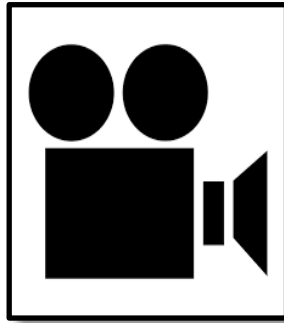


# PowerPoint Guide



The **news icon** is hyperlinked to a related article or website. Simply click to access



The **film icon** is hyperlinked to a related clip. Simply click to access



The **discuss icon** indicates suggested points to discuss



The **writing icon** indicates a written activity or question time

# 3.3 Business operations

## *3.3.2 Logistics/supply chain management*



# Key elements to this topic

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**Logistics**

**Supply chain  
management**

# Logistics

A process which plans, implements and controls the distribution and storage of goods and services from when they are received from the supplier to when they are delivered to the customer.

# Logistics

**Logistics** is often seen as the **transportation** of raw materials and finished goods, but as with procurement it is a process not just a single activity.



# Case study



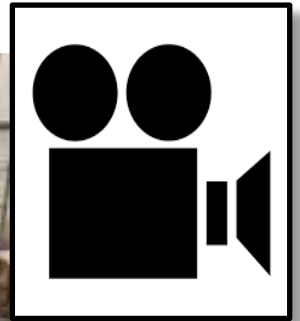
Amazon has invested heavily in technology to improve its logistics.

Amazon believe that this will give it a competitive advantage and ensure the future success of the business.



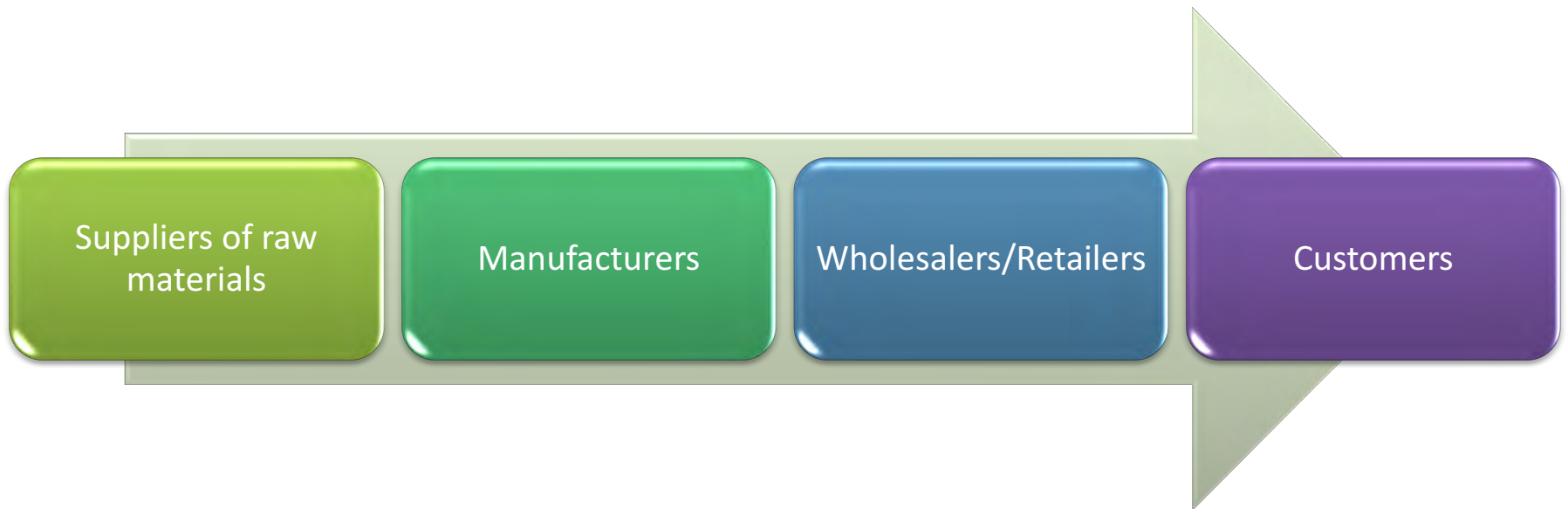
***Do you agree? Give reasons for your answer***

# Watch the Clip



# What is the supply chain?

The network of organisations that get products to customers.



