



Blockchain-Based Supply Chain Management System

Prakhar Bhasin

pbhasin400@gmail.com

1. Introduction

A blockchain-based supply chain management system is a novel solution that uses blockchain technology to increase supply chain transparency, efficiency, and trust. It provides a decentralized and secure platform for product tracking and tracing, transaction verification, and information recording among different stakeholders in a supply chain network. A blockchain is a distributed and decentralized digital ledger that keeps track of transactions across several computers or nodes. Constructing a chain of blocks holding transactional data, assures transparency, immutability, and security.

The coordination and administration of numerous activities, processes, and resources involved in the production, distribution, and delivery of goods or services from suppliers to end customers is referred to as supply chain management. The capacity to follow and trace the movement of goods and information across the supply chain clearly and transparently is referred to as transparency. It guarantees that stakeholders have access to up-to-date and correct data. In supply chain management, efficiency refers to optimizing procedures, minimizing waste, increasing productivity, and simplifying operations to achieve cost-effectiveness and quicker delivery times.

Blockchain technology provides real-time insight throughout the whole supply chain, allowing stakeholders to track and trace things from their point of origin to their final destination. This openness lowers the possibility of fraud, counterfeiting, and unethical behaviors, increasing customer trust. Each transaction and movement of products may be recorded and validated using a blockchain-based system, establishing an immutable audit trail. This characteristic aids in determining the origin, quality, and authenticity of items, particularly in the food, pharmaceutical, and luxury goods industries.

A blockchain-based solution lowers paperwork, human mistakes, and intermediaries by automating and optimizing supply chain activities using smart contracts and decentralized consensus methods. As a result, operational efficiency and cost savings improve. Because blockchain is decentralized, no one entity can modify or alter the data recorded on the network. This integrity aids in the prevention of illegal alterations, the enhancement of data security, and the correctness of information provided across stakeholders. Blockchain technology fosters trust and collaboration among supply chain actors by offering a shared and immutable record. It reduces the need for intermediaries and promotes direct peer-to-peer connections, resulting in enhanced business partnerships and quicker communication.

The constraints and problems that traditional supply chain operations encounter necessitate the development of a blockchain-based supply chain management system. Lack of transparency, logistical errors, fraud, counterfeiting, supply chain interruptions, and the involvement of various middlemen are among the issues. These difficulties may be efficiently handled by utilizing blockchain technology as its openness, traceability, and immutability ensure that supply chain players have access to dependable and trustworthy information. As a result, decision-making, risk management, and customer satisfaction increase.

Additionally, the automation and efficiency given by blockchain-based solutions aid in the reduction of operating expenses, the optimization of inventory management, and the mitigation of supply chain hazards. This is especially useful in businesses where product provenance, authenticity, and quality are crucial. Implementing a blockchain-based supply chain management system has enormous promise for changing

supply chain operations, promoting stakeholder confidence, and driving sustainable and ethical business practices. As a result, a blockchain-based supply chain management system has the potential to transform traditional supply chain procedures, stimulate innovation, and provide considerable advantages to both enterprises and consumers.

2. Objectives

- To enhance transparency across the supply chain by providing real-time visibility into the movement of goods, transactions, and information.
- To create a system that enables accurate and reliable traceability of products throughout the supply chain.
- To optimize inventory management by automating processes and reducing paperwork.
- To mitigate risks associated with supply chain disruptions, counterfeit products, and data tampering.
- To enhance customer satisfaction by providing accurate and transparent information about products, their origins, and their journey through the supply chain.

3. Essential Features of Supply Chain Management (SCM)

As the world recovers from the pandemic and the number of daily documented cases continues to fall internationally, the light at the end of the tunnel appears to be getting brighter. However, global supply networks are bearing the burden of the pandemic, with concerned economies, heightened trade disputes, environmental sustainability challenges, and even a truck driver shortage. To deal with these complexities while remaining efficient, there is a need for a supply chain management system. SCM software enables businesses to obtain raw materials, oversee product cycles, monitor every touchpoint, and consolidate data. It gives management real-time reports on every resource and delivery status, allowing them to plan for anticipated disruptions, boost visibility, drive efficiency, and encourage responsibility.

