

## What Does Supply Chain Management Really Mean?

Whether we call it a “value chain,” “demand chain,” “logistics” or “supply chain management,” or any of the other names that the discipline is sometimes called, supply chain management is ultimately about one simple idea: managing relationships.

### What is Supply Chain Management?

Supply chain management is about managing relationships with the people you buy from, with the organizations that handle and move your products from their source through to the end customer, and managing the quantity and location of the products themselves as they make their journey.

The steps involved with effective supply chain management include:

- Planning – Companies need a strategy for managing everything that goes into satisfying their customers and meeting demand. This means identifying metrics and measuring performance to ensure that the supply chain runs efficiently, at the least cost and with the best service to customers.
- Sourcing – Wholesalers must choose who will supply the products they need, and develop processes for working together. This includes determining pricing, shipping methods, how to take delivery and manage inventory, and managing payments and ensuring that they receive the best price possible for the products they receive.
- Manufacturing – Supply chain management also includes the manufacturing processes required to make the products that will be sold to the end customer. This includes scheduling, testing, packaging and delivery, and provides many opportunities to measure and monitor performance. For wholesalers and distributors, this is the “value added” part of the process and offers many opportunities to improve quality while reducing costs.
- Delivery – Often referred to as logistics, getting products to your end customers is a critical part of the supply chain, and is where customer relationships can be made or broken. Managing and receiving sales orders, managing warehouse activities, picking orders, selecting carriers and invoicing are all important parts of ensuring the customer receives what they want, when they want it.
- Returns – handling returns can often be problematic, but it is an important part of supply chain management. Because it is often the last point of contact with the customer, it also plays a big role in ensuring customers are satisfied. Supply chain management ensures that you have a smooth return process and keeps customers coming back for future orders, and also manages the process of returning stock to your suppliers.

### Understanding Wholesale Supply Chains

In a sense, all wholesale business relationships are customer relationships – either you have a customer, or you are a customer. Supply chain management is about managing both ends of this spectrum – getting stock from your vendors, and delivering product to your customers - with the ultimate goal of keeping supplies flowing smoothly from your suppliers, through your production and delivery process and on to your customers. When this is successful, your end customer is happy, and your business is more profitable.

Gibson, Hanna, et al. describe the wholesale supply chain in [The Definitive Guide to Integrated Supply Chain Management](#), “Wholesalers and distributors are intermediaries that provide value added services to manufacturers and retailers. Wholesalers buy products in bulk from manufacturers and sell the products in smaller quantities to retailers, provide storage facilities to reduce the need for manufacturers and retailers to hold large inventories, and offer delivery services to retailers.”

The people and places involved in a wholesale supply chain include:

- Vendors – Manufacturers who supply the stock needed to make your products, or who supply products for resale.
- Wholesalers and Distributors – “Middlemen” who provide services that move products from manufacturers to customers, and who may also take components and manufacture products for sale.
- Warehouses – Where inventory is stored. Inventory can either be components for manufacture, or products to be sold to end customers
- Transportation and Logistics – Organizations that will bring supplies to you, and move products to your customers.
- End Customer – The people or organizations that will ultimately purchase the product. For wholesalers, these are usually retail businesses.

For B2B wholesalers, managing all these people and places effectively is extremely important, since without supplies your business has nothing to sell, without customers you have no one to sell to, and without profit your business won't succeed.

### **How to Improve Efficiency in Your Supply Chain**

Managing your supply chain and all the interlinking relationships in it effectively is becoming ever more critical as production lines expand outward across the globe, and customer expectations rise.

Supply chain management systems are helping wholesalers rise to this challenge by connecting them with suppliers and customers from around the globe and providing the IT infrastructure to allow seamless, paperless communication between business partners.

How is it possible to forge closer relationships between partners even as distances between business partners increases? The answer is: integration. Integration of your own internal

software systems such as accounting or ERP, integration of those systems with sales order management, logistics and inventory, and integration with the systems of your business partners.

Integrating these systems so that they can communicate via the Internet to transmit sales orders, shipping information, and other important data automatically and in real time allows wholesalers to consistently maintain more accurate stock levels, customer and vendor information, better predict future demand, and to more efficiently manage their inventory and logistics – and avoid the high cost of lost orders, excess stock, or not having the right products to meet customer demand.

Today, integrated supply chain management systems are allowing wholesale companies to connect their own supply chain with those of their suppliers and customers, creating a single, end-to-end supply chain that efficiently manages products all the way from raw materials until they land in the hands of consumers.

Got questions about supply chain management and the systems that can help your business be more efficient and profitable? Ask us in the comments.

**Keyword:** “supply chain management” – also include a couple mentions of this secondary keyword: supply chain management system