WHITE PAPER
Improving Your Supply Chain:
Collaboration, Agility and Visibility

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The globalisation of businesses and their supply chains is impacting operational complexity like never before. As the supply chain process becomes more complex and the numbers of participants involved increases, consumer goods companies are encountering unique challenges in managing the flow of their operations. Since what it takes to run a successful supply chain is evolving, we recommend that companies focus on improving three aspects of their supply chain in order to keep pace with the changing landscape: *collaboration, agility* and *visibility.*

All three supply chain elements hold numerous benefits for improving the operational capabilities of consumer goods companies. Collaborative organisations, for instance, in which suppliers, customers, and distributors are all connected, can improve metrics such as inventory days and landed costs by 50 per cent in a highly stratified supply chain.[1] Supply chain agility has become one of the highest priorities for keeping a competitive supply chain advantage through flexibility, quality control, and delivery time. More moving parts on a global scale means visibility across the entire enterprise, to track orders and regulate inventory, is more important than ever.

To accomplish these goals, consumer goods companies now require effective technology that integrates all supply chain business functions in an easy-to-manage, reliable, and adaptive manner. Below, we outline the benefits that collaboration, agility, and visibility bring to the supply chain, as well as specific steps, and technology, you can adopt to achieve supply chain improvements.

Collaboration

What defines a truly collaborative organisation? It is one which collaborates internally, with suppliers, and with customers. Many experts predicted that collaboration across consumer goods supply chains would take a hit as retailers and wholesalers focused on reducing supply chain costs. It was believed that companies would switch allegiances whenever a cheaper option for a supplier arose. However, the opposite has proven to be true. The retailers, wholesalers, and manufacturers that have worked together the longest have shown the greatest cost reductions. And now, to help advance their collaborative goals, many consumer goods wholesalers are turning to new technologies.

As innovation improves technology, tools are being developed that enable better electronic collaboration between organisations. While personal communication will always be necessary to forge long term relationships, these automated tools are allowing supply chain collaboration to occur faster and with more accuracy than ever.

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[1] SCM World, March 2012

Benefit: Meet Customer Demands Better

How to Achieve It

Sharing sales information back and forth with retail partners is the best way to accurately forecast customer demand. The more demand information shared between retailers and wholesalers, and the longer that this information is shared, the more accurate the demand projections. Sales information also has to be relayed to manufacturers in order for them to readjust their production schedules for any noticeable increases or decreases.

Technology That Can Help

Demand resource planning (DRP) systems can help automate forecasting. These time-phased tools use industry standard forecasting methods to turn shared information into accurate projections. Point-of-sale data that is integrated with historical product sales and trends will also help increase information sharing. Also, look for technology that gives real-time insight into supplier production schedules. These tools increase collaboration between wholesalers and their suppliers to ensure production stays on track.

Benefit: Less On-Hand Inventory

How to Achieve It

Internal teams across the supply chain must communicate with each other in order to reduce on-hand inventory. When each stage of the supply chain has full insight into inventory levels and reorder points, organisations are able to streamline buying cycle processes to ensure inventory remains at its optimal level. Long lead times and unpredictable supplier performance can pose a problem for many companies, but sharing information up the supply chain can help companies proactively adjust to evolving supply demands.

Technology That Can Help

Inventory tools that include a flexible rule-based environment can provide automatic alerts on inventory status and reorder levels. These tools take into account lead times, supplier performance, on-hand and on-order status, and sales performance. These technologies help companies share information without using too many internal resources.

Benefit: Lower Supply Chain Costs

How to Achieve It

Reducing supply chain costs is all about increasing efficiencies. In the first year or two of a buyer/supplier relationship, the interactions are bogged down with expensive and time consuming corporate nuances, including navigating corporate attitudes, rules, beliefs, and processes. The more each company is willing to collaborate and share with the other, the faster those nuances are worked out and the more efficient the processes become. Corporations that continually search for low-cost providers are often disappointed when all of the headaches that go into entering into a new relationship drive up operational costs. The best way to reduce long term supply chain costs is through continued collaboration with dedicated partners.

Technology That Can Help

The key to lowering costs across the supply chain is integration. The initial hurdles that exist between buyers/suppliers can be mitigated by technology that can integrate every aspect of a wholesalers supply chain, from manufacturing to delivery, with updated real-time information. Full integration will help companies stay on top of the various stages of their supply chain, at every moment in time. Dealing with real-time information makes decisions more accurate, supply chains more efficient, and costs lower.

