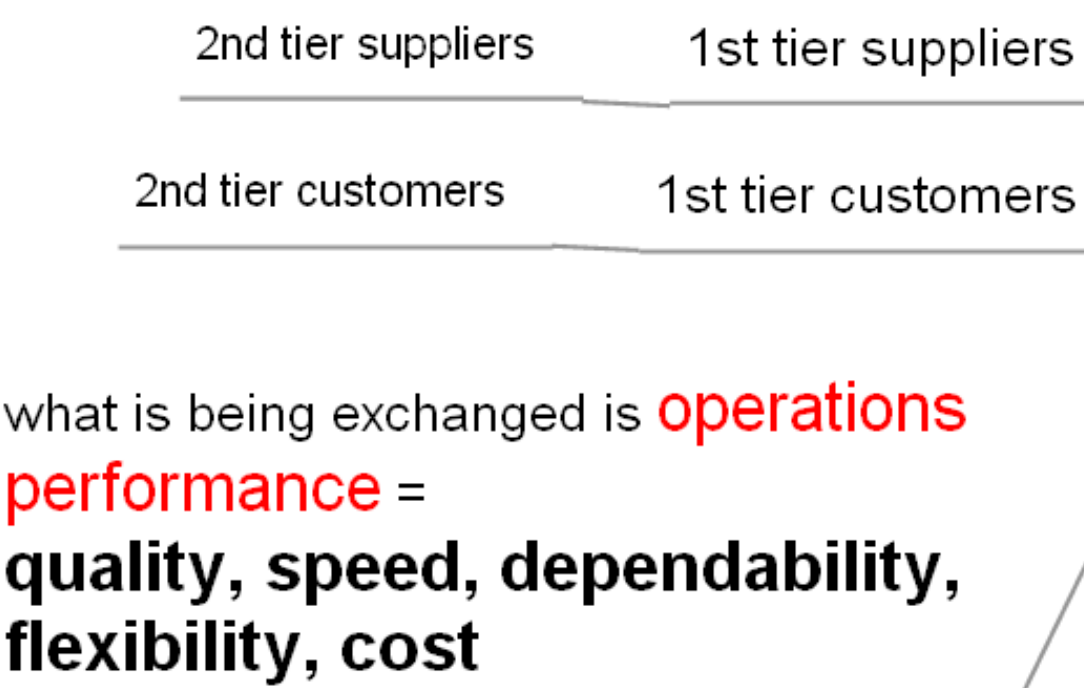


Network can't be designed but influenced and negotiated since some of the companies within the supply network are external firms



Focal enterprise

Operating principle= Reducing the number of suppliers can reduce transaction costs and enrich supplier relationships

Disintermediation = Cut out the middle man

Coopetition = Supplier, Customers, Competitors, complementors can work together --> Increase total value of supply network

Vertical integration or outsourcing?
"Can we perform more effectively on the market?"

Outsourcing = Strategic importance needs to be considered

Offshoring = Obtain services, products etc. from companies in foreign countries

Insourcing vs. Outsourcing = **Direction** (buy supplier or customer?), **Extent** (how far should the vertical integration be?), **Balance among stages** (exclusivity of the relationship --> supplier just supplies to 1 party)

1 How should the supply network be shaped?

Supply network design

Slack et al (2009) Chapter 3

3 questions

3 What capacity should each part of the network owned by the company have at any point in time?

2 Where should each part of the network owned by the company be located?

Decision of location **important** = cost and serving customers. Once done difficult to undo

