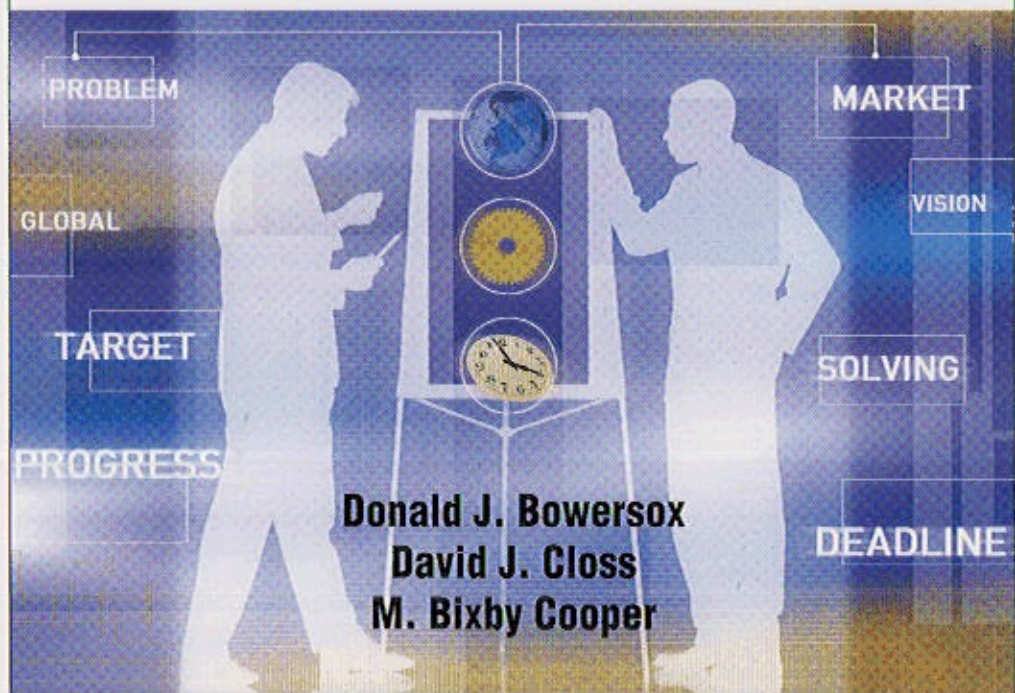


Supply Chain Logistics Management

Second Edition



McGraw-Hill International Edition



Contents

About the Authors vi

Preface vii

PART ONE

SUPPLY CHAIN LOGISTICS MANAGEMENT 1

Chapter 1

21st-Century Supply Chains 2

The Supply Chain Revolution 4

Generalized Supply Chain Model 5

Integrative Management 7

Collaboration 7

Enterprise Extension 8

Integrated Service Providers 9

Responsiveness 10

Anticipatory Business Model 11

Responsive Business Model 11

Postponement 12

Barriers to Implementing Responsive Systems 14

Financial Sophistication 15

Cash-to-Cash Conversion 15

Dwell Time Minimization 16

Cash Spin 16

Globalization 17

Digital Business Transformation 18

Summary 19

Challenge Questions 20

Chapter 2

Logistics 21

The Logistics of Business Is Big and Important 22

The Logistical Value Proposition 23

Service Benefits 23

Cost Minimization 25

Logistics Value Generation 25

The Work of Logistics 26

Order Processing 26

Inventory 27

Transportation 28

Warehousing, Materials Handling, and Packaging 29

Facility Network Design 30

Logistical Operations 30

Inventory Flow 31

Information Flow 32

Logistical Operating Arrangements 33

Echelon 33

Direct 34

Combined 34

Flexible Structure 36

Supply Chain Synchronization 38

Performance Cycle Structure 38

Performance Cycle Uncertainty 41

Summary 42

Challenge Questions 43

Chapter 3

Customer Accommodation 44

Customer-Focused Marketing 45

Transactional versus Relationship Marketing 46

Supply Chain Service Outputs 47

Customer Service 49

Availability 50

Operational Performance 51

Service Reliability 52

The Perfect Order 53

Basic Service Platforms 54

Customer Satisfaction 54

Customer Expectations 55

A Model of Customer Satisfaction 55

Increasing Customer Expectations 58

Limitations of Customer Satisfaction 59

Customer Success 60

Achieving Customer Success 61

Value-Added Services 62

Forecasting 62

Forecasting Requirements 63

Forecasting Components 64

Forecasting Process 66

Forecasting Techniques 68

Forecasting Accuracy 72

Collaborative Planning, Forecasting, and
Replenishment 74

Customer Relationship Management 75

Summary 76

Challenge Questions 77

Chapter 4**Procurement and Manufacturing 78**

The Quality Imperative 79

Dimensions of Product Quality 79*Total Quality Management* 80*Quality Standards* 81