Benefit: Increase in Product Innovation

How to Achieve It

The consumer goods industry is becoming a more and more competitive global industry as new firms continue to enter the marketplace. This puts considerable stress on companies to create innovative products and processes in order to maintain a competitive advantage. Product innovation can be enhanced multiple ways through collaboration. Retailer feedback is one area of collaboration that provides value to wholesalers. Understanding what consumers are saying about your brands can help brand owners stay on top of changing trends in the marketplace. Product and process innovation can also develop as a result of collaboration between brand owners and manufacturers. A long-term, open relationship often results in manufacturers developing new ways to lower product costs or offering insight into ways products can be improved. A trusting relationship with manufacturers can also result in more experimentation, which leads to advances in product and process innovation.

Technology That Can Help

Having an integrated product lifecycle management (PLM) system enables companies to monitor product development throughout the entire life of a product. Integrated PLM gives brand owners the ability to track and share all product changes, along with documentation, schematics and other attachments, with all stakeholders in an organisation for improved communication and collaboration. Making sure the PLM system is integrated completely into the rest of the supply chain leads to seamless product launches and uncomplicated product updates.

Benefit: Rapid Problem Resolution

How to Achieve It

In the SCM World survey, 92 per cent of supply chain professionals surveyed agreed that rapid problem resolution is a benefit of collaboration. This overwhelming percentage shows that every part of the supply chain working together can stop problems before they develop into larger issues. Having open and direct communication, along with a trusting relationship, allows buyers and suppliers to work together quickly to fix problems. Without trust and respect, companies often try to assign blame for errors rather than trying to resolve the trouble at hand. Open communication and trust can only get organisations so far though, they also need to have the proper tools to correctly determine and correct problems.

Technology That Can Help

Technology that enables consumer goods wholesalers to track and trace across their entire supply chain will give each team member up to date, accurate information at their fingertips. Having access to information that is automatically updated and shared means that all participants in the supply chain have the ability to look up and downstream to explore where problems develop. After tracing the problem through the supply chain, proper technologies will allow you to make necessary adjustments right within the integrated supply chain system to fix the issue.

Agility

Hitachi Consulting and AMR Research identify four characteristics of supply chain agility. The first is *speed* – recognising the pace at which a company can sense and respond. The second is *ease* – measuring how nimble a company is when things do not go as expected, as well as how easy it is for companies to sense and respond to change. The third is *predictability* – reliability and consistency can be more important than absolute speed; companies that employ a standard procedure that consistently catches and fixes issues within a given timeframe are more valuable trading partners than companies that may respond more quickly on some issues, but do not catch every issue and lack a consistent timeframe. Finally, *quality* is an essential ingredient: a supply chain that senses and responds quickly, easily, and predictably must also have quality service in orders, production and delivery to be considered agile. These components serve to enhance competitive advantage and superior positioning in the market.[2]

However, achieving swift and cost-efficient adaptability, while maintaining product and customer service quality, is becoming increasingly difficult. In a recent study by Steelwedge, 89 per cent of respondents stated that supply chain agility was important to their business success, yet only 27 per cent felt they are good at responding to shifts in the market. This creates a 62 per cent agility gap between importance and performance. A separate study, by AMR Research, found that companies with manufacturing operations pinpointed financial systems as the top barrier to improving agility in their supply chain.

While integrated information systems may be challenging to implement, industry leaders and scholars agree that they have become the single most crucial factor of supply chain agility. Information systems constitute a vital part of the supply chain process, from customer orders through supply, production, distribution and delivery. Research published in the British Journal of Arts and Social Sciences observed that four aspects of supply chain agility – *customer sensitivity, process integration, network integration* and *virtual integration* – correlate with operational performance – *responsiveness, flexibility in product and volume, dependability* and *organisational learning.* For each agile characteristic, it was a company's information system that provided the data consistency and cross-functional integration needed to measure operational performance.

