

Supply chain management

Business



Supply chain management is generally accepted in business today as a very potent competitive tool. It can be used to improve customer service, lower costs and efficient product placement in its distribution network. In this regard, there must ideally be a perfect match in a market between demand and production. A push-concept in supply chains can be exemplified by the materials resource planning (MRP) system using computer software to estimate actual demand from sales forecasts. The drawback of this approach is that forecasting methods must be fairly accurate to avoid excessive inventory levels and risk of product obsolescence. A few reasons such as maximizing economies of scale entails considerable business investment risks because it is not very fluid in terms of market response (Hugos 147). This system is also not suitable for industries that can change quickly on trends, like the apparel industry (Daspal 1).

I agree that supply chain efficiency is about minimizing inventory levels to reduce the risk of product obsolescence.