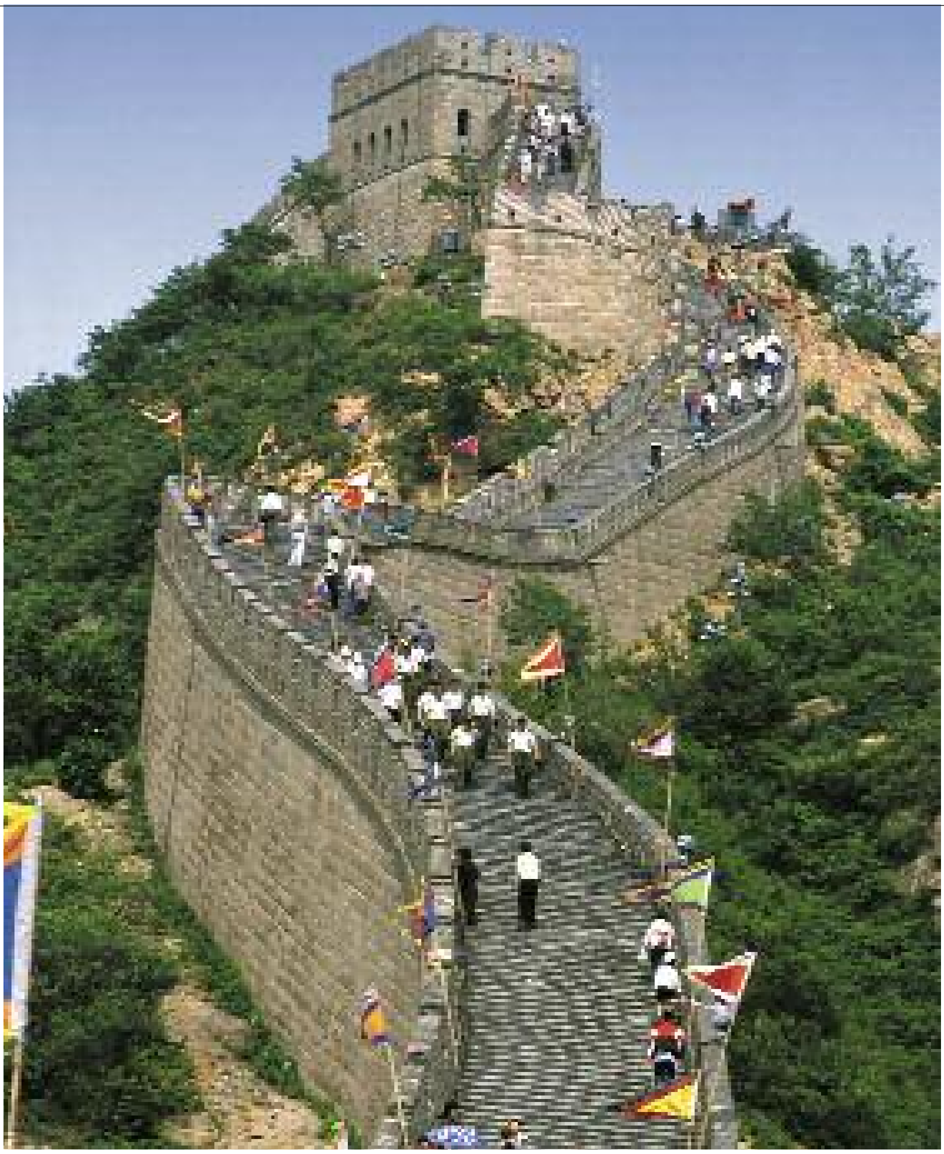
SOURCING

The China syndrome

It might be an uphill struggle, but there are opportunities; you have to be prepared, smart – and agile.

JEFF SCREETON



With the ascendancy of China, both economically and culturally, will the tables be turned and Western culture no longer be the benchmark in the new world order? We know of course that China is soaking up a good proportion of the manufacturing capacity and India is snapping up British companies like it's going out of fashion. But what next?

