

GROWING YOUR BUSINESS:

How to Achieve Supply Chain Optimization

There's an old saying that if a company is not growing, it will not survive – especially in the increasingly competitive environment created by today's global economy. More opportunity than ever before exists in the global marketplace, but lurking around every turn is a sea of competition that is attempting to do it faster, better and cheaper. The development of a company's long-term strategic vision must take this into consideration, even if its operations are running at optimal levels.

So, what's a business leader to do when facing these challenges, along with increasing pressure to create additional enterprise value? Many executives are now recognizing that supply chain optimization is a key element in maintaining a competitive edge and moving their companies forward.

IDENTIFYING THE PROBLEMS

Today, with fuel costs rising and consumers requiring next-day deliveries, many companies are pushing toward having more facilities located closer to their customers. Transportation networks, however, are often complex with multiple manufacturing plants and warehouses, involving several transportation modes, and utilizing dozens of carriers with inbound and outbound freight. To meet today's transportation challenges, supply chain networks are screaming for optimization in order to shorten transport time and lower costs.

Supply chain managers are tasked with making the critical decisions to improve supply chain operations by taking costs out of the system while improving customer service and profitability. The best managers rely not only on their experience, but also on data-based decision-making. Making the best decision to minimize supply chain costs and maximize profit requires accuracy in data.

Finding the right level of data detail to inform accurate decision tradeoffs while searching for the optimal decisions is an art as much as it is a science. It requires experience and expertise in both supply chain operations and optimization modeling.

OPTIMIZING THE NETWORK

Let's first define optimization. Some organizations define optimization as meeting KPIs at the lowest possible cost. For others, optimization means 99 percent on-time delivery with zero claims. Others define optimization as maximum asset utilization, minimal carbon footprint, lowest fuel usage, etc. Optimizing your transportation network involves optimization of the network itself, optimization of carrier assignment and daily execution optimization.

Network optimization begins with a study of a business' entire supply chain, from suppliers and raw materials through manufacturing to distribution to the end customer. These studies affect every aspect of inbound and outbound transportation, including facility location, modes, rates, postponement strategies and inventory.

Optimizing the entire transportation operation saves costs, drives efficiencies and improves customer service. Optimization requires specialized and powerful

technology that determines criteria such as the number of transportation assets needed, selects the best modes and routes for shipments locates assets at optimal locations and maximizes opportunities to consolidate shipments.

If manufacturers don't have the experience or knowledge in-house to accomplish an optimized supply chain, they can outsource this functionality to a third-party logistics (3PL) provider. Manufacturers should embrace 3PLs as a valuable resource, provided the 3PL acts as a strategic partner with a co-managed approach so shippers don't lose control of their current trading partner relationships.

ASSESSING THE SUPPLY CHAIN

Just as the road to value creation for any business begins with evaluation, so does the road to supply chain optimization. Prior to developing a comprehensive supply chain strategy, manufacturers and distributors need to perform a thorough assessment of their entire order-to-cash cycle. The assessment places emphasis on understanding key departmental metrics in purchasing, finance, customer service, and production and shipping, among others.

Understanding the current state can eliminate failed expectations and is paramount in the development of a strategy that emphasizes enterprise value creation rather than short-term reductions in shipping costs.

Manufacturers should achieve and sustain value by fostering continuous improvement throughout the organization.

Viewing the world through a lens of continuous improvement, and armed with waste-fighting tools such as value stream mapping (VSM), manufacturers can slim down, tone up, and work out efficient flows of materials all along the supply chain. A LEAN supply chain is one that produces only what is needed, when it is needed and where it is needed. The goal of LEAN is to eliminate waste within an organization. An optimized supply chain stays LEAN, manages costs, and responds instantaneously to even minor fluctuations in demand.

Optimizing the supply chain is achieved by creating efficient transportation and distribution networks, focused on reducing the non-value-added activities with LEAN principles of process improvement. Companies will see significant reductions in cost and risk throughout the supply chain and across the enterprise as a result. With optimization and continuous improvement, companies are able to achieve once-elusive long-term growth, which is necessary to broaden market penetration and achieve a more dominant position in the industry.

Visit www.totalinsight.com
for more information.