2 reasons for relocating = 1. changes in demand , 2. changes in supply

5 criteria for evaluation

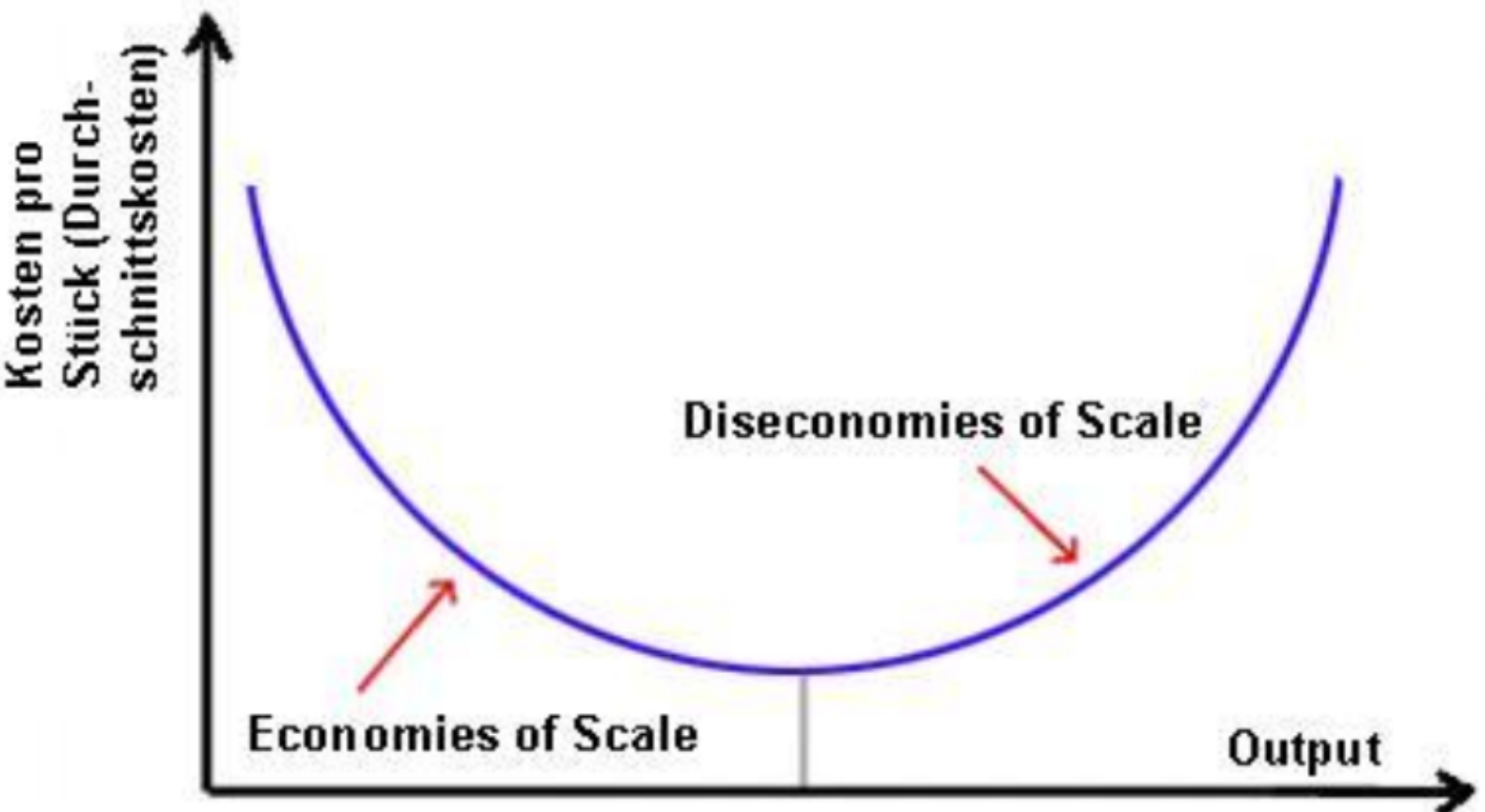
Capital requirements

Market factors

Cost factors

Future flexibility

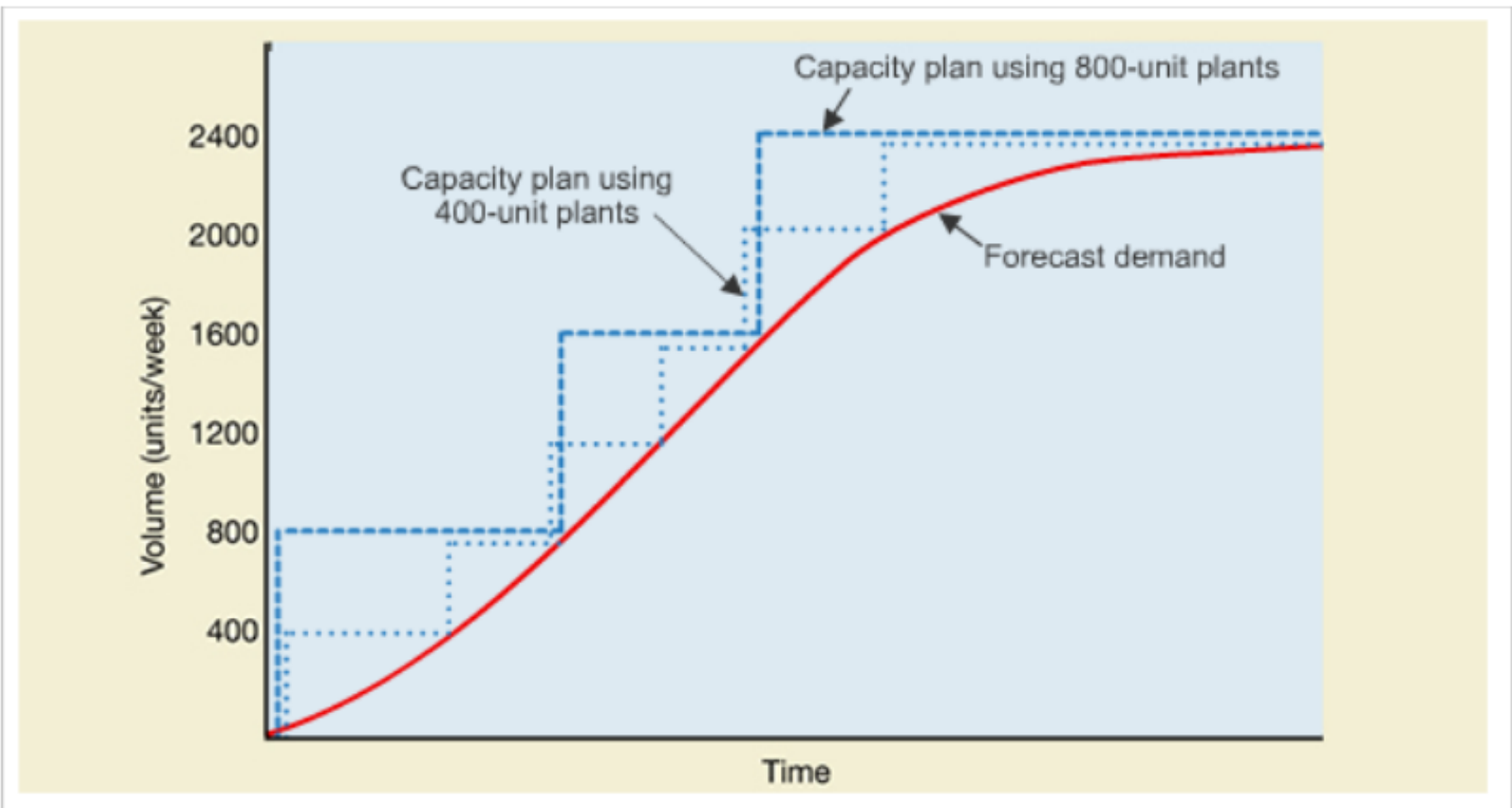
Risk factors



important = Demand forecast as input

Principle Economies of scale = All types of operation exhibit economy of scale effects where operating costs reduce as the scale of capacity increases

Principle Diseconomies of scale = Diseconomies of scale increase operating costs above a certain level of capacity resulting in a minimum cost level of capacity



Principle = Changing capacity in large units of capacity reduces the chance of achieving demand - capacity balance

Instead of building up "overcapacity" with high capacity tools, consider building up capacity in smaller steps (400 units or 800 units)

--> **overcapacity** = low capacity utilization --> **higher unit costs**

Scale of capacity

Capacity leads demand

Timing of capacity

Capacity lags demand = increase capacity utilization

Smoothing with inventory

to use overcapacity to meet undercapacity with inventories

Cost of inventory, Risk of obsolescence

C= Costs = Fixed cost + variable costs x pieces

R = Revenue = pieces x prices

R - C = Profit

Break even analysis