RE-THINKING THE SUPPLY CHAIN FOR THE ON-DEMAND ECONOMY

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Consumer expectations have been transformed as our society has switched to a 'need-it-now' mindset. This has put unprecedented pressure on businesses to think about how their supply chain needs to change to meet this expectation.

Re-vamp your supply chain:

- Start by evaluating existing systems
- Work towards building in greater flexibility across the supply chain
- Look for specialist logistics partners
- Continually analyse what can be done better.

The online clothing business The Iconic started it all in Australia. Suddenly, consumers could order new threads from the comfort of their lounge room or office and have them delivered to their door in a matter of hours. It was a customer service game changer and now, many companies outside fashion are re-assessing what this means for their business.

For some, it will mean building substantial internal logistics departments. For others, it means outsourcing the supply chain to experts that can facilitate rapid delivery.

Either way, this poses significant questions for businesses: if a third-party logistics business is going to have the only point of face-to-face contact with the customer, who owns the relationship? And is it possible for the brands to be properly represented by third parties that don't necessarily have a vested interest is maintaining the integrity of the brand?

Walter Scremin, is the General Manager at national transport firm Ontime Group. He says the first piece of the puzzle is working out what can be done right now to ensure the supply chain can deliver products to clients when they need them.

"Efficiency and responsiveness is key, which means greater flexibility across the supply chain. This may include insourcing specialist teams, which includes back-up personnel for when you have absentees or when you need to increase resources quickly or work non-traditional hours to increase delivery efficiencies. It might also mean re-evaluating whether outsourcing the warehousing transport and other supply functions is better than doing it in-house," he explains.

Scremin says in reality, with more pressure for packages to be delivered faster and to be traceable during the delivery process, companies will increasingly avoid running an entire end-to-end service themselves.

"Partnering with the suppliers that specialise in areas of the supply chain will be critical to a client's success in the future. Technology plays a role both in customer satisfaction and efficiency gains. In transport, we are seeing supply chains across the board benefit from using telematics technology to track deliveries. QR codes are increasingly being used to track inventory and protect against lost or misplaced goods, automatically updating customers as to a parcel's delivery status," he explains.

Transport is often one of a business's greatest costs, and Scremin says the wrong transport option will fundamentally affect the cost viability of a product and the customer experience, which in turn partially determines future sales.

"It's not a set and forget deal, you need a mentality to continually question and analyse to get results. There needs to be more measurement to understand and control the costs involved," he says.

Adam Lethlean, Sales Executive Asia Pacific, International Business Systems, says transforming the supply chain starts with a thorough and professional needs assessment.

"It's wise to evaluate enterprise and warehousing systems, automation and processes, and identify technology and solutions that can not only overcome challenges of the new economy, but also deliver a competitive advantage," says Lethlean.

"Take into consideration the short term and also five to 10 years into the future.

Can the systems adapt as the supply chain changes and evolves? What manual processes can be automated? Is the technology flexible, configurable? These are examples of the questions to ask and areas to consider. In an omnichannel world, the focus needs to be on the front office and supply chain. Inventory is king, and being able to see and manage inventory across all locations is vital," he explains.

Cementing the CFO's role

For CFOs, the question to ask is whether the business is able to meet or even surpass the consumer's expectations.

"Supply chain innovations from global behemoths such as Amazon are having a knock-on effect across many industries. We are seeing expectations raised across the board. CFOs need to put themselves in the mindset of the 'want-it-now' shopper," says Scremin.

"Consumers see innovations like next-day or half-day delivery, or parcel delivery tracking, and it becomes a standard expectation. So CFOs need to look to solutions that put them ahead of the game," he adds.

Says Scremin: "Many of the solutions that make you more efficient are becoming more accessible. Insourcing a dedicated transport team makes you more responsive, and gives you more flexibility with costs. Telematics technology is now available to everyone via smartphone, whereas previously it was only accessible to the larger freight companies."

Lethlean says every business is different, but often the CFO is the top decision-maker for supply chain solutions. "Working closely with IT or the equivalent team, as well as operations, the CFO typically considers the value and return of investing in a new system or upgrade, including software, hardware infrastructure and more, that must be in place to efficiently manage supply chain for optimal customer service and profitability."

A healthy supply chain benefits business like a healthy cardiovascular system benefits an individual. "It's inseparable from business success", says Scremin.

The obvious benefits of transforming a supply chain include increased productivity, volume and profitability. "You can do more with less once you remove the manual labour and processes that can slow responsiveness, increase costs, cause errors or disrupt the flow of commerce through the operation," says Lethlean.

There are also less tangible but ever-important benefits, including differentiation in the market, increased customer loyalty, better customer service and overall brand perception. "When you service your customers better your brand equity grows," he adds.

Owning the relationship

One of the most significant challenges in transforming the supply chain is ensuring the customer experience remains the same, even when they are dealing with an outsourced logistics provider.

Adam Stennett, Managing Director, Stennett Consulting, says even if external suppliers become a key part of a business's supply chain, the relationship is still usually owned by the business. So how can businesses manage the risk of outsourcing key customer contact points to third parties?

Stennett says creating and developing strong, positive relationships with external logistics providers is a key component of supply chain success. "You need relationships that easily exchange information and data and ensure visibility along the supply chain. Businesses that do this successfully will reduce costs, improve quality and enhance the customer relationship."

He says the way to manage risk in the supply chain is to build relationships long before you need them. "A lot of companies completely fail at doing this, and then do large deals with people they don't really understand."

When selecting business partners Stennett says you need to look for alignment of interests. "Understand the perspective and goals of your outsourced partner. If they aren't consistent with your goals, then you either need to structure the situation so your interests are aligned, or avoid the situation entirely."

He says contracts can be used as a band aid for risk mitigation, but a contract probably won't stop someone doing serious damage to your business if they really want to.

As to who owns the relationships, Stennett explains it will normally be held by the prime contractor. "But I have seen a successful model where both the prime and the sub own the relationship, which works as long as alignment and trust are good."

He says the lowest risk way to select business partners is to test out suppliers on a small piece of work and see how they go. "You can run an initial screening process, but once you have a few contenders, the best way to see what a supplier is like is to buy something small from them and see how they deliver. Nothing tells you more about what a supplier is really like than being a customer."

The key to managing a supplier that isn't delivering is really good KPIs and performance data, along with a strong relationship-based contract manager.

Says Stennett: "Ideally you want to manage the contractor to a shared, collaborative outcome improvement. Quite often both sides have business issues, but the prime contractor wants to blame shift onto the subcontractor. In these relationships, it takes two to tango, and it is rare that the prime contractor is completely faultless."