My personal view is that while most will see these changes as a threat they also present a huge opportunity to think differently, act differently and compete on better terms; the biggest, and most challenging, caveat for many people of course is that they must be willing to adapt to change, step outside their comfort zones and be willing to explore new avenues and ways of doing things with and within their supply chains.

British goods are still admired and sought after in India and China. Although these are huge markets that our manufacturing base can take advantage of at any time, the opportunities will only grow if British management is willing to think and act smarter – which brings me back to my opening statement.

There is no question that there will eventually

TECHNOLOGY

Paper tigers in the supply chain

Supply chain mobility means removing the paper chain.

RIKKE HELMS

While industries such as manufacturing, energy and finance have been the earliest adopters of mobile technology, in their efforts to try and glean additional efficiencies from field service forces, deployment issues and technological limitations have typically hampered uptake across other sectors. However, times are changing, and a raft of new customisable mobile applications are now making an impact within a wide variety of businesses, and at numerous different stages of the supply chain, in particular.

Perhaps the key to this is the fact that increased industry competition and general awareness have made customers more adept than ever before at migrating their business to the supplier that best meets their demands – whether it be the lowest price or highest standard of service. The onus is now squarely on businesses to examine their supply chains and identify any processes that could be streamlined to reduce costs and overall timeframes, ultimately with a view to passing on these benefits to the customer.

Furthermore, these workers in many cases form the main customer-facing part of an organisation, and it's crucial that such customer contact experiences are made as satisfying as possible. Having the right staff is one key factor; but providing these employees with the best possible tools in which to do their jobs is just as vital.

Through the use of mobile applications, delivered to a wide variety of handheld devices ranging from mobile phones to PDAs and BlackBerries, field workers are now able to perform processes such as invoicing, ordering stock and sending or receiving job updates and cancellations electronically, as opposed to the manual methods previously adopted.

It's about following the paper chain – wherever paperwork is currently required, a mobile application can theoretically be deployed in its place. Considering the amount of supply chain tasks that, for the majority of organisations, will currently involve at least some time-consuming paperwork, such as sourcing goods, deliveries or even compliance with regulatory measures, this represents potentially massive time and cost savings. It also means greater efficiency from a customer perspective, whether through speedier product dispatching, more responsive customer service (thanks to improved internal information flow) or simply lower costs in general.

One of the major drawbacks to mobility rollouts used to be the widespread upheaval and disruption to workers for the duration of the project. Fortunately, the industry has learnt from its previous failings and the latest breed of mobile applications are specifically designed with be a new world order, albeit one that may further adopt western ways of doing business, and one which may yet turn out to be different to what we currently view as an East-West full frontal.

Our ways have been proven over many many years; business, being so global, will most likely continue to move along the general western path. Banks, institutional investors, and serious importers and exporters, will demand certain standards be maintained and strengthened. Surprises may be in store though, so the pressure to be lean, mean and nimble will certainly intensify.

On that subject, the agile, or smart, enterprise will be able to take advantage of most situations, whether that is setting up manufacturing in China (or Vietnam!), or relocating it to the UK/Europe to take advantage of any number of domestic, technological, currency or simple cost/resource pressure situations.

Agility means thinking outside the box…getting outside the comfort zone and looking at a number of 'what ifs'. What if we did Plan A, and benchmarched it against what we do now (Plan WWDN) and against Plan B, just in case Plan B is the better route to go down? If you're thinking smartly, A or B should be better than Plan WWDN.

To take that step means a little courage and the realisation that any world order can be hard on a business unless the business adapts and changes.

What does all this mean for the supply chain? It will most likely have to be different; to be de-bottlenecked; to be re-planned; to be truly smart and agile. Most importantly of all, it will need a whole new way of thinking.

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ease-of-deployment in mind, in some cases reducing initial rollout time from weeks or months to just a couple of hours.

Another drawback to mobility adoption has traditionally been the significant upfront investment required. However, one of the biggest growth areas is now in applications delivered as a service. From a payment perspective, this allows organisations to pay on a per user per month basis, meaning that if something isn't working, it can very quickly be changed or modified – a much more palatable model for most companies.

