**Seven Basic Steps of Supply Chain Management**

The success of any business relates to the effective management of operations. Usually, the lack of communication is the primary reason behind on-time delivery problems and stockouts.

Therefore, every successful company needs a centralized system for effective communication known as supply chain management. Following are the stages of SCM:

**1.   Planning**

Every organization needs to manage the resources they have to get the optimal level of benefit from them. The planning process helps to determine the customer demand and the supply sources required for fulfilling the request.

Supply chain managers are required to organize the sources of supply on a timely manner and make them available to start the production to ensure the supply is available. On-time supply is vital to ensure customer confidence.

It is also essential to improve relationships with vendors. In the planning process, multiple departments work together to provide a supplier forecast.

**2.   Procurement & Sourcing**

Some people take procurement and sourcing in the same context, but there is a difference between these terms. Sourcing is one part of the procurement process, and the entire process makes the supply chain management successful.

Procurement is a process to acquire all the material used to complete the product’s production process. It includes everything used in the manufacturing process, from raw material to packing material.

This process starts with forecasting and purchase planning in order to get quotations, price negotiations, order placement, order confirmation, and follow-up until the goods reach the company premises.

After receiving goods, the suppliers receive their payments based on agreed upon payment terms.

Generally, the sourcing process takes place before the procurement department purchases goods. The primary purpose of sourcing is to find reliable and quality suppliers capable of supplying goods as per demand levels. The primary focus of sourcing remains on the balance of quality and affordability of the vendors’ goods.

This process comprises testing the quality of goods, gathering information about suppliers, the time required by suppliers to deliver the goods, minimum quantity to place the order, and the supplier’s capacity and capabilities.

Usually, people argue that the sourcing process is meant to get the goods at the lowest price. But in actuality, it is used to produce a perfect balance between quality and price.

**3.   Production Planning**

Production planning is making the plan to get the maximum output from the available resources.

The primary purpose of production planning is to deliver the product within the time limitations. Also, it helps to keep the quality of the product as per standard process.

Usually, organizations have to manufacture multiple products on the same plant and supply various customers. Therefore, it is essential to prioritize production as per the time limit and capacity of production.

Adequate resource allocation for every production line is vital to ensure quality standards. In production planning, sales and production departments collaborate by keeping in view the past data and expected sales volume based on forecasts.

**4.   Inventory Management**

Inventory management is the most crucial section of supply chain management and my personal favorite! In this section, we will discuss inventory from raw material and finished goods including Work in Process (WIP)

Managing inventory allows organizations to find the optimal volume of raw materials required to satisfy future orders.

The shortage of raw materials can cause delivery delays, leaving a wrong impression on customers. It is also essential to maintain the optimum level for finished products to handle the expected orders.

Furthermore, effective inventory management helps to avoid the risk of excessive stock levels and overage inventory long-term.

**5.   Warehousing**

The warehouse is where they store goods for different purposes. These goods could be in the shape of raw material, finished product, or semi-finished product.

However, the primary purpose of a warehouse is to reduce transportation cost. For example, every organization needs a warehouse to store its products, and sometimes they need multiple warehouses.

Managing warehouses at different locations reduces the overall costs of delivering products to customers for that area.

Warehouses can keep the goods for a long time to benefit from increased prices. Companies also save the raw material to use in days of shortage.

**6.   Logistics**

Logistics is the procedure of moving items from one place to another. It involves both raw materials and finished products. The logistics department delivers the products to customers as per the schedule and handles the shifting of finished products to warehouses at different locations.

Usually, the logistic department also generates invoices for customers, receive payments, and serves the returning products.

This department works with a fleet of vehicles for shipping purposes. Many large organizations hire logistic service providers to handle this department, especially when there is sensitive handling involvement. They are known as 3PL (third party logistics providers).

**Conclusion**

Successfully implementing the supply chain management system takes time and efforts. But once you succeed in implementation, it will surely provide a huge benefit to the company by improving profits.

**COMPONENTS OF SUPPLY CHAIN MANAGEMENT**

One common and effective model is the Supply Chain Operations Reference (SCOR) model, developed by the Supply Chain Council to establish best practices for addressing, improving, and communicating requirements effectively. The SCOR is broken into six components. Each includes a set of processes that contribute to production.

