

INFORMATION IS POWER

Cross-functional knowledge transfer is crucial in any business, reports FRANS KOK.

Recent supply chain and logistics management studies have found that respondents regularly cite supply chain visibility as a high or very high priority. However, these studies also reveal that many businesses have not yet achieved good supply chain visibility, with Forbes and KPMG estimating that this is the case for as many as 40 per cent of companies. Why is this so, and where is visibility particularly crucial? More importantly, how should businesses approach and implement a sound visibility strategy?

The steady increase in e-commerce adoption by consumers has long played a key role in driving change in modern supply chains. Spurred by increasing demand for quicker delivery, it has led to a sharp growth in the number of small parcels with highly individualised 'last mile' requirements, adding to the complexity and time pressures in fulfilment. Also, there is often an unknown number of members in the supply chain all over the world, further increasing the risk of potential disruption. Other trends, such as shorter product cycles, more complex products, declining vertical range of manufacture, global procurement, volatile markets, and a growing number of natural disasters are also factors that make it increasingly challenging to manage a modern supply chain. Logistics managers looking to overcome these challenges often need to adopt new supply chain management strategies and business processes. To ensure these succeed, comprehensive visibility and IT support along the entire supply chain is crucial to managing such complexity.

GREATER VISIBILITY

In procurement, transparent processes and effective communication are critical for success in a supply chain, where constant information sharing is crucial to smooth operations between all parties. Combined with automation in the flow of supporting documentation, this can provide businesses with the necessary visibility and assurances that actions and targets are being managed and achieved. It also lessens the impact of any unexpected changes in the plans, and makes it easier

to spot errors in freight invoicing. Visibility is also helpful for identifying potential disruptions in advance and taking immediate action or issuing notifications, especially when it comes to service level agreements and promised lead times. This type of visibility not only raises service levels, it also contributes to a long-term relationship of trust with partners and customers.

With greater visibility, suppliers will also have a better overview of the entire inventory management system and be able to supply in multiple channels, or avoid out-of-stock situations. In inventory management, up-to-date information on the status and availability of materials and products must go beyond the borders of the warehouse to include goods in transit and planning data for both internal and outsourced production. For example, if a supplier is not able to ship an item to a customer from their nearest warehouse, they can quickly contact the next closest warehouse and have it shipped from there.

Lastly, visibility has a significant impact on overall costs. Transport costs are one of the biggest cost challenges within the supply chain, and managers seeking to implement an optimisation strategy should first understand what drives transport costs in their own supply chain. Supply chain managers should look into key considerations such as the freight costs for each product, how much is spent on transport costs for supplying key accounts, and which transport avenue accounts for the largest share of costs.

To get started, having access to reliable information on past transport volumes and costs is the foundation for organising effective freight contracts, service levels, and allotments. This brings transparency to any potential risks and cost drivers in the supply chain through consistent, complete and validated data. Significant savings can also be realised by monitoring ongoing costs with the help of an automated verification process. Real-time transparency of ongoing processes such as the status of a customer order, the scheduling of a picking order, or the current location of a container can make it easier to plan transport capacities or consciously select modes of transport by cost or lead time, which results in fewer empty runs and shorter wait times.

FOCUSING ON PEOPLE AND IT

Information is power, and in order to achieve an effective level of visibility in the supply chain, it is crucial that all involved parties are able to exchange data quickly and accurately. Communication throughout the supply chain leads to the empowerment of the supply chain manager to make the right decisions. One key success factor of this is to reduce the reliance on manual data entry. An example of how to achieve this would be by using sensors not only in transport vehicles and warehouses, but also on associated pallets, shipments, and the products themselves to help in tracking and management. Data from these sensors can be processed with the help of visibility software, using which, the data can then be interpreted and communicated to each target group.

Greater supply chain visibility through the use of software allowed the company to gain cost savings through better rates and transport consolidation, and has also helped them increase their customer satisfaction ratings to the point where they have been recognised as a top performing supplier by many.

For businesses to realise the benefits of greater supply chain visibility and better processes, cross-functional knowledge transfer and regular information sharing – both within a company and between partners – is crucial. Enabling this transfer through the use of specialist supply chain software is a popular route now taken by organisations who understand the role of supply chain visibility in their operational and financial success. However, not many have come to recognise that an integrated approach is required for the full benefit of such systems to take effect. It is the only way for visibility to deliver on its promise of helping businesses adapt to changing conditions and remain competitive over the long term. ■

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