



By Mark Brannan

Improved supply chain visibility enables intelligent decisions

Modern-day Supply Chain Management (SCM) involves comprehensive business strategies in order to streamline and automate processes, improve service delivery, increase operational efficiency, reduce stock and waste, optimise customer satisfaction, expand the network and grow the business. These areas also represent significant cost cutting opportunities. But while increasing cost effectiveness in the supply chain is on the agenda of most companies that are involved in shipping goods, there is still a lot of room for improvement.

On average, 6.8% of a company's turnover is spent on freight costs for procurement and distribution. However, despite the key importance of the supply chain to the balance sheet, many businesses are simply not as efficient as they ought to be. It is estimated that US consumer product firms and retailers lose \$40 billion annually (3.5% of sales) due to supply chain inefficiencies. In the UK, retailers and manufacturers will lose sales of around £360 million purely due to bad data over the next 5 years¹. That's why SCM has become a major focus for board level decisions and future growth strategies, and a crucial factor in today's annual business plans and vision statements.

Supply chains are becoming more global and more complex. The very nature of modern international trade makes it increasingly difficult for companies to get a clear picture of where their goods are at any point in time. Outsourced manufacturing, third-party logistics, dynamic product ranges, distributed operational responsibilities, disjointed and varied IT systems, and large numbers of business partners in a single supply chain all contribute to muddying the waters. Without proper visibility of their supply chains, companies face possible operational bottlenecks, excess inventory and rising costs. Knowing the who, what, where, when, why and how of every stock movement is key to managing the supply chain effectively and responding to a dynamic environment in the best way. In an IBM study, 70% of executives listed supply chain visibility as their greatest challenge².

In order to achieve real-time visibility of their supply chains, companies need to pool data from various systems and partners. It's vital, therefore, to have the right IT infrastructure to connect suppliers, service providers, customs authorities, carriers, distribution centres and customer sites and bring this data into a single, accessible platform for reporting and analysis. With such visibility platforms in place, businesses can monitor supply chain progress and events in real-time and quickly react to any alerts identified by the system. The ability to make longer-term, strategic decisions comes, however, when such visibility platforms are combined with powerful business intelligence tools that allow detailed analysis of data gathered over time for planning, budgeting and forecasting.

Business intelligence provides a bird's eye view of process parameters, costs and performance indicators, allowing for informed business decisions. Based on the continuous collection of data, it provides historical, current and predictive views of business operations including the five key performance indicators (KPIs) of the supply chain: reliability, flexibility, ability to respond, costs, and efficiency of asset management. The more advanced the logistics execution and in-depth processing of data, the more detailed and accurate the business intelligence. The result goes beyond resolving single failures in the supply chain (fixes in the system) towards achieving more reliability, accuracy and cost effectiveness in the supply chain (fixes to the system).

As the strategic dimension of the supply chain becomes evident, decision makers require combined visibility and business intelligence solutions to meet global challenges. Only by harnessing the analytical and predictive power of business intelligence based on data gathered in real-time visibility platforms can companies achieve sustainable growth and a competitive edge.

References
 1. Sources: Aberdeen Group 2007, Gartner Research 2010, AT Kearney 2003, GS1 2009
 2. Sources: IBM 2009

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