

SOME UKRAINIAN FOOD SCM DEVELOPMENT FEATURES

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Today one of the most explicit rooms for cost saving, and consequently, the final product retail prices reduction in Ukrainian food production sector is the reduction of raw materials along with above-mentioned products delivery and storage costs. Simultaneously, according to experts, in countries with a high level of logistics costs, the main factor determining the level of these costs is often not the distance between trading partners, but the reliability of the supply chain.

Due to the fact that it is necessary to establish transparent coordination and exchange within the food supply chain, the share of logistics expenses is especially high in this particular area. The lack of such coordination compels chain members to stock up goods in order to ensure continuity of business processes. However, the perishable nature of some goods does not allow creating stocks even in short run without harming the quality of those. As a result, the creation of stocks at least at one of the supply chain links causes deteriorations in the product quality and an increase in its cost because of the inevitable increase in storage losses.

At first glance, manufacturers and wholesalers are believed to stock up when it comes to final product, since they are the farthest from the end consumer, and do not often possess accurate data about the relevant demand. To the lesser extent these circumstances should concern retail network operators whose interaction with the source of demand is the closest. However, all-encompassing absence of knowledge about how an efficient supply chain management system has to be built leads to quite different context. For example, even being involved in a supply chain with such a large and reliable partner as Nestle, retailers are not ready to completely abandon dairy stocks in their own warehouses, because they are afraid of taking a loss from the probable goods shortage. As a result, the consumer in the retail network does not get access to fresh dairy products, since a three-day supply hits the shelves every day. Customer dissatisfaction provokes a decrease in demand and causes distrust towards the brand, which affects the image and profitability of all-levels producers and all chain participants.

It is absolutely possible to solve such an issue via introducing an integrated supply chain management strategy to all food products manufacture and distribution stages that will allow all chain members to abandon stocking up, and reduce logistics costs considerably. In addition, utilizing the SCM strategy is fairly expected to reduce transaction costs by increasing the degree of mutual trust between the participants within the chain on the basis of repeated sustainable interaction. An additional competitive advantage also emerges thank to the coordinated optimization of the each chain member`s production. Applying such an approach allows organizing production at every single supply chain stage so that the resulting product completely meets the requirements of the subsequent stage, taking into account achievement of minimizing the entire chain bottom line costs. During an economic recession, i.e. population incomes and consumer solvency reduction, minimizing the cost of production while maintaining the quality of a final product is understood to be the most preferable strategy.

Furthermore, the SCM strategy implementation is capable of providing additional competitive advantages to its founders through the creation of a value of the final product according to specific consumers` preferences during all stages of the product life cycle. Implementing such type of strategy demands to create a system of fast information exchange between participants supply chains, as well as designing flexible supply chains that can quickly respond to changing market conditions. For good reason, many experts identify the management of any processes, and logistics in particular, as the management of information exchange. Thereby, not only should perspective strategy include the fundamentals of SCM, but it is also expected to soak up the general ideas of VC (Value Chain) strategy as a tool to determine company`s place in a marker, as well as to create competitive advantages.