

Chapter 4. Supply Chain Management

Basic references:

- 📖 Heizer, J. & Render, B. (2009): Operations Management. New Jersey: Pearson Prentice Hall
- 📖 Moscoso, P; Lago, A. (2016): Gestión de operaciones para directivos, Madrid, McGraw Hill

PURCHASING POLICY: PRODUCT TYPOLOGY AND SUPPLIER MANAGEMENT

"Strategic" classification of goods and services: Kraljic's matrix

		Supply Risk	
		LOW	HIGH
IMPORTANCE OF THE PURCHASING	HIGH	<p>LEVERAGED PRODUCTS</p> <ul style="list-style-type: none"> -High impact on profits. -Low supply risk. -Possible substitution. <p>→ <u>Look for competitive offers</u></p>	<p>STRATEGIC PRODUCTS</p> <ul style="list-style-type: none"> -Critical for the cost of the product. -Dependence on supplier. <p>→ <u>Partnership agreement or internalisation</u></p>
	LOW	<p>NON-CRITICAL PRODUCTS</p> <ul style="list-style-type: none"> -Low impact on profits. -Plentiful offer in market. <p>→ <u>Transactional cost: optimise overall process cost</u></p>	<p>BOTTLE-NECK PRODUCTS</p> <ul style="list-style-type: none"> -Monopolistic markets. -High entry barriers. <p>→ <u>Secure supply and look for alternatives</u></p>

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Exercise: Classify strategically following products according to Kraljic's matrix.

For a car-making firm:

- Complete door modules for cars.
- Office supplies.
- Transport of finished cars to port depot.
- Electricity supply.

For a city hotel:

- Purchases of bedroom furniture.
- Purchases of 'good' wine.
- Electricity and gas supply.
- Listing of the hotel in reservation networks.
- Laundry services.

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Kraljic's matrix application to a car-making firm

		Supply Risk	
		LOW	HIGH
IMPORTANCE OF THE PURCHASES	HIGH	<p>LEVERAGED PRODUCTS - Transport of the finished cars to the port depot.</p>	<p>STRATEGIC PRODUCTS - Complete door modules for cars.</p>
	LOW	<p>NON-CRITICAL PRODUCTS - Office supplies.</p>	<p>BOTTLENECK PRODUCTS - Electricity supply.</p>

PURCHASING POLICY: PRODUCT TYPOLOGY AND SUPPLIER MANAGEMENT

Kraljic's matrix application to a city hotel

		Supply Risk	
		LOW	HIGH
IMPORTANCE OF PURCHASING	HIGH	<p>LEVERAGED PRODUCTS</p> <ul style="list-style-type: none"> - Purchases of bedroom furniture (alternative). - Purchases of 'good' wine. 	<p>STRATEGIC PRODUCTS</p> <ul style="list-style-type: none"> - Listing of the hotel in reservation networks
	LOW	<p>NON-CRITICAL PRODUCTS</p> <ul style="list-style-type: none"> - Purchases of bedroom furniture (alternative). - Laundry services. 	<p>BOTTLENECK PRODUCTS</p> <ul style="list-style-type: none"> - Electricity and gas supply.