[2] Cecere, Lora. "A Four-Step Program for Supply Chain Agility" June 2009, Web. <http://www.hitachiconsulting.com/files/pdfRepository/A%20 Four-Step%20Program%20for%20Supply%20Chain%20Agility.pdf >

Benefit: Ensuring Quality Customer Service by Catching and Responding to Disruptions

How to Achieve It

Quality customer service is one of the strongest benefits of supply chain agility. Understanding customer expectations enables consumer goods enterprises to respond more effectively to shifting market demands and to maintain sustainable business partnerships. Certain factors measure how quality customer service will impact supply chain agility. Ensuring accuracy, for instance, is paramount to providing quality customer service. With time-sensitive customer demand increasing the pace of workflow, information systems in the supply chain must yield accurate information not only about purchase orders, but also the different elements of supply, manufacturing, and distribution, that affect delivery. A supply chain must be agile, with full integration from manufacturing to delivery, to achieve accurate information across its operations. Reliability is another essential component to quality customer service. Investing in available-to-promise (ATP) capability and improved order effectiveness would achieve reliability by improving the physical capacity to reconfigure products to meet new demand, and by moving orders through information management systems with less manual intervention.

Technology That Can Help

Customisable ATP and improved order effectiveness systems exist in many licensed enterprise resource planning (ERP) software systems. Having technology that can automate event management and alerts enables consumer goods companies to respond instantly to any supply chain interruptions as well as monitor, track, and analyse their complete operations. Technology that automatically shares data across the global supply chain ensures that all team members are constantly updated with transparent product progression and status information.

Benefit: Fast Response Time at Every Point Along the Supply Chain to Meet Changing Market Demand

How to Achieve It

Timing is everything when it comes to supply chain agility. Speed in communicating information across the production cycle helps to achieve shorter research and development (R&D) periods and introductory cycles. As AMR Research states, "agility increases when the time to sense demand is aligned with the time to respond to an order." To this effect, supply chains are attempting to shift from forecast-driven to demand-driven operations for manufacturing and inventory. Real-time demand, normally forecasted due to lack of direct feedback from the market, can now be accessed through integrated information systems. Supply chain agility encourages fast market responses through sharing and transferring real time information among suppliers and customers.

Technology That Can Help

Fully-integrated ERP systems facilitate the monitoring, tracking, and analysis of your supply chain components in real time. This integrated software suite enables companies to pull information across the company, including production, warehouse, delivery, and sales instantaneously. Once again, having an automated event management and alert system would also pick up any disruptions or delays in the process.

Benefit: Cost-Efficient Volume Flexibility in Products and Services to Adapt to Shifting Demand

How to Achieve It

The availability of real time demand data will improve work flow and production volume flexibility – or, the increase or reduction of production based on demand – thus contributing to greater agility in company outputs. Steps taken to reduce product complexity and demand forecast error would greatly contribute to managing volume. Minimising product variance, lowering pipeline inventory, replacing mass production with make-to-order capability and creating a system which easily senses and responds to change, for instance, would complement these actions.

Technology That Can Help

An in-depth business intelligence tool enables easy access, analysis and sharing of performance metrics with users across your organisation. Supply chain technology that offers up-to-date information that is readily accessible and data that is easy to share across functions will allow for greater foresight into product and volume flexibility. Also, electronic data interchange (EDI) facilitates communication between companies and retail partners in order to streamline forecasting and integrate emerging data to keep information management systems current.

Visibility

In the past, supply chain visibility was defined as the trackability of products throughout their lifecycle, from the manufacturer to end customer. Today, visibility also entails the speed in which an organisation can obtain relevant data and information in order to make fully informed recommendations and decisions. According to a study by Panorama Consulting, having complete visibility into operations improves product delivery performance, forecasting accuracy, and inventory reductions.

Many tools that help increase visibility only show a small part of a larger puzzle and are unable to collect information across multiple technologies. In addition, most of these tools do not have the ability to enable the user to effectively structure the data they do collect into usable information. For a company to truly improve supply chain visibility it takes a combination of the right technology (one fully integrated) and dedicated organisational resources and capabilities.

Benefit: Faster Problem Recognition

How to Achieve It

Even the best run consumer goods supply chains eventually suffer disruptions. A critical difference is that best-in-class companies recognise supply chain disruptions before they turn into problems. An interruption can occur anywhere along the supply chain, from raw material suppliers to manufacturing plants to delivery to retailers. Workflow-based alerts and event management automation provide quick insight into the status of tasks to help track the completion or failure of milestones across the supply chain. For example, rule-based alerts enable companies to create workflows that send alerts to notify individual users or teams of users to events, problems, or opportunities in the process. Commonly used alerts include missed ship dates, quality issues during production, cost overruns, and other performance based issues. Workflow based-alerts and event management automation can help companies stay on time and on budget.

