

Glossary of SCM Terminology

Glossary

AI in Supply Chain Management	<p>This refers to the use of artificial intelligence to analyze supply chain data, predict demand, optimize routes, and detect risks faster than traditional methods. AI can automate decision-making, but companies often face challenges integrating AI insights into existing ERP systems. AI is especially valuable in demand forecasting, inventory optimization, and risk sensing.</p> <p><i>Example:</i> A retailer uses AI to predict a surge in demand for outdoor furniture when unexpected warm weather is forecasted.</p>
Blockchain in Supply Chain	<p>A digital ledger technology that creates a secure, unchangeable record of transactions across the supply chain. It improves traceability, helps prevent fraud, and allows all parties to access a shared data source in real time. Adoption is still limited to industries like luxury goods, food safety, and pharmaceuticals where transparency is critical.</p> <p><i>Example:</i> A food distributor uses blockchain to trace every step of a product's journey from farm to shelf.</p>
Border Adjustment Tax	<p>Also known as a <i>destination-based cash flow tax (DBCFT)</i>, this tax is levied on imported goods. It's a critical consideration in global supply chains, especially during trade disputes and tariff negotiations.</p>
Carbon Accounting	<p>Measuring the carbon footprint of supply chain activities, from sourcing raw materials to delivering finished products. Companies use carbon accounting to meet sustainability reporting requirements, such as the EU's Corporate Sustainability Reporting Directive (CSRD), and to set climate targets.</p>
Circular Supply Chain	<p>A supply chain that reuses, recycles, or repurposes products and materials at the end of their lifecycle with the goal of reducing waste. Unlike a traditional linear supply chain (make-use-dispose), circular supply chains focus on closed-loop systems.</p> <p><i>Example:</i> An electronics manufacturer refurbishes and resells old devices instead of discarding them.</p>
Conflict Minerals Rule (Dodd-Frank Act Section 1502)	<p>A U.S. rule requiring companies to disclose whether their products contain tin, tantalum, tungsten, or gold sourced from the Democratic Republic of the Congo or neighboring areas. Companies must conduct due diligence across their supply chain to confirm responsible sourcing.</p>
Control Tower	<p>A centralized digital platform providing real-time visibility into suppliers, shipments, inventory, and distribution. While control towers improve agility, true end-to-end visibility across all supply chain tiers remains rare.</p>

Supplier Relationship Management (SRM)	The process and set of tools for managing supplier relationships, tracking performance, and using supplier data to improve sourcing decisions.
CMMC (Cybersecurity Maturity Model Certification)	A cybersecurity framework required for companies working with the U.S. Department of Defense, ensuring that contractors (and their subcontractors) follow data protection standards across defense supply chains.
CSRD (Corporate Sustainability Reporting Directive)	A European Union directive requiring companies to report on environmental, social, and governance (ESG) impacts, including those tied to their entire supply chain.
Demand Management	The process of predicting, influencing, and aligning with customer demand to avoid overproduction or stockouts. Effective demand management includes close collaboration between supply chain teams, sales, and marketing.
Digital Twin	A virtual model of a supply chain, product, or process. Digital twins allow companies to test decisions and predict outcomes before making real-world changes. They are increasingly used for scenario planning during disruptions. <i>Example:</i> A car manufacturer models how shifting production to a different supplier would affect lead times.
ESG (Environmental, Social, and Governance)	A framework for evaluating suppliers and business practices based on sustainability, ethical labor, and governance criteria. ESG factors increasingly influence sourcing decisions and supplier selection.
FDA FSMA (Food Safety Modernization Act)	A U.S. law focusing on preventing food safety problems across the supply chain. It requires proactive monitoring, documentation, and verification of safety practices across suppliers, manufacturers, and transporters.
Financial Flows	The movement of money through the supply chain, including supplier payments, credit terms, financing costs, and cash flow impacts.
Geo-Blocking	The practice of restricting shipments or sales based on geopolitical risks, trade sanctions, or regional instability.

GDPR (General Data Protection Regulation)	An EU data protection law regulating how companies collect, store, and share personal data, including supplier records, shipping data, and customer information. Violations lead to significant fines.
Information Flows	The movement of data — such as orders, delivery status, inventory levels, and supplier updates — that enables real-time supply chain management.
Integrated SCM	A supply chain management approach where all partners closely coordinate, share real-time data, and work toward shared goals, acting as a cohesive network rather than isolated players.
Inventory Management	Monitoring and controlling inventory levels to avoid stockouts or excess inventory by balancing cost, service levels, and working capital.
Last-Mile Delivery	The final delivery step from warehouse to customer. Last-mile efficiency directly impacts customer satisfaction, particularly in e-commerce.
Lean Six Sigma	A process improvement approach combining Lean's waste reduction focus with Six Sigma's defect reduction techniques.
Logistics	The physical movement of goods from suppliers to manufacturers to customers, with an emphasis on cost control, speed, and reliability.
Make vs. Buy	The decision whether to manufacture internally or outsource to a supplier, based on cost, lead time, quality control, intellectual property concerns, and strategic flexibility.
New Product Development (NPD)	The process of designing and launching new products, often involving supply chain input for sourcing, manufacturability, and cost estimates.

Supply Chain Finance	Tracking cost-to-serve, inventory carrying costs, and working capital impacts across the supply chain to ensure profitability and working capital optimization.
Physical Flows	The actual movement of materials, components, and products through the supply chain.
Procurement	Sourcing, negotiating, and managing supplier relationships to ensure materials meet cost, quality, and delivery standards.
Project Management	Planning and overseeing supply chain-related projects, like launching a new supplier or adopting a control tower, ensuring they're on time and on budget.
Resilience	The ability to withstand and recover from disruptions, from natural disasters to supplier bankruptcies, through risk management and agility.
Reverse Supply Chain	Managing returns, repairs, refurbishments, and recycling after products reach customers.
Risk Management	Identifying, evaluating, and mitigating risks, from supplier failures to cyberattacks.
S&OP (Sales and Operations Planning)	A cross-functional planning process that aligns demand forecasts, supply plans, and financial goals to ensure all departments work from a single, agreed upon plan.
Strategic Sourcing	A formal process for analyzing supplier markets, gathering data, and leveraging purchasing power to secure the best value.

Supplier Scorecard	A tool for measuring supplier performance against cost, quality, delivery reliability, and ESG compliance.
Theory of Constraints	A process improvement method focused on identifying and resolving the single biggest bottleneck that limits overall throughput. It sometimes requires sub-optimization in other areas.
TISAX (Trusted Information Security Assessment Exchange)	A data security standard for the automotive supply chain, ensuring suppliers meet consistent data protection requirements.
Visibility	The ability to track inventory, orders, and shipments across the supply chain in real time.
Win/Loss Analysis (Inventory Management)	A review of past inventory decisions to identify what caused stockouts or overstocks, and how to improve future planning.

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