides the end customer with the right product at the right time, priced at the right level, in the right quantity and quality**

Fundamental 2 - Supply Chain Philosophy



A product reaches the final consumer through a chain of companies which will typically include suppliers, processors, distributors and retailers.

The Weakest Link

- **Without the right companies across the supply chain to work with, a company will never achieve true competitive advantage. In other words**
- **The supply chain is only as strong as its weakest link.**

What is Supply Chain Management?

A white circle with a thin black border containing the word 'Buy' in blue text.

Buy

A white circle with a thin black border containing the word 'Make' in blue text.

Make

A white circle with a thin black border containing the word 'Store' in blue text.

Store

A white circle with a thin black border containing the word 'Move' in blue text.

Move

A white circle with a thin black border containing the word 'Sell' in blue text.

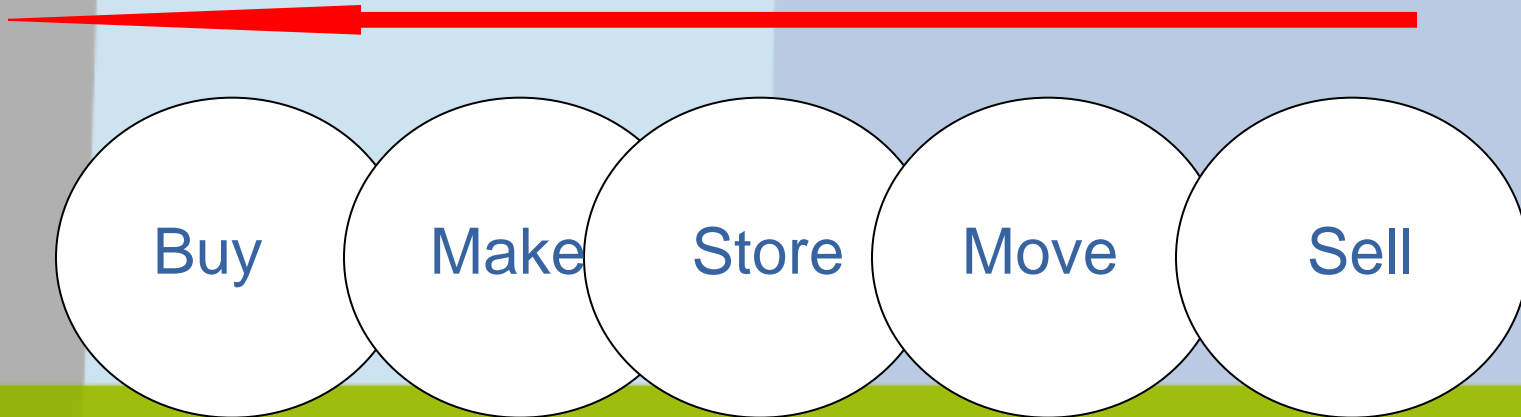
Sell

Traditionally these functions are managed in isolation and often operate at cross purposes.

What is Supply Chain Management?

Supply chain management integrates these functions by holistically managing the information, material and financial flows.

Information and Money

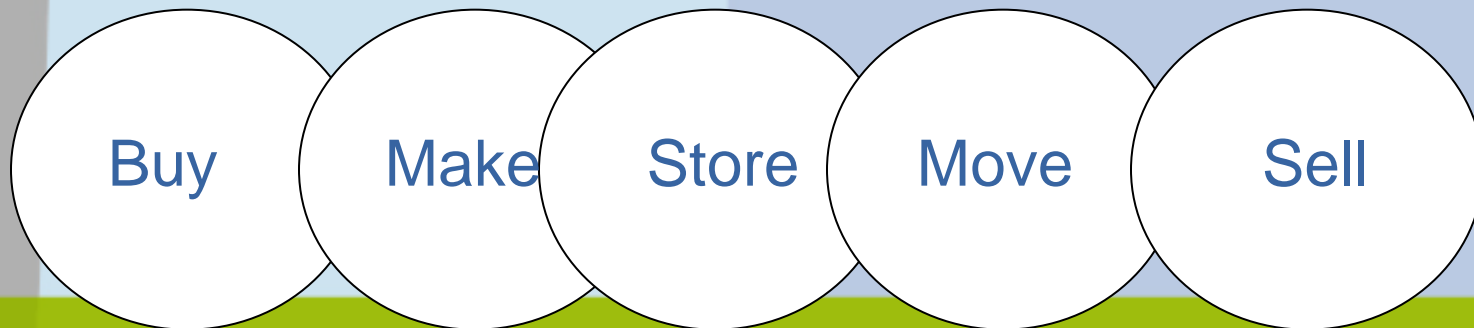


Information and Materials

Fundamental 3 - Management of the Flows

Supply chain management integrates these functions by holistically managing the information, material and financial flows.

Information and Money



Information and Materials

Fundamental 4 - Relationships

- ☞ **Re-assessment of internal and external customer/supplier relationships.**
- ☞ **SCM is not a “zero-sum game” based on adversarial relationships**
- ☞ **SCM is a “win-win” game based on partnership relationships?**

Summary

Fundamental	Indicative Descriptor
1 Objectives	Customer Service/Supply Chain Investment and costs
2. Philosophy	Supply Chain vs. Supply Chain (i.e. <u>not</u> Company vs. Company) – the chain is only As strong as it's weakest link
3. Manage the Flows	Integrated management of the material, money and information flows throughout the chain
4. Relationships	Re-appraisal of internal and external customer/ supplier relationships

Implications for Logistics Service Providers - 3PLs?

- **Origins emanate from freight forwarders, warehousing companies, haulage companies.**
- **Originally in the 1980s, these organisations offered transport and warehousing.**
- **“Third party logistics are activities carried out by a logistics service provider on behalf of a shipper consisting of at least warehouse and transport activities”.**

Implications for Logistics Service Providers - 4PLs?

- 3PL services had progressed as far as they could possibly go.
- Further improvements would require a more holistic approach of the entire supply chain.
- 4PL is an information owning entity, that might not own specific resources, capabilities or technology itself.
- “An integrator that assembles the resources, capabilities and technology of its own organisation and other organisations to design, build and run comprehensive supply chain solutions”.

Some Future Trends

- **More 4PLs**
- **More alliances and partnerships**
- **Virtual supply chains**
- **Globalisation of supply chains**
- **IT as an enabler**
- **Leading to 2nd Generation SCM**



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