***Supply Chain Management – Relationships***

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| Internalactivities | 🡺 | Acquisitions | 🡺 | Arm’s-lengthtransactions | 🡺 | Strategicalliances |

Strategic Alliances: An integration of companies that shares risk & rewards, information & knowledge, capabilities & expertise, goals & growth.

Benefits: Products, Markets, Operations, Technology, Growth, Organizational Skills, Financial strength.

Risks: Jeopardizing differentiating core strengths in the market arena, trade-off between short-term and long-term advantages, drain of expertise due to uneven abilities, changing company emphasis.

Consider three alliances and partnerships: **3PL, RSP, DI**

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| **Third-party Logistics (3PL)***Relationship with external partners to the supply chain.* |
| **Retailer-Supplier Partnerships (RSP)***Relationship between upstream and downstream partners in the supply chain.* |
| **Distributor Integration (DI)***Relationship between partners at the same level in the supply chain.* |

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| Arm’s-lengthtransactions | 🡺 | Strategicalliances |

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| Need | 🡪 | Alternatives | 🡪 | Selection | 🡪 | Implementation | 🡪 | Governance |
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**Third-party Logistics (3PL)**

*Relationship with external partners to the supply chain.*

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| ***Logistic Supplier Relationship*** | 🡪 | ***3PL Alliance*** |
| Transaction-based | Long term |
| Single-function specific | System specific |

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|  | Step 1. Identify drivers and need for 3PL.Balance focusing on core competencies with loss of control. |  |
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|  | Step 2. Determine alternative 3PL applications.Where are the most appropriate areas to use 3PL? (B2C,B2B, etc.) |  |  | Step 3. Determine scope of 3PL relationship.How much control will be given away?What will be the amount of authority and responsibility to the 3PL partner? |  |
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|  | Step 4. Select partner.Evaluate the adaptability, reliability, and flexibility of potential partners.Examine the specialization and competency of potential partners.Conduct evaluation, negotiation, and selection processes. |  |
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|  | Step 5. Implement. Initiate the alliance with care.Follow project management approach:Scope, Team, Communications, Change Management, Technical Approach.Only launch alliance after extensive planning and verification of scope and plan. |  |
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**Retailer-Supplier Partnerships (RSP)**

*Relationship between upstream and downstream partners in the supply chain.*

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| Supplier |  | Retailer |
| VMI | 🡨 EDI 🡨 | POS |

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| RSP | Ownership of Inventory | Inventory Policy Decisions |  | Characteristics: |
| Quick Response | Retailer | Retailer |  | Decrease Lead Time |
| Continuous Replenishment | Shared | Shared |  | Increase Service Level |
| Vendor Managed Inventory | Supplier | Supplier |  | Increase Inventory Turnover |

Requirements:1. Top Management Commitment
2. Trust & Confidentiality
3. Communication & Cooperation

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**Distributor Integration (DI)**

*Relationship between partners at the same level in the supply chain.*

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|  |  |  |  |  | Distributor |  |  |  |  |  |
|  | Manufacturer | **↔** |  | **↕** | *Inventory**Services**Information**Expertise* | **↕** |  | **↔** | Customer |  |
|  |  |  |  |  | Distributor |  |  |  |  |  |
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Features:1. Inventory. Provide perception of expanded inventory to satisfy customer needs.
2. Services. Rely on technical ability of other distributors to expand expertise to customers.
3. Information. Increase forecast accuracy. Share customer satisfaction and needs of products and service.
4. Expertise. New product introduction. Education and training.

Risks:* 1. Not adequate rewards, benefits, and recognition systems to all parties.
	2. Does not allow technical growth of perceived weaker partners.
	3. Imbalance of cooperation within system.

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