

As businesses merge, integration is integral

Businesses such as Coca-Cola and Costa, along with Sainsbury's and Asda, are merging and becoming bigger, meaning that end-to-end supply chain efficiency is increasingly more important. However, the opportunity to make basic supply chain mistakes increases.

The end-to-end supply chain links in a typical capital manufacturers supply chain are complex and sophisticated. However, by focusing on the individual nodes in the supply chain, it is often the case that millions of pounds are wasted, which ultimately is paid for by the customer. This was the case at a global market-leading company that serviced its customers through a dealership network that was served by country marketing business units. Products were manufactured at dedicated plants, with a network of other company plants supplying component and subassemblies.

In the past, there were independent management teams in each dealership, country, manufacturing plant and supplier, who were each accountable for optimising their own customer service, inventory and operating cost. They all worked with the best of intentions, but in isolation and without the focus of supply chain integration.

The consequence was too much inventory, held at too many nodes of the supply chain trying to buffer against change and unpredictability of the holistic picture. This equates to millions of pounds of cost (waste), which was only compounded by the fact that the inventory being held was out of balance and was never the right stock to meet customers' needs.

Following a strategic review and best practice analysis, the company embarked on a fundamental change of strategy. Stock at the dealerships and country business units was dramatically reduced and a strategy of finish-to-order from semi-finished stock held at plants was introduced, often called last configuration. This resulted in much greater customer service and satisfaction, reduced inventory value and higher profitability.



Holding too much inventory at too many nodes of the supply chain can lead to millions of pounds of cost

Dell Computers is a well-known example of supply chain transformation. Dell's strategy of selling direct to consumers and reducing the dependency on retailers significantly reduced its end-to-end supply chain costs and avoided margin erosion with the retailers. However, the real insight of this strategy was to get closer to the customer and enable much more focused and effective product development in an industry where product life cycles were reducing and have continued to reduce.

Intel was another example of a company that adopted supply chain as a disruptive marketing strategy. By focusing on the end-to-end supply chain, it was able to market directly to the consumer ('Intel Inside'), while still selling microchips to subassemblers that sell to computer manufacturers that sell to retailers. Basically, it created a pull through the supply chain from the ultimate customers for their product, who were several steps down the supply chain.

It is important to understand the end-to-end supply chain, which should include the analysis of not just the individual nodes of the supply chain, but also the holistic steps across the extended supply chain, including logistics and transportation. Key constraints and bottlenecks must be understood, and identifying where common materials or

logistics can be developed to achieve synergies and supply chain efficiencies. Data flows and blockchain opportunities must be identified that can be leveraged to achieve reduced total supply chain inventory investment, greater flexibility and greater supply chain efficiency.

After supply chain and value chain analysis has been completed, it will become clear that there are huge opportunities for supply chain efficiency and reduced cost in most end-to-end supply chains. However, in order for any organisation to take advantage of these opportunities, an effective integrated business planning process is essential.

The business must adopt a strategy of deploying tools, process and behaviour, alongside the elimination of non-value-adding waste, combined with supplier and customer collaboration.

There can be no more important time to analyse our supply chain strategies as we head towards Brexit. ☹️

Dave Manning FCILT
Managing Director,
DM Integration Ltd.

☎️ 07866 313033

✉️ dave.manning@dmintegration.co.uk

🌐 www.dmintegration.co.uk

