***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) |  |
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|  | 3. | **Supply Chain Performance Measures** |  |
|  |  | \*SCOR Level Metrics |  |
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