

FCCI

Research & Development Center



Facts Regarding Supply Chain Management

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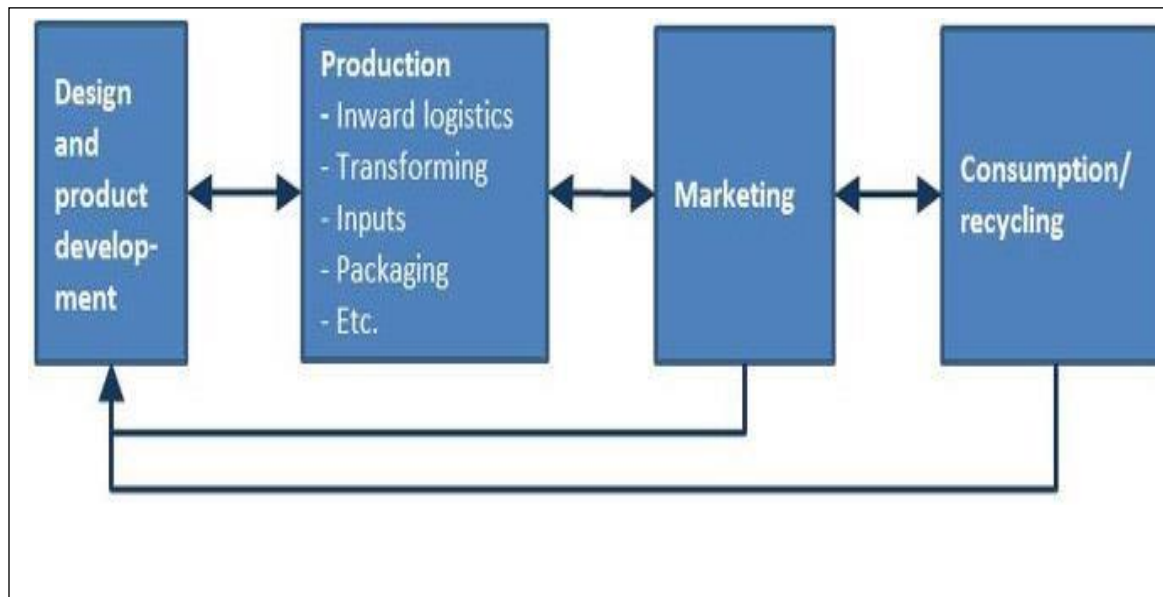
P. HD Agri Business

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1. How does the value chain of the product look like?

The value chain describes the full range of activities which are required to bring a product or service from conception, through the different phases of production (involving a combination of physical transformation and the input of various producer services), delivery to final consumers, and final disposal after use. Moreover, there are ranges of activities within each link of the chain.



The entire chain of productive activities into account has been variously referred to as value-chain, commodity chain, activities chain, production network.

