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Using The Supply Chain To Promote Company Growth

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Even companies that are adept at running their supply chains efficiently and cost-effectively tend not to see the supply chain as an area of the company which might enable them to achieve actual company growth. The supply chain is seen as a drain rather than as a tool that could be used to increase budgets. As a result, many companies miss out on not only some of the money-saving opportunities that might present themselves if they were to look at their supply chains a little differently, but on the money-making opportunities they might be able to uncover.

Two of the most powerful ways a company can use their supply chain to promote company growth are by: 1. using data analytics and benchmarking to create a leaner supply chain in order to generate greater cost savings, and 2. using the measures taken to increase operational efficiency to also increase profitability potential. Supply chain and logistics professionals have been doing these things for years, of course, but the challenges presented by the recent and current economy have made it necessary for them to take a more comprehensive approach and do them better. They now have to take extra steps to make sure that analytics and benchmarking programs will pay off enough to ensure not just their department's success, but that of their entire company's, and to know with a fair amount of certainty that what they're doing to improve operations will enable them to tap into those areas in which savings might be newly achieved and profitability centers developed.

Some of the questions that commonly go unasked (and unanswered) during data analysis and benchmarking that could give rise to greater cost savings include:

- How often did we receive delivery area surcharges over the past year?
- Are we shipping with inactive or canceled account numbers?
- What percentage of our total shipping expense is made up of accessorial charges?
- What are our air and ground dimensional weight factors?
- Are our contract tiers set up to benefit growth?Are we penalized during off seasons?
- Do our discounts correspond with the services we use the most?
- What was our rate increase last year, and what is it most likely going to be in the coming year?
- What is our average weight for each mode?

Some of the questions that commonly go unasked (and unanswered) throughout the implementation of leaner operations initiatives that could potentially increase profits include:

- Are we able to consolidate multiple orders going to the same location?
- How often do we consolidate orders, and how long does consolidation take?
- Do we have a staging area for consolidation?
- Do we have a warehouse management system that allows us to clearly see our inventory so that we can efficiently handle our product without an excess of items?
- Have we determined which locations for distribution centers will serve us the best when it comes to effectively reducing costs while maintaining service levels?
- Do we have the visibility necessary to maintain a live routing guide?
- Are we continually monitoring both carrier and internal compliance?
- Have we effectively analyzed the savings potential that could be created by making changes to service levels/modes?

Even when you are going through a third party analytics provider to locate those areas in which your company is losing money and determine where you could be doing better, the questions above will come in handy. Whether you're electing to go through a third party because you don't have the technology required to perform high-level data analyses and benchmarking in house, or because it would be too resource-draining to integrate the technology required to perform these actions into your own systems, before you make your final third party partner selection, you will want to be sure that the provider you choose is going to be capable of answering all of the above questions satisfactorily.

Regardless of whether you partner with an analytics provider or attempt to negotiate better rates and service levels on your own, carriers are no longer going to grant incentives simply to keep your business. They are taking a harder line with their customers, which means that their customers have to have more comprehensive data in hand when entering rate discussions in order to get the rates they deserve.

Furthermore, it is no longer enough to sign agreements with carriers that contain better rates and service levels and resume business more or less as usual. After initial data analytics, benchmarking, and operational efforts have helped locate savings and generate profits at the negotiations table, ongoing programs that ensure carrier and internal compliance will be paramount. That said, by using more comprehensive data, increasing operational efficiency, and ensuring compliance, it is possible to achieve company growth via the supply chain even when economic circumstances are less than ideal.