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SUPPLY CHAIN MOVEMENT

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Mick Jones

VP Global Logistics at Lenovo

‘It’s all about
having the
right people’



Distribution

DSV and Cargill design fire-proof cocoa warehouse

“This warehouse is a global first for the cocoa sector”

Gijs Vorstman (left), supply chain director of Cargill Cocoa & Chocolate



When storing cocoa, there are two things to bear in mind. Firstly, cocoa is relatively expensive. Secondly, if it catches fire, the blaze is difficult to extinguish since cocoa powder contains 10 to 20 percent fat.

After two major cocoa blazes in The Netherlands in 2003, logistics specialist DSV Solutions and Cargill Cocoa & Chocolate decided to work together on designing a new, inherently fire-safe approach to storing cocoa. The result is almost complete. Two out of a total of four new warehouses, each comprising 10,000 square metres and constructed at a safe distance apart, have been specially equipped to store cocoa products, and in particular cocoa powder. “Prevention is better than cure,” says Cargill’s supply chain director Gijs Vorstman, summing up the main starting point. “Spraying a cocoa blaze with

water has little to no effect,” he explains. Therefore, the oxygen level in the warehouses has been reduced from the normal 21 percent to just 16 or 17 percent so that, in the case of fire, the cocoa will smoulder or smoke at most. The second line of defence is triggered simultaneously: carbon dioxide is blown into the warehouse from two large tanks holding liquid CO₂ which are situated next to the warehouses. Within just half an hour, this further reduces the oxygen level to around 12 percent, thus extinguishing the seat of the fire. Vorstman: “The concept has been around for a while, but this is a very innovative application of that approach.” In principle, no warehouse employees will be required to work in the low-oxygen environments, because the cocoa will be transported internally using remote-controlled and fully automated very narrow aisle automated guidance vehicles (VNA/AGVs), which also

generates extra storage efficiency. Standard forklifts would not only require more room to manoeuvre, but also – and more importantly – would be manually controlled. The combination of humans and machinery always carries a risk, says Vorstman. Needless to say, efficiency was also a key consideration. “Naturally, we have commercial objectives too. We don’t intend to price ourselves out of the market with a hugely expensive warehouse.” The extra investment in software to control the AGVs has fortunately also improved efficiency within the logistics processes. Account manager Jack Streefland from DSV Solutions considers the intensive collaboration between Cargill and DSV to be particularly special: “The combination of new legislation relating to cocoa product storage and both parties’ focus on fire prevention has resulted in an extremely innovative warehouse.”



Looking ahead more intelligently



Will the world be different in 2050? Yes, definitely. And in 2020? Probably, although that's only eight years away, so it will be here before we know it. Will the business world have changed radically by 2015? That will depend on the sector and the company. A significant event is required to bring about fundamental change. The crucial question is: what will that event be?

In the past year, supply chains around the world have been impacted by a couple of large-scale natural disasters, such as the Japanese earthquake and the floods in

Thailand. These have resulted in some confusion about the difference between scenario planning and business continuity planning (BCP). Scenario planning entails companies mapping out a number of future scenarios in order to get a tighter grip on current areas of uncertainty. The self-proclaimed market leader among logistics service providers, DHL, has recently developed five future scenarios for 2050. While they are interesting and inspiring, they do not offer much practical use for individual companies. In that respect, the ongoing MIT Supply Chain 2020 project is more beneficial.

BCP, on the other hand, is intended to ensure that company employees know exactly what to do in the case of specific calamities. While most companies affected by the earthquake and tsunami in Japan had a business continuity plan in place, they were unprepared for the sheer scale of the 2011 disaster. They were like chess-players who had thought merely one move ahead. Good chess players plan several moves ahead and, thanks to years of training and experience, true grandmasters can spot a pattern in a chess game at a glance and predict how the game will unfold. This ability to recognise patterns enables them to play several games on different boards against different opponents simultaneously.

Turning our attention back to the future, it will all depend on the strategy a company chooses and its associated supply chain designs (in plural). Writing in the *Harvard Business Review* back in October 1999, finance professor Timothy A. Luehrmann defined strategy as "a portfolio of real options". In order to be able to accommodate calamities, it is necessary to build redundancy into the supply chain. Truly intelligent companies use this as an opportunity to create future options, just as retailer Ahold has done with its recent acquisition of Dutch e-tailer BOL.com.

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COLOPHON

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Van Leeuwen Wheeler achieves 40% stock reduction with no loss of service level

Van Leeuwen Wheeler, part of the Netherlands-based Van Leeuwen Pipe and Tube Group, is the UK's leading distributor and processor of carbon and stainless steel pipe, tube and bar products. With a head office and distribution centre in Brierley Hill in the West Midlands, a flagship sales and stockholding facility in Middlesbrough and sales offices in Sheffield, Bury, Eastleigh, Dundee and Tullow, in the Republic of Ireland, the company serves customers in a wide range of markets. Following a major investment programme, the company's management identified the need to streamline its stockholding processes.

Being able to forecast accurately has given us the ability to be dynamic

Dave Jenkins



Van Leeuwen Wheeler Group Commercial Manager Dave Jenkins was given the task of reviewing stockholding practices. He says: "As recession hit, our priority was to identify ways of supporting our customers by operating in a way that best met their needs. Many were reducing their own stocks, which meant that they looked to us for much faster order turnarounds to enable them to meet critical deadlines. At the same time, we took the realistic view that we would not be immune from the effects of recession so it was essential that we looked to our own housekeeping to ensure that our stock levels were sufficient to meet customer needs but appropriate to the economic environment."

One specific need that was identified was for an improved forecasting system. Under the existing ERP system, forecasts were based on the top fifty lines in each product area with an Excel spreadsheet system that took a week to implement.

Dave Jenkins: "We were looking at 7 days to calculate what we would need for the next three or four weeks. As well as being a lengthy process, it was no longer giving us the accuracy we needed. The risk was that if we continued on the same basis, service levels might suffer and lead times become extended. It also made good commercial sense to upgrade our stockholding systems to ensure that we were operating as cost efficiently as possible."

Of the many benefits offered by Slim4, Dave Jenkins cites visibility as being the key. He says: "It was clear that we needed to manage stock as efficiently as possible. Being able to forecast accurately has given us the ability to be dynamic, which offers a powerful advantage."

Having pledged to cut inventory levels by 25% to 30%, Slimstock actually achieved a 40% saving, this despite the fact that

Slim4 identified the need for a small increase in stock lines, seen as an inevitable consequence of being able to service a broader customer base.

Other key improvements include improved identification of item seasonality and accurate pin-pointing of obsolete stock. By analysing precisely what is ordered and where, Slim4 also identified cost savings by changing transport patterns, essentially eliminating several road trips and rationalising inter-depot stock movement.

Dave Jenkins concludes: "The partnership with Slimstock has given us a completely new way of analysing and planning inventory control, allowing us to become more proactive rather than reactive in a changing market. The net result is a very strong relationship that has enabled Van Leeuwen Wheeler to save both time and money."

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“The functional heart of the Lenovo Supply Chain across the globe is formed around the three ‘pillars’: Procurement, Manufacturing and Logistics.”

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supply chain

embedding performance.



We bridge strategy into reality.