Table 1: Value chain vs. production network

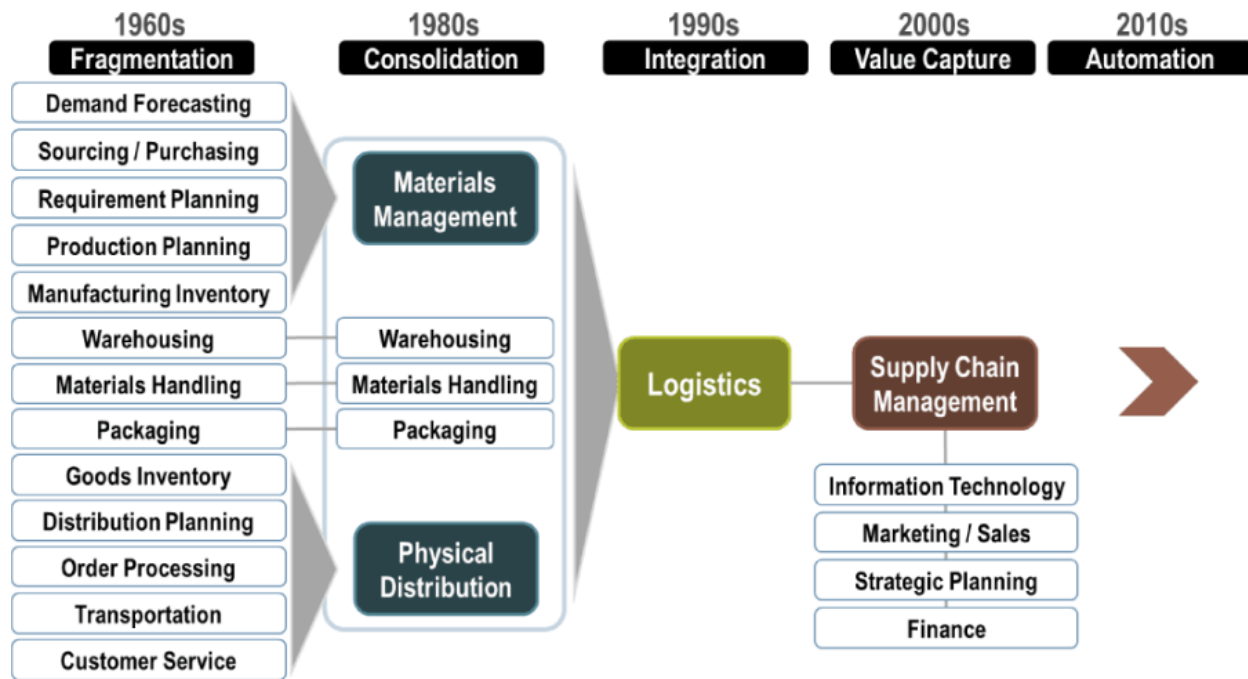
Name	Definition	Metrics	Other names
1. Value chain	<ul style="list-style-type: none"> the sequence of productive (i.e. value-added) activities leading to and supporting end use 	<ul style="list-style-type: none"> the bundles of activities that various actors do, or do not, engage in 	<ul style="list-style-type: none"> supply chain commodity chain production chain activities chain product pipeline
2. Production network	<ul style="list-style-type: none"> a set of inter-firm relationships that bind a group of firms into a larger economic unit 	<ul style="list-style-type: none"> the character and extent of inter-firm relationships 	<ul style="list-style-type: none"> value network supply base

Value chains are an integral part of strategic planning for many businesses today. A value chain refers to the full lifecycle of a product or process, including material sourcing, production, consumption and disposal/recycling processes. The supply chain is the process between producing and distributing the product, dealing with the suppliers and logistics of getting the product to market. The value chain is **a set of activities carried out by** the company which maximizes the competitive advantage to deliver premium value and ultimately have higher returns.

Name	Definition	Metrics
1. Value thread	<ul style="list-style-type: none"> the productive (i.e. value-added) activities that lead to and support the end use of a particular product or service 	<ul style="list-style-type: none"> the bundles of activities that various actors do, or do not, engage in
2. Supply thread	<ul style="list-style-type: none"> the productive (i.e. value-added) activities that lead to and support the end use of a particular product or service, less the activities of the lead firm 	<ul style="list-style-type: none"> the bundles of activities that suppliers do, or do not, engage in
3. Value chain	<ul style="list-style-type: none"> the productive (i.e. value-added) activities that lead to and support the end use of a set of related products or services, including lead firm(s) 	<ul style="list-style-type: none"> the bundles of activities that various actors do, or do not, engage in
4. Supply chain	<ul style="list-style-type: none"> the productive (i.e. value-added) activities that lead to and support the end use of a set of related products or services, less the activities of the lead firm(s) 	<ul style="list-style-type: none"> the bundles of activities that suppliers do, or do not, engage in

2. How does the supply chain of the product look like?

A supply chain is a network between a company and its suppliers to produce and distribute a specific product to the final buyer. This network includes different activities, people, entities, information, and resources. The supply chain also represents the steps it takes to get the product or service from its original state to the customer.