Technology That Can Help

Having technology that can automate event management and alerts enables consumer goods companies to respond instantly to any supply chain interruptions. Also, having technology that automatically shares data across the global supply chain (i.e. a supplier or customer portal) ensures that all team members are constantly updated with product progression and status information.

Benefit: Better Insight Into Supply Chain Metrics

How to Achieve It

The biggest key to improving a consumer goods supply chain is making sure that you are measuring the right aspects. To record precisely how well your supply chain is operating, it is necessary to have visibility into every measure of its performance. Without full insight, it is impossible to tell how well you are serving your customers, working with suppliers, and handling internal business operations (speed, accuracy, inventory levels, financial metrics, and more). Organisations with the best supply chain visibility don't measure business through operational silos, instead they take a cross-functional approach, which provides an integrated view that allows them to judge performance in total.

Technology That Can Help

A fully integrated supply chain software suite enables companies to use one system to monitor, track, and analyse supply chain metrics. Having a fully integrated solution means the system can seamlessly pull information across the enterprise, including production, warehouse, delivery, and sales. A best-in-class approach should also include an in-depth business intelligence tool that enables easy access, analysis, and sharing of performance metrics with users across the enterprise.

Benefit: A Competitive Advantage Through More Informed Decision Making

How to Achieve It

Part of the definition of visibility above includes how quickly a company can obtain relevant data. Speedy access to information means that team members can stay on top of any disruptions that arise across the supply chain, as well as trends that evolve from customers. Having the correct data at the fingertips of team members at the right time enables them to consider all possible factors before making a decision. When something goes awry during the production process or trends start to emerge from customer data, it is important that this information is in the hands of the right people with the power to implement business changes to improve the company.

Technology That Can Help

The key to informed decision making is having real-time data available. Supply chain technology that offers up-to-date information that is readily accessible and easy to manipulate into relevant statistics ensures that companies can make the best possible decisions. It is also important that the data is easy to share across functions. If team members from all operations do not have visibility into the pertinent information then the group as a whole cannot make the best informed decision.

Benefit: More Accurate Forecasting

How to Achieve It

It is important that consumer goods companies have as accurate projections as possible. Forecasts that are off-base have a trickle-down effect across the entire supply chain. Automated communication between the company and retail partners enables better production forecasts to be made. Having a quick and easy way for retailers to pass along data relevant to the business gives the visibility needed for the company to more accurately forecast demand.

Technology That Can Help

EDI, or electronic data interchange, allows companies to continuously communicate with retail partners. This communication between customers and suppliers helps streamline forecasting information. While EDI offers automated visibility into retailers, however, it is best used as an integrated solution. Having integrated EDI means a system can seamlessly collect the data from retailers and make it easy to understand for analysis and forecasting purposes.

Benefit: Shorter Lead Times and Less On-Hand Inventory

How to Achieve It

The growing complexity of supply chains means that companies are now faced with longer lead times and more pipeline inventory. However, before a company can reduce lead times and inventory they must have visibility into those metrics. Having full insight across the entire supply chain is the key to achieving these reductions. If each team along the supply chain knows what is happening at any given moment in the other

parts of the supply chain then they can make better adjustments. Knowing immediately when sales slow down for a certain product means that companies can trickle that information downstream to impact and adjust production so that inventory levels don't become bloated. Checking event status reports more often reduces overall lead times because any potential problems can be identified earlier.

Technology That Can Help

Inventory tools that provide automatic alerts on inventory status and reorder levels let companies know right away when to properly reorder. Technology that gives insight into supplier production efforts enables team members to have visibility into production activities so that lead times can be better managed and accounted for.

Business and technology go hand-in-hand with improving supply chain management. To implement the short- and long-term strategic goals of a company, the right software fit and planning system must be in place to achieve desired outcomes. Fully-integrated ERP solutions help to meet the collaboration, agility and visibility needed to be competitive, dynamic and adaptive to consumer demands in the global market place.

For more information about ERP solutions for consumer goods companies, contact: emea@apprise.com

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