We align your Supply Chain to perform to your overall Business Strategy:

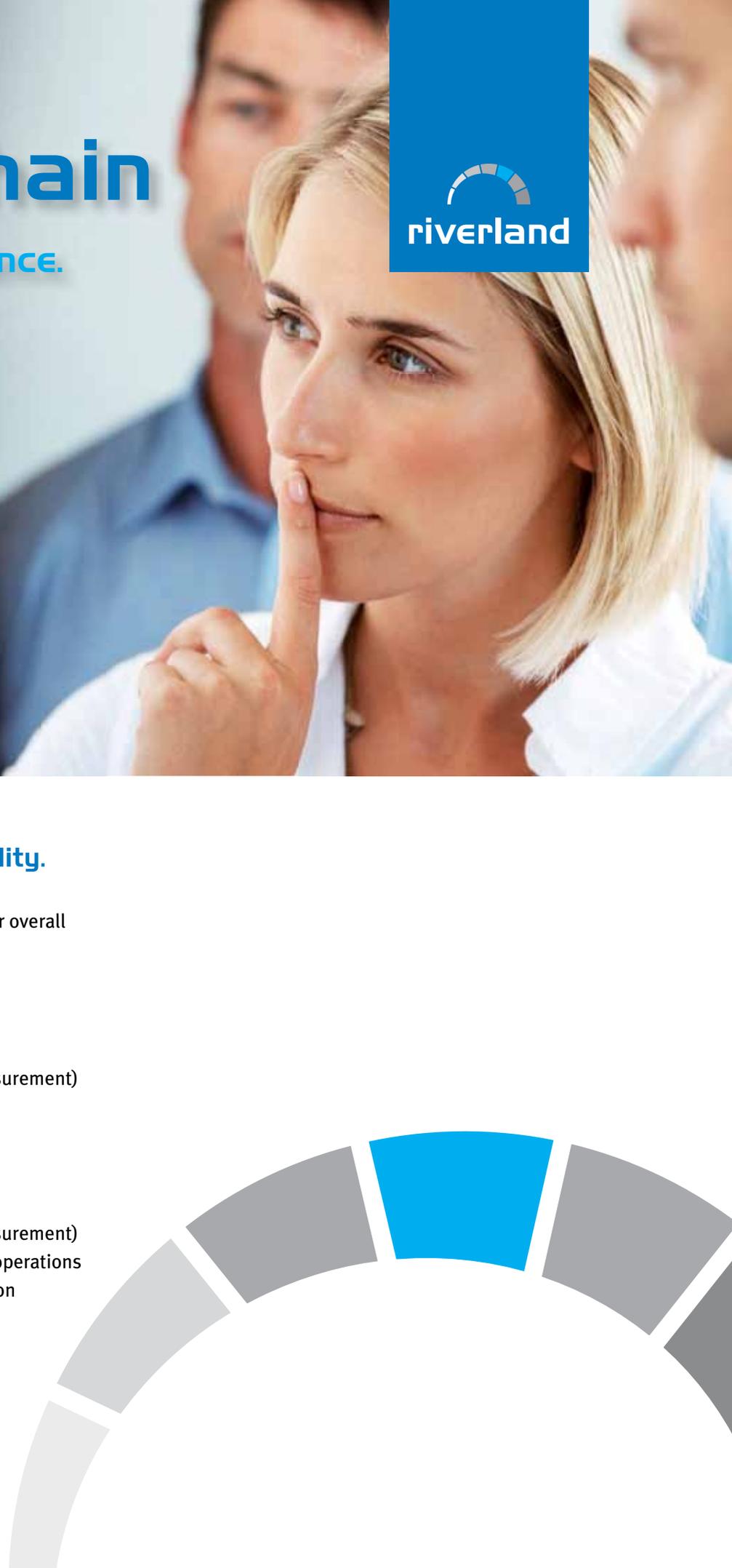
- value chain design
- strategic master planning
- supply chain integration
- supply chain operations performance (measurement)

We embed sustainable improvements in the performance of your Supply Chain:

- mastering inventory
- supply chain operations performance (measurement)
- optimization of warehousing and transport operations
- emerging economies supply chain connection

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KPMG'S GLOBAL PROCUREMENT SURVEY

PROCUREMENT still lacks control over supply chain risks

► In view of the numerous supply chain calamities that have occurred in the past year, purchasers' low degree of maturity relating to risk management is extremely worrying. That is a key conclusion in KPMG's global survey of almost 600 procurement professionals. Only four percent of respondents from the manufacturing sector have supply chain risks completely under control and a further 16 percent almost do. In the retail sector, meanwhile, not a single respondent claims to be in either of these two categories of risk management maturity.

"I suppose it's logical that manufacturers are confronted with supply chain risks," reacts John Tros, partner at KPMG Management Consulting. "The retail sector still regards many products as commodities that can be obtained anyhow. While Unilever is working to build long-term relationships with cocoa farmers, for example, retailers are not doing the same for their private label products. Retailers try to financially hedge the risks for fast-moving products. But that doesn't assure them of receiving deliveries if the supply chain is disrupted. Retailers are still under the illusion that the balance of power is in their favour. Large retailers shift their supply risks onto their suppliers. But retailers should really try to ensure that they become the preferred customer of choice for their suppliers, instead of simply driving the price down by 10 percent every year." Tros is referring to the fact that suppliers can choose from a growing number of alternative online channels, such as Zalando, Amazon and BOL.com, in addition to traditional retailers. KPMG's global survey clearly demonstrates that procurement in the USA and UK is ahead of that in mainland Europe, while pro-



curement in Asia has the lowest degree of maturity. Tros: "When it comes to procurement, there is an essential difference between the Anglo-Saxon and the Rhineland models. In the US and the UK, procurement is viewed strategically as a tool for sales growth. In continental Europe, on the other hand, it still tends to be about contractual savings. In Europe it is still a case of, 'We are the customer and you are the supplier,' whereas in the US purchasers say, 'I need to generate more growth. Can you help me?' You can compare it with innovation: in the US, companies are much more open to sourcing innovation from outside the organisation, whereas European companies tend to want to develop everything themselves. In Asia and Japan, incidentally, companies take yet another approach to their suppliers. There, they are prepared to share both risks and knowledge."

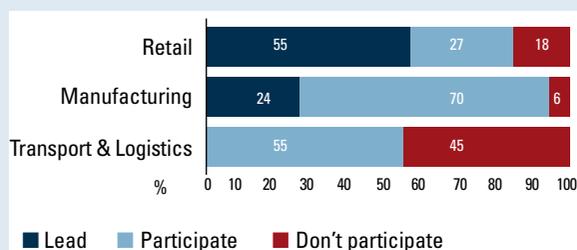
Financing the supply chain

The concept of supply chain finance is relatively new territory for procurement. According to KPMG, a growing number of retailers have started to consider reducing their payment period through supply chain finance. "I don't believe that supply chain finance is the only answer. Procurement needs to look at the whole supply chain. Supply chain finance is just one of the tools." The general trend is to pay suppliers later. "Whereas I believe it to be important that suppliers have sufficient cash flow. Manufacturers are quicker to notice when their suppliers get into financial difficulties. Retail is still basing purchasing decisions on the lowest price. Look at France, where farmers sometimes have to wait six months to get paid and have recently revolted against the retailers."

To Tros, the procurement function is noticeable by its absence in the Sales & Operations Planning (S&OP) process. "Within many companies, S&OP is purely an internal discussion between operations and sales about matching supply and demand. Procurement's absence in this process is linked to its limited strategic role within companies. Generally, procurement continues to be focused on driving purchasing prices down or optimising a purchase-to-pay process, whereas that's not always what the overall business immediately needs." Tros advises procurement to approach category plans from the end customer's point of view, because then the rest of the company will sit up and listen. Procurement needs to seize supply chain risks as a reason to alter its behaviour, to focus more on creating value rather than merely achieving cost savings.

PROCUREMENT'S INVOLVEMENT

in 'make or buy' decisions



The KPMG report entitled *The Power of Procurement* can be downloaded here: www.kpmg.com/NL/nl/IssuesAndInsights/ArticlesPublications/Pages/The-Power-of-Procurement.aspx

Logistics service supplier UTi aims to offer its customers integrated solutions that go beyond merely organising transport or setting up a warehouse. Therefore, it decided to train its entire global sales team in S&OP – a process which logistics service providers would not normally bother with. The training method used: The Fresh Connection.

UTi PUTS ITSELF IN ITS CUSTOMERS' SHOES

Is it not strange for a logistics service provider to let its sales managers play a business game in which processes such as forecasting, production planning and inventory management play such a prominent role? Carlo Lepore from UTi does not think so. "This game has enabled us to better appreciate the challenges that our customers face in those areas. It has given us insights into the different business interests that purchasers, operations managers and sales managers have." Jens Moeller adds: "This game is a good way of creating awareness of how companies view – or ought to view – their supply chains."

