

# **Supply Chain Glossary**

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## **The Supply Chain Management Research Group**

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**Activity-Based Cost Management (ABC)** – The ability of the firm’s cost accounting system to trace operating costs to specific products, customers, supply channels, or logistics activities. This gives a truer picture of the cost and subsequent profit associated with servicing a given account or chain of distribution. It also looks at what is driving those cost with an eye to improving the processes and the bottom line.

Source: Bernard J. LaLonde, Terrance L. Pohlen  
Journal of Business Logistics

**Bar Coding** – The use package-printed graphic patterns that contain product information, which is optically read by scanners, then stored in computer systems. This information is used in various logistics applications, such as inventory and order management, as well as shipment tracking.

Source: Various

**Benchmarking** – The measurement of a company’s current profile against other companies with similar operations that are considered to be “best-in-class”. These “best” practices are then incorporated into the company’s own operations.

Source: Michael Spendolini  
The Benchmarking Book

**Best-In-Class** –Companies or organizations that are known to be excellent in a specific process, such as invoicing, put-away, etc.

Source: Seber Logistics Consulting, Inc.

**Business Logistics** – The process of planning, implementing, and controlling the efficient, cost-effective flow of raw-materials, in-process inventory, finished goods, and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.

Source: Council of Logistics Management

**Center-of-Gravity Approach** – An approach to locating warehouse facilities or distribution centers based on tonnage shipped. This approach determines a location at the center of the ton-miles associated with product movement between a manufacturing plant and its markets. The by-product of this approach is most often the lowest cost transportation solution for the facility.

Source: Various

**Connectivity** – Providing the capability to exchange information with external supply chain partners in a timely, responsive, and useable format, which facilitates inter-organizational synchronization and improved resource use.

Source: Michigan State University and the Council of Logistics Management  
Making Supply Chain Integration a Reality

**Continuous Improvement (CI)** – A management goal to improve operations deriving its origin from Quality Management theorists like Deming and Juran. CI is based on the principle that dedication to process improvement through the analysis of procedures, combined with statistical quality controls and a team oriented work environment, will result in improved quality at a lower cost. The process is not a one-time shot at improvement, but rather a continuous effort to improve and must have solid support from upper management.

Source: Various

**Continuous Replenishment (CR)** – A time-based strategy where the supplier eliminates the need for replenishment orders by receiving daily transmission of retail sales or warehouse shipments and then assuming responsibility for replenishing retail inventory in the required quantities, colors, sizes, and styles. The agreement to replenish is honored as a purchase commitment. The result is a reduction in total logistics cost and an improvement in inventory velocity. Commonly known as Vendor-Managed-Inventory (VMI).

Source: Donald J. Bowersox and David J. Closs  
Logistical Management

**Cross-Docking** – The direct flow of merchandise in a facility from the receiving function to the shipping function -- eliminating any additional steps in between. The idea is to decrease the number of times merchandise gets handled. A good cross-dock operation requires a flow-through environment that depends on excellent scheduling and efficient handling on all inbound and outbound shipments.

Source: John A. White  
Andersen Consulting

**Customer Value** – The total savings or satisfaction a customer receives from a good or service. These are benefits (by lowering costs or improving performance) that are perceived by a sizeable customer segment, which these customers...are willing to pay for, and cannot readily obtain elsewhere.

Source: George S. Day  
Market Driven Strategy

**Cycle Counting** – A method of inventory management where small portions of inventory are counted on a regular basis. Counts are reconciled with book inventory after each count and variances are recorded. This daily inventory update in the system improves accuracy and at the same time reduces shrinkage, ultimately reducing the cost of inventory.

Source: Various

**Cycle Time to Market** – The total elapsed time required to complete a business process – the time it takes to perform all activities associated with the information and materials flow, as well as the transformation of goods from the raw materials stage, through to the end user.

Source: Robert B. Handfield and Ernest L. Nichols, Jr.  
Introduction to Supply Chain management

**Efficient Consumer Response (ECR)** – A demand driven replenishment system, common in the grocery industry, designed to link all parties in the channel to create a massive flow-through distribution network. The system is driven by time-phased replenishment based on consumer demand. The sharing of information allows the manufacturer or supplier to anticipate demand and react to it. Instead of “waiting” for an order to arrive, they can initiate or manufacture product based on point of sale information. The sharing of accurate, instantaneous data is essential to this concept.