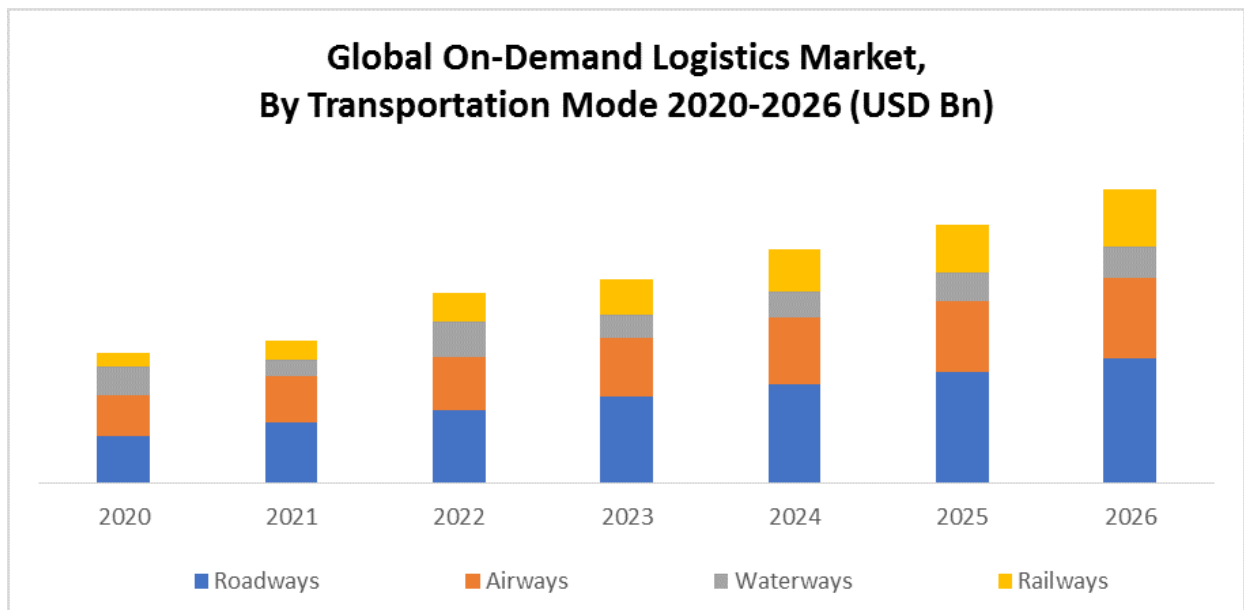


Supply chain management emerged in the logistics literature of the 1980s and initially focused on logistics planning and optimization of inventories across the supply chain. Supply chain management is customer oriented, i.e. customer demand is leading in this approach, and aims towards the integration of business planning and balancing supply and demand across the entire supply chain from initial producer to the ultimate customer/consumer (Bowersox and Closs 1996; Cooper et al. 1997). Information and communication systems are considered the backbone of smoothly running supply chains.



What are the factors that drive the logistics demand of the product?

The market is driven by the increasing cross-border trade, growing e-commerce industry and increasing use of multimodal transport. This study identifies the use of block-chain with logistics as one of the prime reasons driving the logistics market growth during the next few years. Production, Inventory, Location, Transportation, and Information, influence the performance of the supply chain. Companies can develop and manage these drivers to emphasize the ideal balance between responsiveness and efficiency, depending on your business and financial requirements.



Which transportation/logistics challenges are most critical to customers in your countries (e.g. transit time, transit condition, location of the export port etc.) How do you think Tridge can overcome these challenges?

Challenges: The challenges facing us to-day as a result of trade liberalisation and globalisation are that of maintaining our international competitiveness. These new compulsions have put enormous pressures on us and poor performance in just one aspect of our logistics supply chain could seriously affect the competitiveness of our exported products. As such an efficient and cost effective supply of logistics services has become vital for our survival.

To advance and realise this vision, we need to collectively work on the infrastructure Development. Improving our basic infrastructure is a key component that will directly and substantially affect our country's global competitiveness and the ability to attract investments. Unfortunately, our country's current infrastructure is still inadequate and in several areas need upgrading. Enhancing our transport network will reshape the country's physical and economic configuration. From fragmented island economies, the country can develop a unified and integrated economy where people and goods can move and trade swiftly and efficiently. It is with this vision that we need to focus our efforts in strengthening our connectivity and trade competitiveness in transport infrastructure and trade facilitation. Hopefully and eventually, they become our vehicle in accessing world markets and integrate our domestic economy to the larger global economy.

The government should support national trade facilitation reforms and mechanisms aiming to reduce the cost of trade and transit, discourage unauthorized trade and access export opportunities more effectively. To ensure reform and sustain the momentum of reform implementation, there is a need for stronger public and private sector institutions and improved co-ordination and exchange of information and consultation between public and private sectors. Key players in the sector such as the port and airport operators, the cargo handling company, freight forwarders, customs brokers, internal transport enterprises, clearing agents, ship chandlers have to adopt best practices in order to develop a highly competitive logistics chain compared with the best in the world.

Human resource: There are no specialised institutes covering training of our Human Resources in specific fields. Though some of the universities have started Supply Chain management courses but generally the educational institutions are not at all aligned with the industry requirements. PIFFA, however with the support of NTTFC and FIATA, has initiated a formal training education and up gradation program for its members. For this purpose a formal 3 weeks train the trainer programs was conducted by the international trainers of FIATA which helped us to create a faculty of our own members to run formal diploma courses.