In The Fresh Connection, four-person teams try to maximise a fictitious fruit-juice manufacturer's profit. Each member of the team takes on a particular role: purchasing manager, operations manager, supply chain manager or commercial manager. Lepore fulfilled the role of purchaser. The key thing he learned was to choose a common

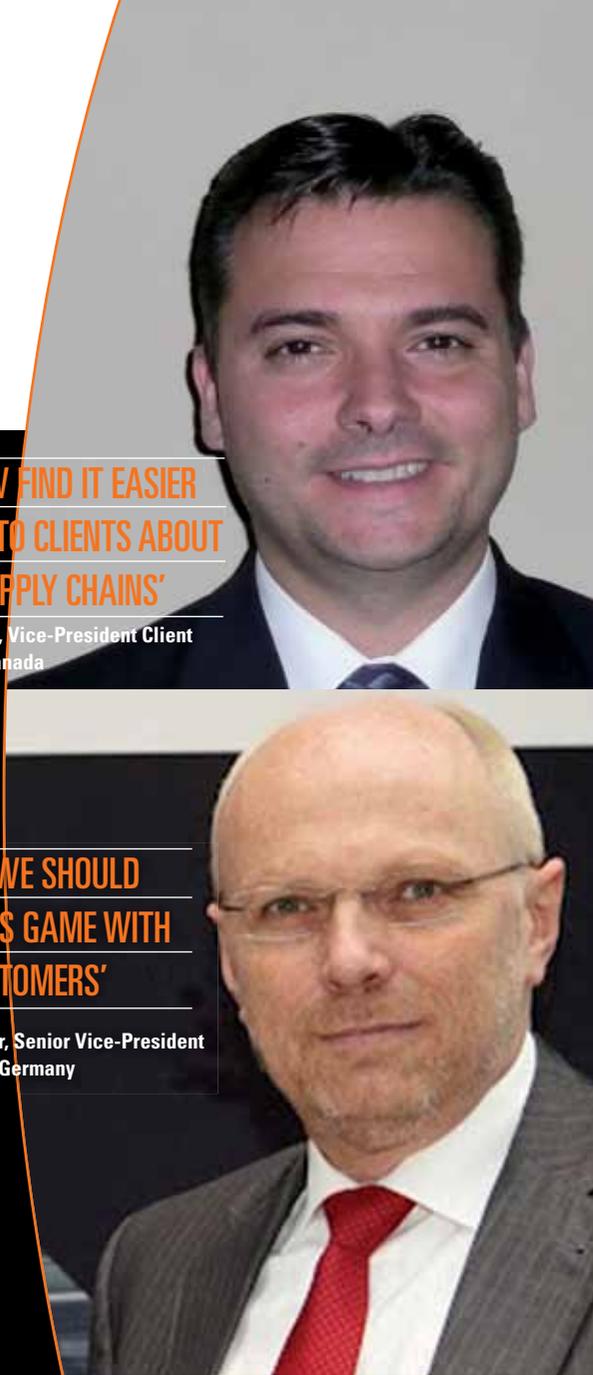
strategy, as a team. "Whether you are striving for responsiveness or cost leadership has a considerable impact on the decisions you make." For Moeller, it became clear that supply chain optimisation happens one step at a time: "You must not want to push through decisions too hastily." Thanks to The Fresh Connection, UTi's sales managers have become better sparring partners for their customers. "I'm responsible for contract logistics in Canada. Now, in addition to talking to clients about the warehouses we run for them, I also talk about other parts of the supply chain and their impact on the warehouses." Moeller is mainly involved with customers in the automotive industry. "We really need to tell them about The Fresh Connection, and maybe even play the game with them. Many companies in that sector are still working with sub-optimal supply chains. This game would be a great eye-opener for them."

'WE NOW FIND IT EASIER TO TALK TO CLIENTS ABOUT THEIR SUPPLY CHAINS'

Carlo Lepore, Vice-President Client Solutions, Canada

'MAYBE WE SHOULD PLAY THIS GAME WITH OUR CUSTOMERS'

Jens Moeller, Senior Vice-President Automotive, Germany



INTEGRATED SOLUTIONS

UTi believes that it can maximise its customers' success by offering them integrated solutions that cover several parts of the supply chain. "By providing solutions which have an impact on stock levels and result in a healthier bottom line, we can add much more value to our clients' supply chains," states Bas Wouters, Global Director Product Marketing at UTi.

In order to offer them a better understanding of these integrated solutions, the logistics service provider arranged for 200 of its key sales managers to spend a week playing The Fresh

Connection. Employees played the game for 90 minutes every morning during the company's annual global sales meeting, which was held in Cannes, France. "This is a fantastic way of giving our sales managers greater insight into the supply chain. The game has a competitive element to it as well as an element of fun, practicality and a role-play aspect. Compared to traditional training methods, this is extremely effective," says Wouters.

UTi divided its top 200 sales managers into eight sub-groups. In each sub-group were three instructors from UTi who had been trained by Involvation, the business game's

creators. "This enabled us to create an intimate atmosphere in which each team received professional feedback." Participants' reactions have been very positive. "This is our second time playing The Fresh Connection and we've put it on the agenda again due to popular demand," comments Wouters. "It is an innovative, new way of learning."



THE FRESH CONNECTION
the ultimate value chain experience



Distribution to Emerging Markets

By Jan Fransoo

Retail distribution concepts have evolved over the past decades to serve the hypermarkets and supermarkets of North America and Europe. Last year, Unilever announced that it is now creating more than half of its revenue in emerging markets. For them and many others, this implies that their distribution systems need to be transplanted from the United to Brazil, from the UK to Russia, and from Germany to China. This is in fact what many consumer-packaged goods manufacturers have done over the past decade. While claiming lots of growth, data by Nielsen combined with our analysis of the retail channel in Latin America, the international CPG manufacturers have been less successful in creating access to the veins of the retail channel. In many countries in Latin America, small mom-and-pop stores account for more than 50% of overall retail sales, while the major multinationals have difficulty reaching this penetration. Local distributors and wholesalers control the channel, and unlike predictions made about 10 years ago, this traditional retail channel of stores that are only a few square meters in size, barely loses market share. In Asia, in recent years, supermarkets have *lost market share at the expense of convenience stores*.

All this calls for a different approach to distribution in emerging markets, where an increasing share of the population live in cities that are over 5 million in size, and with a density of more than 10,000 people per square kilometer (as a comparison: Madrid is about 3,000). These different distribution models need to take into account that small stores need to be delivered in very small quantities (break down the casepack), very frequently, and be paid in cash, just to name a few.

The sad news is that there are still companies that feel comfortable with the fast growth in emerging markets, not realizing that their growth figures are barely larger than GDP growth in those countries. This implies that in an early growth of an economy, other are taking your market share. And as we all know, this is very hard to repair later.



Jan Fransoo is a Professor of Operations Management & Logistics at Eindhoven University of Technology in the Netherlands

OLIVER WIGHT PREACHES IN SUPPLY CHAIN BENCHMARKING

“IBP IS THE RADAR FOR icebergs”

► **“A lot of companies that claim to do Sales & Operations Planning are actually balancing just short-term supply and demand,” says Les Brookes, CEO of Oliver Wight. That’s why this consulting firm has developed Integrated Business Planning (IBP) a few years ago as a strategic model with long-term horizon. Now Oliver Wight has added Performance Benchmarking as a new service of their supply chain consulting.**

According to Brookes companies behave like the Titanic. They see an iceberg coming, but it’s too late to react because of their short-term, mostly quarterly focus. ‘IBP is the radar that gives a company visibility of their horizon far ahead. There are more icebergs and other things on the horizon. The model of IBP provides an overview what the risks are. When companies are aware of long-term risks they can come up with a recovery plans. Looking only at the short-term you are limiting your options.’

Oliver Wight has introduced recently the improvement programme Supply Chain Design and Optimization, which leverages the total capability of a company’s extended supply chain in support of cost reduction, service excellence, minimized inventories at the most appropriate locations and a rapid, cost-effective response to the ever-changing needs of consumers. Taking account of matrix structures and local, regional and global challenges, Oliver Wight Supply Chain Design and Optimization is tailored to company’s specific needs. It will help identify and prioritise opportunities, and it provides a logical sequence of steps for a company to take towards a fully optimized supply chain, with measurable milestones along the way.

Oliver Wight uses performance benchmarking, for example on supply chain costs, to determine where a company is not optimal. The performance of a company is recorded against 128 criteria in online assessment tool. Benchmarking the company’s performance against best-in-class, Oliver Wight Supply Chain Design and Optimization allows this company you to evaluate the existing design and capability of their supply chain and, using performance measures aligned with the business strategy, to drive sustainable ongoing improvement.



