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Issue Date: October 2012 e-news, Posted On: 10/3/2012

Taking Your Small or Mid-Size Business to the Next Level? Make Sure You Take Your Supply Chain, Too.

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Whether your small company is growing into a mid-size company or your mid-size company is growing into a large, global enterprise, it can be easy to neglect your supply chain as you take the rest of your company to the next level.

Why is this?

While supply chains can be neglected for a number of reasons, more often than not, they're put on the backburner simply because companies are focused on their core competencies, which usually don't have much or anything to do with supply chain management.

Other reasons that a supply chain might not grow in conjunction with the rest of a company typically have to do with a lack of communications between departments or locations, or because the people hired to manage logistics operations when the company was one size don't have the skills or experience required to manage logistics operations during growth or once the company becomes another size.

What can you do to help ensure that your supply chain will keep up with the demands that will be put on it as your business grows? Below are three tips.

1. Perform an annual analysis of your company's shipping characteristics.
By identifying how your logistics operations have improved and the areas in which there is room for improvement, you can achieve significant cost savings and make your company more profitable to UPS, FedEx, DHL, local carriers, freight carriers, and other third-party logistics providers. It is important that you analyze your company's shipping characteristics annually so that you can take a proactive approach to shipping and amass the hard data you may need now or down the road in order to prove to carriers that you deserve to be granted lower rates, additional services, and better incentives.

Your company's shipping characteristics should consist of anything that contributes to your total annual logistics spend. By tracking purchases and determining the savings gained by making operational changes or upgrades, you can analyze your internal expenditures and begin to create accurate profit and loss ratios. To perform a thorough analysis of your total logistics spend, you'll also need your company's shipping history data. To get this data, you'll need to request that your carriers send invoices electronically. Companies of all sizes can find it difficult or impractical to house such data and turn it into easy-to-read information that can be analyzed internally. If your company is unable to manage regular influxes of shipping data, you may need the assistance of a third-party supply chain data analytics firm.

2. Predict order fulfillment needs prior to opening or selecting a new distribution center (DC).
With growth comes the need to use DCs for order fulfillment, among other things. Before you select or open a DC, determine which zip codes receive the most products so that you can optimize your company's distribution network and ensure that the right quantities of products will always be available at optimal distribution sites. You should also anticipate certain shipping patterns so that you can keep your DC properly stocked. These patterns will have to do with where you ship, how much you ship, and how frequently you ship. By taking into consideration all of the aforementioned, you will have a better chance of avoiding having to send shipments from more distant locations or DCs at higher costs.

3. Forecast supply chain profit and loss ratios as accurately as possible.
In addition to tracking purchases and determining the savings gained by making operational changes or upgrades, one of the easiest ways you can forecast changes in your company's supply chain spend is by developing an average price per shipment. This can be done by reaching out to your carrier and requesting a year-to-date volume and revenue report so that you can see how you are trending in terms of volume and spend. By requesting year-to-date volume and revenue reports, you can significantly reduce the number of internal reports you will need to generate in order to create accurate profit and loss ratios.

You can do more to minimize growth pains by monitoring industry trends and forecasting your supply chain profit and loss ratios accordingly. By monitoring changes in fuel costs and the fuel cost indexes used by carriers, for example, you can anticipate upcoming fuel surcharges and work those surcharges into your forecasted profit and loss numbers so that you don't get hit with unexpected expenses.

Similarly, you can forecast annual changes in shipping rates by either reviewing your contracted caps on rate increases (if caps are included in your carrier contract, assuming you have a carrier contract in place) or by following Q4 carrier news announcements that report the average expected annual increases to published carrier rates. These announcements are usually posted online on carrier websites in November to prepare customers for January 1 of the following year. (FedEx Express has already provided information on its website regarding its intended increase for 2013.)

In addition to analyzing your company's shipping characteristics, predicting order fulfillment needs, and forecasting profit and loss ratios as accurately as possible, there will be many other things you will need to do in order to ensure that your supply chain grows along with the rest of your company. There will be third-party carrier auditing and reporting services to consider, carrier contract negotiations that require you to submit and respond to requests for proposals/pricing, and a host of other tasks to perform.

Sounds overwhelming, doesn't it? Maintaining a supply chain doesn't have to be overwhelming, but it can certainly become overwhelming when you run into problem after problem as a result of a lack of preparation for growth. You can have the best products on the market and the best sales team on the planet, but if you can't get your product from Point A to Point B because you've neglected your supply chain along the way, you can find yourself in big trouble. By putting your company's supply chain higher up on your list of priorities now, you'll reap the benefits sooner rather than later—and save yourself a lot of headaches and overspending along the way.

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