STRATEGIC FORMAT OF SUPPLY CHAIN MANAGEMENT

VUJIČIĆ JELENA[1], POPARA BOGDAN[1], NIKOLIĆ V. MIODRAG[2]

[1]Faculty for strategic and operational management, Belgrade, Serbia
[2]European University, Faculty of European Business and Marketing, Belgrade, Serbia

***Abstract**: Supply chain management is highly relevant segment of business activities. It includes a system of sharing information, goods, and industrial products, from suppliers to consumers. In this sense, value chain management should have a proactive approach for anticipating challenges and timely preparation for dealing with them in the supply flows. Supply Chain Management should use the network as an organizational infrastructure for directing the supply flows toward the point of their maximum capabilities. Analogous to logistic management, supply chain management is treated as a process made of specific, mutually conditioned activities, which contribute to the achievement of defined goals in the area of supply, planning, organizing, leading and controlling. The range of the value chain management as a process consists of the above activities, means that supply managers are used to all logistics resources (people, equipment, funds and information) in order to achieve goals.*

The strategic premise of supply chain is based on the use of options instead of solving the challenges of organizational inertia in supply. The boundaries between it and the environment (in which participants are the dominant suppliers, customers and competitors) are of organic nature, i.e. exposed to widening and narrowing, which is the basis for network relations. The focus of supply chain management is moving with the rigid control of supply flows to their flexible planning (preceded by a prediction, a system of defining planning assumptions, i.e. attitudes about the future events, and then follows a decision, as an alternative system of evaluation and selection of alternatives that will be applied in field of supply). In practical terms, it means a constant evaluation of the opportunities that certain decisions related to supply operations (phase, processes) will lead to success. Assessment of opportunities leads to a change of focus in relation to suppliers, customers, and business partners. The ability to create value becomes a critical competency of supply chain management. The value, in this sense, is projected as a result of a systematic change of management concepts applied to all relevant decision makers in the supply process.

***Keywords**: supply chain management, supply chain strategy*

1. INTRODUCTION

The concept of supply chain was created by integrating the process of supplying industrial goods and the process of receiving orders. The concept describes the establishment of the value system in the logistics business sphere based on the efficiency and effectiveness of work processes, phases, and operations. The main objective of supply chain management is to ensure continuity of business operations in the area of supply, their qualitative achievement, and reducing uncertainty and risk in operations, which have a positive impact on stock levels, the cycle of supply and services provided to consumers.[1] Once formulated, the basic objective of supply chain management becomes a criterion of rationality of **strategic** business decisions and the standard of business performance. Managerial work is making of the decisions, strategy is the answer of the management on the changes[2]. All cited segments of the primary goals contribute to increased profitability and business competitiveness.

2. CONTEXTUAL AREAS OF SUPPLY CHAIN MANAGEMENT

The modern concept of supply chain reflects the harmony of meaning and components of the supply chain and supply chain relationship with the value chain.

The **meaning** of the *supply chain*. The supply chain represents a symbiosis of flows, activities and tasks related to the flow of industrial goods (materials and parts, capital goods and consumption goods and business services), information, monetary values and the final products (physical or digital products), from suppliers through production and storage space, to the consumer, as well as organizations and individuals in the function of these trends, activities and tasks of supply. The flow of industrial goods, information, monetary values, and final products should be designed not only to contribute to the effective realization of the transformation process, but also to cover the dimension of efficiency (increasing the maximum value along the chain, collaboration with internal and external partners in terms of time, energy and other resources, etc.). The definition of supply chain clearly indicates that it consists of logistics and marketing activities, activities that consume resources, but also set values in motion. A well organized and optimized, the supply chain is a critical success factor of modern business companies (to reduce costs and increase profits), and depends heavily on the information systems support. For example, *Dell Computer* skips the distribution and sale in the shops, which is typical for a manufacturing supply chain of a business company. Dell takes orders for its computers from consumers via the Internet and produces them according to the specifications of these orders. Computers are never sent to distribution centers and never exposed in the shops. Consumers can, using this method of procurement to acquire the latest models at very competitive prices, for only five to six days.[3] Adding the values to cash flow, activities and tasks along the supply chain is

---

[1] The importance of ensuring continuity of business operations in the transport and production chain resulted in the appearance of *vertical integration*. In this regard, the example of Henry Ford is the most obvious, who bought caoutchouc plantations in SouthAmerica, to be able to control the production of tires for its cars

[2] Vujičić, J., Popara, B., Nikolić, M., Strategic management determination in the function of understanding consumer paradigm, International journal of economics and law, Vol. 1, No. 3, Novi Sad, 2011.