Mick Jones (Born in Birmingham in 1959) lives in Northamptonshire in the UK. He is married and has two daughters (aged 23 and 9) and one son (21), 5 dogs, a cat, 8 chickens, 2 ferrets and a goldfish!

Education: Degree in Civil Engineering, Sheffield Hallam University, UK

Career: 2009 – present: Lenovo, UK. Vice President of Global Logistics
2001 – 2009: DHL, UK, Managing Director, International Supply Chain.
1998 – 2001: Danzas, Switzerland / Netherlands. VP Automotive Solutions
1994 – 1998: Exel Logistics, European Development Director
1990 -1994: Exel Logistics, UK. HR Director
1986 -1990: Wimpey Construction, London, Training Manager
1982 – 1986 Teacher Maths, Physics and Science

Mick Jones, Vice President of Global Logistics at Lenovo enjoys a challenge. Inspired by Lenovo’s forward-thinking philosophies and incredible drive to succeed, he joined this high-tech computer manufacturer’s battle to help build a world-class supply chain three and a half years ago. “It was about finding the right strategy at the right time. It was about leading the Lenovo way.”

By Martijn Lofvers, Oskar Verkamman & Sarah Thompson



Mick Jones, Vice President of
Global Logistics at Lenovo

Leading the Lenovo Way

Photography: Erik Buis





Lenovo is one of the world's largest manufacturers of personal computers and makes innovative PCs including the renowned ThinkPad notebook, as well as products carrying the ThinkCentre, ThinkStation, ThinkServer, IdeaCentre and IdeaPad sub-brands. It is a global corporation of more than 27,000 employees working across 100 countries, selling products to customers in over 160 countries. Its turnover amounts to 21 billion dollars and business is constantly expanding. As Vice President of Global Logistics at Lenovo, Mick Jones has led a transformation in the company's logistics division over the past three years. The introduction of a new integrated business model has brought about considerable growth with a shift in the organisation's supply chain strategies, new key appointments and renewed focus on cost, efficiency and network scalability. This year's initiatives include sustainability, risk management and further developing customer satisfaction.

What is the Lenovo way?

"The Lenovo Way can be summarised by one statement – 'We Do What We Say. We Own What We Do'. It has become part and parcel of the way we work each and every day – a real cultural focus on commitment and ownership throughout the organisation".

"Each and every one of our employee's focus is on what we call the 5 P's: We *Plan* before we pledge; We *Perform* as we promise; We *Prioritize* company first; We *Practice* improving every day; and we constantly act as innovating *Pioneers*".

"We've gone from 0 to 100 mph in a lot shorter timescale than most organisations would even envisage! While most organisations evolve this kind of network supply chain over 10 years, we've done it in just 4. It has been a fantastically interesting and exciting mix of change, growth and development, for our people, our products, our organisation and for me personally. After the merger with IBM's PC Division in the US, Lenovo was challenged with combining two very different business cultures into one unified force, and it's worked. Lenovo has an exceptional way of looking at the world which involves innovative thinking, innovative products and sound business philosophies. That is the Lenovo way!"

You mention IBM and mixing business cultures. What else has changed since the merger?

"We've grown! And more specifically, we have grown from east to west, something that goes a little against the grain. If you go to any Beijing shopping street, you'll see more Lenovo signs than any of our western competitors. Our market share in China is a very respectable 35% and we are currently growing at an unprecedented rate and winning market share in all parts of the world. We have been outgrowing the market for 9 consecutive quarters, that's almost two and a half years! And we have quickly grown in size globally with a 14% market share in the fourth quarter of 2011. We are now #2 in the PC Market. Another way of putting it is that we've gone from simply operating to operating very well: from good to great!"

“We’re in the computer business. If we didn’t have ◀
the lowest cost, we wouldn’t be in the top 2.”

What have been the key contributors to such rapid growth?

“People front and centre! Firstly we brought in a number of key appointments to drive key areas of our business. Equally importantly we looked for talent within the organisation, secured it and are currently developing it through a really integrated career planning process. We look at every single person within the organisation and focus on harnessing their full potential. It’s all about having the right people with the ambition and drive to succeed. Subsequently, we started developing a new business model which has transformed an old-fashioned logistics organisation into a proactive and modern one.”

How would you describe the new business model?

“We are rolling out Integrated Business Planning processes across the whole business. The organisation has 3 pillars, or verticals: procurement, manufacturing and logistics. Then across those verticals, there are geographically based organisations and at each of the intersections there is some form of S&OP.

It’s now all about planning and managing our network proactively. So even in logistics, we have an involvement in demand planning and sales planning, and the forecasts and volume metrics that they produce allow us to plan our supply chain, our volumes and our networks. One of our key objectives is to get increasingly involved in the data, like forecasting at plant level for example.”

What are your views on horizontal and vertical collaboration?

“This is an area that we are starting to look at with a great degree of interest. For us, it might initially be about shipping: an opportunity to work with another large organisation that has significant manufacturing in the same regions as us so that we could benefit from shipping products to one end destination together. With regards to vertical collaboration, we have a heartbeat pulsing along our network that is always looking for opportunities

for adding and sharing value. A great example would be laptop bags. Bags take up a lot of space but weigh next to nothing – a shippers nightmare! If a laptop bag company for example – there are a number of them - would be holding stock in a warehouse just 25km down the road from our European warehouse in Venray, The Netherlands, it would be a logical progression to combine inventory in one location. If a supplier would be happy to do that at their warehouse, it could add considerable value for us and for them. At the other end of the chain, we could consider talking with our customers about sharing infrastructure and networks, for example. If one party already has large last mile delivery networks in a number of countries, why should another party have to start its own network from scratch? The whole purpose of talks like this is to find combined, mutually beneficial value.”

How would you share the benefits?

“We’ve just started to look at upstream and downstream collaboration, but I am fully aware that benefit-sharing is possibly the most complicated element of this. But let’s be honest, the only reason to embark on something like this is if both parties will benefit. You just have to be realistic about the benefits and longevity of the arrangement and be flexible enough to change and evolve that arrangement at a later stage as the characteristics of the co-operation change. The speed of change, the amount of risk management you have to build in now, along with the economic environment mean that you have to be completely flexible: commercially flexible, physically flexible and flexible during growth as well as decline – whilst keeping your costs as low as possible. We’re in the computer business, so cost is our most important metric. If we didn’t have the lowest cost, we wouldn’t be in the top 2.”

How does Lenovo intend on saving costs?

“The functional heart of the Lenovo Supply Chain across the ▷

PORTRAIT

Travel: “I work literally all around the world. I have offices in Scotland, Raleigh in the US, and Shenzhen and Beijing in China. I have staff in 39 different countries; that’s 19 different time zones. I probably spend 50-60% of my time travelling, which I enjoy (luckily!).”

Clothes: “I will generally wear a suit without a tie unless I am due for a meeting with customers or senior meetings in China. It’s a mixed dress code, part American, part Chinese, part eclectic European!”

Hobbies: “I love motorbikes: I have a Ducati and a Triumph. I also love spending lots of time with my 9 year old. She’s at that age when she wants to know everything. I try to go skiing 2-3 times a year if my body can take it (!) and I love reading.”

Reading: “I get a lot of time for reading and like reading business books, autobiographies and Second World War/British history. I love understanding the political process that went on before, during and after the war: it just fascinates me. I’m currently reading Empire by Jeremy Paxman about the forming and the collapse of the

British Empire and its impact on the rest of the world.”

Music: “I like 1980’s and 1990’s dance music, anything from New Order through to Faithless! But I love all kinds of music. It is an essential part of me and I’m always listening to something when I’m reading, travelling and working.”

Politics: “I keep myself up to date on politics because I’m interested and because understanding British, American and Chinese political history is an important part to understanding their respective cultures. When you’re working for a global company, it’s really important to understand the politics and the implications of those politics for the markets you serve.”

Inspiration: “Winston Churchill: he was a phenomenal man with real drive and laser-sharp thoughts. My parents: they came from a working-class background which has spurred me on to succeed in everything I do. Buddha: like Buddhism teachings, I firmly believe that you can be a nice, decent person in business and still succeed! And Homer Simpson: for his Mastery of the fine art of work life balance!