Procurement 81

Procurement Perspectives 82*Procurement Strategies* 84*Purchase Requirement Segmentation* 87*E-Commerce and Procurement* 88

Manufacturing 89

Manufacturing Perspectives 89*Manufacturing Strategies* 93*Total Cost of Manufacturing* 94

Logistical Interfaces 95

Just-in-Time 95*Requirements Planning* 96*Design for Logistics* 96

Summary 97

Challenge Questions 97

Chapter 5**Information Technology Framework 98**

Information System Functionality 99

Comprehensive Information System Integration 101

ERP or Legacy Systems 101*Communication Systems* 103*Execution Systems* 103*Planning Systems* 103

Communication Technology 104

Bar Code and Scanning 104*Global Data Synchronization* 105*Internet* 109*Extensible Markup Language* 111*Satellite* 112*Image Processing* 112

Rationale for ERP Implementation 113

Consistency 113*Economies of Scale* 114*Integration* 115

ERP System Design 115

Supply Chain Information System

Design 117

Planning/Coordination 118*Operations* 122*Inventory Deployment and Management* 125

Summary 126

Challenge Questions 127

PART TWO**SUPPLY CHAIN LOGISTICS
OPERATIONS 129****Chapter 6****Inventory 130**

Inventory Functionality and Definitions 131

Inventory Functionality 131*Inventory Definitions* 133

Inventory Carrying Cost 135

Capital 136*Taxes* 136*Insurance* 136*Obsolescence* 136*Storage* 136

Planning Inventory 137

When to Order 137*How Much to Order* 138

Managing Uncertainty 142

Demand Uncertainty 142*Performance Cycle Uncertainty* 146*Safety Stock with Combined Uncertainty* 147*Estimating Fill Rate* 149*Dependent Demand Replenishment* 151

Inventory Management Policies 152

Inventory Control 152*Reactive Methods* 154*Planning Methods* 156*Collaborative Inventory Replenishment* 160

Inventory Management Practices 162

Product/Market Classification 162*Segment Strategy Definition* 163*Policies and Parameters* 164

Summary 164

Challenge Questions 165

Chapter 7**Transportation Infrastructure 166**Transport Functionality, Principles, and
Participants 167*Transport Functionality* 167*Transport Principles* 168*Transport Participants* 168

Transportation Regulation 170

Types of Regulation 171*History of Regulation* 172

Transportation Structure 177

Rail 178*Truck* 179

<i>Water</i>	181
<i>Pipeline</i>	182
<i>Air</i>	182
<i>Modal Classification</i>	183
Transportation Service	184
<i>Traditional Carriers</i>	184
<i>Package Service</i>	184
<i>Intermodal Transportation</i>	186
<i>Nonoperating Intermediaries</i>	189
Summary	190
Challenge Questions	190

Chapter 8

Transportation Operations 191

Transportation Economics and Pricing	192
<i>Economic Drivers</i>	192
<i>Costing</i>	194
<i>Carrier Pricing Strategy</i>	195
<i>Rates and Rating</i>	196
Transport Administration	202
<i>Operational Management</i>	202
<i>Consolidation</i>	204
<i>Negotiation</i>	206
<i>Control</i>	206
<i>Auditing and Claim Administration</i>	207
<i>Logistical Integration</i>	208
Documentation	208
<i>Bill of Lading</i>	208
<i>Freight Bill</i>	210
<i>Shipment Manifest</i>	210
Summary	210
Challenge Questions	210

Chapter 9

Warehousing 212

Strategic Warehousing	213
<i>Economic Benefits</i>	214
<i>Service Benefits</i>	218
Warehouse Operations	219
<i>Handling</i>	220
<i>Storage</i>	221
Warehouse Ownership Arrangements	223
<i>Private</i>	223
<i>Public</i>	224
<i>Contract</i>	224
<i>Network Deployment</i>	225
Warehouse Decisions	225
<i>Site Selection</i>	225
<i>Design</i>	226
<i>Product-Mix Analysis</i>	227

<i>Expansion</i>	227
<i>Materials Handling</i>	227
<i>Layout</i>	227
<i>Sizing</i>	229
<i>Warehouse Management Systems</i>	229
<i>Accuracy and Audits</i>	232
<i>Security</i>	232
<i>Safety and Maintenance</i>	233
Summary	234
Challenge Questions	234

Chapter 10

Packaging and Materials Handling 235

Packaging Perspectives	235
Packaging for Materials Handling Efficiency	238
<i>Package Design</i>	238
<i>Unitization</i>	239
<i>Communication</i>	241
Materials Handling	242
<i>Basic Handling Considerations</i>	242
<i>Mechanized Systems</i>	243
<i>Semiautomated Systems</i>	244
<i>Automated Systems</i>	245
<i>Information-Directed Systems</i>	249
<i>Special Handling Considerations</i>	250
Summary	251
Challenge Questions	252

