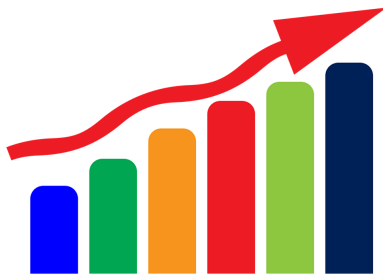


7.1: Sales and Information Systems

Learning Objectives

- Explain how a good supply chain management system can increase sales and profits



Given the definition of a supply chain and some brief examples, one can imagine how difficult it must be to manage all of the moving parts of the process. Supply Chain Management systems (SCM) have been developed to help organizations do exactly that. A good SCM system ensures that the right inventory is in the right place to meet anticipated demand. This serves to maximize sales potential and drive profitability as the retailer's investment is returned.

One of the most important factors in a retailer's profit picture is inventory turnover. Before operating expenses, payroll, and other costs are factored into a P/L statement, the retailer profit model is founded on three basic components: cost of goods, sale price of goods, and inventory turnover. If a product is purchased by the retailer for \$10 dollars and sold to the consumer for \$20 dollars, the gross margin for one sales transaction would be \$10 dollars. Turnover represents how many times that transaction takes place. If the retailer's inventory is in the right place at the right time, turnover is increased and more gross margin dollars are generated.

In addition to the enormous importance of inventory turnover, a good SCM system can also help drive efficiency throughout the product lifecycle, reducing costs and time-to-market. With the metrics that these systems provide, managers can make better decisions as to who/where are the best sources of supply, how much lead time is needed to ensure on-time delivery, what are the best transportation methods, etc.

Practice questions

<https://assessments.lumenlearning.co...sessments/9207>

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