► “It’s all about having the right people with the ambition and drive to succeed.”



globe is formed around the three ‘pillars’: Procurement, Manufacturing and Logistics. In the past 3 years each of the pillars has driven significant cost out of their individual areas, and significant value in. The key areas of cost we are now focussing on are the interfaces between the three pillars. Take inbound to manufacturing, for instance. For some products, we currently pay a delivered component price to the manufacturing plant, which includes a logistics cost. We now want to break that logistics cost down. If we can do it cheaper and manage the inbound transport ourselves, the procurement organisation gets a cheaper component cost. So we’ll do the work. We’ll even move the product, creating more visibility and giving us greater control of key commodities. But it’s the procurement organisation that gains the direct benefits. We’re starting to introduce this model now. You wouldn’t call it ex-works, because the product is still delivered and owned by the component manufacturer into their VMI, but they would use our preferred carrier to move it. Since we don’t own the end component, we can do things like back-hauling, and leveraging our contracts with our providers. That normally brings the price down. Over the last few years we have got very clever at looking at synergies and value across those three pillars rather than looking at logistics only. With all of these variables, you are almost looking at a cost to serve now.”

What is your role in this new model?

“My role is to make sure that customers get their product on time, in full and to quality – and in a way that exceeds their expectations. In other words: the physical movement. This spans inbound to manufacturing, VMI and DC operations, moving component product into manufacturing plants, collecting finished product from our manufacturing plants and delivering it to anywhere in the world. We deliver to business partners, retailers and customers in over 160 countries. We manage the reverse logistics chain and the service logistics operation as well. Anytime anything moves, I’m involved!”

What are your initiatives for this year?

“They revolve around further developing our sustainability

approach, optimising risk management across the network, continuing to optimise the network and building on customer satisfaction. Add to that building on our global partnerships across the world. In view of the economy, across all industries, sustainability has fallen by the wayside a little but it will eventually become part of the buying decision process. When we give a price and a lead time, we already indicate the CO2 miles that correspond to that particular mode of transport. To accelerate our progress in this key area, I have recently been named the sustainability executive for our global supply chain.

We also plan on taking a good look at our risk resilience. The Japan disaster and the ensuing Thailand floods made the whole industry realise just how important this is. We know you can’t forecast risk, but you can try and understand where things might go wrong and have a Plan B just in case.”

To what extent can you predict the impact of natural disasters

“We want to try and plot our network and supply chain, and focus on the ‘hot’ areas: those that pose the largest risk of security, natural disaster, geo-political or economic interruption. The insurance industry does this better than most, with a model that is based on where you live and the risk that surrounds you as a person. Their model uses scenario planning on top of historical data. We are currently looking into a number of different heat maps: a geo-political heat map, a security heat map and a natural disasters heat map. These are the areas we need to monitor constantly and plan scenarios around. Then it’s up to us to work with our partners to find potential back-up solutions.

Take our new European Merge & Consolidation Centre in Venray, The Netherlands, for example. We used to do door-to-door delivery straight from the factory. Now everything is funnelled through there. That drives massive control and value for us, increases CSAT and improves our cost base. It is also a potential failure point in our delivery network which is something we are well aware of and we already have back-up plan for.”

Lastly then, how do you measure your service levels?

“The customer and customer satisfaction is very important to Lenovo. As a logistics organisation, we are focussing increasingly on being measured by the customer. So while we are still measuring our speed, cost and our predictability, we are also trying to put ourselves in our customers’ shoes and measure the quality of the delivery as well. We’ve moved from what we called M4 – basically, speed from one point to another – to CDD (Customer Delivery Date). It is a measure of predictability: delivering the product to the customer precisely when they want it to arrive rather than as quick as we can: if they say they want it on 10 August, they receive it on 10 August. This spectrum has already progressed from mere speed to predictability and customer delivery date. Now I feel the next stage will be speed combined with date, quality of delivery and completeness of paperwork – satisfaction with every aspect, and the best possible customer experience.”





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PROJECT TIME FRAME



Setting up an after-sales service chain

PROJECT: Setting up an integrated service solution for new audio products that have been launched this year under the ‘TDK Life on Record’ name. The TDK Life on Record brand belongs to Imation Europe, a company well known for its high-quality audio products.

COMPANY: Imation, a technology company whose brands and products enable people and organisations around the world to capture, save and enjoy digital information. TDK Corporation exclusively licenses TDK Life on Record to Imation, which has European headquarters based in Hoofddorp, The Netherlands.

BACKGROUND: Christiaan Vogel: “Imation supplies TDK Life on Record products to end consumers through distributors and major retailers. We wanted to engage in direct contact with our end customers as well as to ensure good service to them. We went in search of an efficient and scalable method of gaining control over all the service aspects that impacted our end consumers.”

PROBLEM: TDK Life on Record products are positioned at the top end of the market. The value of the products is such that it is worth repairing them if they malfunction. No after-sales service chain existed within Imation for any consumer products whatsoever.

SOLUTION: To set up a direct-service model in which end consumers could make direct contact with TDK Life on Record in the event of defect products, for example. Imation opted to outsource the service to 12Return and Sertronics. These two parties work together to offer an integrated solution comprising an online customer platform, physical returns, repairs and shipment of replacement items.

EXTERNAL PARTIES: Vogel: “We issued a tender and had face-to-face meetings with five interested parties individually. 12Return was the party that had clearly listened most closely to us and what we were looking for. 12Return has its own IT platform for customers and involves Sertronics for the repair services. In effect, 12Return operates as the ‘control tower’ and Sertronics carries out the repairs.”

PROJECT GROUP: Vogel: “It was a relatively small project group. My extensive previous experience with similar processes while at Solectron enabled me to do much of the preparatory work myself. My main sparring partners were the product manager, the VAT expert and a back and front-office process lead. Several of the service suppliers we met with commented on how much they valued being able to speak to the product manager. Supplying companies also need to be able to get a

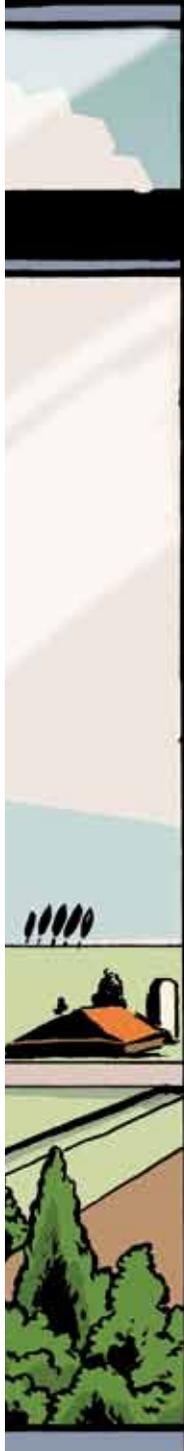
PROJECT LEADER: Christiaan Vogel (43)
JOB FUNCTION: European Logistics Operations Manager, Imation
EDUCATIONAL BACKGROUND: Degree in Economics from Erasmus University, Rotterdam, The Netherlands
CAREER: Over 15 years’ experience in supply chain roles at Sony, Flextronics and Imation



Christiaan Vogel: “Ensure that all the relevant departments are involved.”

feel for the manufacturers so that they can decide whether it is a good fit. I had a lot of contact with the VAT expert regarding where the repair centre should be located. There was little point in choosing a country where we weren’t VAT-registered.”

CONTRACT: Vogel: “Financially speaking, many parties expect you to invest in an IT tool, but our volumes are currently too small to warrant that. 12Return may be a relatively young company, but its tool was ideal for us. We made a conscious decision to keep things simple in terms of IT links. Furthermore, Sertronics is a reliable partner with lots of experience in consumer electronics plus it has a European network of repair centres. That not only offers flexibility, but also makes it easier to expand in the future.”



Efficiency should not be at the expense of quality and flexibility

Chain problems are stacking up in the warehouse

No-one wants to hold inventory, but no supply chain can function without it. Just because warehouses are regarded as a necessary evil by many companies does not necessarily make them the weakest link in the chain. On the contrary, for some companies their warehouse is the key to their survival. Setting up an efficient operation is not always the top priority. Quality, service level and flexibility are equally important, if not more so.