[3] Source: **Jacobs F. Robert**, **Chase B. Richard** and **Aquilano J. Nicholas**, *Operations and Supply Management,* twelfth edition, McGraw–Hill/Irwin /a business unit of The McGraw–Hill Companies, Inc./, New York, 2009, p. 358.

important for the achievement of competitiveness, but is often limited by a number of possible challenges (problem situations). The aforementioned challenges (problem situations) relate to the uncertainty in predicting the fluctuation of demand (by the action of a set of factors such as competition, prices, weather conditions, technological development, general consumer confidence) to uncertainty regarding the time of delivery (which was challenged by factors such as the breakdown of machinery, road conditions, traffic jams), uncertainty about the quality of materials and parts (which can cause production delays); inefficient customer service (which can lead to failure of delivery of the product at the right time and the right place), the high cost stock, poor coordination, cooperation and communication between internal units and business partners[4], etc. One of the most enduring problem situations along the supply chain is linked to the *bullwhip effect*.[5]

Components of the *supply chain*. The supply chain consists of three components, a component designated as the supply chain, components marked as internal supply chain, and components marked as selling chain. Supply chain, in effect, linking business company with its suppliers on the one hand, and with users[6] of its products (physical goods and services), on the other. Metaphorically speaking, supply chain comprises the product life cycle „from

[4]„Appropriate supply chain and inventory management requires coordination of various activities and links in the supply chain. Effective coordination enables the products moving smoothly and on time from suppliers to manufacturers and consumers, allowing the business to maintain a small company stocks and low cost.As part of striving for better coordination, business partners must learn to trust each other. Both, customers and suppliers must participate together in the creation or re-designing the supply chain to achieve a common goal." To address challenges in the supply chain, it is desirable to use the following suggestions, „when is the peak of demand obvious, it should not work alone, but engage external collaborators, etc., when ever appropriate, it is preferable to buy alone rather than to produce the input components; to devise a satisfactory plan to dispatch the goods; to create strategic partnerships with suppliers, when purchasing to use Just in Time approach, in which suppliers deliver small amounts of materials and parts that are immediately entered into the process, to shorten the time of purchase and sale, to use small suppliers, improve customer-supplier relationship; to produce only after orders arrive, make accurate demand cooperating closely with suppliers.
"Source: E. Turban, E. McLean and J. Wetherbe, „Informaciona tehnologija za menadzment", Zavod za udzbenike i nastavna sredstva, Belgrade, 2003, pp. 247, 248-249

[5]„The bullwhip effect or non-synchronization effect refers to the movements in order up and down the supply chain (for example, from consumer to producer).Even a small change in sales is reflected back to the whole chain, noting the impact when hitting whip. This effect was first noticed by Procter & Gamble, P&G Company, with its disposable diapers (Pampers). While actual sales in the stores was relatively stable and predictable, orders from distributors accounted for severe reversals, creating problems for P&G with production and inventory. The investigation revealed that the retailer orders were unstable due to poor forecasting, unstable prices, ordering the series and rationalization within the supply chain. All this has caused unnecessary supplies in different parts of the supply chain, the instability of P&G orders toward its suppliers and the flow of misinformation. Distorted information can cause tremendous inefficiencies: excessive inventory, poor customer service, low income, unsuccessful delivery or omissions in the dynamics of production." Source: Ibid, p. 246

[6] The users are *storage/warehouses/, dealers* (see the explanation after the basic content of the footnote), distributors and its own sales force in the first segment of the flow of goods, *retail* - in the second segment of the flow of goods, and *consumers*/*end-consumers and industrial customers*/in the third segment of the movement of goods. In this constellation, it should be noted that storages/warehouses/supply goods to – retail and retail to- consumers; dealers - directly to consumers, distributors to - retail and retail to - consumers, and own sales force - directly to consumers.
(Dealers are so-called, *principals*, i.e. people who buy and sell products on its own behalf, which means they have to take the risk/because they hold products that are subject to change of price/. Earning provided thanks to buying products at lower prices and sell at higher prices. Difference in price that dealers exercise is called the spread.)

dust to dust." Supply chain is a component or segment of the supply chain, related to suppliers in the first degree of the business company (which themselves may be the producers and/or installers) and their suppliers. Such a relationship can be extended to suppliers of the second degree and on, until the origin of material (e.g., mining, cultivation of crops). Internal supply chain is the component or segment of the supply chain, which applies to all processes used by a commercial company in transforming the input, a supplier that delivers - in products, from the moment when industrial properties enter the company by the time the products leave to distribution outside of the business company. Selling chain is a component or segment of the supply chain, which applies to all processes involved in delivering products to intermediaries and final consumers.