Chapter 11

Operational Integration 253

Why Integration Creates Value	254
Systems Concept and Analysis	254
Logistical Integration Objectives	256
<i>Responsiveness</i>	256
<i>Variance Reduction</i>	256
<i>Inventory Reduction</i>	256
<i>Shipment Consolidation</i>	256
<i>Quality</i>	257
<i>Life Cycle Support</i>	257
Enterprise Integration	257
<i>Internal Integration Barriers</i>	258
<i>The Great Divide</i>	259
<i>How Much Integration Is Enough?</i>	260
Supply Chain Processes	260
<i>Supply Chain Visibility</i>	261
<i>Simultaneous Resource Consideration</i>	262
<i>Resource Utilization</i>	262
Sales and Operations Planning (S&OP)	263
<i>Supply Chain Planning Applications</i>	265
<i>APS System Overview</i>	267

Supply Chain Planning	
Considerations	271
Pricing	272
<i>Pricing Fundamentals</i>	272
<i>Pricing Issues</i>	275
<i>Menu Pricing</i>	277
Summary	278
Challenge Questions	279

PART THREE

SUPPLY CHAIN LOGISTICS DESIGN 281

Chapter 12

Global Strategic Positioning 282

Global Supply Chain Integration	282
<i>Logistics in a Global Economy</i>	283
<i>Stages of International Development</i>	284
<i>Managing the Global Supply Chain</i>	286
Supply Chain Security	290
International Sourcing	293
<i>Rationale for Low-Cost-Country Sourcing</i>	293
<i>Challenges for Low-Cost-Country Sourcing</i>	294
<i>Guidelines for Sourcing</i>	294
Summary	295
Challenge Questions	296

Chapter 13

Network Integration 297

Enterprise Facility Network	298
<i>Spectrum of Location Decisions</i>	299
<i>Local Presence: An Obsolete Paradigm</i>	299
Warehouse Requirements	300
<i>Procurement Drivers</i>	300
<i>Manufacturing Drivers</i>	301
<i>Customer Accommodation Drivers</i>	301
<i>Warehouse Justification</i>	302
Total Cost Integration	303
<i>Transportation Economics</i>	303
<i>Inventory Economics</i>	305
<i>Total Cost Network</i>	310
Formulating Logistical Strategy	313
<i>Cost Minimization</i>	313
<i>Threshold Service</i>	313
<i>Service Sensitivity Analysis</i>	315
<i>Finalizing Strategy</i>	317
Summary	318
Challenge Questions	319

Chapter 14

Logistics Design and Operational Planning 320

Planning Methodology	320
Phase I: Problem Definition and Planning	321
<i>Feasibility Assessment</i>	321
<i>Project Planning</i>	327
Phase II: Data Collection and Analysis	329
<i>Assumptions and Data Collection</i>	329
<i>Analysis</i>	332
Phase III: Recommendations and Implementation	334
<i>Recommendations</i>	334
<i>Implementation</i>	335
Supply Chain Analysis Methods and Techniques	335
<i>Design Decisions</i>	336
<i>Design Logic</i>	337
<i>Inventory Decisions</i>	343
<i>Transportation Decisions</i>	345
<i>Freight Lane Analysis</i>	348
<i>Inventory Analysis</i>	349
Summary	349
Challenge Questions	351

PART FOUR

ADMINISTRATION 353

Chapter 15

Relationship Development and Management 354

Development and Management of Internal Logistics Relationships	354
<i>Functional Aggregation</i>	355
<i>A Shift in Emphasis from Function to Process</i>	357
<i>Virtuality and Organization Transparency</i>	360
<i>Leading Organization Change</i>	361
Development and Management of Supply Chain Relationships	362
<i>Risk, Power, and Leadership</i>	363
<i>The Range of Extended Supply Chain Relationships</i>	364
<i>Supply Chain Integrative Framework</i>	366
<i>Developing Trust</i>	372
Summary	374
Challenge Questions	375

Chapter 16
Operational, Financial, and Social
Performance 376

Measurement System Objectives 376

Operational Assessment 377

Functional Perspectives 377

Measuring Customer Accommodation 382

Supply Chain Comprehensive Metrics 383

Benchmarking 385

Financial Assessment 386

Cost-Revenue Analysis 386

Strategic Profit Model 390

Social Issues in Logistics Performance

Measurement 393

Requirements for Internal Control 394

Supply Chain Security 394

Summary 396

Challenge Questions 396

Epilogue 397

Index 399