

# Post-recession trends in supply chain technologies

Large shippers are doing more with supply chain software, reports Catherine Truel

For large shippers, effectively managing global and regional supply chains is now highly dependant on technology. From a logistics perspective alone, a large shipper might need to manage a large volume of transactions of high frequencies, for a number of bills of materials each including thousands of part numbers from suppliers located across the world. The effective coordination, tracking, measuring and management of these transactions demands a very high degree of automation, visibility and analysis.

This is particularly true for companies sourcing in emerging markets, where the local infrastructure is challenging the efficiencies of even the best supply chains. Kelly Thomas, senior vice president, manufacturing, with US-based JDA Software, says that a company might, on the front end of the supply chain, make promises to customers while at the back end have

suppliers experiencing delays, therefore creating high variability in the network. In a challenging trading environment, supply chain software helps mitigate the effect of this variability by providing earlier visibility and allowing diversion, he says. "In mature markets, manufacturers do not own assets anymore, they are simply brand owners. We are now in a virtual management of the supply chain."

## Expanded demand for visibility

Information collected not only supports logistics and allows shippers to respond very quickly to an event, it also provides valuable data that increases the analytic capability of the business. Demand for visibility has expanded into the operations of customers, and even into the behaviour of customer's customers, with the overall objective to forecast demand more accurately.

According to Thomas, there is an increase



in demand for data analytics, particularly in the consumer product sector. “The consumer industry wants to better understand consumer demand. They want to know what is happening at the point of sale. This is also of interest to manufacturers who are looking at customer behaviour one or two tiers down.”

Several leading global brand owners took the downturn as an opportunity to get closer to customers and better understand demand. Dell, LG Electronics, Sony Corporation, P&G and Levis are among global brands putting more focus on mining point-of-sale data for better demand planning in their supply chains in the wake of the recession. “We call it ‘shelf-centered collaboration,’” says Thomas. “Leaders are looking at [shelf-centred collaboration] as an opportunity to drive more shelf-level sales and capture market share. By adding analytical capability on top of CPFR-type thinking, they can achieve improved shelf availability with less channel inventory.”

On the supply side, Thomas points out that, “capacity was reduced in the recession so there is now much interest in improving throughput. There is also a return of a demand for allocation.”

The recession and its aftermath increased demand for cost containment solutions overall, with companies looking for solutions that can quickly lower costs. Industries with short product lifecycle and high product velocity – such as consumer electronics – continue to be the most advanced in application of new supply chain technologies. With inventory in these industries losing value to the tune of about half a percent per week, companies need to turn inventory extremely rapidly and being without very advanced supply chain technological solutions can be an extreme competitive disadvantage.

Companies in China, Korea and Japan are investing in inventory optimisation as well as transportation. “S&OP is very hot right now,” says Thomas “Inventory optimisation has been a very strong opportunity for us in the past 12-


15 months and transportation management has been a hot play for the past three-plus years. [Transportation management] offers a straight forward value proposition – companies can drive down transportation spend.”

New technology is also capturing the interest of shippers. Advantages of on-demand solutions like SaaS and Cloud – which companies can book as operational rather than capital expense and are implemented and deliver results more quickly than traditional solutions – meant their popularity grew further over the course of the recession. “These are non-intrusive, fast time-to-value, pay-as-you-go solutions that are not a capital expenditure and are not introduced to the company’s technology landscape. I’m convinced this will be a growing model going forward.”

### Consumer brands spend more

Over the past two years, manufacturers of consumer brands, particularly grocery brands, have been spending a relatively higher amount than other sectors on supply chain software. This trend is supported by macro data over the course of the recession that indicated a much higher drop in demand in industrial manufacturing than in demand for daily consumer necessities.

Other industries, such as semiconductors, are looking to software to address capacity shortages. “In semiconductor you have a shortage in capacity now so there is an uptake in software solutions to increase throughput. An investment in technology is a fraction of [the cost of] an asset investment but can deliver a two to five percent increase in throughput.”

According to Thomas, while large supply chain transformation projects built around technology are taking place at various companies, the majority of demand for supply chain solutions continues to be centred on individual business processes. “You have transformation programmes going on at a number of leading companies but in the majority of situations, solutions are focused around one or two business processes.” 

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