

Chapter 1 - Introduction

In-class exercises and discussion points

4 different perspectives

Figure 1.2 provides a good platform for student discussion. It outlines four different perspectives on the distinction between logistics and SCM:

- Traditionalist
- Re-labelling
- Unionist
- Intersectionist

As we note in the text, we adopt the *unionist* perspective in this book. Ask students whether they agree with this or not, and if not explain why (as we note above, there is no right or wrong answer).

Importance in both services and manufacturing contexts

As is noted in the chapter, we are witnessing increased and highly successful application of logistics and SCM principles in a services context also. Ask students to take a services context with which they are familiar – perhaps for example they may work part-time in a supermarket or at some stage have been a patient in a hospital – and ask them to outline where they think logistics and SCM principles can be best applied. Indeed most people can relate to medical / hospital examples (see the Triage caselet on page 14) and these can provide useful material for discussing how, with process improvements and other initiatives, better service can be delivered in hospitals, often at lower total cost.

Cost savings and service enhancements

Following on from the above, students can be asked to consider the issue of making cost savings while *simultaneously* enhancing service. In many students minds these two dimensions will be seen to be mutually exclusive (i.e. you can't have both together at the same time). But of course as we outline in the text, you can! Ask them to give examples where this is possible - the IKEA caselet is useful in this regard.

Size of the logistics sector in your economy

The caselet ('The role of logistics in national economies') on page 8 discusses the size and importance of logistics in the context of a national economy. Ask students to try and ascertain what the size of the logistics sector is in their country (it is usually the case that various industry bodies will collate such information and which should be easily found on the web). The 'innovation race', spurred on by developments at Walmart etc as outlined in the caselet, could prompt a useful further discussion around the role of logistics and SCM developments at individual large companies in a national economy context (this area may be more suited to

more advanced students only given the nuances and data interpretation issues involved). One need only think of the developments pursued by the large European retailer Tesco and the impact which these have had on their supplier base and so forth. Other examples might include, for example, the automotive sector in Germany and logistics / SCM developments in the large wine production industry in Australia.

- Are logistics and SCM only of interest to manufacturers?

Clearly the answer to this is no! Expect students to outline service based examples (hospitals, shops, etc) in their answers.

- Explain the key developments behind the evolution of logistics and SCM.

These are the six developments as outlined in the chapter:

- reduced transport intensity of freight
- falling product prices
- deregulation of transport
- productivity improvements
- emphasis on inventory reduction
- changes in company structure

- How do logistics and supply chain management differ?

This question is perhaps not as straightforward as it first appears. We find that students typically think that just by defining both terms they have answered the question! However one should demand more in a good answer to this question. It should lead into a discussion around the four different perspectives (p13), with the student stating which particular perspective they concur with. As noted already, we adopt the unionist perspective (i.e. that logistics is part of the wider entity that is SCM). We also highlight on page 13 ‘.... SCM is a wider, intercompany, boundary-spanning concept, than is the case with logistics’.

- How can best practice logistics and SCM lead to both cost reduction and service enhancement?

Ideally students should cite cases (such as the Ikea case or the Dell case which comes at the end of Part 1 of the book) and / or other examples with which they are familiar to highlight their answer. In brief summary what we are stating is that smarter management of inventory and other resources can lower end to end supply chain costs, while adopting a supply chain view can also lead companies to do things differently and hopefully better.

- What are the benefits of deregulation of transport markets? Why does such deregulation sometimes not work out quite as planned?

If time permits, the subject of transport deregulation, although not the focus of our book, is worth exploring further in class.

As we note on page 5 ‘The essence of effective deregulation is that by removing unnecessary barriers to competition, markets become more contestable and (in theory at least) prices should come down and service should improve’. These then are the benefits of deregulation. Informed students should be able to cite examples to augment their answer, for example the revolution in air travel in Europe with the emergence of the so-called ‘low cost airlines’ following on from deregulation of the air transport sector in Europe.

With regard to the second part of the question, as we note in the book (page 5) ‘We say ‘in theory’ because the reality in some deregulated markets has been somewhat different (with private monopolies sometimes replacing public ones) but, in general and over the long-run, deregulation has had a positive impact on many transport markets, leading to the provision of both more and cheaper services’. In essence what we are saying here is that markets, left to their own devices, can sometimes act and lead to outcomes which are not always in the best interests of the customer. Hopefully though in the long-run, and sometimes with necessary regulatory interventions, markets adapt in the best interests of both users and the vested business interests.

Extra essay style question

- Discuss the various flows in a typical supply chain.

There are 3 such flows (page 11):

- Physical flows of materials
- Flows of information that inform the supply chain
- Resources (especially finance, but also others such as people and equipment) which help the supply chain to operate effectively. Furthermore, not all resources in the supply chain are tangible, for example good quality inter-company relationships are often cited as a highly important ingredient of effective supply chains.

The key point here is that students recognise that supply chains encompass not just materials flows, but these other flows as well. While they can write about (both forward and reverse) materials flows, they should also discuss these other flows as well.

More questions

- What is meant by the transport cost sensitivity of freight?
- What are the various flows in a typical supply chain?
- Distinguish the upstream versus downstream parts of a supply chain.
- What is meant by the term ‘material substitution’
- Distinguish the terms ‘cargo’ and ‘freight’
- Distinguish the different container dimensions.