Financing facilities: The prevailing interest rate in the country and lack of financing facilities has been a real challenge for the development of logistics and freight forwarding industry. We also face a major challenge in terms of growing working capital requirement and the increased default

payment issues in the market.

Freight Forwarders are exposed to extending credit facilities to the trade and on the other hand are bound to outlay to Shipping Lines and Air Lines. This requires a massive investment in terms of working capital. Increasing high interest rates compared with the returns puts a lot of pressure on the Freight Forwarders to meet their ends.

No regulatory Mechanism: Logistics industry needs to be recognized as a proper industry to build around certain parameters and frame work to regulate this business. Lack of no regulatory mechanism has resulted in mushroom growth in the industry with no barrier to entry.

Disintegrated Transport and Logistics Function: One of the major reasons of not optimizing our flow of goods is disintegrated portfolios of different co-related functions. NHA, Railways, Ports and Shipping, Communications, Post Office - we have all of these dis-integrated functions bringing no combined efficiencies and optimizing an integrated approach. All of these functions have silos strategies with no co-ordination with each other.

Unorganized trucking sector: Our trucking fleet composition does not meet the demand of international standards. As per global standards articulated trucks (trailers) should be at least 50% of the truck fleet whereas in Pakistan, articulated trucks are only 12% of the composition. Unavailability of the proper articulated trucks, Overloading, no proper Safety Protocols, and usage of outdated fleets not only damages our road network but also increase our consumption of Fuel directly affecting our foreign exchange being drained out. They are also responsible of increasing our carbon footprint causing a lot of damage to the environment. In addition, they are continuous safety risk on our roads. According to a research, inefficiencies involved in goods transportation eats up about 2% of our GDP.

Further, as per estimate 30% - 35% of our Agro base product gets wasted due to inefficiency in our system which otherwise would have contributed to our valuable foreign exchange.

We as a country has still got imbalance trade in terms of higher imports. On the import side we are still a Seller driven market and relying on C&F basis. Our traders are dependent on their Seller's demand for freight and at times face delays in documentation leading to detentions and demurrages and less or no track of their shipments.

(Option - for Logistics Specialists involve in warehouse project) What are the warehousing and distribution conditions for the product?

Warehousing is a requirement for most businesses that manufacture, import, export or transport goods. You might see it as an unnecessary expense, but it can actually save you money and boost your productivity. The customer journey doesn't end when an order is placed. A warehouse gives you better control over your inventory and ensures that customers will receive their products on time, which ultimately leads to higher profits.



Better Inventory Management

Approximately 8 percent of small businesses don't track their inventory. About 24 percent don't have inventory at all. This often leads to late shipments, delayed order processing and poor customer experience.

Warehouses provide a centralized location for your goods, making it easier to track and manage your inventory. By investing in a warehouse, you'll store, ship and distribute products more efficiently. If something is out of stock, you'll know it right away and provide customers with alternative options rather than leaving them waiting for days or weeks.

More Efficient Packing and Processing

Most warehouses provide the equipment and supplies you need to store, move, package and process orders from customers. Pallet racks, loading docks and packing materials are just a few to mention. This way, you'll have everything in one place, which will save you time and money.

A warehouse enables businesses to pack and grade their goods according to legal requirements and customer needs. The logistical cost is reduced, while flexibility is maximized. This type of facility can be an ideal distribution location, eliminating the need to arrange for pickup and hire employees to manage fulfillment.

Superior Customer Service

More than 63 percent of online customers expect to know the estimated or guaranteed delivery time. Approximately 88 percent would pay more for faster delivery. In fact, delivery speed is one of the first things buyers take into consideration when choosing a shipping carrier.

As a business owner, you want to keep your customer satisfied and engaged. If you fail to deliver their orders on time, your reputation will suffer. This can hurt your revenue and brand image.

Warehousing allows for timely delivery and optimized distribution, leading to increased labor productivity and greater customer satisfaction. It also helps reduce errors and damage in the

order fulfillment process. Plus, it prevents your goods from getting lost or stolen during handling.

Ensure Price Stabilization

The demand for goods and services varies from month to month and year to year, depending on customers' income, government policies, employment rates, climatic conditions and other factors. A warehouse allows you to store your products for a later date when the demand is high. This helps ensure price stabilization and reduces revenue losses.

Let's say your company manufactures and distributes sports equipment. If you offer ski accessories, you can store them in your warehouse rather than selling them for next to nothing when the cold season ends. This way, you'll maintain consistent stock levels and maximize your profits.

