

# 'TO BOLDLY GO' WHERE FEW COMPANIES HAVE GONE BEFORE

Businesses will have to go beyond internal collaboration to a new frontier of wider joint ventures to drive efficiency in the chain, as Nick Allen reports

COLLABORATION

Supply chains are now highly complex, often global, networks of interrelated businesses working synchronously to deliver value to the customer. Their success is increasingly determined by the ability to collaborate both internally within the network and externally with the wider business community. However, according to a 2012 report, *Synchronize the value chain*, commissioned by IBM, only 24 per cent of organisations say their collaboration with their business community is very effective.

Steve Wall, manufacturing practice leader at The Sequoia Partnership, a consultancy specialising in the fast-moving consumer goods (FMCG) and retail sectors, believes that collaborative relationships have to start at the top.

At board level there can be "extremely intelligent strategic discussions, but this gets lost when it comes down to the transactional level". He points out that a relatively junior buyer is often the interface with a large supplier, whereas connections between businesses need to be more cross-functional.

Mr Wall identifies the last 50 metres from stockroom to retail shelf as a significant cost that needs to be addressed. He estimates that a retailer spends about 60p per case moving goods through the distribution centre to the retail shelf. In a superstore, over half that cost - nearly 40p - is incurred in the last 50 metres. With a convenience store it is over £1.

He says far more should be done with replenishment ready packing to make it compatible with both large and convenience stores. "The supplier will need to prepare for this and there may be a cost, but it should also save money in store, so this requires collaboration and shared rewards."

Automotive supply chains are regarded by many as the most complex of any industry. Here collaboration is critical in managing complexity on a global scale.

According to John Neill, chairman and chief executive of Unipart Group: "To make collaboration work effectively you have

to have a framework for doing it, with skilled and capable people; otherwise it's just a conversation. It's all about execution."

Unipart Logistics has a wide range of blue-chip clients and a good example is the global aftermarket parts support for 1.2 million Jaguar cars. It manages more than 60,000 part numbers, collecting from 1,200 suppliers and shipping to 16 regional distribution centres to serve over 850 dealers worldwide.

Getting returns right is reverse logistics  
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The company has developed a global control centre for managing complex supply chains which operates hundreds of different processes, generating thousands of transactions across multiple functions every day. "We have now got a completely integrated system of people, processes and technology which can take any item from anywhere in the world, to anywhere in the world," says Mr Neill.

"When you have thousands of parts, over a thousand suppliers and multiple dealers across the globe, synchronising all of that complexity is very difficult. The way to make it better is through collaboration and that means sharing data in a transparent way so that the right decisions can be taken to reduce cycle-times. The benefits are the customer's requirements are met more quickly, more reliably and, more often than not, at a lower total cost."

Mr Neill offers an example of how a collaborative initiative with a supplier of leather seats created wins for all in the chain. Long lead-times on trim were causing issues.

"We got the manufacturer of seats, the supplier of the raw materials, our own people and put them together in our distribution centre and we mapped the process with them to find out how we could reduce the cycle-time, and make it leaner and more efficient," he says.

"We reduced the lead-time from 180 days to about a week. That could only happen through collaboration, trust between all the parties, sharing information, but also having very competent people who could work with the supplier to help them to 'lean' their process, make it more agile and create the right process for the aftermarket."

Mr Neill points out collaborative partnerships take time to develop, citing Unipart Logistics' 20-year relationship with Jaguar. "It takes time to learn all the client's processes and all the supplier's processes, and then synchronise them into a continuously improving system. There is a learning curve associated with that and, if you want to be really good at it, it takes thousands of hours of practice."

Finding opportunities for co-operation with companies outside the chain, through horizontal collaboration, offers a rich source of future cost savings. According to a World Economic Forum report, the overall capacity utilisation of freight vehicles in Europe is just 43 per cent, making collaboration on transport an obvious target.

