Modelling Supply Chain Dynamics



Contents

1	Intr	duction to Supply Chains	1	
	1.1	~	1	
	1.2		1	
		1.2.1 A Definition of Supply Chain	2	
			4	
		1.2.3 Main Elements of a Supply Chain	5	
	1.3		6	
		1.3.1 The Bullwhip Effect	7	
		1.3.2 Barriers to Overcome the Bullwhip Effect	0	
	1.4	Modelling Supply Chain Dynamics	0	
	1.5	Summary 1	1	
	1.6	Further Readings 1	2	
	Refe	ences 1	2	
2	Sup	ly Chain Management	5	
	2.1	Introduction 1:	5	
	2.2	Main Activities in SCM: The SCOR Model	6	
	2.3	Demand Modelling and Forecast	9	
		2.3.1 Demand Modelling	0	
		2.3.2 Forecasting Techniques	1	
		2.3.3 Other Forecasting Techniques	3	
		2.3.4 Measuring the Error in the Estimations	4	
		2.3.5 MMSE Estimation	5	
	2.4	Source: Inventory Management	9	
		2.4.1 Forecasting the Demand	4	
		2.4.2 Estimating the On-Hand Inventory	5	
	2.5	Summary	6	
	2.6	z maner zeemanige		
	Refe	ences 3'	7	

xii Contents

3	Supp	oly Chain Dynamics 39
	3.1	Introduction
	3.2	The Dynamic Behaviour of a SC
	3.3	Behavioural Causes 40
	3.4	Operational Causes
	3.5	Approaches to Mitigate the Bullwhip Effect 4-
		3.5.1 Behavioural Causes 4
		3.5.2 Operational Causes
	3.6	Performance Measures in SC/SCD
		3.6.1 Measuring Order Variability
		3.6.2 Measuring Inventory Variability
		3.6.3 Slope Metrics
		3.6.4 Other Metrics
	3.7	Summary
	3.8	Further Readings 5
		rences
4	Basi	c Models for SC Dynamics 5
	4.1	Introduction
	4.2	The Role of Modelling in OM/SCM
	4.3	Elements of a Basic Supply Chain Model
	4.4	Measuring the Bullwhip Effect
	4.5	Putting All Pieces Together 6
		4.5.1 Inventory Update 6
		4.5.2 Work in process Update 6
		4.5.3 Issuing the Order 6
		4.5.4 Demand Estimates 6
		4.5.5 A Simple Simulation Model 7
	4.6	The Model at Supply Chain Level
		4.6.1 An Expression of the BWE for a Two-
		and Three-Echelon SC
	4.7	Implications of the Model: The Causes of Bullwhip Effect
		Revisited 7
	4.8	Summary 8
	4.9	Further Readings 8
	Refe	erences
5	The	Effect of the Quality of Information in SCD
	5.1	Introduction
	5.2	Information Sharing
	5.2	5.2.1 Expressing the Orders as a Function of the Customer
		Demand
		5.2.2 Expressing the Orders Across the Supplier Lead Time
		as a Function of the Customer Demand
		5.2.3 Orders Average and Standard Deviation for the No
		Info Choring Scanario

Contents xiii

		5.2.4	Orders Average and Standard Deviation for the Info	
			Sharing Scenario	93
		5.2.5	The Impact of Information Sharing on Inventory	94
		5.2.6	Using Past Orders to Forecast Demand	98
	5.3	The E	ffect of Information Timeliness	101
		5.3.1	Demand Estimate with Time-Lagged Data	101
		5.3.2	The Error When Estimating with Time-Lagged Data	103
		5.3.3	The Bullwhip Effect with Time-Lagged Data	104
	5.4	Inaccu	uracies in the Inventory Information (IRI)	107
		5.4.1	Shrinkage	108
		5.4.2	Product Misplacement	111
		5.4.3	Transaction Errors	113
	5.5	Advar	nce Demand Information	115
		5.5.1	Perfect ADI in Make-to-Stock SCs	115
		5.5.2	The Case of Imperfect ADI	116
	5.6	Concl	usions	116
	5.7	Furthe	er Readings	117
	Refe	rences		119
_	E	:ahina (SC Models	123
6	6.1		duction	123
	6.2		iting Some Hypotheses in the Basic SC Model	123
	0.2	6.2.1	Backlogged Demand	124
		6.2.2	Returned Orders	124
	6.3		ble Lead Times	127
	0.5	6.3.1	Estimating Both Demand and Lead Times Using	12/
		0.5.1	the Moving Average	130
		6.3.2	Simulation Models	131
	6.4		Crossover	132
	6.5		citated SCs	136
	0.5	6.5.1	Modelling Capacity Limits	138
		6.5.2	Workload-Dependent Lead Times	140
		6.5.3	Combining Capacity Limitation with Load-Depending	140
		0.5.5	Lead Times	143
	6.6	Concl	usions	145
	6.7		er Readings	146
				147
_				
7			op Supply Chain	151
	7.1		luction	151
	7.2		nufacturing Scenarios	152
	7.3		et and Remanufacturing Visibility	154
	~ <i>,</i>	7.3.1	Estimating the Flow of the Returns	155
	7.4		rtainty in the Returns	157 158
		7.4.1	No Consideration of the Return Flow	
		7.4.2	Estimation of the Return Flow	160

xiv Contents

	7.5 7.6 Refe	Conclusions	163 164 165				
8		lelling Complex SC Structures	167				
•	8.1	Introduction	167				
	8.2	Several Retailers/Order Batching	168				
	0.2	8.2.1 Case 1: Independent Retailers	169				
		8.2.2 Case 2: Positively Correlated Orders	171				
		8.2.3 Comparing the Cases	173				
	8.3	Several Retailers with a Competing Market	174				
		8.3.1 Non-MMSE Estimations in a Competing Market	180				
	8.4	Conclusions	181				
	8.5	Further Readings	182				
	Refe	erences	182				
9	Fur	ther Issues in Modelling SC Dynamics	185				
	9.1	Introduction	185				
	9.2	Financial Considerations in SC Dynamics	185				
	9.3	Enhanced Forms of SC Collaboration	187				
	9.4	Supply Chain 4.0	188				
	9.5	Supply Chain Resilience and the Ripple Effect	189				
	9.6	Conclusions	190				
	Refe	erences	191				
Appendix A: Useful Calculus Formulae							
Appendix B: Basic Probability Tools							
Appendix C: Time Series Basics for Demand Modelling							
In	Index						