

## Supply Management

### Objectives

- Inventory Management
  - various forms of inventory
  - factors influencing inventory requirements
  - cost of holding inventory

## Supply Management

### Defined:

- Process of examining all facets of buying and use and linking the resources of leading suppliers to the strategic goals of the company
- Systems approach

## Systems Approach

### Be Cognizant:

- Marketing
- Sales
- Manufacturing
- Research & Development

## Forgotten Cost Center - Supply

- Manufacturing:
- Service Business:
- Contrast:

## Cost Center at Ward Lumber

## Cost Center

- Considered a non-value adding administrative task

Procurement can be a strategic tool

## Supply Management

The Supply Stream

## The Value Chain

1. Procurement
2. **Inbound logistics**
3. Operations/Manufacturing
4. Outbound logistics
5. Marketing and Sales
6. Service

## Residual Value Method Example: White pine lumber

- wood procurement, stumpage, logging, transportation, milling, drying, planing, marketing, transportation

## Residual Value Method Example: Hardwood lumber

- wood procurement, stumpage, logging, transportation, milling, drying, planing, marketing, transportation
- variable costs (\$/mbf):

## Reviewing the Supply Stream

Core Processes:

- Procurement
- Continual Improvement
- Innovation

Need to continually re-examine:

## Forms of inventory

## How much inventory?

Factors:

## Mill size and production

$\frac{\text{Production X Time}}{\text{Overrun}} = \log \text{ volume needed}$

Example for 11 million bdf mill:

## Season (Species Mix)

## Market Conditions (Species mix)

## Market Volatility

Example