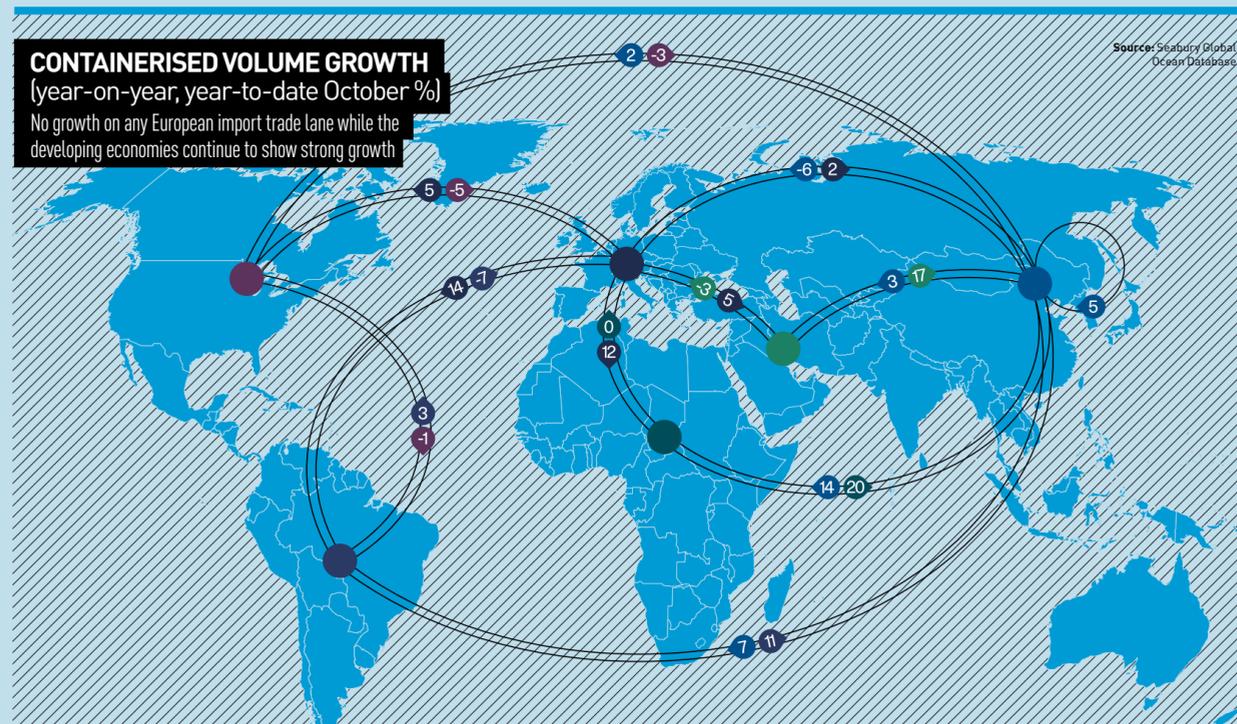
"If you take our transportation globally, we go more than ten times per day to the moon," says Didier Delmotte, director Western Europe, product supply operations, at Proctor & Gamble. With 1.5 billion kilometres travelled on the road each year, P&G has taken significant steps to reduce its impact on the environment and improve supply-chain efficiency by collaborating both vertically with customers and



There is a growing desire among corporates to move beyond national and regional communities to collaborate on a global basis

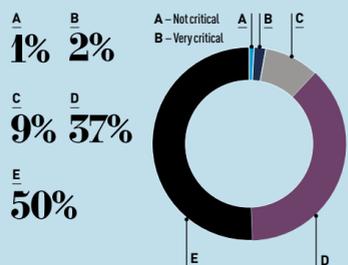
## GLOBAL OCEAN TRADE 2012

Technology market researchers Vanson Bourne, appointed in 2012 by IBM, interviewed 700 IT decision-makers worldwide with large companies in the financial services, manufacturing, retail, distribution, logistics, transport, telecommunications, healthcare, energy and utilities sectors