By Marcel te Lindert

From a supply chain perspective, the warehouse is little more than an intersection where various flows of goods stagnate and pile up to create high inventory levels. So does that make the warehouse the weakest link in the logistics chain?

Two professors of logistics dismiss this idea. “The warehouse may be an undervalued link, but that doesn’t make it the weakest link,” says René de Koster, professor of logistics and operations management at the Erasmus University in Rotterdam. “Discrepancies exist in many supply chains between what companies promise to customers and what they actually deliver. That’s usually a result of how the company as a whole is organised rather than the warehouse alone. Think of when sales and purchasing do things without communicating them properly to logistics. It’s that all-too-familiar silo mentality.”

Kees Jan Roodbergen, professor of quantitative logistics at the University of Groningen, prefers to turn the question on its head. “Actually, it’s usually the warehouse that has to compensate for the other weak links in the chain. It’s just that all the problems within the chain become visible when they reach the warehouse. Imagine for example that the rate of inventory turnover leaves a lot to be desired; is that the warehouse’s fault, or a supply chain problem that only becomes apparent in the warehouse?”

Entrepreneurial qualities

Partly within the framework of a Dinalog project, Roodbergen is currently carrying out extensive research into the logistics behind webshops. After they’ve set up a webshop, he sees many traditional retailers struggling with how to organise their warehouse operations. How much of

the stock in your warehouse should you reserve for the webshop, for example, and how much do you ship to your physical stores? Roodbergen: “A store manager can sometimes find it hard to understand why a certain item isn’t delivered while it is physically in stock in the distribution centre. In such cases, it’s easy to point the finger at the warehouse.”

De Koster uses the example of a consumer products manufacturer that keeps launching new products to increase the company’s market share yet forgets to withdraw old products from the range. The result: stock levels continue to rise until warehouses are bursting at the seams while the service level declines and the number of complaints goes up. “Is the warehouse underperforming in that case? No, the problem lies elsewhere,” says De Koster, whose scientific research is concentrating on optimising warehouse operations. 

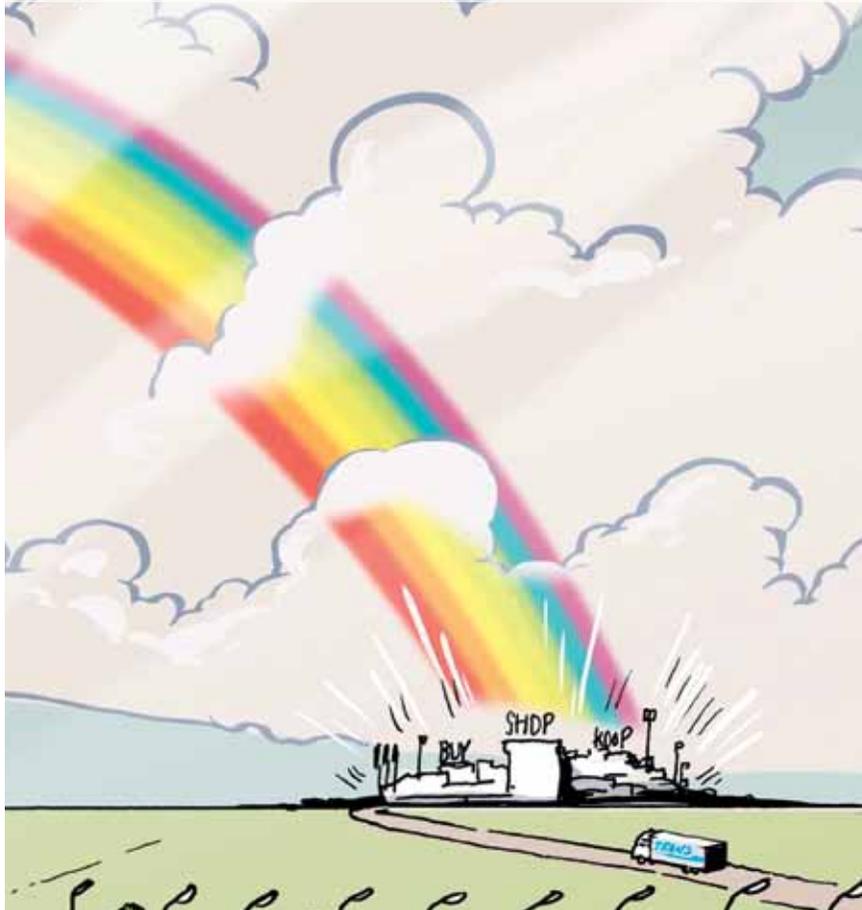
► “The warehouse is the link that tries to balance ideal production schedules with customer demand patterns”

In De Koster's opinion, the fact that problems from other parts of the supply chain only become apparent in the warehouse is largely down to the warehouse being undervalued. “Logistics managers are not ones to sing their own praises. Rather

than talk about something, they'll just get on and do it. That means that, in many companies, logistics is ‘invisible’ – at least, until there's a problem,” claims De Koster, who has noticed some changes taking place, in particular on the part of

retailers and wholesalers.

In order to raise their profiles internally, De Koster would like to see logistics managers demonstrate more entrepreneurial qualities. “Try to view logistics as a sales-generator. Ensure that customers are kept even happier by lowering their costs or exceeding their expectations. Take inspiration from logistics award programmes – the winners are invariably managers who have developed new logistics concepts.”



Key to survival

One of the nominees for the annual Dutch *Logistiek Manager van het Jaar* award programme is Ron Kars, DC manager at Technische Unie in the town of Alphen aan den Rijn. He too disputes the claim that the warehouse is the weakest link in the chain. “In fact, warehousing is the key to our survival. We hold inventory for our customers so that they don't have to. Our distribution centres are at the heart of our strategy, including – and in particular – from a business perspective,” says Kars.

The outcome of this vision is that Technische Unie places at least as much value on a high-quality operation as on an efficient one. “Needless to say, logistics costs money so we try to work as efficiently as possible, but we consider it even more important to despatch our orders as correctly as possible. Efficiency should not be at the expense of quality.”

In the DC in Alphen aan den Rijn, Technische Unie recently implemented a new storage and order picking system from the company Witron: the Dynamic Picking System (DPS). The system operates on a pick-to-light basis, with cranes replenishing the pick locations fully automatically. “The most important factor in our decision to purchase this system was our lack of space. Either we had to add more square metres or we had to find a smarter way of using the square metres we had. We opted for the latter,” explains Kars.

Fine-tuning processes

In addition to a more efficient use of space, DPS offers other benefits too.

LEADERSHIP PAYS

The Netherlands performs quite well when it comes to warehousing. “At least, that's my personal opinion,” says professor René de Koster, who puts the success largely down to the Dutch leadership style. The managerial approach in The Netherlands tends to focus on motivating and inspiring people, recognising their contributions and giving feedback. And research has shown that it works. “In warehouses with that kind of leadership, worker satisfaction is higher. Employees are inclined to go the extra mile,” claims De Koster, who has also demonstrated that there is a positive link between the style of leadership and the health and safety culture. The managerial style influences workers' behaviour towards issues such as safety and ergonomics.

De Koster cautions against an unrestrained urge to automate. “Try to fit automation around people rather than the other way round. You often see companies eliminating as many manual activities as possible, leaving only short-cycle tasks remaining. That's certainly not going to make people's jobs more appealing.”

Since orders are now picked directly into customer totes, Technische Unie employees handle the items just once, whereas when the company still ran a batch-picking operation each item was handled twice: once when picking and a second time when sorting. Furthermore, the order pickers no longer need to walk 10 to 15 kilometres up and down the warehouse every day or lift thousands of kilos of goods. The walking distance has now been reduced to just a few metres, and lifting the customer totes has been eliminated completely. Thanks to DPS, the order pickers' productivity has increased by some 20 to 30 percent. "Not only that, but we're now also able to despatch orders more quickly. Previously, we had to remove an urgent shipment from the regular process in order to deal with it manually. Now we simply have to give it higher priority in the system," states Kars.