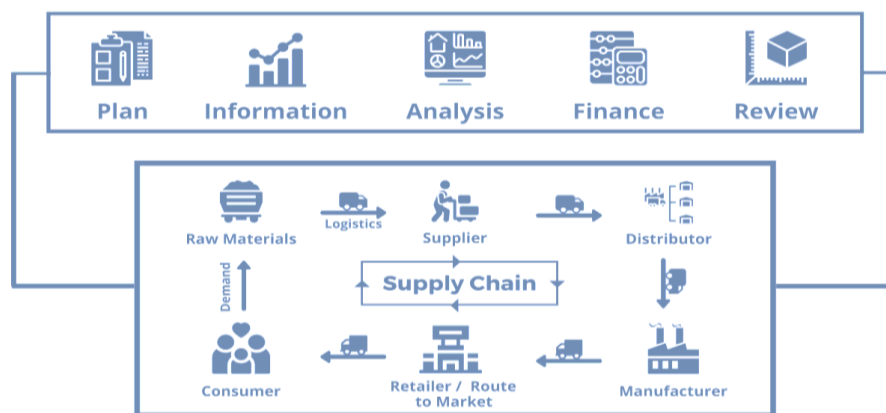


Figure: Supply chain management (Source: <https://blog.cedarmanagement.co.uk/supply-chain-management/>)

The key components in a Supply Chain Management (SCM) include the following essential features::

- **Monitoring and planning:** SCM systems provide data such as shipment date, time, ID, order number, and freight statistics, among other things. Businesses may utilize this information to assess KPIs and make better strategic decisions. A consolidated dashboard enables tracking of



procurement, manufacturing, and logistics from a single place and planning for interruptions before they occur.

- **Order Processing and Inventory Management:** The primary goal of Supply Chain Management (SCM) is to expedite and optimize the process of moving an order from sales to delivery with maximum speed and accuracy. Gaining an advantage in efficient order processing can be a decisive factor for any organization. The use of order processing capability, through automation, can significantly increase the number of accurate orders and elevate overall customer satisfaction levels.
- **Warehouse Management:** A warehouse management system (WMS) increases physical warehouse operations' accuracy. Users may more effectively direct what happens inside the warehouse thanks to the SCM functionality. These technologies help with all sides of the equation, such as labor, materials, floor space, and operational norms, as well as everything else that makes a warehouse function regularly. These solutions are offered as a component of an ERP system, as a standalone application, or as part of a larger supply chain solution.
- **Transportation Management:** Transportation management tools direct transportation systems. This is often a mix of on-road fleet management systems with monitoring for other means of transportation, such as rail, air, or sea. Monitoring shipments helps to detect problems early on, allowing the greatest time to get back on track.
- **Sourcing and Supply Management:** Sourcing procurement and supplier management technologies open up new avenues for evaluating supply chain practices. Many of these tools look at costs, contract management, supplier quality, and other relevant variables such as lead time, supplier performance and supplier diversity. They help with the sourcing and procurement of raw materials and supplies, as well as the technical aspects of company-vendor contacts.
- **Supply Chain Analytics:** In addition to SCM capabilities that assist supply chain operations, invest in process-analysis tools. These technologies use corporate data and analytics to help understand how issues originate, how risks may be handled, and what future events are likely to occur. Analytics tools help businesses to make the most of their existing data.
- **Collaboration skills:** Supply chain management software's collaboration skills help in the creation of business partnerships that strengthen the supply chain. Partners can acquire information about the status of items or shipments, investigate transparent inventory models, and control system identity access. The feature sets of these resources are intended to allow different stakeholders to cooperate on a project so that everyone is on the same page without the need for time-consuming communication and manual changes.
- **Technical Features:** Businesses must also assess a technology's deployment environment, operating systems, and security features. Security elements include an audit trail, encryption standards, access control systems, and perimeter or in-depth network monitoring. System fault tolerance, availability/scalability, and how the integration works with application programming interfaces (APIs) and other tools should all be evaluated by businesses.

4. About Blockchain

Blockchain is a technology that has taken the corporate world by storm. It is a list of changing records that utilize encryption to link back to each other and include transactional data. Blockchain data is designed to



be resistant to change and to serve as a secure transaction record. Despite being challenging for even technology enthusiasts to fully comprehend, the increasing popularity and widespread adoption of blockchain technology are apparent to all. Blockchain technology may be utilized as both public and private ledgers for inter-company transactions and record keeping. As a result of the increased visibility and efficiency, businesses may be able to overcome the obstacles posed by the COVID-19 pandemic.

Blockchain technology has several uses in a variety of sectors. One popular use is in the banking industry, where blockchain has the potential to transform the way transactions are carried out. Financial institutions may use blockchain to simplify cross-border payments, minimize transaction costs, and accelerate settlements. Blockchain's transparency and immutability improve the security and reliability of financial transactions, lowering the risk of fraud and illegal activity. Another important use of blockchain is in supply chain management. Blockchain technology may aid in the tracking and verification of commodities and raw materials across the supply chain, providing transparency and accountability.