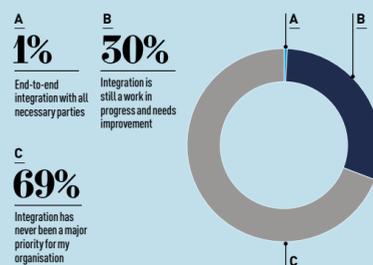


## BUSINESS COLLABORATION

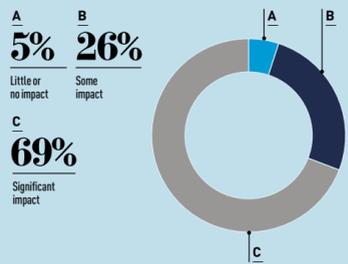
### IMPORTANCE OF BUSINESS COMMUNITY TO COMPANY SUCCESS



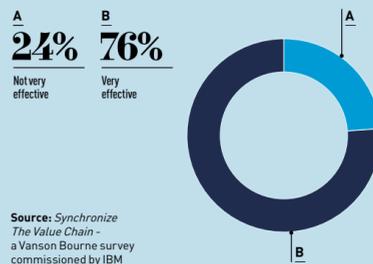
### LEVELS OF INTEGRATION



### IMPACT OF BUSINESS COMMUNITY



### EFFECTIVENESS OF COLLABORATION WITH BUSINESS COMMUNITY

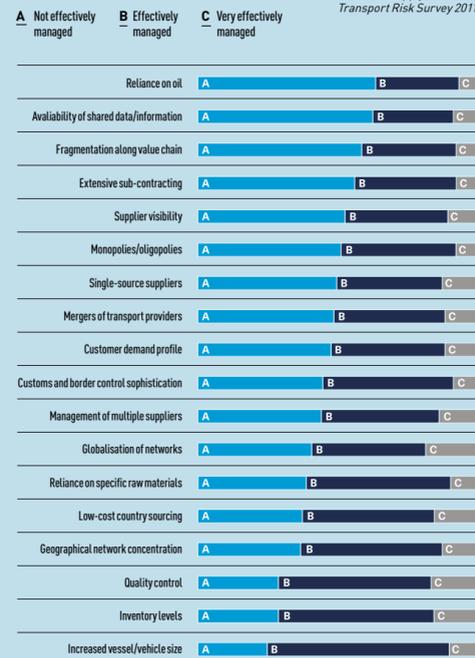


Source: Synchronize The Value Chain - a Vanson Bourne survey commissioned by IBM

## LEAST EFFECTIVE

### POORLY MANAGED SUPPLY-CHAIN COMPONENTS

Source: World Economic Forum Supply Chain and Transport Risk Survey 2011



horizontally with the wider business community.

The FMCG manufacturer started a programme of transport transformation about five years ago and has met its target reduction of kilometres travelled per unit of production for its truck transport operations.

"In the last five years in Western Europe, we have reduced our truck kilometres by 20 per cent, which is equivalent to more than 70 million truck kilometres," says Mr Delmotte. "At the same time we have improved our service by close to 10 per cent, which is measured as on-time delivery to retail customers. And, over the same period, we have managed to reduce our logistics costs, measured as a percentage of sales, by close to 20 per cent."

According to Mr Delmotte, P&G has delivered these improvements through a combination of setting up a series of intermodal freight corridors across Europe, using a single global JDA Software transport management system, filling the cube on vehicles and using external collaboration.

Pharmaceutical company, Baxter, is now sharing P&G's intermodal corridors. "We have enough scale to build a full train but, if we bring in additional shippers, we have a better capacity utilisation and we can also increase the frequency of the train, which has an impact on the cost and lead-time," says Mr Delmotte.