The connection of the supply chain and the value chain. Supply chain is the delivery system of values[7] by using not only the key competencies (i.e., the existing expert knowledge), but also the use of distinctive capabilities (i.e., the manifestation of feeling for the market, connecting consumers and connecting channels). Business companies in this constellation shall establish, maintain, and develop the management of relations with suppliers, management of internal resources, and management of customer relationships. *Management of relations with suppliers* allows the business company control over the business complex relationships with selected suppliers in connection with the processing and delivery of industrial goods. Many commercial companies are entering into partnerships with certain vendors to create a network to deliver superior value. Management of internal resources allows business company the control over key supply process. Management of customer relationships allows business company to understand who are its customers, how they behave, what they need or what they want. Relationship between supply chain and value chain are explicitly expressed through the concordance of their activities. The value chain is part of a larger course of action that is called a value system.[8] In practical terms, the value chain includes a set of organizational work activities related to procurement and processing of industrial goods and their logistics, on the one hand, and processing of products, their sales, and their logistics, on the other. The value chain consists of *five* primary (elementary) and four secondary (auxiliary) activities. The **primary** activities (activities of the business flow - *basic* activities) include input logistics, production, output logistics, marketing, sales, and service. The **secondary** activities (support activities of the business flows - ancillary activities) include infrastructure of the business company (accounting, finance, management, legislation); *human resource management*, *technology development* (R & D) and *procurement*. The goal of value chain management is to create a strategy that integrates all activities of the chain (both, primary and secondary) to provide solutions to establish an optimal balance between benefits and costs.

The creator of the value chain, Michael Porter of Harvard University, stressed that values increase moving along the chain, and that one of the main goals of the value chain is to maximize this value. In this context, it is important to stress that the value chain makes possible to examine the costs and performance in any activity that creates value, and seek ways to improve value. To illustrate the increase of values, we will use an additional set of values formed by the input and output logistics.

[7] The **value** of the specific business outcome sets out the functional and emotional aspects of industrial goods (products) for which the consumers (clients) are willing to give their financial resources in order to complete their purchase (acquisition).

[8] The value system is a set of researches, development and delivery of the value which acts as a single entity, aimed at achieving reproductive cycle (procurement,production, sales), i.e. customer satisfaction and profit.

Input logistics creates the following additional values:

- Proper set location of storage facilities to reduce the delivery time of industrial goods
- Introduction of adequate control system of industrial goods and supplies
- Introduction of electronic systems that reduce the time required to send orders to suppliers
- Schedule and organizing of warehouse to increase the efficiency of input operations

