



## NEWS RELEASE

News Release No. 2011/2/E

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### Supply Chain Management as a holistic process

**Biberist, May 2011**— There are countless definitions for the relatively young discipline of supply chain management (SCM). In Switzerland, it is the definition offered by the logistics association GS1 Schweiz that has established itself as the predominant one, which defines SCM as a management concept that aims to establish and maintain relationships and cooperation between the parties and organizations involved in the value-creating system.

#### Definition of SCM in a state of flux

This definition is based on feedback from practitioners, educational institutes and universities from both within and outside the country, as well as from the council of logistics management (CLM). It goes beyond the boundaries of the own company, and involves and connects all firms that are part of the creation of a product or service.

The current definition of SCM is in a state of flux. In the past the focus was mainly on optimizing internal processes, with the involvement of suppliers and customers. In the future, this focus will be extended to the maximum productivity of the supply chain. It will no longer be the logistical costs alone that are important, but the total profitability of a product and its margin of profit.

At the same time, cooperation with suppliers and customers in sales, marketing and finance should be maximized. What does this mean exactly? For example, thus far logisticians or supply chain managers have made a lot of effort to reduce the storage of stock-keeping units (SKUs) and reduce transport costs, but the maximum productivity of the supply chain does not stop at the ramp of the recipient, but rather there where the goods are actually required. The recognition of the cost of the last mile, also called “the landed costs”, leads to some surprises.

#### Cost of the last mile

For example Baxter, a supplier and manufacturer of medical equipment and pharmaceutical products, noted during an analysis of the supply chain that the cost to move a product to the hospital ramp stood at USD1, and increased between there and the hospital bed to as much as USD 7.

Larger companies have recently started to calculate the cost of their products based on the total cost of ownership (TCO) including the landed cost in the supply chain. Through these kinds of calculations it has been shown that procurement markets should be newly defined. Suddenly shopping in Europe is cheaper than in China.

Article first published in the international transport journal 17-18 2011. Example Baxter from CSCMP Quarter 4/2010

About **GSL** Global Shipping and Logistics Consulting:

**GSL** Global Shipping and Logistics Consulting is a consulting company specializing in **Logistics and Supply Chain Assessment and Optimization.**