Although these factors have certainly been conducive to recent increases in supply chain mobility rollouts, the biggest case for mobility is that as customer choice continues to expand, all businesses will eventually recognise that improving internal processes, customer service and overall agility are not just competitively advantageous –they're a competitive necessity.

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SHARING THE CRYSTAL BALL

With consumer budgets under pressure, supply chains risk becoming awash with unsold goods – a little attention to forecasting might just be timely.

PENELOPE ODY

Along with the current spate of profits warnings and "disappointing" results, we've all noticed how retail clearance sales seem to start earlier and earlier each year. Long ago and far away they were in mid-January and July, now mid-December and early June seem more normal. This year the "sales" seem to have been fairly continuous.

Clearing the remnants of old stock to make space for new season merchandise is as much a tradition in the non-food arena as the 5pm markdown of fresh produce that is clearly moving rapidly past its best, in the supermarket space.

Clearance sales and discounted promotions may make space on the shelves and boost turnover but they do very little to enhance profitable performance. Over the past few years "optimisation" has very much been the name of the game in retail supply chain execution. We have had them all: price optimisation, promotions optimisation, space optimisation and – of course – markdown optimisation. But, as more sceptical supply chain experts have also pointed out over the past few years, markdown optimisation is also an admission of failure.

In good times most retailers can live with such occasional failures. In bad times it is very different. Small wonder then that at this summer's U Connect event in Dallas* forecasting was very much front of mind. "Forecasting was definitely on many companies' agendas," said John Radko, chief global technologist at GXS. "Discretionary spending is being badly hit in the current recession and all businesses operating in this sector need to match stocks to demand and improve performance."

While for many retailers "forecasting" is more about gut feel and guesstimates there have been some notable exceptions: Entertainments UK, for example, under its then supply chain director Phil Streatfield, implemented a TXT solution that allowed it to forecast likely sales of new CD and DVD titles within hours of release. TXT's first customers were in the fashion sector and it has become adept at helping companies predict sales of new lines based on historical performance: if you sell x in the first few hours then likely total market might be Nx during the life of the product, and so on.

Forecasting sales of staple or repeatable lines is rather different and this is where "flowcasting" has its supporters. This starts with forecasts for every product in each store rather than working on an RDC or national level. Once the store has made its sales forecast this can be correlated with existing stocks and required deliveries, which in turn are extrapolated to RDC requirements, over the time period under review, and ultimately to manufacturing production forecasts. Exponents claim that flowcasting can reduce out-of-stocks to just one to two per cent – compared with the more usual eight per cent-plus while total supply chain inventory can be cut by 30 per cent or more.

Reluctance to implement flowcasting techniques may, in part, be due to the fact that it requires significant collaboration between retailers and suppliers – and not many trading partners are, as yet, quite so eager to work that closely. Collaboration on forecasts involves trust and mutual confidence so neither partner is tempted to add in a little extra "safety stock" at each stage. Equally, flowcasting depends on long-term commitment with forecasts as much as a year out and good supply chain visibility to track products at every possible location from manufacturing plant to shelf.

Flowcasting depends on long-term commitment with forecasts as much as a year out.

Such long-term planning is clearly less easy during a downturn as it is difficult to predict just where consumer cutbacks will fall: equally, collaboration becomes even more important at such times. Those with memories of previous recessions will recall that retailers – especially the largest and most powerful – can be quite ruthless when it comes to cancelling orders and pressurising suppliers on price to maintain their own performance. In the days when there was a large and competitive supplier base to choose from they could probably get away with such behaviour.

In today's global marketplace it is rather different – especially with those BRIC economies showing rather better growth opportunities than poor old Europe. If retailers want to keep their suppliers on-side then perhaps time spent on some collaborative and realistic demand forecasting sooner, rather than later when those orders need to be cancelled, might just prove to be a good investment.

**U Connect – now in its eighth year – is organised by GS1 US and VICS and is held each June.*

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