***Supply Chain Management – Strategy***

***Customer Value***

***Chapter 12***

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|  | 🡨 Flow of Information 🡨 |  |
|  | Supplier | 🡪 | Manufacturer | 🡪 | Distributor | 🡪 | Retailer | 🡪 | Customer |  |
|  | 🡪 Flow of Material 🡪 |  |

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| ***Customer Value******Chapter 12*** |
| *Conforming the supply chain to the product characteristics* *to create customer value*  |

**Five Dimensions of Customer Value**

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|  | 1. | **Conformance to requirements**Market Mediation – Design supply chain configurations and ‘Design for Logistics’ (DFL) characteristics to conform to the customer value expectations. |  |
|  |  | \*Balance supply and demand (i.e., supply>demand, high cost; demand>supply, low service)\*Lean Supply Chain strategies based on cost for functional products\*Responsive Supply Chain strategies based on service for innovative products with short lead times\*Customer Access that enhances customer experience |  |
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|  | 2. | **Product selection**Coordinate product characteristics with supply chain characteristics. |  |
|  |  | \*Build-to-order (Dell)\*Inventory Positioning (Auto)\*Fixed Product Variety (Grocery) |  |
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|  | 3. | **Price and brand**Design supply chain characteristics to maintain a cost and service to be competitive with little flexibility in price. |  |
|  |  | \*Low price flexibility implies commodity product characteristics\*Commodity product pricing implies more dependency on supply chain innovation\*Greater price differentiation due to pricing of services implies less commodity characteristics\*Internet can provide price differentiation due to service variability |  |
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|  | 4. | **Value-added services**Offering support and service as a strategy in addition to pricing. |  |
|  |  | \*Commodity pricing leads to service differentiation in the market\*Services such as information access enhances customer experience and control |  |
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|  | 5. | **Relationships and experience** |  |
|  |  | \*The Learning Relationship: Customer profiles that creates customer loyalty and unique customer experiences\*Customer experience include empowering the customer in the relationship |  |
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| **Strategy**: Price – Product – Service – Access – Relationship |
| *Dominate in one – Differentiate on another – Be adequate on the rest* |

**Customer Value Measures**

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|  | 1. | **Service Level** |  |
|  |  | \*Lean Supply Chain strategies based on cost for functional products\*Responsive Supply Chain strategies based on service for innovative products with short lead times\*Customer Access that enhances customer experience |  |
|  |  |  |  |
|  | 2. | **Customer Satisfaction** |  |
|  |  | \*customer satisfaction surveys\*customer loyalty (behavior: retention & defections) |  |
|  |  |  |  |
|  | 3. | **Supply Chain Performance Measures** |  |
|  |  | \*SCOR Level Metrics |  |
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