

## Changing chains in volatile times

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Rapid change in the global trade business environment has proved challenging for companies over the past few years. And, writes Rosy Hill, ensuring that supply chains are still configured for purpose was a key issue at the 1-2-1 Supply Chain Summit in Birmingham.

All too often, companies' supply chains are no longer configured for purpose, according to director of product supply at Travis Perkins, Alan Duncan. Duncan kicked off the first of this year's two Supply Chain Standard 1-2-1 Supply Chain Summits, with a session entitled: "Surviving the perfect storms".

The conference, chaired by Neil Ashworth, chief executive of Collect+ and chairman of the CILT, took place at the Birmingham Hyatt Regency Hotel in June.

Duncan discussed how changes in recent years, such as customer requirements, are today challenging supply chain structures. He pointed out that it has become hard and that the industry needs to try to do better.

"For ten years we all had a flexible supply chain, because we could, then the recession hit us and businesses around the globe had to cut back. The world is uncertain now," he said, highlighting the fact that organisations can't stand still when it comes to supply chain.

He looked at three critical elements of demand risk; reduced flexibility, volatile customer demand and increasingly savvy consumers, as well as talking about how changes in customer requirements are challenging the existing supply chain structure, and forcing retailers to provide innovative solutions.

### **Volatile demand**

The presentation set the scene for the remainder of the morning session, which examined how companies across retail, manufacturing and the public sector are surviving the age of volatile demand and supply chain change.

Speaking during a case study on demand changes in the NHS, Mark Slaney, head of procurement and logistics at the company's South Devon Healthcare Foundation Trust, focused on how the NHS is adapting to focus on the concept of a patient as a customer.

He discussed how the organisation was looking at making the Torbay Hospital site more patient-focused by addressing its key challenges, such as the fact that there are only four entrances to the facility, which is built into the side of a hill, and that these are not only the main delivery points, but the main patient areas.

### **Future challenges**

Going on to discuss the future challenges the organisation faces, he said: "We're in the process of acquiring the local care trust, which will increase the size of our organisation by 50 per cent. "We've already delivered to some of their units and they cover a 300 sq mile area."

He also emphasised that the organisation will be receiving a new funding structure in 2016, after going from receiving an 18 per cent increase in funding a year, during the Labour government, to a flat funding when the lead party changed.

“Who knows what 2016 will bring, we’re still in recovery as a nation financially, and I expect that it’s going to be very tight from 2016 onwards. That’s going to have a big impact on our business.”

But what the future brings for event partner E2open’s Kim Vuori is the rise of supply chain control towers.

Branding them as the “next big thing”, Vuori took to the stage in a session aimed to help attendees separate fact from fiction, as well as decide whether a control tower is right for them and their business.

Saying that there is no such thing as “one size fits all” he said a control tower is simply perceived as a room with screens, but that this room delivers information to people and brings a new dynamic to supply chains.

## **More complex**

“Supply chains are more complex than ever, lenient supply chains have become complex supply chain networks with even more players,” he said.

“Each player wants to cut down inventories and compete on time. Lead times are multiplied by the number of players and all this complexity causes latency, which impacts revenue.”

He said that rather than fixing issues with a traditional system, control towers are the way forward.

“Control towers enable us to manage end-to-end supply chains, they consist of people, processes and technology. Everyone heads in the same direction. They are not only fancy science technology rooms, they are everything, everywhere.”

According to Vuori, a control tower needs three things – visibility to extended supply chain, multi-tier orchestration, which has to include all elements, and collaborative support.

He advised that all partners should follow the same rules, when adapting a control tower, avoiding gaps within the infrastructure.

But with gains including mitigated risk and exception handling, accelerated problem solving, increased efficiency through innovation and increased profit and competitive advantage, he said it was worth it.

Supply chain volatility came under scrutiny in the presentation from Martin Green, who is a member of the advisory board of Cranfield’s Centre for Logistics & Supply Chain Management.

Green went on to reveal the figure that 80 per cent of UK purchases over £30 are today researched online before being bought.

But he spoke mostly of how he believes there is a problem in terms of “people capability” in the industry, having asked attendees how many people in their companies have actually had formal training.

“People are leaving others to sort out problems, this requires development, he said.

“And instead of logistics talk, we need to talk more business. People within the same company in our industry speak different languages. Not different languages as in Finnish and English, but different languages in the sense that one word will have three meanings.”

## **Lost in translation**

He spoke of how he'd recently been to a company where the word “stock” had three different meanings, “one believed it meant inventory, the other stuff moving and the third, a category of products,” he added.

“People need to understand their role, we need to teach them the skills which will improve the way they work and lead to faster processes and improved data.

“But most of all, we need to break the barriers within a supply chain down. We need to focus on taking time out of processes.”

“An old mentor of mine once told me a great quote: ‘Don’t worry about money, worry about time. Then the money will come on its own’.”

## **Marks & Spencer’s Plan A under scrutiny**

Adam Elman, Marks & Spencer’s head of delivery, reviewed his company’s “Plan A” in the afternoon session.

Plan A was launched in January 2007 and highlighted one hundred commitments the company wished to achieve within five years. Following the success of the initial plan, the company made the decision to extend Plan A to 180 commitments to be achieved by 2015.

“We called it Plan A because there is no Plan B for our planet, said Elman. “It focuses on worldwide issues and not just the things that save us money.

“What differentiates us is that we tackle all the big problems and look at the whole value chain, we put targets out that we have no idea how we’re going to achieve, which is scary, but creates extremely positive feedback from customers.”

Plan A has already seen M&S’s food packaging reduced by 18 per cent and its transport fleet’s fuel efficiency increased by more than 20 per cent.

“It’s a collaboration with our partners,” added Elman, referring to a particular partnership with Oxfam.

The two organisations work together as part of Plan A to ensure clothes are re-used, last year M&S bought back garments, made them into fibre and created new sustainable recycled coats with them.

When launched, the idea was set to earn M&S a net profit of £40 million, but in 2012 alone, Plan A delivered the company a net profit of £135 million.

“We save £4.5 million a year being sustainable, continued Elman, we are currently looking at more business models, for example, in ten years we may even rent clothes. The Plan’s key messages are scale and pace.”

The plan has seen the company recently open Europe's biggest eco-site in Castle Donington as well as launching a scheme to invest £200 million in a London Gateway site.

Elman finished with some advice, saying: "Our role is to provide information and help to customers, it's about helping them be organic, not forcing it upon them. Few customers walk into a store and say 'I'll just buy organic today'.

"You have to have a clear vision; it's all about clear targets and investing in employee engagement."

**Link:**

<http://www.supplychainstandard.com/Articles/4666/Changing+chains+in+volatile+times.html>