

It is usually difficult to specify value mainly because values vary from person to person. Generally, there are seven classes of value :

- H economic
- H morale
- H aesthetic
- H social
- H political
- H religious and
- H judicial

Of these, only the economic classification can be considered to be objective which can be measured and the others can be evaluated only subjectively.

Within the class “Economic Value” there are four subdivisions :

- 1. Use Value - Properties which accomplish a use, a work or a service.
- 2. Esteem Value - Properties which make the ownership of that object very desirable.
- 3. Cost Value - Properties which are the sum of the labour material overheads, and other cases required to produce that object.
- 4. Exchange Value - Properties that make the object possible of being traded for other items.

### **CAUSE OF UNNECESSARY COSTS :**

Value analysis attacks unnecessary cost. It would therefore, be pertinent to find out how unnecessary costs arise, so that we may overcome or minimize these reasons.

- 1. Lack of Information
- 2. Lack of Idea
- 3. Wrong Beliefs, Habits and Attitudes
- 4. Changed circumstances

### **TESTS FOR VALUE :**

Value analysis seeks answers to the following questions which may be asked about a complete product, a component or process :

- H What must this item or process do? What is its function? (This can usually be expressed in two words e.g. a bulb “provides light” or a paint “provides protection” , or enhances appearance.”

- H What else does the item do? (If the item performs functions that are not needed, then it may be a symptom worth investigating to find out if there is a waste).
- H What does it cost?
- H What else could perform the same function?
- H What will be possible substitute's cost?

### **COST REDUCTION USING VALUE ENGINEERING :**

Value engineering helps to reduce inventories in the following ways :

- H By substituting costly and scarce material by cheaper one.
- H Substituting imports by indigenous material can lead to cheaper material lesser procurement lead time less stock to be held and hence reduced inventories.
- H By substituting special items by general items i.e. by design modification.

In India several industries have applied this technique successfully for cost reduction and import substitution purpose. Some are :

- a) Substitution of solid aluminium extrusions for hollow rolled steel sections in wind shield frames in car. This affected a saving of Rs.80,000 per annum.
- b) The use of aluminium in place of copper for manufacturing cables has helped conserve valuable foreign exchange. The country is now self sufficient in aluminium and imports of copper have come down by about 8 crores.
- c) Aluminizing in place of galvanizing has helped to reduce the imports of zinc.
- d) The use of duplex board cartons in place of tin containers for milk powder has reduced the cost of packaging.

## **CHAPTER - XIII**

### **SUPPLY CHAIN MANAGEMENT IN THE 21<sup>ST</sup> CENTURY**

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Management of the supply chain has evolved over the last two decades from an emphasis on integrating logistics and lowering cost to providing better products and services that produce value in the hands of the ultimate customer. Now as we enter the twenty first century, technology is taking centre stage in the drive to improve efficiency, connect with customer, and grow business in new millennium; the challenge is to align supply chain strategy with the business strategy. The paper raises fundamental questions regarding the ways in which organizations may seek to balance the assets they depend upon in the search of competitive advantage to generate the highest level of customer satisfaction while delivering the highest value to shareholders. To this point efforts have been made to put demand flow strategy, collaboration strategy and customer service strategy in supply chain framework where information technology strategy is considered as a powerful enabler. Also success of supply chain integration and synchronization will depend on people, process and technology.

Key words: Global competitiveness, 21<sup>st</sup> century, supply chain strategy, collaborate strategy, demand flow strategy, information technology strategy, customer service strategy, third party logistics, fourth party logistics, fourth party logistics outsourcing internet.

#### **INTRODUCTION :**

Business the world over are struggling to sustain competitiveness in a globalising economy. They are at present in the midst of a revolutionary transformation: that of competition shifting from industrial age to information age. During the industrial age,