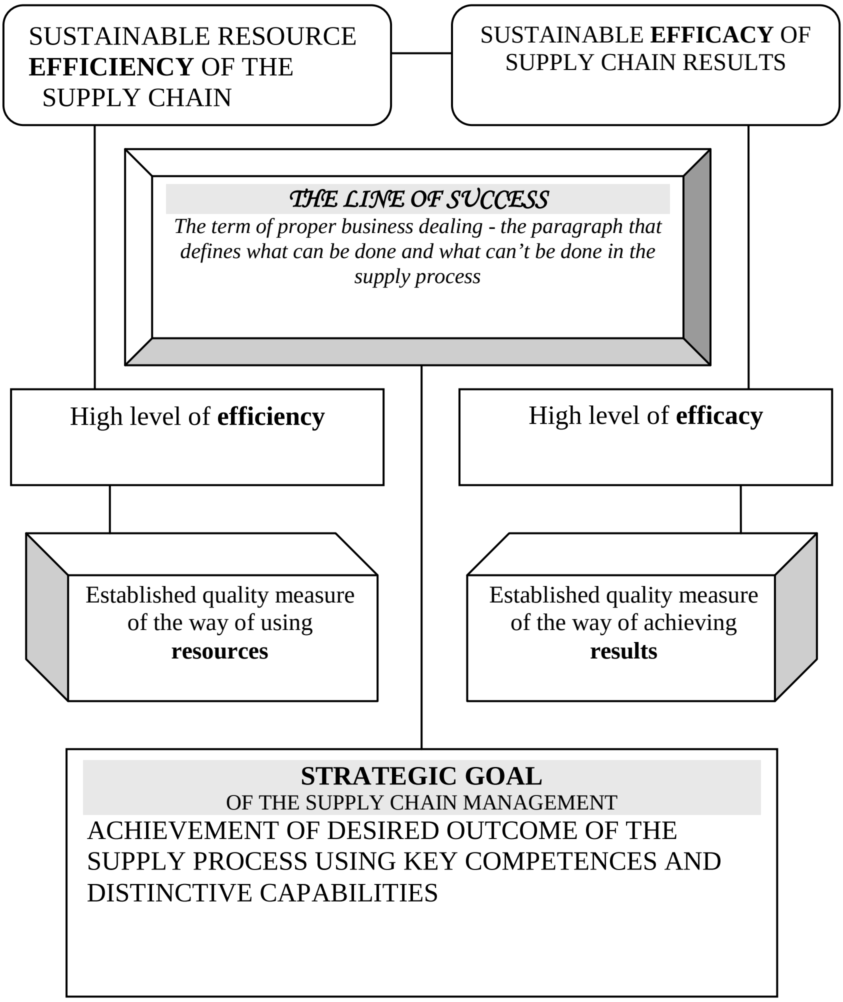
Output logistics creates the following additional values:

- Effective delivery to ensure fast delivery and to minimize damage
- Efficient processes of final products warehousing
- Delivery of finished products in large quantities in order to minimize transportation costs
- Quality equipment for material handling, in order to expedite handling products ordered

Analogous to marketing management and finance management, supply chain management is a functional field of the business company with a clear line of management responsibility. This line of responsibility is imperative for choosing, creating, and distributing value along the supply chain. Output value,[9] tentatively defined as the quality/price ratio, is the result of the use of efficiency and effectiveness, as critical ways of management excellence of supply chain management. Efficiency and effectiveness are management tools because the supply chain management means the coordination of activities related to the supply process (i.e. phase and operations), so the work carried out efficiently and effectively with employees in the supply sector, with business partners (other people) and using words. **Efficiency** is expressed metaphorically as „**doing the job properly**.“ *Efficiency* refers to extract the maximum from minimum investment. As supply chain managers have insufficient resources (capacity) - including resources such as people, money, and equipment - they deal with the efficient use of resources. **Effectiveness** is expressed metaphorically as a „**doing the real things**.“ *Effectiveness* is often defined as the performance of activities related to the supply process (i.e. phase and operations), which help supply sector to achieve high performance results/impacts and thus to achieve planned organizational goals. (Scheme 1).

Based on explanation of the previous three contextual entireties of the supply chain, a complete definition of supply chain management as a scientific discipline can be made. **Supply chain management is a discipline that covers the integrated management of business operations related to the flow of industrial goods** (materials and parts, capital goods and consumption goods and business services), information, monetary values and the final products (physical or digital product), **from the supplier to the consumer**.

[9] Competitive „happiness“ is being able to increase quality and reduce price while maintaining or improving profit margins. This is a way that operations can directly increase customer retention and gain market share. Source: **Jacobs F**. **Robert**, **Chase B**. **Richard** and **Aquilano J**. **Nicholas**, *Opus citatum*, p. 18.



Scheme 1 - The efficiency and effectiveness in supply chain management

3. SUPPLY CHAIN STRATEGY

The strategy is described as the planned decisions of supply chain management to create and to valorize performance on the market covering the needs of stakeholders (suppliers, customers, employees). Strategy, as a rule, prefers a successful future supply chain: the progressive achievement of the objectives of the supply chain. The future belongs to those managers of supply chains who are willing „to learn what they need to learn to do what they must do."

An example of a strategic approach of *Dell Computers* Company is unique and very interesting. Combining innovative design of products, ordering online, innovative computer system installation and fantastic co-operation with suppliers it seems that *Dell Computers*, at least for this business moment, has created an extremely efficient supply chain, thus becoming a sort of benchmark for other companies in the field of production and distribution of computers. The key to success lies in the fact that consumers ordering via the

Internet and are willing to wait at least a week to delivery of their computer system. Most consumers do not buy computers in this way; they would rather go to the store or discount store and buy computers that are available and in stock at that store. Often the price of computers is connected to the other services that are offered at a discount that attracts the consumer to buy a very specific computer configuration.

