

International Business

(For B. Com Sem VI)

International Production and Supply Chain Operations (Part1)

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A defined characteristic of a firm engaged in international business today is widely dispersed customers (buyers) and suppliers (like suppliers of raw materials and intermediate products).

At this point you should remember the “journey of Wimbledon ball” case that we did in Chapter on Globalization (reproduced below)

The 50,000 mile journey of Wimbledon's tennis balls

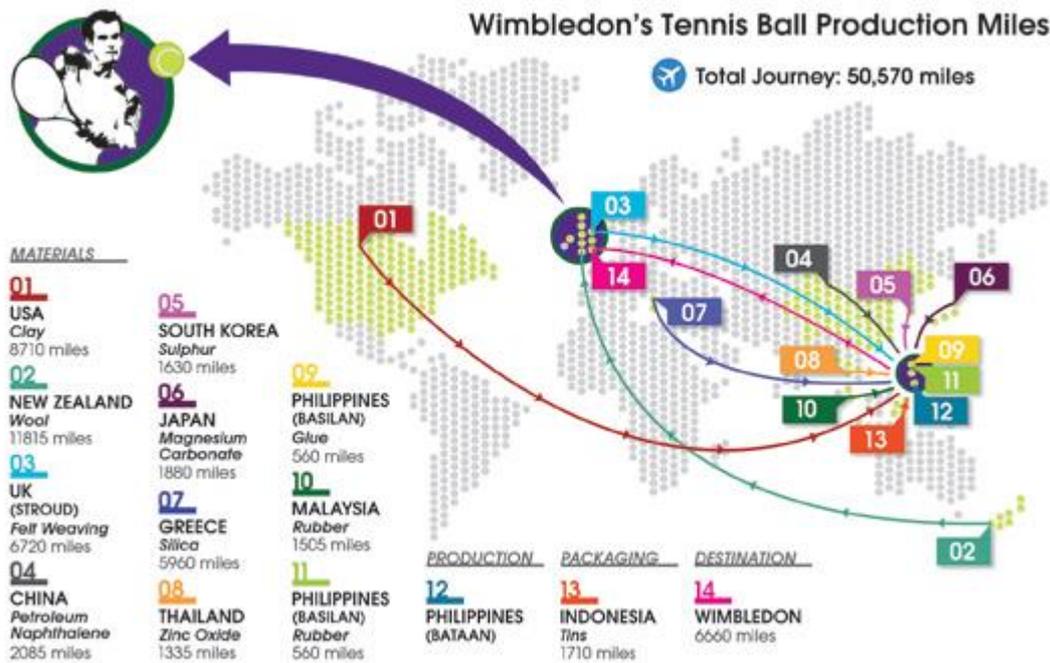
- The tennis balls used at Wimbledon travel more than 50,000 miles
- A global supply chain is used by Slazenger to make the balls
- It crosses 11 countries and four continents before reaching Wimbledon
- Manufacturing takes place in the Philippines and then shipped to UK
- The tennis balls used at Wimbledon have travelled 50,570 miles around the world before they land on Andy Murray’s racket on Centre Court.

Slazenger is a British sports equipment manufacturer and has been the official ball supplier for Wimbledon since 1902, with its headquarters based at Shirebrook in Derbyshire.

But their official Wimbledon ball flies between 11 countries and across four continents before being manufactured in Bataan in the Philippines and then travelling the final 6,660 miles to SW19 as illustrated in the graphic below

Mark Johnson, Associate Professor of Operations Management, has looked into the supply chain of the Wimbledon tennis ball and unearthed the surprisingly long and complex journey to one of the world’s biggest sporting events.

Dr Johnson said: “It is one of the longest journeys I have seen for a product. On the face of it, travelling more than 50,000 miles to make a tennis ball does seem fairly ludicrous, **but it just shows the global nature of production these days,** and in the end, **this will be the most cost-effective way of making tennis balls.**”



It is quite clear from the above case that production is no longer restricted to one country. An international firm's sources raw materials from the place where it can be bought most efficiently.

However, this is not the complete picture of a supply chain. Sourcing of raw materials (or suppliers) is just one activity (or actor) in a company's supply chain.

So, what is supply chain and supply chain management?

In business, supply chain is a system of organizations, people, activities, information, and resources involved in moving a product from initial supplier (e.g. raw material supplier) to the end customer.

Supply chain management refers to a series of value-adding activities that connect the supply side of the business with its demand side.

A supply chain consists of all parties involved, directly or indirectly, in fulfilling a customer request. It not only includes the manufacturers and suppliers, but also transporters, warehouses, retailers and customers themselves. Within each organization, such as manufacturer, the supply chain includes all functions involved in receiving and fulfilling a customer request. These functions include, but are not limited to, new product development, marketing, operations, distribution, finance, and customer service.

A supply chain is dynamic and involves the constant flow of information, product, and funds between different stages.

Follow the link for more clarity on the concept of supply chain- Web link:
<https://www.youtube.com/watch?v=SI2yBhqkRFw>

A typical supply chain may involve a variety of stages. These supply chain stages include:

- Customers
- Retailers
- Wholesalers or distributors
- Manufacturers
- Component or raw material suppliers

Each stage need not be present in a supply chain. There is no optimal supply chain and the appropriate design of it depends on both the customer's needs and the roles of the stages involved.

For example: Dell follows "direct sales" model. It builds to order, that is, a customer order initiates manufacturing at Dell. Dell does not have retailers, wholesalers or distributors in its supply chain.

Follow the link for more on Dell: <https://www.ukessays.com/essays/business/logistics-and-supply-chain-management-of-dell-business-essay.php>

In other instance, consider Coca-Cola, its supply chain involves wholesalers as well as retailers between the customer and the manufacturer (Coca-Cola itself).

Follow the link for more on supply chain of Coca-Cola: <https://www.youtube.com/watch?v=UBSOiHUctrY>

These examples illustrate that the customer is an integral part of the supply chain. The primary purpose of the existence of the supply chain is to satisfy customer needs in the process of generating profits. Supply chain activities begin with a customer order and end when a satisfied customer has paid for his or her purchase.

Objectives of supply chain management

1. **Cost reduction:** A basic objective of supply chain management is to lower the total cost of operations. This is the basic reason for the dispersal of production activities to low cost destinations across the world. It is also the basis of the outsourcing phenomenon you will study in a later chapter. Cost reduction can also be achieved by efficient management of the entire supply chain and an efficient matching of supply and demand. This leads to reduction of inventory in the system and lower investment in working capital.
2. **Product quality:** A second objective of supply chain management is to improve product quality through the elimination of defective products. Improvement of product quality also leads to reduction in cost and to value creation.

Kindly refer to chapter 16 of the prescribed book (International Business- Sumati Varma).