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Switching the light on – risk mitigation and performance improvements through supply chain visibility

Today's supply chains are expanding internationally and becoming ever more complex: having customers or suppliers in Asia, the USA or Latin America is now the norm rather than the exception. As global business grows, so does the number of supply chain partners, new distribution channels, product portfolios and customers, while existing supply chains are subject to increasing performance expectations, including minimum inventories and maximised availability.

One result of the supply chain's increasing complexity is an escalation of serious supply chain risks, such as a sinking cargo vessel or a tornado cutting off rail lines. When such disruptions occur, greater interdependencies and reduced inventory levels can have severe consequences for customer relationships, profit margins, time-to-market cycles, sales and brand image. In addition, 'normal' fluctuations are also on the rise, one example being oil prices. Volatility has always been one of the challenges in logistics, but the magnitude seen in recent years is unparalleled.

These complex supply chains and volatile conditions require reliable processes that run flawlessly while supply chain agility is preserved. But how do you achieve both stability and flexibility in a supply chain? You can't entirely have it both ways. The more stable a supply chain, the more inflexible it becomes and the more flexible it is, the more vulnerable it becomes. For example, where fewer partners are involved in production and logistics, control becomes simpler – but dependency grows. The goal is to strike the right balance.

The backbone supporting successful supply chains is transparency, otherwise known as visibility, which can only be achieved when all partners – such as suppliers and service providers – work seamlessly together, synchronise their workflows and exchange information.

This in turn requires an IT platform that brings transparency to all resources, capacities, inventory and processes in the supply chain; one that standardises and thereby encourages and facilitates the rapid exchange of information among the partners, enabling them to take appropriate measures when disaster strikes. Visibility software collects data from all supply chain partners and systems and makes it available to the right party at the right time – be it via email, text message or status message to the ERP system. The right software solution should include a number of key functionalities:

1. Integration platform – to interface with ERP systems, service providers, etc, and source, integrate and convert supply chain data from various formats.

2. Information platform – to offer one central location for the data accumulated from various systems for access to e.g. status updates, customs documents and PODs.

3. Supply chain planning – to map every step of the process, from procurement and distribution to fulfilment, including processing and lead times for each step.

4. Monitoring & alerting – to control the progress of defined event chains and keep supply chain partners informed about expected delays or available alternatives.

5. Reporting and statistics – to gather, consolidate and analyse data from all connected systems and partners and offer powerful performance evaluations.

Another key function of a visibility solution is inventory management. Supply chain partners often use different warehouse management systems (WMS) for their operations, so it's challenging to obtain a complete overview of all stock. Visibility platforms connect all deployed WMS at various sites, providing supply chain partners with consolidated, standardised access to the relevant inventory data. In addition, such platforms monitor all shipments en route, ensuring complete transparency of stock in transit, be it on the vessel from China, on the truck at the loading bay, or on transfer trolleys between replenishment sites.

The functional scope of such powerful visibility platforms is comprehensive and not every company requires all available features. Software solutions with modular architecture allow businesses to add functionalities as required and thereby support a quicker return on investment through reduced costs. Additionally, data requirements and system integration should be prioritised in a phased approach to achieve operational, strategic and financial results more quickly.

To summarise, visibility solutions optimise proactive supply chain management to avoid unnecessary costs, improve customer service, maximise the use of resources and capacities and facilitate higher revenue streams, e.g. by preventing out-of-stock situations. And they empower businesses to build a foundation for better decision-making through pinpointing supply chain weaknesses, managing potential disruptions before they emerge, avoiding risks and tackling complexity and volatility.

Forward-looking supply chain managers know how to make the business case for an effective solution. Nearly 30% of respondents in an Aberdeen Research study reported that they expected a return on investment within less than one year from implementation of supply chain visibility software, with the average among all those surveyed being 18.2 months. So, maybe it's time to shed some light on your supply chain, too?

For more information see website: www.aeb-international.co.uk

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