The main *role* of supply chain strategy is to provide unique and valuable competitive advantage, which can be kept the long term (because it creates space to copy it or replace it). Competitive advantage can be maintained by performing different business processes in the supply chain from competitors or performing similar procedures, but in a much better way.[10] Finding that covers the above consideration must be oriented to the internal business environment and even more so to the external business environment, in the suppliers' value chains, distributors, and consumers (with whom, as already pointed out) should establish quality and long-term partnership. It should also be noted that competitive advantage should be sought in accordance with the knowledge that promotes *triple rule*. (*Triple rule* chooses a market situation where there are only *three* major companies, which have three adequate supply chains, with the constancy of other variables/for example, there is no interference from the state, there is no crisis situation/. Existence of *two* commercial companies, could potentially lead to monopolistic pricing or mutual destruction, the existence of *four* commercial companies can potentially require a constant growth rate, which brings, as a rule, more harm than good.)

The strategy of supply chain management has three components: *operational effectiveness*, rel*ationship management*, and *product innovation*. **Operational** effectiveness means the establishment of business processes in the supply initiating the flow of business activities on the one hand, and performs these activities better than competitors, and other. The *strategic*

[10] There are three approaches, the three strategic options, through which supply chain management can achieve a competitive advantage. The first approach is the leadership in the total costs - the strategy that requires that the supply lines of internal flows and sales remain fairly stable and unchanging, and that innovation is mainly related to processes within the given functional segments. Second access to differentiation - a strategy that requires the development of innovative solutions, which require the engagement of professionals who are able to identify crucial elements of the complex, creative design, and marketing decisions. The third approach is to focus on the segmentation of the market (narrower segment) - a strategy that requires the application of the first or second approach in a very specific market area (which can be extracted by the diversity of industrial goods, the type of distribution channels, utility service, the geographical location of customers).
Just in Time (JIT) inventory is a peculiar system designed to achieve efficient internal logistics. Thus, for example, the Toyota company in the business, supply parts arrive to the factory where those parts are assembled, only a few hours before they are needed. JIT system plays a major role in fulfilling the obligations that Toyota takes himself, and that is that by order of his client, delivering a new car in just five days. As Toyota achieves this rapid pace of production? It achieves this as follows: 1) Tojotinih 360 major suppliers, with the help of computers, the virtual assembly line connected with the company, 2) When loading, parts suppliers agree to the trucks in the order they will be installed, 3) The parts are trucks every time the complex to the same place to get them as fast as workers unloaded, 4) required that the supply does not deviate strongly from the set schedule, which provides true 12 trucks a day and not more than 4 hours gap between them. Source: G. Dess Gregory, T. Lumpkin Mr. Eisner and B. Alan, Strategic Management, Theory and Cases, Third Edition, Data Status, Belgrade, 2007, pages: 80

content, which provides *operational effectiveness*, includes the introduction of total quality system, business process redesign, Just in Time[11], and defining *benchmarks*.[12]

Management of relationships with business partners indicates a good understanding and build mutually beneficial long term relationships with key partners (which may supplement the *strengths* and neutralize the *weaknesses* in the supply chain), with the purpose to achieve profitability on the basis of satisfaction of their needs and establishing a business continuity with them. Management of relations with partners qualifies in the contemporary theory of management practice and value chain management as a key management skill. *Strategic content*, which gives management relations, includes segmentation of suppliers and consumers (because both of the groups differ in many dimensions and can often be grouped under one or more characteristics) and, according to a given segmentation, the establishment of flexible demand system, i.e. offer.[13]

Product innovation means the introduction of novelty or improvement of functional specificity of supply process. Product innovation can be encouraged, not only with proactive supply chain management positions with regard to the pursuit of finding and applying innovative solutions in the supply system operations related to the **supply line**, which ranges from suppliers and downstream through the supply channels to the warehouse and production, and continue through distribution center to the consumer, but also the **line of demand**, ranging from consumers through the distribution channel to the warehouse and production, and further, to the supplier. Lines of supply and demand are especially visible in terms of the need for supply chain management for the new industrial goods and consumer needs, the new (improved) product or consumer service[14]. *Strategic content*, provided by

