

## **DEVELOPMENT OF LOGISTICAL STRATEGIES OF FUNCTIONING FOR SUPPLY CHAINS OF DIFFERENT TYPES OF COMMODITY PRODUCTS**

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The authors provide the comparison of important industrial and economic characteristics in supplying various types of products, the algorithm form of the process of determining the product type is developed. Delivery chains are analyzed from the point of view of physical efficiency.

Rapid market development, competition, requirement of service quality improvement put new tasks for companies. To save competitiveness and strengthen the advantages the modern enterprise must optimize all processes of cost creation - from supplying of raw material to final consumer service. For the decision of these tasks the guidance of companies applies to SCM-decisions.

Supply chain management (SCM) it is the complex of approaches, helping effective integration of suppliers, producers, distributors and salespeople. SCM, taking into account the service requirements of clients, allows providing the presence of necessary product at the right time in the right place with minimum costs.

The links of supply chain are interconnected by information, financial and commodity streams. The supply chain begins with acquisition of raw material for suppliers and ends with the sale of prepared commodities and services to the client. Some links can wholly belong to one organization, others - to clients, suppliers and distributors. Sometimes all links of chain belong to one company (radial supply chains).

Developing the strategy of supply chain functioning it is recommended to begin with an answer to a question: is a product, moving on this chain, functional or innovative? Although the type of product, coming off from the market, is also possible. It can be named archaic. From formal side organization of its delivery is closer to the innovative product.

Functional products serve for satisfaction of vital necessities and are often bought, in most cases, without paying attention to the place of acquisition. There is more or less predictable demand on them, and their life cycle lasts relatively long. To competitors such products are easy to imitate, and consequently, it is hard to make them highly remunerative.

The number of buyers of archaic product going out to the last stage of its life cycle is gradually reducing. The demand becomes irregular and less predictable. Practically there are no people interested in its production. But the demand did not become zero yet.

Contrariwise innovative products are the last word of technique or fashion. The demand on them is hard to predict, and their life cycle is considerably shorter. Innovative products can be in different points of initial way on the curve of their life cycle. Descriptions of productive and economic and market character can change in a wide range and can approach the functional product, or lead outside the scopes of innovative and archaic products.

In the conditions of predictable demand on the functional products the charges of mediation are relatively not large. Therefore companies producing such products can concentrate their basic attention on reduction of physical costs, what is especially important at high elasticity of the demand on functional products. Such companies usually apply information systems, allowing to carry out planning of production resources (MRP, ERP).

Software used for these aims allows to manage orders, production and deliveries, that conduces to diminishing of commodity supplies on the whole supply chain and increasing the efficiency of production. Major information in such cases - it is information about events in the supply chain. This information allows the managing subjects executing the functions of supplier, producer and salesman to co-ordinate the actions in order to satisfy predictable demand with minimal possible costs.

The considered approach is absolutely useless for innovative products. In case of innovative and archaic products the costs of mediation

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appear dominant; exactly they, but not physical costs, become the spotlight of leaders. Critically important information in such cases is out of supply chain - it is at the market. The most important decisions which must be made by the guidance touch not the reduction of costs and supplies in this case, but the problem in which place of supply chain supplies necessary for the most complete satisfaction of poorly predictable and quickly passing demand should be placed.

Functional products are practically never supplied on flexible chains. The reason is that the absolute majority of companies, producing functional products, understand very well an adjusting necessity of effective supply chain. An opposite situation, nevertheless, happens sufficiently frequent.

For the conducting of links integration in logistic supply chain the application of modern information technologies is needed. The last provide the creation of compatible, transaction databases, used for the creation of supply chains.

Two possible ways out of this situation are recommended to the companies supplying innovative products on effective chains.

The first approach consists in transferring a product to the functional type (to decrease the number of variations and frequency of their appearance). The second approach consists in transferring only part of products to the functional type, and in building for others a separate flexible supply chain.

The companies supplying functional commodities on effective chain are not recommend-

ed to abuse advertising campaigns with suggestion of product at lowered price. The arising up in such cases splash of demand is able to create corks in supply chain.

One of three possible strategies of reducing the risk is recommended to the companies supplying innovative or archaic products on flexible chains (and running here into equivocation demand on the products). Depending on a situation they can be used not only separately, but in combination, or jointly:

- ◆ to decrease equivocation (for this purpose it is needed to find the source of new data which will give a more precise definition of demand);

- ◆ to avoid equivocation by diminishing to the minimum the time of preproduction in order to meet the changes of demand on-the-fly;

- ◆ to insure against equivocation creating surplus buffer commodity supplies or production capacities in supply chain.

Creation of supply chain, appropriate to the commodity, can be a difficult process. However competitive advantage, arising up as a result, justifies the expended labor and rewards additional income.

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