

3 Ways To Boost Your Supply Chain Efficiency



There are three main points organisations need to look at to improve their supply chain efficiency

1. Understand global cultures

Countries around the globe have different cultures, practices and behaviour. If we want a successful, well-oiled supply chain we need to tailor our systems and process to suit who we are doing business with. A good example of this is working with companies in UAE. Their working week is Sunday to Thursday, hence a miss match with Europe, where the working week is Monday to Friday. It's not uncommon for communication to come from a UAE supplier on a Sunday. If this requires an urgent response, how do we deal with it? It is important that your service level agreement captures this type of scenario and who will cover costs if business is lost as a result of a tardy response.

2. Consider time zones

In today's supply chains, there are often multiple time zones involved in creating a product. Companies should plan communications to ensure they arrive during standard times within the targeted time zone. For examples, if a European company is dealing with a North American company, they should set up afternoon communications.

3. Transparency of the supply chain

Make sure everyone involved in the supply chain has a clear understanding of what the supply chain looks like, countries of manufacture, locations in said countries, companies involved, process times, lead times, transport methods and times, paperwork requirements, customs procedures, etc. It pays to visit the whole supply chain and process map in its entirety, then publish to all involved. This end to end prospective will help understanding and highlight areas of concern and possible improvements that could be made.

An EEF business growth consultant recently used the principles of supply chain efficiency to analyse the operations of a manufacturer based in the Midlands. The analysis uncovered that currently the company was holding eight weeks' worth of stock with a lead time of 22 days.

EEF's consultant used process mapping, voice of customer, true demand planning, stock control techniques and a new method of ordering. With these changes implemented, the company could operate with four weeks' worth of stock and a lead time of 11 days.

An effect of not having transparency in the supply chain is demand amplification or the bullwhip effect. The further you move from the end customer, demand grows to the point it no longer reflects what the end customer requires.

Let me explain with an example. The end customer requires 100 of product X, which also means adding 5% scrap, 3% set up and production losses and 2% handling damage to the requirement of the manufacturer. Therefore the original demand of 100 is now 110 and we have not left the confines of the end customer facility. If you then expand this through to the main supplier, it becomes 110 of product X requiring 121 further down the supply chain.

Then let's assume a supply chain of five levels (not uncommon in today's global marketplace), and this figure becomes 160 of product X required, over 50% overproduction that could end up at the end customer if the losses do not occur. This puts an incredible amount of additional stress and cost into the supply chain.

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The above can also have a major impact on inventory and transport and warehousing.

Inventory

It is important to understand what is controlling and managing your inventory and the systems that sit behind this. How much inventory do you hold? At what points in the value stream? And why? Ensure inventory becomes fully integrated into the supply chain functions.

Transportation and warehousing

The transporting and warehousing are also vital for supply chain professionals to consider. How many times are we moving inventory just to store it in yet another location? These costs are very often overlooked when making decisions around “make vs buy”. For example, purchasing product from Asia will normally have around 12 weeks inventory in the system, while purchasing locally to your facility will have around 2 weeks!

The above is a great example of how we do not listen to the voice of the customer and often we do not even ask the right questions. What really counts to the customer is what remains visible and measurable for our customers. It is not only about key performance indicators and delivery service but also the ability to properly communicate accurate and meaningful supply chain information in a multi-cultural and cross-functional environment across geographies.

EEF’s Business Growth team works with UK manufacturers to identify and implement productivity improvements around issues ranging from supply chain to the Fourth Industrial Revolution. Get in touch to discuss your particular business goals and needs.

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