Through collaboration with Tup-paware, heavy and light goods can be mixed to fully utilise the cube of a vehicle. "We sell our [available] air and put their very light product on top of our often heavy products to fill the cube to 80 per cent and we share the benefits," he says.

However, Mr Delmotte sees that there is still a long way to go. "The potential is huge for external collaboration," he says.

Entire industries have begun to collaborate in non-competitive areas of the supply chain. One such area is the management and assessment of supplier information. According to Adrian Chamberlain, chief executive of Achilles, a company that manages collaborative communities for the pre-qualification of suppliers, there is

tiers, and where those lower-tier suppliers are located geographically.

"As automotive supply chains become more complex, the potential for major disruption to production through the failure of a lower-tier supplier rises. So we are working with these companies on technology that will enable them to map and understand their supply chains right through the many tiers, allowing them to see the interaction and dynamics of them, and risk-assess in a way that has never

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a growing desire among corporates to move beyond national and regional communities to collaborate on a global basis.

The company runs collaborative schemes for a number of industries including oil and gas, utilities, transport, construction and FMCG. It is now developing a global community for the automotive sector, in partnership with Toyota Motor Europe, Jaguar Land Rover and Aston Martin, with several other multinational car companies providing input.

Mr Chamberlain says: "All three companies have identified a generic need that is unsatisfied within the automotive industry, and that's an ability to map and risk-assess the supply base beyond first-tier suppliers."

"Original equipment manufacturers (OEMs) know what their first-tier suppliers are doing, but often they don't have the visibility to see what their second and third-tier suppliers are doing, how dependent first-tier suppliers are on lower

been done before." The scheme is undergoing tests and is due to go live in the next couple of months.

Guillaume Jacques, purchasing general manager, Projects & Strategy Planning, Toyota Motor Europe, says: "We warmly invite other OEMs to join Achilles' automotive solution as the targeted efficiency gain will be fully delivered only if the solution becomes an industrywide standard."

"There is little point in any automotive company developing a risk mitigation solution in isolation and letting other companies carry potential risks. Automotive companies are interdependent on each other as they share suppliers, so if one manufacturer has a problem, it is likely that a few days later, other companies will also be affected."

Mr Chamberlain adds: "It's a big issue in automotive, but it's a big issue in other sectors too, such as oil and gas. So it's a generic solution that, potentially, can be globally applied across a number of industries."

EVENTS

## CONTINUE THE DISCUSSION

### MULTIMODAL 2013

Multimodal is an opportunity to increase company transport and logistics efficiencies, and reduce costs in the coming year. It offers a one-stop shop for shippers and manufacturers to meet their service providers and supply-chain partners. Multimodal plays host to more than 270 exhibitors who can provide solutions to logistics needs. Register today free of charge quoting priority code MMRT at [www.multimodal.org.uk](http://www.multimodal.org.uk)

#### Where and when

Multimodal 2013 takes place at the NEC Birmingham, April 23-25, 2013

### IMHX 2013

The International Materials Handling Exhibition (IMHX) is the UK's premier logistics and materials-handling event. With more than 400 exhibitors, providing a myriad of handling and logistics solutions, IMHX is a unique opportunity for businesses to evaluate their supply-chain needs. A free event, it includes a Logistics Excellence conference and best-practice Case Study Theatre, which will provide practical advice on how to improve logistics operations. Register for a free priority pass at [www.imhx.biz](http://www.imhx.biz)

#### Where and when

IMHX 2013 takes place at the NEC Birmingham, March 19-22, 2013

### ESC 2013

The 11th annual Extended Supply Chain Conference brings together more than 35 international expert practitioners, including winners from the 2012 European Supply Chain Excellence Awards in partnership with PwC, to discuss the latest examples of best practice and future trends in the industry. Join a select delegation of executives from across sectors by registering at [www.esc-lon.co.uk](http://www.esc-lon.co.uk)

#### Where and when

ESC 2013 takes place at the Radisson Blu Portman Hotel, London, March 12-13, 2013