# Supply chain management

Ensures that the **right quantity** of goods are in the **right place** at the right time and these are provided at the **right quality** and at a **price** that represents value for money.

This should create value for the customer and profit for the businesses within the supply chain.

# Just a minute



**You have 60 seconds to list  
the benefits of effective  
supply chain management  
for Amazon**

# Benefits of managing an effective supply chain



**Increased efficiency** e.g. order to despatch times can be reduced

**Lower unit costs;** prices can be negotiated with suppliers to ensure that a business receives value for money

**Competitive advantage** – any cost savings can be passed onto customers in the form of lower prices; alternatively the business can enjoy increased profit margins which could lead to improvements in efficiency in the future e.g. improved customer delivery methods

**Improved flexibility** – members of the supply chain can work together to meet demand to ensure a streamlined process and fast production times 24/7 (when appropriate)

# Effective supply chain management

Getting the best suppliers will result in good value and reliable supplies of the right quality

Lean production or removal of waste can result in a streamlined process which is faster, has lower costs, improved quality and better reliability. In manufacturing businesses, methods such as **total quality management** and **just in time** can help

To be effective, systems need to be reviewed regularly to maximise efficiency

Ensure sales forecasts are accurate to ensure the right quantity of goods and services are available

Co-ordination and communication with suppliers and logistics will ensure goods arrive on time and do not delay production processes

Logistics need to be constantly reviewed, as new transport options become available and different distribution routes are required

# Working with suppliers



# Quick questions for discussion

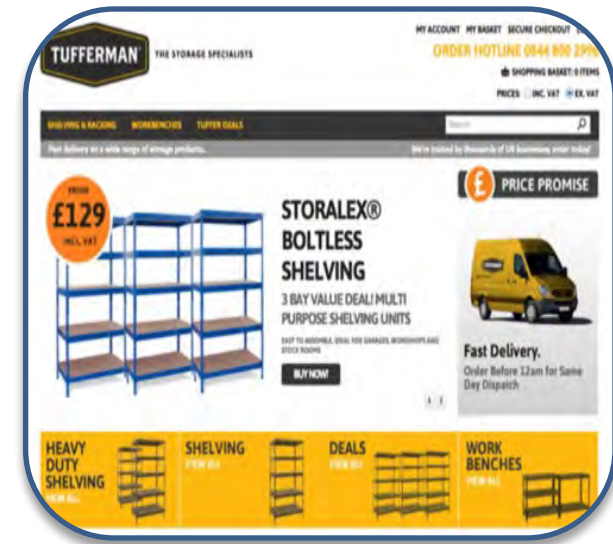


1. What is meant by the term **logistics**?
2. What is a **supply chain**?
3. Give **two** types of supplies for Tesco
4. Explain how successful supply chain management can influence Tesco's
  - a) Costs
  - b) Efficiency

# When things go wrong



Let us consider some examples



Working in groups of 3, study the article, identify the problems each business faced and how each resolved these problems

# When things go wrong



**Problem:** unexpected demand and threat of strike action from usual delivery firm

**Solution:** No alternative, but for staff to deliver the products themselves to avoid stock wastage; now reviewed systems and has own distribution fleet which is used during peak times



**Problem:** new business start-up; failed to plan the level of demand for its products; had not arranged collection of parcels from the business

**Solution:** Had to travel to 10 different post offices to ensure successful distribution of products on the first day; arranged for Royal Mail collection from its offices which started the very next day

