

Review Session - 10.8.2012

Format

- 50 Multiple choice or True/False
- Even distribution across the chapters covered this term
- One question from A&F and one from Sustainability - no other speakers
- No math
- No formulas

Review

- **Overview of Logistics**
 - **Definition of logistics**
 - Logistics management is that part of Supply Chain Management that plans, implements, and controls the efficient, effective forward and reverse flow and storage of goods services and related information between the point of origin and the point of consumption in order to meet customers' requirements.
 - **Reasons for increased interest**
 - Reduction in Economic Regulation
 - Changes in Consumer Behavior
 - Increasing Competitive Pressures
 - Shift in Channel Power
 - Globalization
 - Development of IT Systems & the increasing importance of information
 - Increase Product Proliferation
 - Increase Number of Delivery Points
 - **Time and Place utility**
 - Time (When) - having products available when they are needed by customers
 - Place (Where) - Having products available where they are needed by customers' products are moved from points of lesser value to points of greater value
 - **Cost categories**
 - Inventory carrying cost
 - 23%
 - Transportation
 - 63%
 - Warehousing
 - 9%
 - Shipper related costs
 - 1%
 - Logistics administration
 - 4%
 - **Total cost concept**
 - View the sum of logistics operations as a system and seek to minimize the total cost of the system rather than the individual functions
 - Look how costs interact
 - All costs are interrelated and affect each other.
- **Supply Chain Management**
 - **GSCF definition**
 - Supply Chain Management: the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders.
 - **CRM and SRM critical linkage**
 - Form the Links in the Supply Chain
 - Customer Service management
 - Demand Management
 - Order Fulfillment
 - Manufacturing Flow Management
 - Product Development and Commercialization
 - Returns Management.
 - **Relationship management**
 - **Customer Relationship Management Process**
 - Customer relationships are managed by customer teams which negotiate mutually beneficial product/service agreements with large, strategically significant customers.
 - Customer teams develop and implement customer partnering programs
 - Product/service agreements are established
 - Key performance evaluation criteria (both company performance and customer account profitability) are used to measure results/
 - **Supplier Relationship Management Process**
 - Relationships with major suppliers are corporately managed as partnerships
 - Product/service agreements are developed and managed with key suppliers and segments of non-key suppliers
 - Teams work with suppliers to reduce costs and improve service
 - Goal is to improve the profitability of both the focus firm and the suppliers
 - Purchase order transactions are integrated with the supply process to improve productivity and all areas of supplier performance
 - **Key processes**
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- **Internal and external motivations**
 - About processes and it's a bigger concept that logistics is a small part of
 - **Cross functional teams**
 - Internal
 - Realization that systems concept applies to multiple-organization channels (as well as within the firm)
 - Movement toward partnering with "choice" suppliers and customers
 - This is the way business will dominantly be conducted in the future
 - External
 - Changing consumers
 - Technology
 - Criticality of speed and time
 - Emphasis on asset productivity & inventory reduction/turnover
 - Customer satisfaction is only the beginning
- **Procurement**
 - **Why partner?**
 - Tailored business relationship based on mutual trust, openness, shared risk and shared rewards that results in business performance greater than would be achieved by two firms working together in the absence of partnership
 - Gain advantages of vertical integration while still maintaining organizational independence
 - Take advantage of "best in class" expertise
 - Achieve service improvement
 - Gain operational efficiencies
 - Respond to competition
 - **Drivers, facilitators, components and outcomes**
 - Drivers
 - Compelling reasons to partner
 - Facilitators
 - Supportive environmental factors that enhance partnership growth
 - Components
 - Joint activities and processes that build and sustain the partnership
 - Outcomes
 - The extent to which performance meets expectations
 - **Uses of the model**
 - Not used as a selection tool
 - Evaluate a potential new partnership
 - Analyze a portfolio of relationship
 - Diagnose relationship
 - Increase specific performance aspects of relationship
 - Structured approach to relationship management
 - Used to figure out how the relationship should function
 - **Lessons learned**
 - Be willing to look at things differently
 - Most companies have a lot more in common than they think
 - Visibility is key to building trust
 - Mistakes happen, the problem is not learning from them
 - A well-structured plan that is closely monitored is key for ensuring results.
- **Customer Service**
 - Output of the logistics function and is the place component of the marketing mix
 - **Importance of logistics customer service**
 - While the other components may attract one-time buyers, customer service is crucial for a company to keep customers
 - Can be utilized as an important competitive weapon to secure customers
 - **Pre-Transactional Elements**
 - Establish a written customer service policy
 - Should be based on the customer's perspective
 - Define the service standard and how they will be measure, how frequently they will be measured, and who they should be reported to
 - Communicate/give the policy statement to customers
 - Critical to properly align expectations
 - Formally establish the policy
 - Critical for the firm to set believable performance standards and penalties for not meeting such standards
 - Absolutely essential to honor the penalties in order to establish credibility
 - **Transactional Elements**
 - Stockout Level
 - Order Information
 - Elements of the order cycle
 - Expedited shipments and transshipments
 - System accuracy
 - Order convenience
 - Substitution
 - **Post-Transactional Elements**
 - Installation, Warranty, Alterations, & Repairs