Companies may track the origin of items, verify their validity, and detect any possible difficulties or bottlenecks in the supply chain by documenting each transaction and transfer of ownership on the blockchain. This not only improves productivity but also increases stakeholder trust since they can see the full supply chain process and check compliance with legislation and standards.

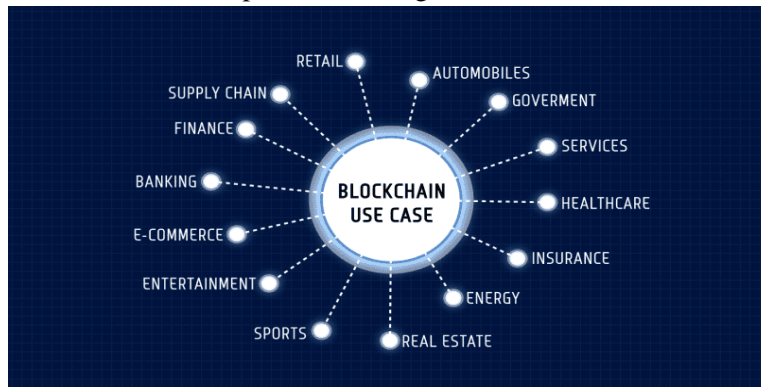


Figure: Blockchain use cases (Source: <https://builtin.com/blockchain>)

The worldwide blockchain technology market was worth USD 10.02 billion in 2022 and is predicted to increase at an annual compound growth rate (CAGR) of 87.7% between 2023 and 2030. The increased venture capital investment in blockchain technology startups can be related to market expansion. Circle Internet Financial Ltd., a blockchain technology company, revealed in May 2021 that it had raised USD 440 million in capital from strategic and institutional investors. This investment was utilized for organizational growth and market expansion by the firm. The legalization of cryptocurrencies in nations such as Ukraine and El Salvador is likely to open up new commercial prospects.

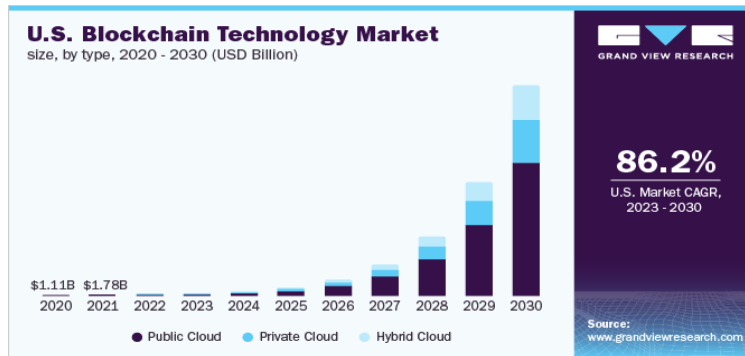


Figure: US Blockchain Technology market in USD Billion (2020-2030) (Source: <https://www.grandviewresearch.com/industry-analysis/blockchain-technology-market>)

5. Worldwide Supply Chain Management

Today's international economy is extremely linked, with millions of enterprises operating across many regions or nations. Given that seamless economic coordination is a must for the global economy's effective operation, supply chain management provides the most critical service to create a strong network between a firm and its suppliers to manufacture or produce, then transport items to clients. The supply chain network, as a commercial system of organizations, resources, information, and people, comprises a complex and dynamic supply and demand network connecting a wide range of economic entities. The growth of international commerce increased the relevance of supply chain management even further. The worldwide supply chain management market was estimated at 15.85 billion US dollars in 2020 and is predicted to grow to over 31 billion US dollars by 2026. With around 4.4 billion US dollars in revenue in 2020, Germany's SAP was the biggest supply chain management software supplier.