Improved Risk Management

Warehousing not only protects against price fluctuations but also provides safe storage of perishable products. Depending on your needs and type of business, you can lease a warehouse equipped with refrigerators, freezers and optimal temperature control.

Plants, artwork, candles, food and medications are just a few examples of goods that require cold storage. A warehouse that offers this service will store your goods at the right temperature, preventing spoilage and changes in color and texture. This also helps extend the product's shelf life and ensures customer satisfaction.

Additionally, the products stored in warehouses are typically insured. This means that you have higher chances to receive compensation from your insurance company in case of damage, fire or theft.

What are the issues in logistics you see currently and their main causes? Please specify and include the best solutions to address them.

1. **Fuel Costs.** One of the highest costs contributing to the 'cutting transportation cost' concern is fuel prices. Higher fuel prices are likely to increase transportation costs for US shippers this year by pushing up fuel surcharges. Rising US diesel fuel prices are escalating surcharges added to freight rates, which is reversing a two-year trend that cut into the revenue and earnings of truckers as fuel prices plummeted.
2. **Business Process Improvement.** Not with standing the need for new technology, which we discuss in number eight on this list, it has become an increasing challenge for the logistics industry to stay on top of new advances in business processes. Taking advantage of these new opportunities sounds enticing but adoption and onboarding can be overwhelming.
3. **Improved Customer Service.** Customers want full transparency into where their delivery is at all times. These days, the location of a package is as interconnected as your social network. In fact, as customer expectations have increased, their willingness to pay for fast shipping has

decreased with just about 64 percent of consumers unwilling to pay anything extra for less than two-day shipping.

4. **Economy.** With high fuel prices comes a greater credit crisis and rising inflationary demands that take a greater toll on the US economy. This industry is then pressured by increasing compliance regulations, declining demand, additional capacity with additional increases in key cost centers.
5. **Driver Shortage & Retention.** Hiring and retention remain an issue despite the lower demand mentioned above.
6. **Government Regulations.** Carriers face significant compliance regulations imposed by federal, state and local authorities.
7. **Environmental Issues.** The anti-idling and other emission reduction regulations brought about by state and local governments has created concern that the compliance costs could exceed benefits.
8. **Technology Strategy & Implementation.** While the industry understands and supports many of the benefits of these technologies, some questions remain as to how they will pay for it and who will help implement the improvements.



Source: Capgemini Consulting, 2016 State of Third-Party Logistics Study

We understand how difficult it can be to manage these concerns. Outsourcing all or a portion of your freight and business processes can often provide the required expertise, people, capacity and IT systems needed to help reduce expenses, improve visibility into the supply chain, effectively manage the supply chain and achieve greater regulatory compliance. DDC FPO offers the right solutions to help lighten your load.

Digital Solutions:

Whether your business is small or large, you have an online presence, are looking to launch products/promotions, or you are just in need of updating your site to keep up with the digital age -- we have a solution for you. We have an experienced team of IT professionals with solutions such as Application, Web and Program development. Our team of highly skilled programmers can write programs in a multitude of different programming languages, such as Ruby on Rails, PHP, iOS & Android.

Freight Billing:

Make in-house entry of your freight bills a thing of the past. We have a full-service offshore team of trained billers, quality control personnel and supervisory staff that are trained specifically for LTL and Parcel billing.

Our Remote Freight Bill Entry Solution offers you the following benefits.

1. Fully and semi-automated programs that eliminate the need for human intervention
2. Improved accuracy of bill entry process
3. Standardization that allows for quality metrics to be met
4. Adaptability to meet the individual needs of your business
5. Enhanced client experience
6. Immediate and long-term cost containment

Freight Rate Auditing:

Accuracy on rates is crucial to maintain strong customer relationships.

We can examine, adjust and verify carrier freight bills for accuracy. Our model leverages expertise, scalability, flexibility and system compatibility. Combine this with our industry-trained staff and our extensive list of service capabilities and we'll equip your back office with the knowledge and resources necessary to tackle the challenges of tomorrow's freight audit.

POD Processing:

Provide the visibility that your customers require, while also freeing up internal resources. Our uniquely crafted Proof of Delivery (POD) Retrieval solution allows you to check the delivery status of your jobs direct from any web browser.

By leveraging the insight gained after twelve successful years of custom-building business process solutions for top North American carriers and transportation and logistics companies around the globe; we can offer you access to the following:

1. POD images online that are downloadable
2. Up-to-date status updates on your shipments
3. Streamlined administrative operations

Source:

Logistic Studies