Supply Chain Management in the Irish Clothing and Textile Sector

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The Supply Chain Management Perspective

Enterprise Ireland Food Industry Seminar

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The Supply Chain Management Perspective: Agenda

• Introduction to NITL
• What is SCM?
• Key Issues in the Food Chain
• Technology as an Enabler
• Concluding Comments
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Background and Role of NITL

- National Centre for Supply Chain Excellence
- Supported by the National Development Plan, managed by the Department of Enterprise, Trade and Employment, set up at the DIT
- April 1998
- Supporting Irish companies through an expert portfolio of activities
NITL Structure / Activities
The Supply Chain Management Perspective: Agenda

- Introduction to NITL
- *What is SCM?*
- Key Issues in the Food Chain
- Technology as an Enabler
- Concluding Comments
Customer Service ‘Sets the Spec for Integrated SCM’

Market Driven Customer Service Strategy

Performance Specification for Integrated Supply Chain Management
A product reaches the final consumer through a chain of companies which will typically include suppliers, processors, distributors and retailers.
The Weakest Link

- Without the right companies across the supply chain to work with, a company will never achieve true competitive advantage. In other words,

- The supply chain is only as strong as its weakest link.
Traditionally these functions are managed in isolation and often operate at cross purposes.
Supply chain management integrates these functions by holistically managing the information, material and financial flows.

What is Supply Chain Management?

- Buy
- Make
- Store
- Move
- Sell

Information and Money

Information and Materials
Impact of SCM on Value Delivery

Shareholder Value

Profitability

Revenue
- Greater Customer Service
- Greater Product Availability

Costs
- Lower Cost of Goods sold
  - (transportation, warehousing, materials handling, distribution management costs)

Invested Capital

Working Capital
- Lower raw materials and finished goods inventory
- Shorter ‘order-to-cash’ cycles

Fixed Capital
- Fewer physical assets
  - (e.g. trucks, warehouses, materials handling equipment)

Sources of competitive advantage from SCM
Improved Financial Performance Measures the Success of SCM

Optimum Supply Chain Cost & Investment

Financial Impact of Effective Supply Chain Management
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Key Issues in the Food Chain

- More sophisticated markets
- More discerning customers
- Customer service becoming a more important determinant of competitive advantage
- Strong position of retail multiples
- Centralised distribution
- Downward pressure on costs and profit margins
- Export-orientation: transport costs
- Evolving SCM “best practice” models
- Rapid developments in technology

*Need for new approaches to logistics and SCM*
Characteristics of Excellent SCM in the Food Industry

- Identification and measurement of customer service
Characteristics of Excellent SCM in the Food Industry

• Identification and measurement of customer service because customer service ‘sets the spec’ for SC design
Characteristics of Excellent SCM in the Food Industry

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- Integration of supply chain activities and information
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Characteristics of Excellent SCM in the Food Industry

- Identification and measurement of customer service *because* customer service ‘sets the spec’ for SC design
- Integration of supply chain activities and information *because* many supply chain NVAs are caused by fragmented supply chain configurations
- SCM a senior management function *because* SCM is a strategic activity
Characteristics of Excellent SCM in the Food Industry

- Identification and measurement of customer service because *customer service ‘sets the spec’ for SC design*
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- SCM a senior management function because *SCM is a strategic activity*
- Establishment and measurement of supply chain KPI’s
Characteristics of Excellent SCM in the Food Industry

- Identification and measurement of customer service because customer service ‘sets the spec’ for SC design
- Integration of supply chain activities and information because many supply chain NVAs are caused by fragmented supply chain configurations
- SCM a senior management function because SCM is a strategic activity
- Establishment and measurement of supply chain KPI’s because what gets measured gets done!
How Do Food Companies Measure Up?

- Less than 50% measure customer service formally and those have very limited measurements.
- Companies score low in relation to having the latest supply chain IT and having them integrated across the supply chain.
- Less than 20% have a formal logistics position and in less than 4% is it at Board Level.
- Few companies had clearly defined SCM KPI’s.

(Source: NITL/EI Logistics Capabilities Study, 2002)
Some Underlying Causes

- Inefficiencies are often built into the supply chain
- Communication structures ineffective
- Exchange of information poor
- Culture inappropriate
- Excessive reliance on forecasting and stockholding
- Managing problems, rather than eliminating their causes
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Technology as an Enablerer

Source → Processors → Retailers

Products & Services

Information Flow

Suppliers → Distributors → Consumer

Funds Flow

Supply Chain Planning → Supply Chain Execution
Information Enablers and Drivers

The proliferation of sophisticated information technology solutions has led to IT investment decisions becoming a complex choice between:

- Custom or Standard Systems
- Point, “Best of Breed”, Enterprise or Extended Enterprise Solutions
Technology - The Historical Approach

The “Science Fiction” or “Tomorrow’s World” view of technology

“Heavy investment in state of the art technology will revolutionise supply chains and resolve all problems”

The record of: MRP, FMS, ERP, XES

Problems:

Automation of bad practices
Islands of automation
White elephants
Failure to involve people
Information Enablers and Drivers

Even more challenging is the realisation that most IT solutions are no longer likely to provide strategic advantage, but simply the business basics (*IT is imitable*).

The competitive advantage for companies will originate from developing creative information technology strategies and implementing them superbly.
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Concluding Comments

- Ireland moving into 2nd Generation SCM
- SCM moving “up the value hierarchy”
- Increasing strategic importance of SCM in the food sector
- Knowledge and skills implications
- NITL Learning