

## 11.1: Global Channels and Supply Chains Summary

### Summary

In today's global competitive environment, individual companies no longer compete as autonomous entities but as supply-chain networks. Instead of brand versus brand or company versus company, then network is increasingly suppliers-brand-company versus suppliers-brand-company.

Top-performing supply chains have three distinct qualities. First, they are agile enough to react readily to sudden changes in demand or supply. Second, they adapt over time as market structures and environmental conditions change. And third, they align the interests of all members of the supply-chain network in order to optimize performance.

Driven by e-commerce's capabilities to empower clients, most companies have moved from the traditional "push" business model—where manufacturers, suppliers, distributors, and marketers have most of the power—to a customer-driven "pull" model.

Supply-chain management (SCM) has three principal components: (a) creating the supply-chain network structure, (b) developing supply-chain business processes, and (c) managing the supply-chain activities. The supply-chain network structure consists of the member firms and the links between these firms. Business processes are the activities that produce a specific output of value to the customer. The management function integrates the business processes across the supply chain.

The best companies create supply chains that can respond to sudden and unexpected changes in markets. Agility—the ability to respond quickly and cost-effectively to unexpected change—is critical because in most industries, both demand and supply fluctuate more rapidly and widely than they used to. Key to increasing agility and resilience is building flexibility into the supply-chain structure, processes, and management.

Global companies must be able to adapt their supply networks when markets or strategies change. Companies that compete primarily on the basis of operational effectiveness typically focus on creating supply chains that deliver goods and services to consumers as quickly and inexpensively as possible. They invest in state-of-the-art technologies and employ metrics and reward systems aimed at boosting supply-chain performance. For companies competing on the basis of customer intimacy or product leadership, a focus on efficiency is not enough; agility is a key factor. Customer-intimate companies must be able to add and delete products and services as customer needs change; product leadership companies must be able to adapt their supply chains to changes in technology and to capitalize on new ideas.

Leading companies take care to align the interests of all the firms in their supply chain with their own. This is important because every supply-chain partner firm—whether a supplier, an assembler, a distributor, or a retailer—will focus on its own interests. If any company's interests differ from those of the other organizations in the supply chain, its actions will not maximize the chain's performance.

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- Section 10.1 Basics of Distribution Channels and Section 10.4 Organizing the channel are edited versions of the chapter '10. Channel concepts: distributing the product' from the textbook 'Introducing Marketing, First Edition, 2011' authored by John Burnett – this book was published under The Global Text Project, funded by the Jacobs Foundation, Zurich, Switzerland.
- The following changes were made to the most recent edition: Divided 'Chapter 10. Channel concepts: distributing the product' into three sections; Removed Created new title for Figure featuring Anderson ad.; Removed box titled 'In Practice' from wsj.com; Removed case application at the end of chapter; Added learning objectives for sections 10.1, and 10.4.

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