



The Changing Face of Supply Chains

FLEXIBILITY MEETS COST REDUCTION

When supply chain management was in its infancy, demand was generally viewed as reasonably steady and predictable, with the ability to plan supply chains based on a lowest cost approach. Supply chain management has gone through considerable change since that time but none more so than the last few years. The banking crisis in 2008, and the resulting economic downturn, is driving the need for more responsive supply chains that are optimised for flexibility more so than cost.

OBS Logistics has been fortunate to work with a broad range of clients across the globe and has experience of a range of different approaches to supply chain management. Our experience of deploying logistics management software solutions spans over 60 countries and a range of industry sectors which include FMCG, pharmaceuticals, engineering, electronics, fashion, furnishing, aerospace and defence, for companies in manufacturing, engineering, wholesale distribution, retail and third party logistics. As a result our solutions have evolved to be flexible and configurable to support very precise operational needs.

ADAPTING TO OFFSHORE SOURCING

We have seen how the search for lower cost supply led to offshore sourcing, often removing the established onshore production facilities in favour of outsourced production. In turn this often led to longer, more complex supply chains taking greater management - but still the overall cost savings proved significant and by adapting the supply chain systems to this new approach companies were still able to deliver the level of customer service being demanded.

CALIDUS features global tracking systems to facilitate the

management of goods/container movements across the world and enabling capability to promise delivery commitments to customers. We added portals which allow companies to transact business with customers and suppliers over the web - this ensures they are working with the most up to date and accurate information whilst minimising administration costs - an up to date 'Single Version of the Truth' as we often refer to it.

Unlike many software companies OBS Logistics took the decision not to move our development activities to an offshore facility because we recognised that our ability to respond to system development requests very rapidly would be compromised. We have strived for the most cost effective UK based development capability and this has served us well; addressing the specific needs of our clients in a timely way continues to be a priority for our customers who are operating in a changing world. It is interesting to note that many companies who moved their development offshore have, or are now moving it back.

TOTAL LOGISTICS SOLUTIONS

Through customer engagement and considerable R&D investment, we now have the most comprehensive range of supply chain execution software available in the market covering best of breed Transport Management, Warehouse Management, Supply Chain Tracking and Electronic Proof of Delivery together with industry leading specialist ERP solutions.

Coupled with substantial investment in having our own hosting facilities (ISO 27001 accredited data centres in the UK) we are able to deploy our solutions across the world on a fully managed service basis; so regardless of how our client's business changes in terms of size, scale, mode of operation or geographically, we can quickly adapt to meet their needs, leaving them free to manage their business.

BALANCING THE COST

In recent years we have identified a number of factors that have impacted the longstanding approach of optimising your supply chain based on cost:

Costs of manufacture and supply from the Far East are increasing considerably as labour costs have increased.

Supply from the Far East, whilst reasonably predictable, takes considerable time and is less flexible when it comes to changing output levels and delivery schedules. This is not an issue when demand is stable and predictable but can be challenging with volatile demand.

The global recession has severely impacted customer buying patterns such that demand is much more volatile and unpredictable. This requires businesses to have even greater control of their supply chain in order to be more responsive to these changes in demand. Many businesses have already experienced this change from stable, predictable supply chains to disrupted ones that demand greater flexibility and responsiveness – a requirement that is set to stay.

STRATEGIC AND OPERATIONAL RESPONSE.

In response to these factors, we are seeing more and more companies moving production back onshore – close to their customers – giving greater and timely control of output levels and the ability to adapt more quickly to changes in the product mix being demanded.

In many industries, companies are determining which product ranges need to be available off the shelf and the ones customers are prepared to wait for. We developed *CALIDUS* TTM supply chain tracking to help companies manage these varying lead times by improving visibility across the supply chain. Using *CALIDUS* TTM, one of the largest consumer goods manufacturers in the world reduced stock levels and increased product sales by extending this level of detailed insight to their product managers.

Sourcing routes are under considerable scrutiny with the question of 'what is the best way to fulfill this order' becoming increasingly important. Product sourcing matrices within *CALIDUS* make this very straightforward.

Companies are forging even closer relationships with customers, sharing their sourcing strategies and agreeing how these will best meet their customers' needs.

Equally greater co-operation with other organisations for product supply is a route to increased flexibility and capacity of the supply chain; we hear our customers now say that it will be 'Supply Chains' which compete in the future not 'Companies'.

We see numerous examples of the impact of recent events and emerging trends and take great interest in how companies have responded.

At the time of the banking crisis in 2008 a UK distributor of electronics equipment for the automotive industry which relied on China based manufacture saw its business shrink by two-thirds in just two months. Despite reacting immediately to the problem, it was unable to turn down production in China quickly enough – they had already produced and shipped what was previously two months' stock and became six months stock as a result of the downturn. The company therefore had a warehouse full of stock and needed to find capital to pay for the supplies already committed whilst coping with dramatically reduced revenues. I am pleased to say that the company managed through the issue and again has a successful and growing business, but now with onshore manufacturing in the UK.

Where all this leads, is to changing times where it is no longer possible in many industries to optimise the supply chain with cost being the primary driver. Responsiveness is increasingly the key to successful organisations meeting the demands of their customers and this can mean accepting the higher costs of supply required to build the necessary flexibility, resilience and capacity into the company's supply chain operation.

So, flexibility in your supply chain, and consequently in your supply chain systems was never more important than it is now. Whilst we would never claim that we saw the changes coming, our focus is on providing solutions which are configurable and flexible to cope with a broad range of industries and modes of operation; and continued investment in R&D will ensure they continue to meet the needs of the changing landscape and trends within the supply chain.



140 Buckingham Palace
Road
London. SW1W 9SA
Tel: +44 (0)20 7881 2500

The Oracle Building
Blythe Valley Park
Solihull, B90 8AD
Tel: +44 (0)121 506 9777

Southern Gateway
Speke Boulevard
Liverpool, L24 9HZ
Tel: +44 (0)151 448 0331

152 Beach Road
Level 28, Gateway East
Singapore 189721
Tel: +65 6827 9776

www.obs-logistics.com