[11] Just in Time (JIT) inventory is a peculiar system designed to achieve efficient internal logistics. Thus, for example, in Toyota company supply of the components arrive to the factory where those parts are assembled, only a few hours before they are needed. JIT system plays a major role in fulfilling the obligations that Toyota takes, to deliver a new car in just five days after the order by its clients. How Toyota achieves this rapid pace of production? In following way, 1) Toyota's 360 major suppliers, with the help of computers, over the virtual assembly line connected with the company, 2) When loading, parts suppliers put the components into the trucks in the order they will be assembled, 3) The parts in trucks are each time placed on the same place in order workers unloaded them as fast as possible, 4) it is required that supply does not deviate strongly from the set schedule, which provides precisely 12 trucks a day and not more than 4 hours gap between them. Source: **Dess G**. **Gregory**, **Lumpkin T**. **G**. i **Eisner B**. **Alan**, *Strategijski menadžment*, teorija i slučajevi, treće izdanje, Data Status, Belgrade, 2007, p.80

[12] The basic meaning of the reference point is the learning from others. Whether it's about learning from others in the business company or learning from others outside the company (by the principle „you live and learn"). Two key terms to cover the context are benchmarking and benchmark. Benchmarking is described as the search for best practices (with the status of implementation of the existing supply system operations) that lead to achievement of high value performance. Benchmark is described as a quality standard according to which business performance are measured and compared (effects, results).

[13] **Flexible**, market demand and market offering consists of two parts: a naked solutions, which contains elements of industrial goods (final products), evaluated by all members of the supply sector and discretionary options evaluated by the individual members of the supply sector. Siemens Electrical Apparatus Division sells metal enclosures for small manufacturers, in which the price includes free delivery and a guarantee, but installation, testing and connecting peripherals, providing are provided for an additional charge. Source: **Kotler Philip** and **Keller** *Lane* **Kevin**, *Marketing Management*, TWELFTH EDITION, PEARSON Prentice Hall, Upper Saddle River, New Jersey, 2006, p. 241

[14] Five factors condition the adoption of product innovations of the supply chain management: 1) relative advantage - expressed as degree of innovation superiority in relation to the supply of existing

production innovation, includes a review of the status quo and the facilitation of creativity, especially when it comes to developing new forms of customer's service, sustainable supply chain, and encouraging risk-taking.[15]

The importance of supply chain management strategy is in its contribution to all, cited here, strategic components.

The strategy of supply chain management is defined as a set of analysis (internal and external environment), decisions, and activities related to policy and planning of resource use, with the aim of supporting long-term competitiveness of the supply process. As such, supply chain management strategy cannot be designed in a vacuum. It must be structured *vertically* - related with *suppliers* i.e. *customers*, and horizontally - connected to *other parts of the business structure*. (Scheme 2)

the goals and objectives, stakeholder requirements, requirements for inclusion of short-term and long-term business prospects, and requirements for the recognition of the balance between efficiency and effectiveness.

The first specific strategy for supply chain management covers the requirements of the goals and objectives. Supply chain management should develop such a strategy will be focused to achieve the goals and objectives of supply operations in a way that they are in line with *organizational versus individual rationality*. In other words, the objectives and tasks of the supply operations should be part of the overall setting of goals and tasks at the company's business. For example, the „*supply sector may decide for a long-term source of supply, to reduce costs, which could potentially be in conflict with the requirements of the marketing sector to meet the specific requirements of the target market segment*.“

Second specific strategy for supply chain management covers the requirements of stakeholders. Supply chain management should develop such a strategy to meet the demands of interest groups, i.e. individuals, groups and organizations that participated fully in the role of supplier business process and expect, in line with achieving successful business results, the materialization of their interests regarding certain uses. For example, „financial results may arise because employees who are satisfied with their work, try to be better in meeting suppliers/for example, speed of payment orders/customers and/say, by the speed of products delivery at the right time and the right place/“.

