

Gaining Competitive Advantage through Supply Chain Management

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Introduction

- Why is Supply Chain Management becoming an important competitive tool?

Trends in Manufacturing

- Typical manufacturers made 75 percent of a product's components 25 years ago
- Today make only 25 percent of those components
 - Balance produced by strategic partners
 - Increasing reliability on design partners to help to develop new products
 - Distributors are playing a more active role

Trends in Manufacturing

- Manufacturing base shifting from traditional regions to emerging economies
 - 80% of business machine and telecommunication manufacturing has migrated to the Far East
 - 75% of small appliances are produced in Far East
 - 60% of housewares are manufactured outside NA

Trends in Manufacturing

- All industry groups have experienced some degree of migration –evolving manufacturing as a global enterprise.
- Concept design and development is still generated from the product marketer
- Partnering in manufacturing and design has increased the need for better sharing of product information-from initial design through manufacturing, future design modifications and revisions

Challenges

- Most industry sectors are experiencing increased pressure to:
 - Improve efficiency
 - Increase innovation rate
 - Uncover opportunities around outsourcing and collaborative product development

Problem/Opportunity

- Faced with slow growth and pricing pressures
 - Industry has undergone increasing mergers and acquisitions to achieve economies of scale
 - Reduced supplier base
 - R&D budgets are reflecting more co-developments with suppliers
 - More outsourcing
 - New technology must offer performance benefits at no increased cost
 - Quality and service are increasingly regarded as givens

Thus...

- With the trend toward global marketing and manufacturing
 - *Short term*, presents an opportunity for competitive advantage
 - *Longer term*, managing the supply chain effectively will need to become a critical core competency for most companies

Definition of Supply Chain

- Any function internally or externally that impacts the customer
 - Goes beyond the procurement process
 - Manufacturing
 - Operations
 - Marketing
 - Asset/Inventory management
 - Customer service
 - Technical support

Broader Definition “Enhanced Supply Chain”

- Offers potential opportunity at every step
 - R&D/Collaboration
 - Order management and fulfillment
 - Invoicing and payment
 - Capacity utilization
 - Inventory and work in process
 - Strategic management of the customer portfolio

Beyond Sourcing tools

- Manufacturers are realizing a quick and measurable ROI from simple, tactical event based e-sourcing tools
 - 15% savings and cycle time reductions of 90%
 - 35% of firms with \$100MM or more spend use e-auctions but only still less than 5% of spend
- More strategic sourcing can sustain these improvements

Where do you start?

- Do a thorough analysis of the market, competition and customer profile
 - Using an experienced outside research firm to support and guide the management team
- Develop and formulate strategies to predict outcome of real world effects
 - Changing customer needs
 - Manufacturing capability
 - Raw material quality and supply
 - Shipment times

Modeling

- Requires identifying and measuring the critical variables:
 - Market dynamics
 - Customer needs
 - Optimal inventory levels
 - Understanding critical core competencies
 - Establishing supplier partnerships to provide non-core but critical service needs.

Tools

- Philosophies that provide framework- e.g. Lean Manufacturing (MEP.org)
- Decision support tools (modeling)
- Supply Chain Council (www.supply-chain.org) developed the SCOR reference model (Supply Chain Operations Reference)

Conclusion

- Supply chain management needs to become an integral part of the business strategy
- Developing a supply chain strategy will improve profitability
- Managing the enhanced supply chain offers opportunities for sustainable competitive advantage

Ten Traits of Outstanding Supply Organizations

(Purchasing Magazine,
G.H.Associates March 03)

- Commitment from the CEO/President to Supply Chain importance
- Understanding role in creating and satisfying customers
- Suppliers are our friends –not adversaries
- Best practices are in place and followed
- Seamless supply chain management
- Team-based decision making
- A culture of value engineering/value analysis
- Openness to innovation
- Focus on best suppliers
- Continuous quality improvement