**Planning**

Planning starts with nailing down the details of your operation strategy. First is deciding where you’ll set up shop to make your product – either domestically or internationally – and whether you make the entire product yourself or purchase some components elsewhere. There are benefits and challenges with either so this should be done strategically.

Next, decide how you will produce and store your product. Will you make them in advance and store them to await order? Or, will you make them once the customer orders? You could also have a portion of the final product made in advance and complete production upon order, or offer order customization. You can use any combination of these strategies and the method for performance measurement is established before planning begins.

**Sourcing**

The next phase is procuring your raw materials and any components you intend to outsource. This needs to happen at the best possible price, at the right time, in the right quantity. It’s important that all suppliers are thoroughly vetted and all contracts are negotiated to get the best value without sacrificing quality. Delivery scheduling is critical, too.

Assessing supplier performance is a continuous requirement for optimal supply chain management, as well as scheduling payments and ensuring import/export requirements are met.

**Location**

Location is critical for successful supply chain management. A suitable location that is convenient to your resources and materials is ideal.

For example, a carbonated drink company that is set up in a location where water is scarce could hamper the vitality of the business.

**Making**

This is where assembling, testing, and packing activities happen. This stage also includes establishing rules for performance measurement, how you’ll store data, your production facilities, and regulatory compliance.

**Delivery**

Also called logistics, this component encompasses all the steps for processing customer orders, distributing them, and transporting them. Warehousing and inventory, or paying a service provider to manage both, are also included in this stage.

This is also where you factor in trial and warranty periods and invoicing once the final product is delivered.

**Returns**

You’ll need a smooth and easy process for customers to return defective products. This will also include how to handle “end of life” products when the time comes for you to discontinue making, selling, and supporting certain products.

For defective products, this stage includes your company’s established rules for monitoring performance, costs, and inventory for the returned product. This means:

* Identifying the product condition
* Authorizing returns
* Scheduling replacement product shipments
* Providing refunds

**THE INVENTORY MANAGEMENT PROCESS**

The 5 step inventory management process

Before being able to optimise your inventory management process it's important to ensure you have the basic steps covered. Below we've broken down five essential steps required for any inventory management process:

1. **Receive and inspect products**

The first step in the inventory management process includes receiving your order from the supplier. Getting this part right is crucial for the following steps to function as efficiently as possible. The first thing that should be done after the order arrives it to inspect the products. It's important to check that the quantity product code and serial code are all correct. You should also ensure handling conditions such as temperature are accurate for perishables and that all products are in good condition.

**2. Sort and stock products**

After inspecting the products they must be properly stored in the warehouse and inputted into your leave management system. At this stage it is a good idea to be strategic about how products are stored. Warehouse slotting techniques such as organising products based on SKU and product type can be beneficial. It is also important to minimise the distance to bestselling products by storing them where they are most accessible.

**3. Accept customer order**

The next step in the inventory management process involves accepting customer orders. The orders will typically go through a point of sale system (POS) which processes the orders and accepts payments. The POS system will either have a built-in inventory management feature or be integrated with an inventory management software that will enable the order details to be viewed by the warehouse staff.

**4. Fulfil package and ship order**

Once a customer has placed an order the next step is to accurately and expediently fulfil package and ship the order. If the second step in the process was optimised searching for and selecting the products in the warehouse should be relatively straightforward. Some important aspects to consider when packaging the product are the customer experience durability and sustainability. When shipping the product be sure to send the customer a confirmation email with tracking information.

**5. Reorder new stock**

When reordering new stock it is crucial to ensure the timing of new orders and amount of goods are correct. By leveraging the reorder point formula you can minimise the risk of both stockouts and deadstock - two problems that negatively impact your bottom line. Certain inventory management systems automate the process of reordering which saves time and prevents any mistakes from human error.

**Importance of Supply Chain Management**

Supply Chain Management is like the invisible hand that keeps businesses moving smoothly. In daily business operations, it’s the driving force that delivers profits, customer satisfaction, and success. According to a survey, the Global Supply Chain Management market is expected to reach US$45 billion by 2027.