Less space, less handling, quicker throughput: these results all fit in with the lean philosophy. At Technische Unie, they are consciously working towards becoming lean, although they don't call it that. "Logistics is all about continually improving and fine-tuning processes. In reality, we've been trying to do increasingly more with increasingly less for many years, except we've not been following the explicit rules of lean, kaizen, six sigma or other such methodologies," comments Kars.

Benefit or burden?

Raymond Cools, who received the very first *Logistics Manager of the Year* award in 2005, is still demonstrating his entrepreneurial qualities at the company Media Logistics. This logistics arm of Audax recently invested EUR1.8 million in new equipment: 1 million for an automated magazine-wrapping line and 0.8 million for a magazine sorter.

This has fully automated the sorting of magazines, which was previously a very labour-intensive activity. With its capacity of 7,200 magazines per hour, the payback period on the investment is 2.3 years. The new wrapping line, meanwhile, was not only purchased to replace old production

LEAN LOGISTICS

A common definition of lean management is 'the elimination of non-value-added activities'. In manufacturing environments, lean – in its many various forms – is a successful method for strengthening the operation. Processes become more efficient, errors are reduced and employee satisfaction levels increase.

Despite being so successful, the word 'lean' is still heard surprisingly infrequently in warehouses. Does this mean that lean management principles are not yet being applied in this area? According to professor René de Koster from the Erasmus University in Rotterdam, they are. "It's happening every day. A large part of the logistics role is about reducing costs and making processes more efficient, it's just that we don't always call that 'lean'." Kees Jan Roodbergen, professor at the University of Groningen, comes across plenty of improvement projects that fit the definition of lean – such as projects to reduce walking/riding times by switching to a different storage and picking system. "But don't forget that some aspects of lean are in direct conflict with the idea of storing goods in a warehouse. Think of Just in Time, for example."

Tilburg University is leading a project in the Dutch province of Brabant to introduce lean into logistics. Mark Overboom, one of the researchers involved, explains that a lean approach can allow companies to make considerable gains. "In lean management, everything and everybody is involved in process improvements. Each and every employee is expected to think about how their workspace can be designed more efficiently and ergonomically, for instance. Logistics in particular is a very labour-intensive part of the business in which many improvements can be made relatively quickly once people from the workforce are involved."

Overboom likewise concludes that many warehouses are not concerned with efficiency first and foremost. "Speed of delivery is often the top priority – that is often the focus of the organisation as a whole. Yet that also offers opportunities for lean. Lean often begins with standardising and describing processes. That in itself often provides a better overview and greater insight, and can stimulate people to think about possible improvements."

The origin of lean can be traced back to the factories of car manufacturer Toyota, who also fully implemented this philosophy in its European warehouse. "The company did not achieve such sizeable gains as it did in manufacturing, but the warehouse is definitely a lot better organised than the industry average," says Overboom. In the meantime, logistics service providers such as Ceva and Menlo have also introduced lean management. Overboom is fully aware, however, that it is more difficult to implement lean principles in a warehouse than in a manufacturing environment. "Especially for logistics service suppliers who work on behalf of third parties, since that often involves high levels of stress and lots of trouble-shooting. That's just the nature of the sector, and it can be difficult to create room for innovation."



Researcher Mark Overboom: "High levels of stress and lots of trouble-shooting. That's the nature of the work for logistics service providers, and it can be difficult to make room for innovation."

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Frank Timmers (ABG): "Inventory ties up capital, and no-one wants that."



Ron Kars (Technische Unie): "Logistics is all about continually improving and fine-tuning processes."



Professor Kees Jan Roodbergen (University of Groningen): "All the problems within the chain become visible when they reach the warehouse."

lines that had technically been written off, but also to achieve improved productivity and hence a lower cost price. "As a result, this production line will recoup the investment within around three years, which is a very short timeframe for a replacement project," explains Cools.

In Cools's opinion, Media Logistics regards warehousing as a benefit rather than a burden. "And that will remain the case, providing the added value of our activities continues to outweigh the costs. Many companies are quick to view warehousing as a burden, because the costs of their premises, systems, people and equipment are high. Especially if you include the inventory costs as well."

Needless to say, Media Logistics is also trying to reduce its cost price as far as possible, as demonstrated by its investment in the wrapping line and the sorter. "However, investments can also create competitive advantage, such as in our case by enabling us to wrap and ship maga-

zines in crates and to automate the checking and processing of returns," claims Cools. "In addition, we try to ensure that our warehouse is not only suitable for the products of our internal customer Audax, but also for products of third parties. By positioning ourselves as a logistics service supplier focused mainly on the multimedia sector, we achieve both a lower cost price for our internal customer and a competitive price for our external clients."

Flexibility

Echoing Technische Unie, Roodbergen also maintains that efficiency is not always the most important design criteria for warehouses. Most of the warehouses he has visited recently have been designed to handle webshop logistics operations. "They might not be so efficient, but they are certainly very flexible. Such warehouses need to be able to cope with annual growth of 30, 40 or maybe even 50 percent. A lot of the time, that means

dealing with market fluctuations manually rather than implementing flashy systems and equipment."

While De Koster claims that logistics managers themselves can play a significant part in making the warehouse a stronger link, his colleague Roodbergen focuses mainly on the design of the chain and the chain's processes. "The best warehouse is no warehouse at all. No-one wants to hold stock, but sometimes stock is necessary to solve certain problems – such as when the factory is on the other side of the world, when manufacturing is done at pallet level while products are sold at box level, or when production and demand are often out of sync. The warehouse is the link in the chain that tries to balance ideal production schedules with customers demand patterns. If you can translate that role into effective warehouse concepts, you have a strong link. In e-commerce, that means first and foremost ensuring flexible operations." >

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“We only have one kind of toothpaste and that has to be in stock. Otherwise our distributors will bear the brunt of direct complaints.”

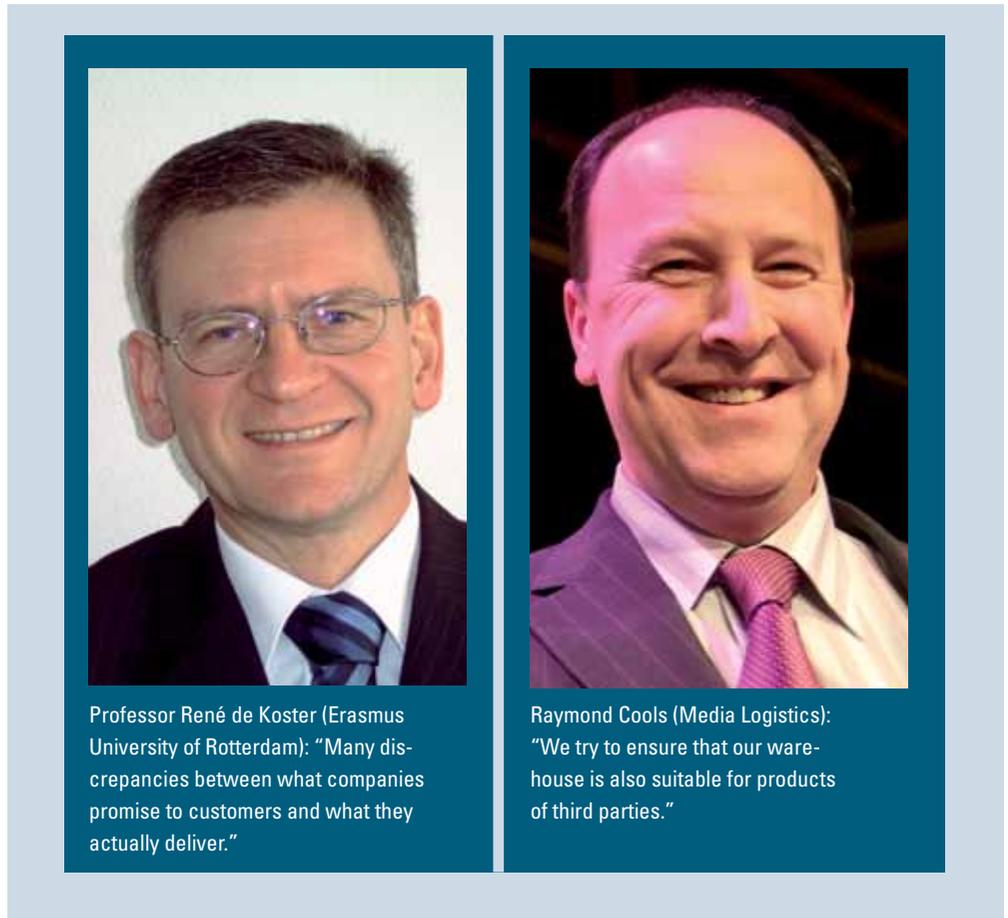
While Frank Timmers does not consider the warehouse the weakest link in the chain, he does regard it as the most painful one. Timmers, the supply chain director of Access Business Group (ABG), asserts that everyone would prefer to eliminate inventory altogether. “Inventory ties up capital, and no-one wants that. In practice, however, we cannot survive without it if we want to guarantee certain lead times or service levels, for instance,” says Timmers.

