

8.1: Introduction to Supply Chain Issues

Supply Chain refers to the group of organizations that are linked together by their participation in order to fulfill a customer order from the sourcing of raw materials through the production of goods to distribution and sale. Each organization has a role to play in adding value for the final customer. The organizations that participate in a supply chain include suppliers, manufacturers, transporters (also known as carriers), distribution centres, wholesalers, retailers and end-consumers.

Every link in this chain of supply is very important. As they say, “a chain is only as strong as its weakest link.” This has implications for the supply chain management in a sense that it is not enough for the companies just to focus on their own internal operations. They need to regularly check with their supply chain members to make sure that everybody is performing at their best. One weak member in any supply chain will impact everybody else.

For example, if a retail store is not doing a good job at replenishing their inventory on time, the product will not be available to some end-consumers when needed, and as a result, lost sales happen and that supply chain will be affected financially. Let’s think about it for a second: fewer products had got ordered from the manufacturer, and thus, fewer raw materials were ordered (by the manufacturer) from higher tiered suppliers. This way, everybody in the supply chain sold less than what they could if the retailer had ordered the right quantity at the right time.

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