

Understanding Supply Chain Management as an Integrated Process

Supply Chain Management, is a relatively young discipline and as such, has been defined in innumerable different ways.

In Switzerland, GSL's definition prevails to a greater or lesser extent. According to this definition Supply Chain Management is an (Management) approach to designing and maintaining the relations and cooperative efforts of the companies and organizations participating in the process of value creation and value addition.

This definition is based on a large amount of feedback from professional practitioners, educational institutions and universities and the Council of Logistics Management (CLM). It goes beyond the company itself, and connects all the companies involved in the process of creation of value in the product or service.

Present-day Supply Chain Management is in a state of flux. In the past, the focus was mainly on optimization of the internal processes with the involvement of suppliers and customers. In the future, this focus will be expanded to cover maximum productivity of the supply chain.

It is no longer the logistics costs alone that are in the foreground, but rather the entire profitability of a product and its margins. At the same time, the cooperation with suppliers and customers should be maximised in the fields of sales, marketing and finance.



What does this mean in concrete terms? For example, until today, a Logistics or Supply Chain Manager had to put in great effort to reduce the number of inventory units (stock-keeping units - SKUs) kept in storage, and to lower transport costs. The maximum productivity of the supply chain does not end at the delivery ramp of the recipient, but rather only where the product is effectively needed.

The recognition of the "Costs of the Last Metre" up to the point of destination, also called "landed cost" can lead to some surprising conclusions. For example, Baxter, a supplier and manufacturer of medical and pharmaceutical products, in an analysis of the Supply Chain, found that the cost of a product up to the hospital's delivery ramp is around US\$ 1, but then suddenly jumps up to US\$ 7 by the time it reaches the hospital bed.

In recent times, increasing numbers of larger companies have started subjecting their products to a recalculation on the basis of the "Total Cost of Ownership (TCO)" including the landed cost along the Supply Chain. In doing so, it has shown that procurement markets need to be redefined in part, so as not to be seen as a rare happening that the purchasing is suddenly cheaper than in China.

Only those who understand the supply chain as an integrated process can contribute to maximum productivity and cost savings.

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