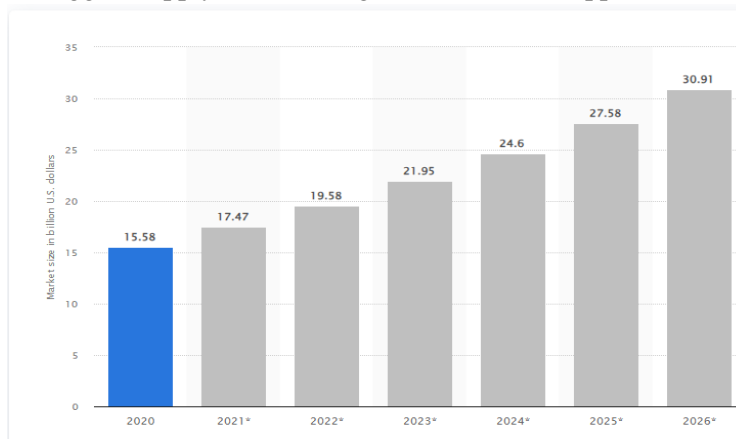


Figure: Size of the global supply chain management market worldwide from 2020 to 2026 (in billion U.S. dollars) (Source: <https://www.statista.com/statistics/1181996/supply-chain-management-market-size-worldwide/>)

6. Blockchain-based Improved Transparency

A blockchain-based supply chain management system improves transparency by offering real-time insight into the flow of items, transactions, and information as follows:

- **Real-time Tracking of Goods:** Each movement of items throughout the supply chain is recorded and time stamped on the blockchain. This establishes a visible and immutable trail of transactions

that authorized parties may view. Real-time tracking enables stakeholders to trace the progress of items, confirm their position, and guarantee that they are delivered following the anticipated route and timetable. Any inconsistencies or unlawful deviations may be discovered quickly, lowering the risk of fraud or theft.

- **Product Authentication:** The transparency given by the blockchain-based system allows stakeholders to confirm the legitimacy of items. Participants may authenticate the integrity of items at each level of the supply chain by entering critical information on the blockchain, such as production data, certificates, and quality control procedures. This reduces the possibility of counterfeit or inferior items entering the market.
- **Visibility of the Supply Chain:** The blockchain's real-time insight into transactions and information improve supply chain visibility. Stakeholders may have access to precise and up-to-date data on inventory levels, order status, manufacturing processes, and logistics. This openness allows supply chain partners to better coordinate, allowing them to resolve possible bottlenecks, streamline operations, and make educated decisions based on credible information.
- **Trusted Transactions:** Blockchain technology protects the security and reliability of supply chain transactions. Each transaction recorded on the blockchain is confirmed and certified by several participants via consensus procedures, removing the need for middlemen and lowering the danger of fraudulent activity. The blockchain's decentralized design makes it difficult for any single person to alter or tamper with the recorded data, increasing confidence and integrity in the supply chain.
- **Ethical Practices and Sustainability:** Supply chain transparency allows stakeholders to guarantee ethical and sustainability requirements are met. This transparency allows businesses and consumers to make informed choices, supporting ethical sourcing and environmentally conscious decisions.
- **Auditing and Compliance:** The blockchain-based system's transparency streamlines auditing and compliance operations. Participants have easy access to and verification of the recorded transactions, guaranteeing compliance with regulatory requirements, contractual commitments, and industry standards. This decreases the complexity and cost of typical auditing techniques while also offering a trustworthy and verifiable source of information for compliance needs.

7. Enhance Traceability using Blockchain

A blockchain-based supply chain management system offers precise and dependable product traceability across the supply chain by exploiting the following blockchain technology features:

- **Recording Transactions on the Blockchain:** Each transaction involving product movement throughout the supply chain is recorded as a block on the blockchain. This information contains the product's origin, manufacturer, date, location, and any pertinent transactional details. These transactions are safely and immutably recorded on the blockchain, resulting in a tamper-proof and transparent log of product movements.
- **Verification and Agreement:** The system includes verification techniques to assure the correctness and legitimacy of recorded transactions. Each transaction is verified and validated by many supply chain network members, including manufacturers, distributors, and logistics providers. Consensus algorithms, such as proof-of-work or proof-of-stake, ensure that the recorded information is agreed upon by the majority of participants, reducing the risk of fraudulent or erroneous data.



