Supply Chain

Business & Management

The flows, the tiers, and the effect that amplifies demand upstream.

The network of organisations, information and processes moving a product from raw material to end customer. Three flows run through it: material forward, information back, and money back.

FLOWS	AMPLIFIES	CURE
3	**upstream**	**shared data**

- Bullwhip effect: demand variability amplifies at each tier upstream.
- Causes: batching, price promotions, rationing, and forecast updating.
- Cure: share real demand data across tiers.
- Lead time amplifies every problem in the chain.
- Single sourcing is cheaper and more fragile.
- Total cost includes tied-up capital, not just unit price.

LOOK FOR IT

A 5% change in retail demand can appear as a 40% swing in orders at a tier-three supplier.

Sharing point-of-sale data with suppliers reduces the bullwhip more than any forecasting improvement.