

1.5: Supply Chains

Learning Objectives

- Describe the firms involved in a supply chain



Remember your favorite retailer we discussed at the beginning of this course. Have you wondered how the product is made and just how it makes it to the sales floor? The answer to that question is through exploring the supply chain.

What exactly is the retail supply chain? The supply chain is a system of organizations, people, activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities involve the transformation of natural resources, raw materials, and components into a finished product that is delivered to the end customer.^[1]

It is important that every part of the supply chain is efficient, nimble, and seamless to allow retailers to deliver product to the customers in the most efficient and profitable way to achieve success and meet its overall goals. Some of the biggest issues in the retail supply chain are customer service, controlling costs, effective supplier/partner relationships, qualified talent, and proper planning.

We can better understand how supply chain issues can affect a company by looking at Chipotle. In 2015 the company stopped serving pork due to the strict requirements they had regarding how animals were raised. It took them some time to find another supplier that met its shortage, and therefore had a shortage for approximately 10 months. They are now using a British supplier. As the company continues to expand think about how this will affect the business and how they can work through these issues.

Now let's discuss some common supply chain firms within the supply chain structure.

Supplier

Think of the supplier as the person providing the good and/or service. Suppliers can typically be domestic or international. However, one thing to keep in mind is that if you are dealing with international suppliers you will often have longer lead times. Lead times can vary but it is in the best interest of the supplier to deliver the product as quickly and efficiently as possible or else risk losing business to another supplier. Common types of suppliers include manufacturers, wholesalers, and vendors.

Factory

The supplier has the raw materials made into products at the factory. Retailers can work with numerous factories all over the world in meeting demands. A great example of this is Adidas Group. They work with about 800 factories in approximately 55 countries. Most retailers are transparent regarding the factories they use for production of product to improve and promote compliance and safe working conditions.

Distribution Center (DC)

The DC is also known as the Distribution Center and this can be small and/or large depending on the retailer. This is where the finished product will go after leaving the factory. A great example of a distribution network is Wal-Mart. They have 152 distribution centers that service all Wal-Mart locations, Sam's Club, and delivery to the customer. Each distribution center for Wal-Mart is more than 1 million square feet and has over 600 employees. Remember we talked about the global reach of retail earlier! Think about how an expansive supply chain creates job opportunities!

Goods can go to the retailer or directly to the consumer from the distribution center.

Regional Distribution Center (RDC)

An RDC, Regional Distribution Center, is more local to the area and has several advantages. They allow retailers to save money and time. If you have multiple stores on the east and west coast a regional distribution center would allow you to quickly transport products to customers and process returns. Regional Distribution Centers are also smaller and less costly to build.

One disadvantage of a regional distribution center is that you must replicate processes, procedures, equipment, infrastructure, and labor which can be a challenge for any retailer. Managing inventory in multiple locations can also be costly for the retailer.

Industry Week, an online magazine of the industry, provides a list of the top 25 supply chains every year. You can find the [Industry Week Top 25 Supply Chains 2019 list here](#) as well as previous years.

? practice question

<https://assessments.lumenlearning.co...essments/9124>

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1. Nagurney, Anna (2006). Supply Chain Network Economics: Dynamics of Prices, Flows, and Profits. Cheltenham, UK: Edward Elgar. ISBN 1-84542-916-8. ↩

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