- **Unique Product Identifiers:** Each product in the supply chain is issued a unique identification that is connected to its blockchain digital representation. A serial number, barcode, QR code, or any other type of digital tag might be used as this identification. Each transaction involving the product is tagged with its unique identity as it goes through different phases of the supply chain. This enables stakeholders to follow the product's progress and get essential information about it.
- **Tracking Origin and Location:** As items travel through the supply chain, the blockchain-based system captures and records their origin and location. This comprises information such as the transaction's manufacturer, supplier, transit locations, and timestamps. By tracing the recorded transactions, stakeholders can track the product's origin, the parties involved in its production and distribution, and its current location in real-time. This information provides valuable insights for quality control, compliance, and auditing purposes.
- **Ensuring Quality Control:** The blockchain-based system's traceability enables stakeholders to monitor and assure quality control across the supply chain. They may monitor the product's progress, ensure that it fits the specifications, and detect any possible difficulties or deviations. If a product fails to fulfill the specified quality requirements, stakeholders may rapidly track back to the precise stage or organization responsible, allowing for targeted corrective measures and barring further product distribution.
- **Authenticity Verification:** The technology improves the capacity to check the authenticity of items by recording and authenticating each transaction on the blockchain. Stakeholders can access the recorded data to check the product's authenticity, provenance, and the companies engaged in its manufacture and distribution. This helps to combat counterfeiting, grey market activities, and unauthorized alterations to products, ensuring that customers receive genuine and authentic goods.

8. Efficient Inventory Management using Blockchain

By automating operations and minimizing paperwork, a blockchain-based supply chain management system may improve inventory management. Stakeholders may have a real-time view of inventory levels by exploiting blockchain's decentralized and immutable nature, which helps reduce stockouts and overstocking as follows:

- **Inventory Process Automation:** The blockchain-based solution automates a variety of inventory management operations, including inventory tracking, stock updates, and order fulfillment. Inventory data is automatically gathered and recorded on the blockchain through the integration of IoT devices, smart sensors, and RFID technologies. This avoids mistakes and speeds up the inventory management process by eliminating the need for human data entry.
- **Inventory Visibility in Real Time:** The blockchain's decentralized and open structure allows stakeholders to see inventory levels in real-time. Each inventory transaction, such as receiving items, moving them between locations, or completing client requests, is recorded on the blockchain. This enables stakeholders to have real-time access to precise and up-to-date information on the number, location, and availability of items. With this visibility, they can make data-driven decisions, plan for procurement, and avoid stockouts or excess inventory.
- **Supply and Demand Balancing:** The blockchain-based system's real-time view of inventory levels assists stakeholders in more successfully balancing supply and demand. Businesses may discover trends, evaluate previous sales patterns, and estimate demand more precisely by



monitoring inventory data on the blockchain. This allows them to manage inventory levels, match procurement with real consumer demand, and avoid the danger of stockpiling surplus or obsolete goods.

- **Effective Replenishment and Order Fulfillment:** Inventory data automation and real-time visibility allow for more effective replenishment and order fulfillment procedures. Businesses can proactively trigger purchase orders or production plans to refill inventory before it reaches critical levels if they have accurate and timely inventory information. Additionally, they can fulfill customer orders more effectively by identifying available stock and optimizing order allocation based on real-time inventory data.
- **Reduction in Paperwork and Documentation:** In inventory management, the blockchain-based approach eliminates the dependency on paperwork and manual recordkeeping. Inventory-related operations have traditionally involved a substantial quantity of paperwork, such as invoices, bills of lading, and inventory records. Stakeholders may reduce the need for physical documentation, speed record-keeping, and improve data quality and accessibility by digitizing and recording these documents on the blockchain.
- **Collaboration and trust have improved:** The blockchain's decentralized and unchangeable nature encourages collaboration and trust among supply chain stakeholders. Participants with shared access may collaborate to manage inventory data, track inventory movements, and assure correctness and transparency. This removes the need for middlemen, minimizes disagreements, and increases stakeholder confidence, resulting in more efficient inventory management operations.

9. Mitigation of Supply Chain Risks

By using blockchain's decentralized consensus processes and immutability, a blockchain-based supply chain management system mitigates risks associated with supply chain interruptions, counterfeit items, and data tampering as follows:

- **Decentralized Consensus Mechanisms:** Blockchain runs on a decentralized network in which numerous members use consensus mechanisms to validate and verify transactions. This consensus assures that the majority of participants agree on transactions, lowering the possibility of fraudulent or harmful activity. Decentralization reduces the need for a single point of failure, making it harder for any individual or group to falsify data in the supply chain.
- **Immutable Data Storage:** The immutability characteristic of blockchain ensures that once a transaction is recorded, it cannot be edited or tampered with. Through cryptographic hashes, each transaction is connected to previous transactions, forming a chain of blocks that provides a permanent and tamper-proof record of data. This ensures the integrity and authenticity of the information shared among stakeholders, reducing the risk of data tampering or unauthorized modifications.
- **Supply Chain Traceability:** Supply chain's traceability is enhanced by documenting and validating each transaction on the blockchain. This traceability enables stakeholders to track product origin, location, and movement, assuring transparency and responsibility. Counterfeit items are more difficult to enter the supply chain undetected since their origins and transactions can be easily identified and authenticated on the blockchain.