- After sales support
 - Product Tracing
 - Absolutely crucial for industries like food (find contaminated products)
 - Customer Claims, Complaints, and returns
 - Have policies that are used
 - Temporary Product Replacement
 - Replacement when under warranty equipment breaks
 - **ABC analysis**
 - Some customers and products are more profitable than others
 - A company should maintain higher levels of customer service for the most profitable customer and product combos
 - Profitability should be measured on a contribution basis and consider trends and potential growth
 - **Impediments to an effective customer service strategy**
 - Failing to segment markets in terms of service offered
 - Misuse of customer service by salespeople
 - Failing to measure the cost effectiveness of service levels
 - Inability to determine competitive service levels
 - Inadequate customer service research
 - **Perfect Order**
 - No fault performance from the time of order receipt through customer delivery
 - Defined differently by different customers
 - Requirements
 - Quality throughout process
 - Clear communications within firm and with customer
 - Willingness to stand behind the promise
 - OTIFEP
 - ON TIME
 - IN FULL
 - ERROR FREE
- **Inventory Management**
 - **Reasons to hold inventory**
 - Maintaining Customer Service Requirements
 - Leverage Economies of Scale for Production
 - Take Advantage of Purchase Discounts
 - Take Advantage of Transportation Discounts
 - Act as a buffer for Demand variability and lead time variability
 - Hedge against Risk
 - **EOQ**
 - $EOQ = \sqrt{2PD : CV}$
 - How do I order
 - What amount do I order
 - **Sources of uncertainty**
 - **Demand**
 - Consumers may want more or less randomly
 - **Execution**
 - Delivery may be off
 - **Donut example**
 - **Fixed order point, fixed order quantity model vs. Fixed order interval**
 - **Fixed Order Point, Fixed Order Quantity Model**
 - Inventory level to order EOQ
 - Interval of order varies but not quantity
 - Requires constant inventory monitoring
 - Safety stock for lead time only
 - **Fixed Order Interval Model**
 - Determine a fixed order cycle
 - Depending on demand quantity varies but not interval
 - Requires forecasting
 - Requires reliable demand forecasts
 - Safety stock needs to protect order lead time, plus entire next order interval
 - **Reasons for forecasting**
 - Increase customer satisfaction
 - Scheduling production more efficiently
 - Lowering safety stock requirements
 - Reducing product obsolescence costs
 - Improving pricing and promotion management
 - Negotiating superior terms with suppliers
 - Making more informed pricing decision
 - Reducing stockouts
 - Managing shipping better
 - Could be wrong
 - **Drivers of inventory growth**
 - Customer pressure for service
 - SKU proliferation