Title page

Supply chain management

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The central purpose of supply chain is to build synchronization by improving the future predictability of products. By having better knowledge of expected demand the firm can manage capacity and inventory for fulfilling the demand of customers. However, there is need for choosing right technique and tools for the estimation of marketing demand. Firms strategy of marketing and promotions is also inter-connected to supply chain activities. The generation of demand as a result of promotions put pressure on supply management.

Managing supply

Managing supply reflects management of capacity that is adequate for conducting business. Primary goal is to attain stable costs efficient allocation of resources. Supply management is based on following factors;

* Capacity management: It suggests fulfilling needs of the customers by utilizing the resources, labor, capital and raw materials. The firm needs to identify its potential capacity which means current capacity of manufacturing. Effective capacity is also estimated that depicts the capability of producing on demand (Song, Houtum, & Mieghem, 2019).
* Workforce: Supply management is linked to the management of workforce. The firm may need to hire additional workforce when demand increase. This is considered as temporary workforce. The company don’t hire them full-time for saving cost.
* Product flexibility: It is another component that is considered by the intelligent firms for saving loss. Based on changes in customer demand, product can be altered.

Managing inventory is also part of supply chain management which is based on principles of creating high demand. The goal of business is to build more demand for the products so this require predicting customers behaviors (Diabagate, Azmani, & Harzli, 2014).

It is crucial to respond to predictable changes in supply chain by adopting effective approaches. There are two methods used for managing supply related activities.

1. Capacity inventory: This approach is focused on managing assets that include resources, people, infrastructure and physical spaces (Song, Houtum, & Mieghem, 2019). This suggests covering all uncertainties that a firm might experience due to variation in demand. Both direct and indirect inventories are managed in this approach. Some components include procurement cost, stock-out of cost and holding cost.
2. Short-term price discounts: These are used as trade promotions for capturing more customers. When the firm realize that the product has large substitutes and competition is extremely high the most effective strategy is to give discounts. The purpose of short-term discounts is to attain the goal of cost-efficiency. When demand increase discounts are removed.

Inventory/ capacity trade-off

This is a technique used for confirming that inventory and capacity can be changed depending on the forecasts. This is effective for dealing with uncertain situations and variations in supply or demand. If the company has kept low levels of inventory the strategy would be to change capacity according to the seasonal variations. This will assure that the firm has adequate capacity for meeting the needs of customers during peak season.

Implementing sales and operation planning

This is important for managing supply chain activities by coordinating planning process to the executive level. This prevents miscommunication between retailers and suppliers. The purpose is to share complete information for improving efficiency of operations. This process remove ambiguities and assure that the decisions are taken after seeking approval of executives. Second step in this process is to make strategic decisions by considering variability and uncertainties. This suggests not limiting plan to any one idea. The SC leaders must be capable of identifying alternative options due to unexpected changes in demand or supply.

Third step in operation planning is to design Standard Operating Procedures (SOP’s). These are important for understanding the demand drivers and for making employees understand their responsibilities. SOP’s guide procedures for supply chain management that save company from financial loss. Efficient decisions can be implemented even during uncertain events. These standards are useful for assuring that all procedures are carried appropriately. The prominent SOP’s include; creation of order form, identification of reliable suppliers, matching customers needs with stocks and preparing advocacy plan. The performance of the supply chain management will improve. The fourth step is focused on assuring that with changes in demand forecast, modifications can be made in SOP’s.

When to promote

The firm needs to identify the appropriate time period for promoting a product. Off-peak marketing strategy is an effective tool for establishing a relationship with the customers. This require planning about the promotional campaigns before launching the products or until peak season is reached. This allow creation of awareness among customers. They are well-aware about the product, its features and price. Brand is created by captivating and inspiring buyers. The purpose is to build potential customers that secure sales during peak season (Diabagate, Azmani, & Harzli, 2014). Another reason for promoting during off-season is for attaining competitive edge. When competitors are waiting for the right season, the firms having better knowledge of marketing tactics will target customers during off-peak seasons. Starting with the off-peak season the firm can grow database during peak season.

Timing for promotion

Timing plays significant role in promoting a product or service. It is assumed that promotion will create demand that means the firm must base production according to the expected demand. Changes in the expected demand will cause changes in the cost of inventory and even the level of capacity. This depicts the need for conducting accurate demand forecasts. Any level produced below customers demand or above that will cause loss. Increase in demand is the result of growth in market share, stealing shares or forward buying. This indicates the need for analyzing the demand forecast and deciding the expected demand.

Promotion on demand

Demand forecasting pose challenges for the retailers because expected sales depend on it. Analyzing demand is important because it allow firms to adopt cost-effective method for promoting the product. This can be applied for planning the promotional strategy (Song, Houtum, & Mieghem, 2019). This is because a successful promotion will derive sales and impact business positively However the demand forecast must be reliable and conducted via reliable tools or channels. Considering past data on sales can be useful because it exhibits the trends of buyers. This gives advantage to the business by helping in saving cost and time. Forecast accuracy thus improves the scope of promotional campaign or strategies. Excess stock can also be limited for saving cost which again represent the positive implications of demand forecast. By relying on efficient processes and technological tools it is possible to perform reliable forecasts. The analysis depicts that the resulting optimal plan will include demand forecast for identifying the promotional strategy and related aspects such as costs.

Conclusion

Identification of the promotional period is crucial because it impacts the size of inventory. It is assumed that the size of inventory will be large if promotions are conducted during peak season. It is thus cost-effective to do promotions in off-peak. By engaging in the off-peak promotional campaigning the firm has adequate time for building demand by persuading customers. It is also determined that probability is declined during peak-moth promotions because if it increases demand more than capacity, supply cant be managed.

References

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