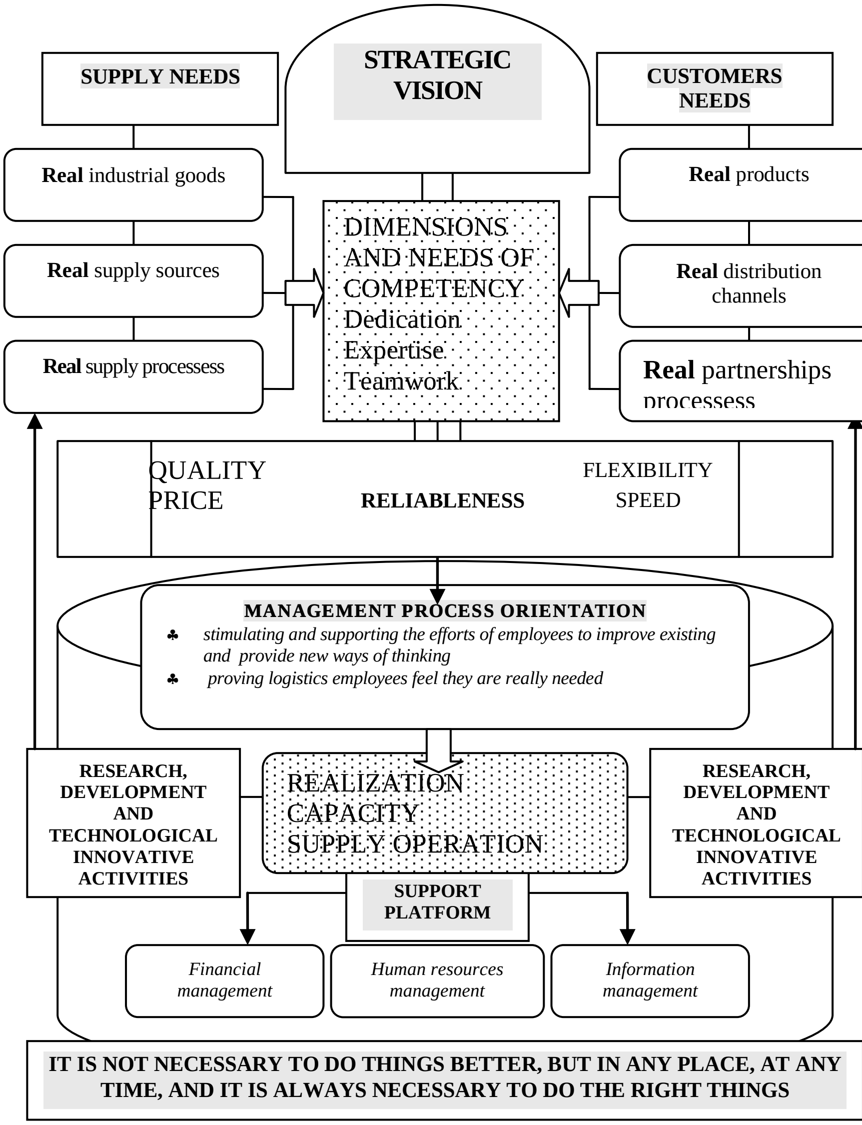
Specifics of supply chain management strategy can be seen in relation to the requirements of

The third specific strategy of supply chain management covers the requirements for inclusion of short-and long-term business prospects. Supply chain management should develop such a strategy to respond to operational requirements, and strategic business perspective and be able to continuously assess how its actions will affect supply chain targets, on the one hand, and aims at the level of the business company, on the other. For example, „*dismiss of several important employees can reduce costs and increase profit in the short term, but long-term implications regarding the moral of employees and relationships with suppliers/consumers/can be serious, which can eventually lead to declining performance*.“

---

processes, 2) compatibility - expressed as degree of matching innovation with the values and experiences of individuals employed in the supply chain, 3) complexity - expressed as the relative degree of difficulty of understanding or use of innovation, 4) divisibility - expressed as the degree to which the test may limit innovation, and, 5) communication skills - expressed as the degree to which the benefits of use can be seen or described by others. Source: Ibid, pp. 660-661;

[15] „If you do not make mistakes, then you do not risk anything, and that means you're going nowhere." (John Holt, co-author of the book „Celebrate Your Mistakes“) „The key thing is to make mistakes faster than the competition so you have more chances to learn and win.“(**George Fisher**)



Scheme 2. The basis of the structure of supply chain management strategy

Fourth specific strategy of supply chain management covers the requirements for recognition of the balance between efficiency and effectiveness. Supply chain management should develop such a strategy to respond to requests to establish a balance between efficiency and effectiveness in the use of available resources and capabilities, in accordance with the existing and new market requirements.[16] The efficiency and effectiveness are the business categories that should be constantly evaluated, in terms of achieving objectives and in terms of using resources. Achievements of management that efficiency and effectiveness are in balance, as a result gives successful business. In other words, it means that goals are

