Chapter 13

**Supply Chain:**

A company’s supply chain includes all of the companies involved in all of the upstream and downstream flows of products, services, finances, and information, from initial suppliers (the point of origin) to the ultimate customer (the point of consumption).

**Supply Chain Management**: A management system that coordinates and integrates all of the activities performed by supply chain members into a seamless process, from the source to the point of consumption, resulting in enhanced customer and economic value

**Benefits of Effective Supply Chain Management**

* + Lower inventory, transportation, warehousing, and packaging costs
  + Greater supply chain flexibility
  + Improved customer service
  + Higher revenues
  + Increased performance and profitability

**Key Processes of Supply** **Chain Management**

**There are eight critical business processes on which supply chain managers must focus:**

1. Customer relationship management
2. Customer service management
3. Demand management
4. Order fulfillment
5. Manufacturing flow management
6. Supplier relationship management
7. Product development and commercialization
8. Returns management

**Marketing Channel :** A set of interdependent organizations that eases the transfer of ownership as products move from producer to business user or consumer.

**Channel Members:** Negotiate with one another, buy and sell products, and facilitate the change of ownership between buyer and seller in the course of moving the product from the manufacturer into the hands of the final consumer.

**\_Functions and Activities Channel Intermediaries:**

**Merchant Wholesaler:** An institution that buys goods from manufacturers, takes title to goods, stores them, and resells and ships them.

**Agents and Brokers:** Wholesaling intermediaries who facilitate the sale of a product by representing channel members.

**Retailers:** are firms in the channel that sell directly to customers

**\*Channel Functions Performed by Intermediaries:**

**1- Transactional Functions:**

* Contacting/Promotion
* Negotiating
* Risk Taking

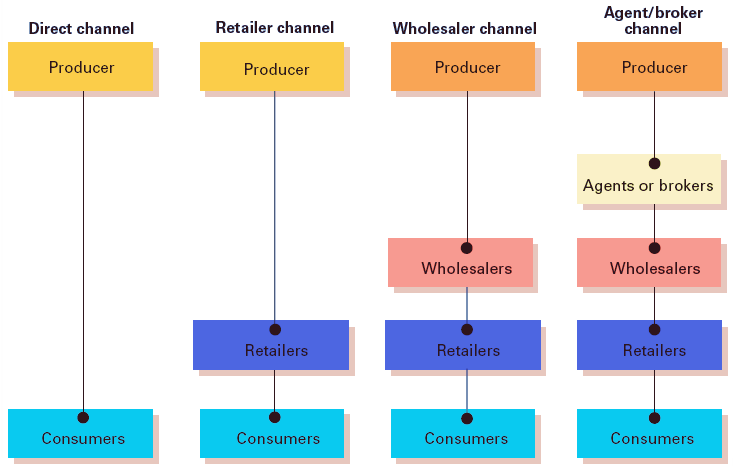
**2- Logistical Functions:**

* Physically distributing
* Storing
* Sorting

**3- Facilitating Functions:**

* Researching
* Financing

**Channel Structures:**

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**Alternative Channel Arrangements:**

1. **Dual channels:** Two or more channels selected is called dual or multiple distribution. Dual distribution systems differ from single channel systems, and managers should recognize those differences.
2. **Nontraditional channels:** Nontraditional channels, including the Internet and mail-order channels, help differentiate a firm’s product from the competition.
3. **Strategic channel alliances:** Producers use another manufacturer’s already-established channel.

**-In some countries they consider gray marketing channels, reverse channels, and drop and shop as well.**

**1-Gray marketing channels: secondary channels that are unintended to be use by the producer, and which often flow illegally obtained or counterfeit product toward customers.**

**2- Reverse channel: channels that enable customers to return products or components for reuse or remanufacturing.**

**3- Drop and shop: a system used by several retailers that allow customers to bring used products for return or donation at the entrance of the store.**

**\_ Digital Channels:**

**Digital channels** are pathways for moving product and information toward customers such that they can be sent and/or received with electronic devices.

**M-commerce:** the ability to conduct commerce using a mobile devices for the purpose of buying or selling goods or services

**Factors Affecting Channel Choice:**

1. **Market Factors**

* Customer profiles
* Consumer or Industrial Customer
* Size of market
* Geographic location

1. **Product Factors**

* Product Complexity
* Product Price
* Product Standardization
* Product Life Cycle
* Product Delicacy

1. **Producer Factors**

* Producer Resources
* Number of Product Lines
* Desire for Channel Control

**-Levels of Distribution Intensity:**

|  |  |  |
| --- | --- | --- |
| Intensity  Level | Objective | Number of  Intermediaries |
| Intensive | -Achieve mass market selling.  -Convenience goods. | Many |
| Selective | -Work with selected  intermediaries.  -Shopping and some  specialty goods. | Several |
| Exclusive | - Work with single intermediary.  - Specialty goods and industrial equipment. | One |