Source: Richard Sherman  
LogicNet

**Electronic Data Information (EDI)** – The intercompany computer-to-computer communication of standard business transactions in a format that permits the receiver to perform the intended transaction. It is most commonly used to transmit purchase orders to suppliers.

Source: Phyllis Sokol  
EDI: The Competitive Edge

**Flexibility** – The ability to adapt to unexpected operational circumstances, enabling a firm to improve responsiveness and deliver a previously unidentified need. Indicators include increased operational supply chain collaboration, increase in pull-based capability, development of information linkages with supply chain partners, and use of time and form postponement.

Source: Michigan State University and the Council of Logistics Management  
Making Supply Chain Integration a Reality

**Functional Shiftability** – Changes brought about by channel evolution whereby the role or function performed by a particular channel member is no longer needed or is performed by another channel member at lower cost.

Source: James L. Ginter and Bernard J. La Londe  
The Ohio State University

**ISO 9000** – The quality system defined as the organizational structure, responsibilities, procedures, and resources for implementing a quality management system. The international Quality Standard is focused on quality assurance, not quality control. In other words, the system is directed at the prevention of mistakes and not on fixing them after the fact.

Source: Roger Garver  
Distribution Solutions Consultants

**Inventory Pull System** – System whereby a firm waits to produce product until customers demand it.

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Inventory Push System** – System whereby a firm produces then pushes product through the channel without orders in hand. Here, production and inventory levels are guided by forecasted or anticipated sales to customers.

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Inventory Velocity** – The speed of inventory moving through a facility during a given time, as measured by turnover (annual dollar sales volume at cost /average dollar inventory investment).

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Just-in-time (JIT)** – An inventory management philosophy aimed at reducing waste and redundant inventory by delivering products, components, or materials just when an organization needs them

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Kanban** – A technique perfected by the Japanese whereby improved forecasting and control capabilities allows the manufacturer to schedule the arrival of parts and material precisely to the time when they will be needed in the production process. This substantially reduces the amount of inventory that is required to be maintained at the production site.

Source: Bernard J. La Londe,  
Ohio State University

**Mass Customization** – A market-driven trend in production where the number of different products increases, while aggregate demand forecasts stay relatively stable, resulting in a fragmented array of customer options. The implications for the firm include difficulty in managing product mix forecasts and demand at different locations.

Source: Robert B. Handfield and Ernest L. Nichols, Jr.  
Introduction to Supply Chain Management

**Metrics** – Standards of Measurement in areas such as production costs, cycle time, overhead costs, and retail prices.

Source: Seber Logistics Consulting, Inc.

**Partnership** – A tailored business relationship based on mutual trust, openness, shared risk and shared rewards that yields a competitive advantage, resulting in business performance greater than would be achieved by the firms individually

Source: The Global Supply Chain Forum, The Ohio State University

**Postponement** – A cost reduction strategy that moves product differentiation nearer to the time of purchase (and thereby reducing risk and uncertainty) by postponing changes to the form and identity of a product or its inventory location to the last possible point in the supply chain.

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Quick Response** – A retail sector strategy which combines a number of tactics to improve inventory management and efficiency, while speeding inventory flows; works by combining electronic data exchange (EDI) with bar coding technology, so that customer sales are tracked immediately

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Retrofitting/Re-engineering** – The process of applying the best practices of a company or organization in a given area to one's own company

Source: Seber Logistics Consulting, Inc.

**Reverse Logistics** – The process of planning, implementing, and controlling the efficient, cost-effective flow of product back upstream for the purposes of source reduction/conservation, recycling, substitution, and disposal

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Speculation** – The manufacture of product for inventory, rather than to stock or to order, in anticipation of subsequent demand – the opposite of postponement, here, risk is assumed rather than shifted in order to take advantage of economies of scale, and to reduce stockouts/uncertainty

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Supply Chain (Value Chain)** – The alignment of firms that bring products or services to market

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Supply Chain Management** – The integration of business processes from end-user through original suppliers that provides products services, and information that add value for customers

Source: Douglas M. Lambert, James R. Stock, Lisa M. Ellram  
Fundamentals of Logistics Management

**Time-Based Competition** – Creating the ability, through reduction in delivery times, to achieve an advantage over competitors that enables a firm to grow faster, earn higher profits, increase market share, control overhead and inventory costs, and move to a position of industry leadership

Source: Robert B. Handfield and Ernest L. Nichols, Jr.  
Introduction to Supply Chain management

**Throughput** – The amount of material that moves through a facility during a given time.

Source: Various