## 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
PART THREE
SUPPLY CHAIN LOGISTICS DESIGN 281

Chapter 12
Global Strategic Positioning 282

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

Chapter 13
Network Integration 297

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

Chapter 14
Logistics Design and Operational Planning 320

Planning Methodology 320
Phase I: Problem Definition and Planning 321
Feasibility Assessment 321
Project Planning 327
Phase II: Data Collection and Analysis 329
Assumptions and Data Collection 329
Analysis 332
Phase III: Recommendations and Implementation 334
Recommendations 334
Implementation 335
Supply Chain Analysis Methods and Techniques 335
Design Decisions 336
Design Logic 337
Inventory Decisions 343
Transportation Decisions 345
Freight Lane Analysis 348
Inventory Analysis 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
Functional Aggregation 355
A Shift in Emphasis from Function to Process 357
Virtuality and Organization Transparency 360
Leading Organization Change 361
Development and Management of Supply Chain Relationships 362
Risk, Power, and Leadership 363
The Range of Extended Supply Chain Relationships 364
Supply Chain Integrative Framework 366
Developing Trust 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