

Summary of what is the right supply chain for your product

[Business](#)



Supply Chain Supply Chain In order for companies to ascertain they are on the correct track in terms of the correct supply chain for their product, they need to correctly classify their product into functional or innovative.

Companies must understand the nature of demand of their products and devise a supply chain that suits their demand. They should look into aspects such as product life cycle, demand certainty and product diversity.

Functional products have expected demand and longer life cycles, but their steadiness attracts competition, which often translates to low-profit margins.

For innovative products, many companies introduce innovation to give customers an added reason to purchase their products. Innovative products give a company higher profit margins, but their demand is very unpredictable, their life cycle is short. Because of their high-profit margins and unstable demand, innovative products necessitate a special supply chain than functional products. Supply chain has two different functions: these include physical and the market mediation function

(Fisher, 112). The supply chain physical function includes converting raw materials into parts, components, and transferring all of them from one position in the supply chain to the next position. Market mediation ensures that the variety of products reaching the market matches what the consumers want to buy. The predictable demand of functional demand products makes market mediation simple because it nearly achieves a perfect match between supply and demand. Uncertainty is intrinsic in innovative products, and companies accept that, but companies that grew up in oligopoly with less competition find it more difficult to accept the high levels of uncertainty that exist today in many markets.

Work Cited

Fisher, Marshall L. " What Is The Right Supply Chain For Your Product?." Harvard Business Review 75. 2 (1997): 105-116. Business Source Complete. Web. 8 Sept. 2014.