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Newsletter

Supply Chain Logistics as a Driver of Business Strategy and Profitability

By BridgeNet Solutions

Customer demands have changed the dynamics of competition in many industries. Companies that can improve efficiencies and their cost and risk management strategies are seizing upon this trend to differentiate themselves from their competitors. By making their supply chains more flexible, these organizations are driving their business goals faster and creating a better experience for the end customer.



Popular business logic says that companies can pursue two of these three variables at a time: service, cost, or quality. But while cost and quality remain top of mind for many organizations, meeting customers' terms for ordering and delivery is quickly becoming a determinant of global competitiveness.

Customer demand is forcing an acceleration of the supply chain and smaller inventories for companies of all sizes, whether the "customer" is an end consumer or a business that serves end customers. To observe the changes that customer demand has put into play, consider best practices from the not-so-distant past. Many organizations have spent decades honing replenishment activities, developing forecasts, and tracking SKUs. By doing detailed analysis, they have sought to reduce or eliminate inventory carrying costs, along with out of stocks, which can lead to lost sales and potentially, lost customer loyalty. These replenishment practices continue today. However, customer demands now place new pressures on the supply chain, changing the established "rules" of replenishment at an unprecedented rate. Customers use technology to do on-the-spot price comparisons and order from any company in the world that has the desired product. They order products today and get them tomorrow-or sometimes, on the same day. Only the most flexible supply chains can succeed in such an environment.

Organizations spend an average of about 8 percent of net sales on transportation, warehousing, customer service, administration, and inventory carrying costs. When these costs rise, the bottom line suffers. Yet, many companies do not have a holistic view of how well their supply chain is actually running. Where is time being spent, where do disruptions occur, and how effectively do supply chain members interact-both internally and externally? What options are there for reducing operations expenses, automating, and proactively resolving problems? How can global companies answer questions such as these without a single system that provides global visibility and the people who can employ this knowledge to the organization's advantage? Until recently, single technology platforms were not available to companies with international operations.

Continental regions vary widely in their technology infrastructure capabilities. In the absence of a single infrastructure worldwide, many companies have developed a patchwork of continental systems that are divided by language, currency, and culture. The challenge now is to bridge all the information gaps, to see the entire organization at once, and make the entire firm more efficient and cost effective.

Some technology options today can provide a single global technology platform for all company data. These systems and the people who run them can provide visibility that unites worldwide operations in meaningful ways. They enable companies to collect and mine their own data to identify redundancies, reduce variability, cull waste, and enhance customer satisfaction. With truly global visibility, organizations can pursue efficiencies that can lead to a better customer experience. They can: (See Side Bar)

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Pursuing Efficiencies

Align internal groups. Growth of many organizations follows a pattern that goes something like this. A few employees gather to pursue an idea; in the early days, each of them acts as a generalist, jumping in to perform any task required to help the company grow. But eventually, inefficiencies develop that are solved by adding more structure. Individuals with particular specialties in procurement or transportation or accounting are grouped together to maximize the use of company resources and control costs in their respective areas of expertise. They may receive incentives within their areas for reaching higher levels of excellence.

Automate and manage by exception. Organizations can drive their business strategies forward by using automation tools to handle routine functions, and using their valuable human resources to manage the exceptions. This can produce a competitive advantage, since not all companies see how seriously information and visibility gaps can affect supply chain speed, or their cost cutting and customer service initiatives.

Manage vendor compliance and purchase orders. The pressure that companies face to deliver promptly only increases as they expand into new markets and incorporate more global suppliers. With a longer supply chain, a single late delivery of raw materials can cause on time delivery failures for the final product. In this environment, global visibility can reveal exceptions in time to develop new plans for essential materials.

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