- **Greater Security:** Blockchain's decentralized structure, paired with cryptographic algorithms, guarantees greater security in the supply chain management system. The use of public-key cryptography allows parties to communicate safely and confidentially. Transactions are digitally signed and encrypted, making them resistant to alteration and illegal access. Additionally, blockchain's distributed ledger architecture provides redundancy and fault tolerance, making it more resilient to cyberattacks or system failures.
- **Data Validation and Verification:** Each transaction recorded on the blockchain is validated and verified by several supply chain network members. This validation procedure guarantees that the data exchanged on the blockchain is accurate and legitimate. It lowers the likelihood of erroneous or fraudulent information being incorporated into the system, increasing the overall reliability of supply chain data.
- **Intelligent Contracts for Automated Compliance:** Smart contracts built on blockchain may be used to automate compliance and enforce established standards throughout the supply chain. Smart contracts are agreements that self-execute based on predetermined circumstances and actions. They can automatically check and enforce regulatory, contractual, and quality control standards compliance. This reduces the reliance on manual audits and improves the efficiency of compliance processes, reducing the risk of non-compliance or unethical practices.

10. Customer Satisfaction

As follows, a blockchain-based supply chain management system improves consumer satisfaction by providing accurate and transparent information about items, their origins, and their transit through the supply chain:

- **Product Information:** Customers may get complete information about the things they buy thanks to the blockchain-based system, including its origin, production details, quality certificates, and any other relevant data stored on the blockchain by scanning its unique identifier, such as a QR code or barcode. This openness enables clients to make educated purchase decisions while also reinforcing trust in the product and brand.
- **Product legitimacy Verification:** Customers may check the legitimacy of items by accessing blockchain data. The blockchain's immutability assures that the data stored cannot be altered or tampered with. By verifying the product's authenticity, customers can be confident that they are purchasing genuine and high-quality goods, reducing the risk of counterfeit or substandard products.
- **Transparency in the Supply Chain:** The blockchain-based system enables transparency by allowing customers to track a product's path across the supply chain. They can examine the many processes it has gone through, such as raw material procurement, manufacture, distribution, and sale. Customers gain trust as a result of this openness since they can comprehend the processes involved and see how the product has been handled and delivered.
- **Improved Product Quality:** The blockchain-based system's accurate and transparent information enables better product quality control. Customers may use the blockchain to verify that items fulfill specified criteria and certifications. They can also view data on any quality control tests performed during the production process. This transparency ensures that customers receive products that align with their expectations, leading to increased satisfaction and loyalty.



- **Proactive Engagement and Issue Resolution:** The blockchain-based system's real-time visibility enables proactive engagement with consumers. In the event of a supply chain interruption, such as a delay or a recall, firms may tell consumers quickly and accurately about the impact on their orders or products. This proactive communication aids in the management of client expectations, the resolution of problems, and the resolution of issues in a timely and transparent way.
- **Brand Reputation and Trust:** Businesses may create trust and improve their brand reputation by exploiting the blockchain-based system's openness and accuracy. Transparency, quality, and customer happiness are demonstrated by providing customers with credible and verifiable information about products and their supply chain journey. This fosters trust, loyalty, and positive word-of-mouth, which are essential for long-term customer satisfaction and brand success.

11. Conclusion

Implementing a blockchain-based supply chain management system provides several benefits and developments for organizations and supply chain stakeholders. This initiative attempts to transform traditional supply chain procedures by utilizing blockchain technology's decentralized, transparent, and unchangeable nature. The system allows stakeholders to track the origin, location, and status of items across the supply chain by providing precise and reliable traceability. This ensures quality control and authenticity. This reduces the risks associated with supply chain interruptions, counterfeit products, and data tampering, resulting in increased security, decreased vulnerabilities, and data integrity.

Furthermore, the technology improves supply chain transparency by offering real-time insight into the flow of commodities, transactions, and information. This transparency aids in the reduction of fraud, counterfeiting, and unethical behaviors, as well as the optimization of inventory management through the automation of operations and the reduction of paperwork. Real-time inventory visibility allows organizations to reduce stockouts and overstocking, resulting in increased efficiency and cost savings. Furthermore, by providing precise and transparent information about items, their origins, and their travel through the supply chain, the blockchain-based solution improves consumer satisfaction. Transparency fosters trust ensures product quality, and exceeds consumer expectations, resulting in greater customer loyalty and a strong brand reputation.

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