The supply chain plays a critical role in modern business operations, serving as the backbone of industries ranging from retail to manufacturing to healthcare. As the world becomes more interconnected and globalized in all sectors, the importance of a well-functioning supply chain will grow significantly.

From ensuring the timely delivery of products and services to optimizing inventory levels, Supply Chain Management is crucial to driving efficiency and achieving customer satisfaction.

The importance of Supply Chain Management in today’s world is to help businesses to improve the standard of living for customers to get their basic needs meeting quality standards and at lower costs.

Effective Supply Chain Management can deliver businesses a competitive advantage and assess the risks associated with supply chain operations.

1. **Improving Efficiency**

Effective Supply Chain Management can help a business to streamline its operations. It can lead to increased productivity in the supply chain and can result in improved customer satisfaction.

1. **Reducing Costs and Waste**

A well-managed supply chain helps reduce inventory holding costs, logistics costs, or other supply chain operations costs. It can help to minimize waste by optimizing inventory levels and reducing excess and outdated products.

1. **Managing Risks**

An effective supply chain strategy can be beneficial to identify and mitigate risks such as disruptions in daily operations, quality issues, or shortage of goods.

1. **Enhancing Customer Service**

Supply Chain Management can help a business to respond quickly to customer demands and deliver high-quality products and services. It will lead to improved customer satisfaction and loyalty towards the company.

1. **Competitive Advantage**

It provides businesses with a competitive advantage in the marketplace. With an effective supply chain strategy, companies can differentiate themselves from their competitors and gain market value.

1. **Basic life necessities.** Through supply chain management, individuals access necessities such as food and clothing, as well as life-saving medicines and health care products.
2. **Power and light**. People use electrical energy for homes and businesses for light, heat, and air conditioning. The energy supply chain involves the transformation of raw materials into usable energy and uses supply chain management principles to bring energy resources to consumers.
3. **Infrastructure.** Interstate highway systems, railroads, ports, and airports facilitate the exchange of goods between businesses and consumers.
4. **Jobs**. Supply chain management plays a critical role in job creation. Supply chain professionals work in areas such as transportation, warehousing, inventory management, packaging and logistics information.
5. **Improved Relationships**

Fostering synergic and profitable relationships through effective communication is one of the major benefits of an effective SCM. In volatile market conditions, businesses should seamlessly share the information in real-time to build a growth-based environment with suppliers or vendors. Therefore, retaining productive relationships is valuable to control the cost and ensure the long-term sustainability of the business.

1. **Quality Control**

Managing the supply chain efficiently can ensure strict quality control. It tends to monitor the most essential tasks such as timely delivery, the quality of the final product, conducting supplier quality assessments, checking [compliance](https://www.axestrack.com/glossary/compliance/), and so on. Maintaining the quality of a company’s products and services is crucial for providing a delightful customer experience. SCM enables businesses to follow government standards and guidelines for ensuring that quality control problems can be detected and resolved.  **12. Reduced Delays**

A smooth functioning of the supply chain can result in reduced logistical errors and make the distribution process more consistent. SCM provides you with real-time data to minimize delays of goods and services to the customers. Reduced delays are one of the most important benefits of supply chain management processes as businesses should remain agile and resilient. Also, effective coordination and collaboration can optimize the shipping processes.

1. **Embrace Technologies**

New-age technological trends have the ability to enhance the functionality of supply chain management. Managing the overall operations using automation tools can be extremely beneficial to scaling your business. Undoubtedly, implementing the new-age technology can optimize the processes and provide your businesses with a competitive advantage. Technology plays a vital role to strengthen the overall functionality of supply chain management which allows businesses to scale.  **14. Business Agility**

Supply chain management enables businesses to be more resilient and adaptive to opportunities. Nowadays, forward-thinking companies are focused on creating the logistics process efficient by growing with changing market trends and providing enhanced value to customers. Supply chain agility tends to meet actual and unexpected demand changes as it implements new-age technologies like Internet of Things, Big Data,**Artificial Intelligence in Logistics**and so on. Therefore, understanding the importance of supply chain management can enable stronger cash flow and shipping optimization enabled with the right technology.