Supply Chain Weekly Blast

#055 : Supply Chain Planning

Part 3 : Centralized VS Decentralized

🛡 vekia

A good Supply Chain plan must be beneficial for the whole Supply Chain and for each participating function.

Decentralized Planning



Individual local plans at each stage

- 1. Simple to model, solvable in real-time.
- 2. Easy to understand and implement.
- 3. Locally optimal, so, adoption is simple.

Drawbacks

- Not cost efficient, does not ensure lower cost for the whole supply chain.

- Lack of coordination.

Centralized Planning



A single plan, communicated to all stages

- 1. Cost efficient. If solved, can give the best performance for the whole supply chain.
- 2. Ensures coordination among entities / functions.
- 3. Higher level of automation and ensures greater visibility.

Drawbacks

- Complex modelization, hard to solve in real-time.

- Complex to understand by the users.

Cost Difference = 20-35% (Fully decentralized vs Fully centralized)