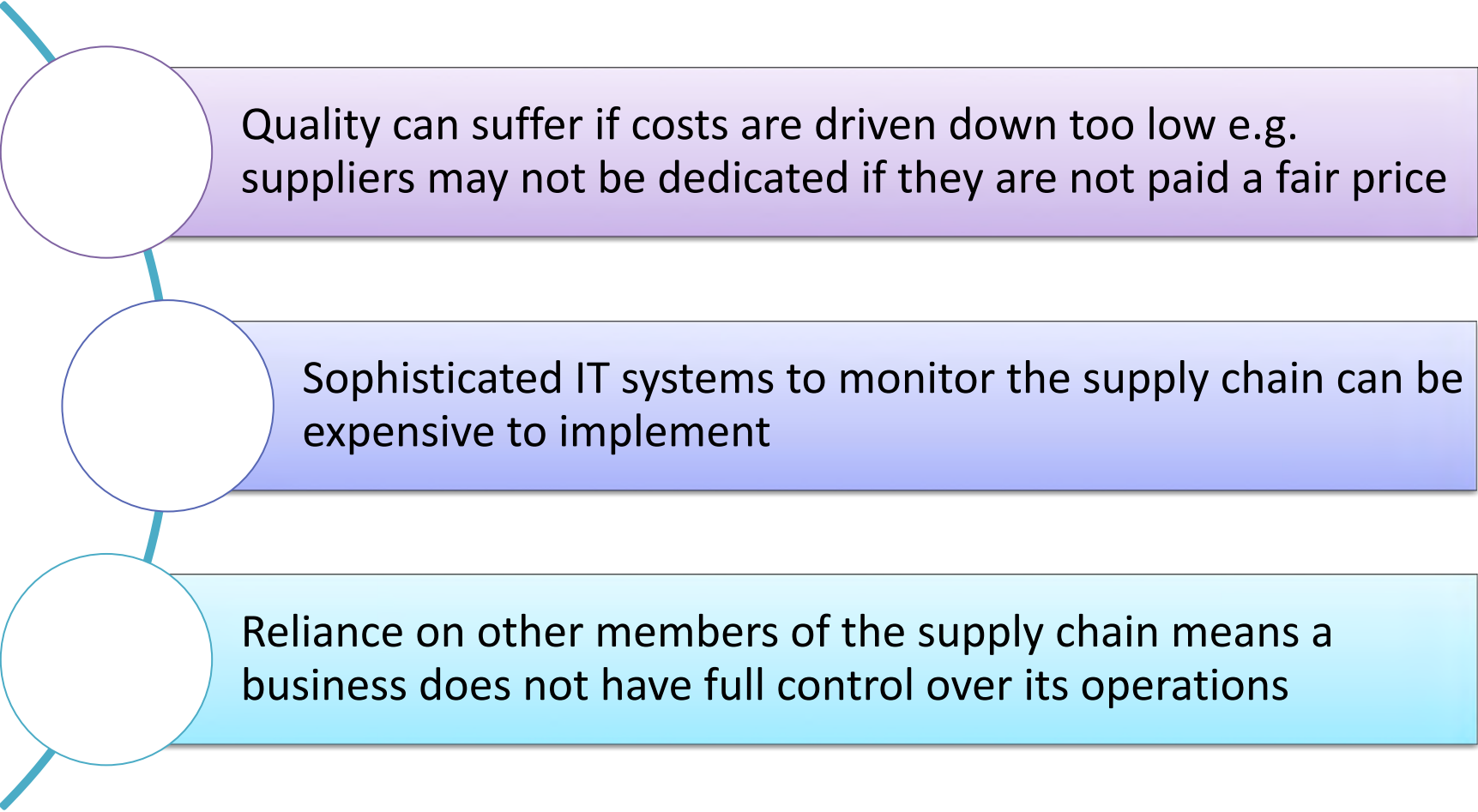


**Problem:** supplier issues meant that business was without the correct stock; when it was delivered there were errors leading to customer complaints; these problems reoccurred with the next supplier

**Solution:** now uses a number of suppliers to spread the risk

**LESSON LEARNT: Planning/checking is the key to preventing mistakes from occurring!**

# Potential problems of supply chain management



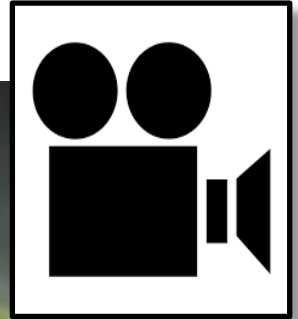
Quality can suffer if costs are driven down too low e.g. suppliers may not be dedicated if they are not paid a fair price

Sophisticated IT systems to monitor the supply chain can be expensive to implement

Reliance on other members of the supply chain means a business does not have full control over its operations