[16] Source: **Dess G. Gregory**, **Lumpkin T. G.** i **Eisner B. Alan**, *Opus citatum*, pp. 10-11

achieved, the resources are well used, and that is achieved the area of high productivity. Constant reviewing, in this context, indicate the real position of *power* of supply chain management, and the *power* of employees in the supply sector. However, it should be noted that success is often variable category. Therefore, it is necessary to constantly be prepared for success, for future success, if success is achieved today. Highly positioned business investor **Warren Buffett** once said, "Beware of the indicators from the past. If history books were the key to the richness, Forbes 400 would consist of librarians.“[17]

4. CASE STUDY: CAMPBELL SOUP

In the context of the strategic considerations of supply chain management, there is an indicative example of the strategic options that apply Campbell Soup Company. The company has a program called *Continuous Replenishment* that shows what the company, as a manufacturer of food products can do, in order to facilitate the flow of finished products through its supply chain. The program operates in a manner that the management company Campbell Soup establishes an Electronic Data Interchange, EDI, with vendors offering them everyday „low prices to eliminate the sales. Each morning, retailers electronically inform the company about its demand related to the Campbell products, as well as the level of inventory in their distribution centers. Business companies use this information to predict future demand and to determine which products require a renewal based on the upper and lower limits for stocks, which were previously established for each supplier. Trucks leaving the Campbell Soup factory every afternoon and reach of small retail distribution center, with the required products, the same day. Using this system, Campbell Soup can reduce inventory levels at retailers in two weeks, which in old system lasted, in average, four weeks. It is evident that supply chain management of the Campbell Soup Company in this procedure creates a strategic advantage in their business procedures, ensuring the competitiveness of food products. However, not only management achieves advantages. The advantages achieve small retail formats, too. They realize that the cost of a product inventory for the year amounted to as much as 25% of their purchase price. By reducing inventories to two weeks this is a saving for them, which is equal to almost 1% of the sales. Average profit of sale format is about 2% of sales value, so the saving is sufficient to increase their profits by 50%. At the same time, small retail formats create the basis for the purchase of several products, but also realize (by previous procedure) more space in their stores for storing and displaying products. Campbell Soup Business Company found that after the introduction of this program, the sale of its products increased twice with the participation of small retail formats, in relation to other companies that have production and distribution of identical products.[18]

---

[17] Source: **Dess G**. **Gregory**, **Lumpkin T**. **G**. i **Eisner B**. **Alan**, *Opus citatum*, p. 43

[18] **Jacobs F**. **Robert**, **Chase B**. **Richard** and **Aquilano J**. **Nicholas**, *Operations and Supply Management*, twelfth edition, McGraw–Hill/Irwin /a business unit of The McGraw–Hill Companies, Inc./, New York, 2009, pp. 361–363

5. RESUME

The strategic outcome of supply chain management presents a new business philosophy, aimed at greater harmonization of key business functions of all links in the supply chain. The strategic approach to the topic of supply chain points out to unique business process of manufacturing and information flow that creates and develops along the entire distribution channel, and every single business company, a participant in the supply channel, is only one link in the supply chain, in which no longer exist inter-company boundaries. The strategic value of supply chain appears as a specific difference between the value of products for final consumers (industrial customers) and all the efforts of management and all employees focused on the primordial objective - meeting practical needs of consumers. **Strategic has always meant an understanding of other and different**.

REFERENCES

[1] Dess G. Gregory, Lumpkin T. G. i Eisner B. Alan, *Strategijski menadžment*, teorija i slučajevi, treće izdanje, Data Status, Beograd, 2007.
[2] Vujičić, J., Popara, B., Nikolić, M., *Strategic management determination in the function of understanding consumer paradigm*, International journal of economics and law, Vol. 1, No. 3, Novi Sad, 2011.
[3] Jacobs F. Robert, Chase B. Richard and Aquilano J. Nicholas, *Operations and Supply Management*, twelfth edition, McGraw–Hill/Irwin /a business unit of The McGraw–Hill Companies, Inc./, New York, 2009.
[4] Kotler Philip and Keller *Lane* Kevin, *Marketing Management*, TWELFTH EDITION, Pearson Education, Inc., Prentice Hall, Upper Saddle River, New Jersey, 2006.
[5] McLean E. i Wetherbe J., *Informaciona tehnologija za menadžment*, Zavod za udžbenike i nastavna sredstva, Beograd, 2003.
[6] Pettigrew A., Thomas H. and Whittington R., *Strategy* & *Management*, SAGE Publications, London, 2006.