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## Review of the Nov. Meeting
## "Supply Chain Management / Logistics"

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November's meeting was presented by Tony Nuzio of ICC Logistics Services, Inc. The topic was "Effective Supply Chain and Logistics Management Strategies". Tony presented several ways that Logistics can be a key contributor to Supply Chain improvement and costs savings by taking an unconventional approach of focusing on your customers' needs.

Supply Chain management is one of the most controllable elements affecting a company's bottom line financial performance. Companies must continue to evaluate Best Practices to maximize results. The old term, "Traffic", is now called Logistics, but it is essentially moving goods from one point to another. The new strategy is to change from thinking about individual logistics functions and think about integration. This entails integrating the following business functions: Customer Relations Management, Demand Management, Order Fulfillment, Manufacturing Flow Management, Supplier Relations, Product Development, Returns Management, Outsourcing Partnerships, and Performance Measures.

Supply Chain management (SCM) involves Sourcing, Procurement, Conversion, and logistics management. Coordinate and channel your business partners such as the suppliers, intermediaries, third parties and customers. Sourcing now becomes a global,


ever-changing challenge. Procurement is not something that many companies plan well; they react. However, if there is no planning, then there is no management. If companies cannot measure their procurement costs, there is no way to control those costs. An example was given from an apparel button company. Buttons are sourced globally and orders were always awarded to the lowest bidder. The providers and source countries changed so frequently that the button company could not predict the freight costs from the source to the customer. Therefore they couldn't set a profitable price.

This is an example of how companies can make supply chain decisions with little or no experience in logistics management activities. Business decisions are made without considering logistics initiatives or issues.

Logistics Management involves process planning, implementing and controlling procedures for efficient transport and storage of goods from point of origin, to point of consumption to conform to a customer's requirements. Example: does your customer prefer many small shipments throughout the week or one big consolidated shipment?

These are typical Logistics strategies to consider. (1) What does the customer require? (2) How do you validate the customer's requirements and create procedures to apply them? (3) How do you measure customer satisfaction to ensure that the procedures are working for the customer? (4) Who are the current logistics service providers and why were they selected? (5) How does the company qualify suppliers? (6) Put more thought into "Best Supplier" versus "Lowest cost supplier" (7) Increase focus on Total Cost of Ownership decision making (TCO). Example: who picks up the extra cost of damages? (8) Move focus away from beating the price down to innovation. How can you help your carrier reduce costs ? - Don't blindly accept the cost increases.

Several universities have conducted studies that examine the trends in Supply Chain and Logistics strategies. A University of Chicago study reported that 75% of the CEO's surveyed are focusing on increasing top line profitable growth. 93% of the CEO's state that SCM is critical to overall business strategy. A Massachusetts Institute of Technology study states that Supply Chains should focus on achieving customers' objectives instead of decreasing near term costs. Integrate Supply Chains with growth such as the WalMart and Best Buy models. The conclusion is that companies need to shift their thinking away from "getting the right product to the right place for the best price" to growth and innovation.

There are several ways to transition to the growth mentality. You must think like the customer. Besides price, what are 5 reasons why customers buy from you? How is your Supply Chain organized to support those reasons? Develop an "outside in" perspective and look at your company from the customer's viewpoint. Take a non-biased approach to looking at how you create value. Look beyond costs and examine growth potential. What could / should you offer your customers? Stretch the internal resources to drive future growth.

Help articulate a "What's in it for me" from a customer's perspective. What is the customer's perception of your value? What are the components of your Supply Chain that highlight that value? How much is invested in the Supply Chain to deliver that value? What needs to change and how do you make it happen?

Improvement requires alliance management. SCM leads growth initiatives and leads suppliers and partners. Look beyond your company's supply chain and logistics staff and manage the corporate culture. (1) Define who to align with (2) Form an alliance team (3) Assess customer satisfaction in the current climate - where do you go next ? (4) Solicit feedback then fix the system (5) Measure and report results.

Upper management has begun to understand total cost concepts related to Supply Chains and is striving to build supply chains that satisfy customers and give them more options. Financial and supply chain organizations are becoming more service oriented. Supply Chain organizations lead TCO concepts in collaboration with engineering, operations and finance.

There are several future transportation trends to consider: cost and capacity trends, "green" business decisions, and global trade. Currently, there are rising fuel costs, rising security insurance costs, reduced capacity and cube based pricing. At first glance, the company with the lowest freight rate may be the top choice vendor, but what is the impact if they have lower liability coverage? Many companies are paying more attention to sustainability and "going green". WalMart suppliers are good at this, they reduce carbon footprint (less cardboard) and minimize feeding the waste stream with protective packaging materials. Improve your understanding of Global Trade issues. Deploy web-based systems to improve information sharing, which permits suppliers and customers to collaborate. Harmonize information systems and business processes. Tear down organizational silos for better business operations (eliminate the corporate vs. local control friction). Exploit free trade agreements to reduce import duties.

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