

7.23: Flow of Goods

Learning Objectives

- Describe the flow of physical goods through a supply chain

Based on the type of retailer, supply chains can range from simple to complex. For example, Mom or Dad supplying fresh pitchers of lemonade to the children's corner drink stand would represent a small-scale supply chain (of course the lemons and water had to come from somewhere, but for the sake of argument let's keep this one simple).

For a national electronics retailer, the supply chain would obviously be more complex. Starting with the vendor, component parts would be sourced in various countries depending on price, quality and availability. Those components would then be shipped to other countries for assembly, quality inspection and packaging. From there the finished product could be transported via ship, air, and land to the retailer's receiving/distribution centers for further handling and ultimately, distribution to stores or direct to the consumer.

This example itself is very simple as there is much complexity beneath the surface. The vendor and the retailer must have a strong working relationship in order to plan, execute and finance the anticipated consumer demand as partners. The retailer must be responsible for identifying the correct product for its consumer customer in the first place. Retailers must forecast the sales potential for these products, along with marketing, promotion and appropriate distribution of the product. The vendor has to manage all phases of the product lifecycle from design to manufacture to transportation all "just in time."

Every product is different and may have a different supply chain strategy. As products are manufactured, they "move" from raw materials or components to finished goods. At some point in that process, RFID or other identification means are implemented to monitor where the product is in its manufacturing lifecycle. The movement through the supply chain process continues when products are aggregated for shipment where they can be tracked during the transportation leg of the supply chain.

Zara is a large international retailer with 6,900 stores in 86 countries. While many large U.S retailers like JC Penney, Sears and Toys 'R Us are closing stores, Zara is opening an average of 400 new stores a year over the past five years. The key to Zara's success is their agility due to a finely-tuned supply chain. Incredibly, the company designs, manufactures, and distributes fashion products within 2 weeks from the time they appear on the catwalk. Zara does commit 15–25% of its inventory prior to the design season and fills in another 25% at the start of the season, but an amazing 50% of its clothes are designed and manufactured in season. Zara must closely manages every aspect of the supply chain in order to execute so quickly.

Practice questions

<https://assessments.lumenlearning.co...sessments/9206>

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