# Supply chains in action

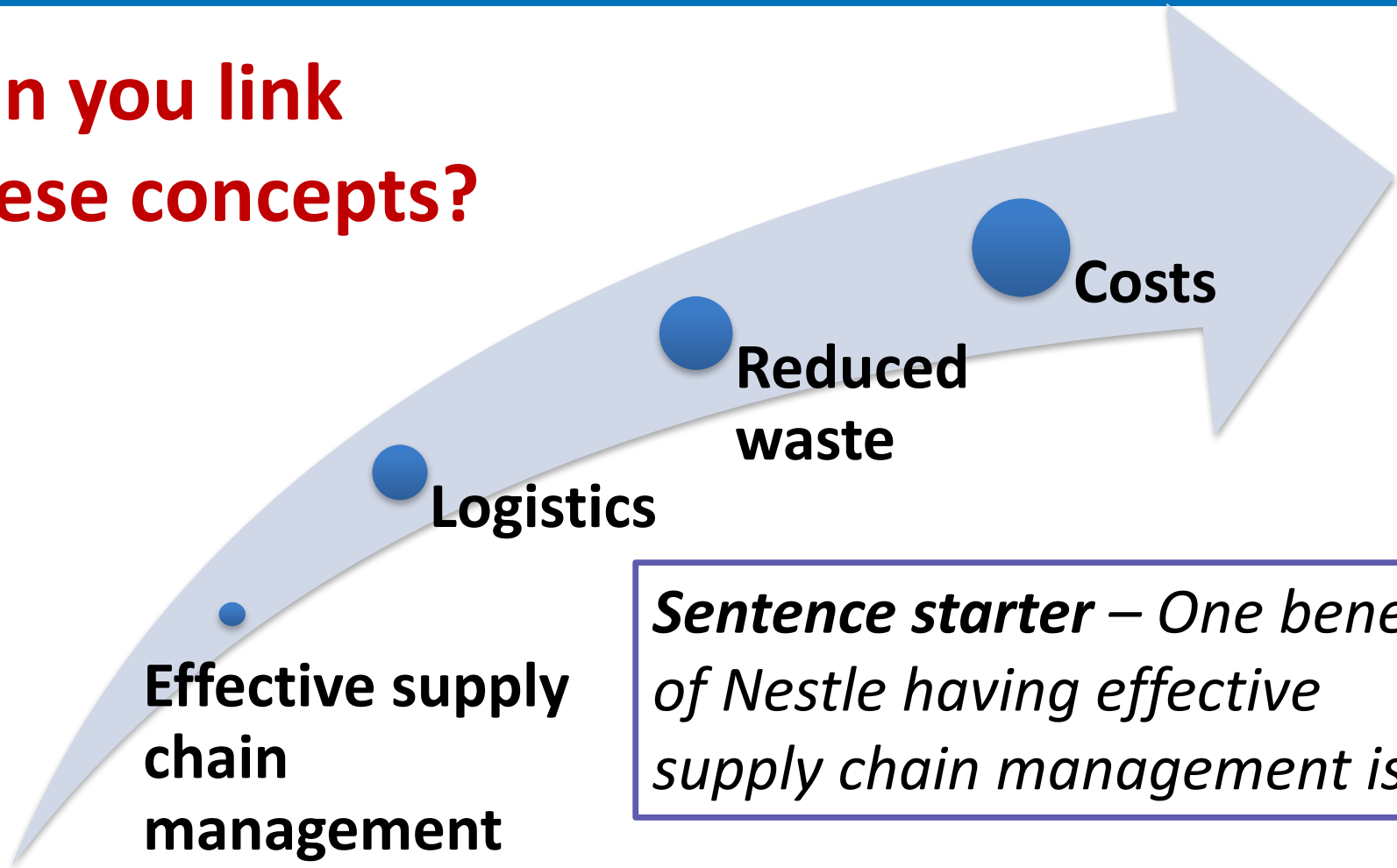
## From cow to Kit Kat





# Concept links

**Can you link  
these concepts?**



*Sentence starter – One benefit of Nestle having effective supply chain management is...*



# Concept links

***Sentence starter - One benefit of Nestle having effective supply chain management is...***

**Effective supply chain management**

**Logistics**

*that journeys are planned which means underfilled lorries do not travel.*

**Reduced waste**

*As a result, fuel is not used on pointless journeys.*

**Costs**

*This will mean Nestle can keep its fuel costs down, which therefore will increase its efficiency.*

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tutor2u 