A division of Amway, an American supplier of food products, food supplements, cosmetics, and skincare and household cleaning products, Access Business Group is responsible for Amway’s complete supply chain. Amway pursues a direct selling strategy: the company has some nine million distributors around world who promote and sell its products directly to consumers. From the warehouse in the Dutch city of Venlo, orders are shipped to consumers in 14 West-European countries and to regional distribution centres in Poland, Hungary and Russia which serve the eastern part of Europe. “We leased premises in Venlo ten years ago and invested EUR5 million in equipping it. All the systems and installations belong to ABG, and our logistics service provider Seacon Logistics supplies our workforce,” explains Timmers.

ABG does not place top priority on efficiency either. Timmers: “The service level is potentially even more important for us than for a conventional retailer. If a local supermarket does not have a particular brand of toothpaste in stock, the shopper will come back the next day or buy one of the other ten or so brands on offer instead. We only have one kind of toothpaste and that has to be in stock. Otherwise our distributors will bear the brunt of direct complaints.”

Reducing stock levels

ABG has been able to free up considerable capacity in its warehouse in recent years. The warehouse was equipped back in 2002 based on a growth forecast that has long been eclipsed by reality. “If we hadn’t made any changes, we would’ve needed



to lease extra space four or five years ago. Now, however, we have spare capacity that we can use to help third parties,” says Timmers.

The extra capacity has not been freed up by improving efficiency in the warehouse itself, however, but rather by reducing stock levels. “Together with marketing and sales, we tackled issues such as demand management and collaborative planning. By factoring in consumer impulses on a daily basis, our forecast has become so accurate that we no longer need to hold so much buffer stock. Furthermore, we make back-up plans for in case the forecast should turn out to be too low to allow us to obtain the products in other ways as quickly as possible. All of these results are down to a far-reaching integration of the total supply chain and collaboration with our customer.”

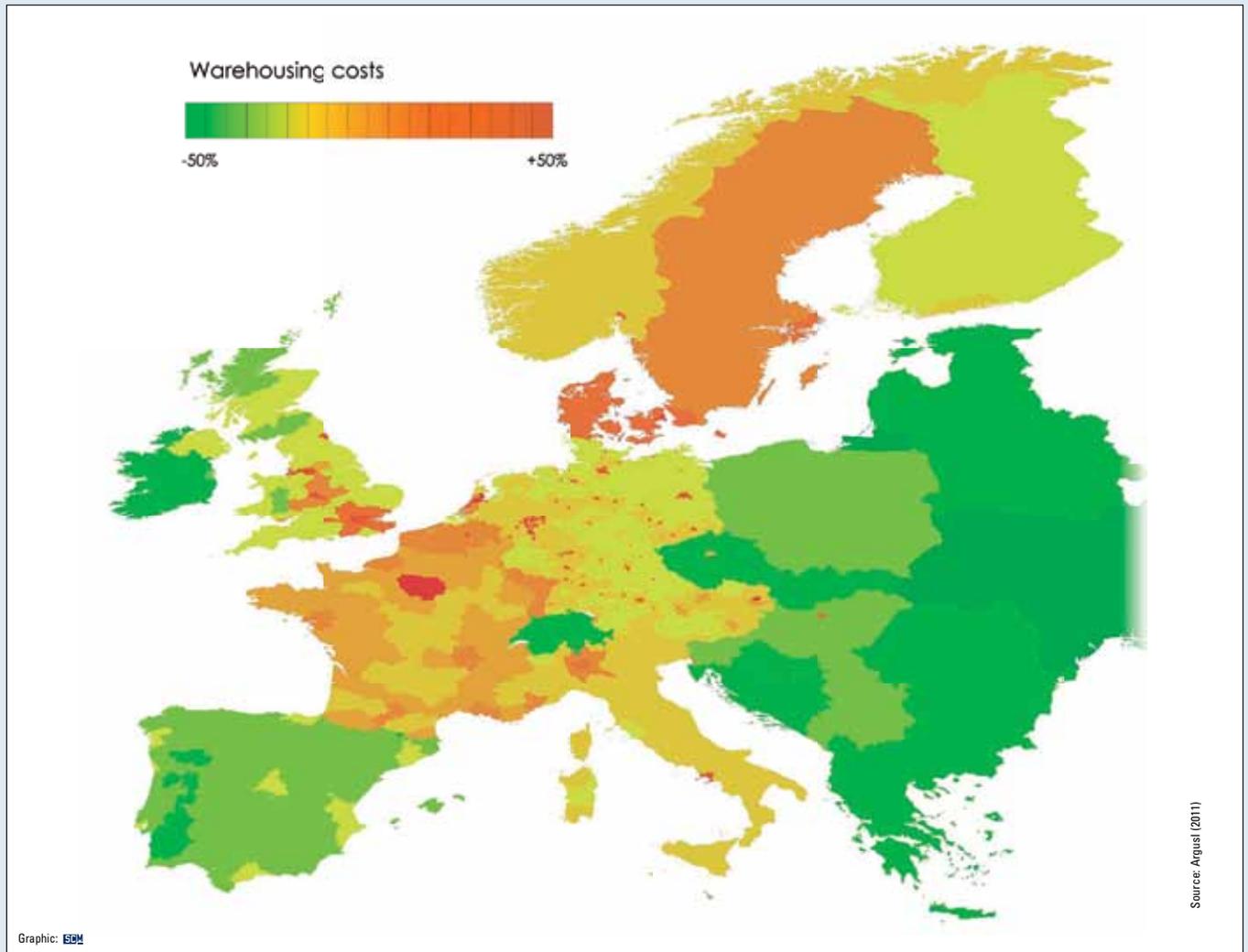
ABG has also been successful in reduc-

ing surplus and dead stock. Timmers uses the example of last year’s launch of a new line of cleaning products. “In an ideal situation, all stock of old products is depleted just as the new line is introduced, but there’s always an overlap in practice. We had actually reserved extra capital for the transition but, thanks to close cooperation with marketing and sales, we actually only needed to use 10 percent of it.” With the extra capacity he now has available in Venlo, Timmers is hoping to interest other webshops since their profile fits well with ABG’s operation in terms of supplying directly to consumers. “Plus they can benefit from our economies of scale. We ship some two million parcels from Venlo each year, which means that we can negotiate rates from the likes of DHL and DPD which other companies with lower volumes can’t possibly achieve.”



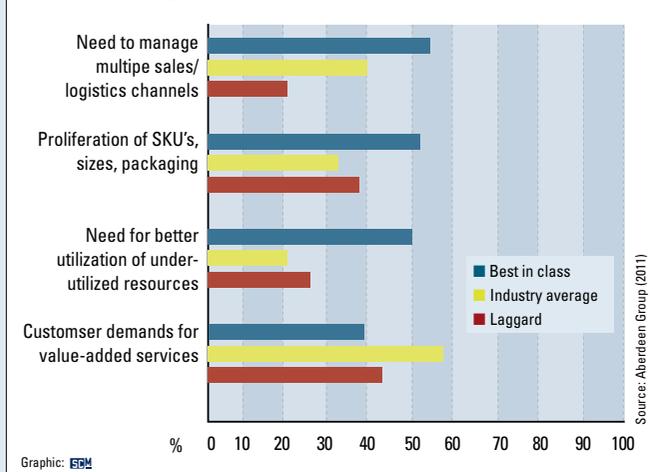
Warehousing Costs

WAREHOUSING COSTS IN EUROPE



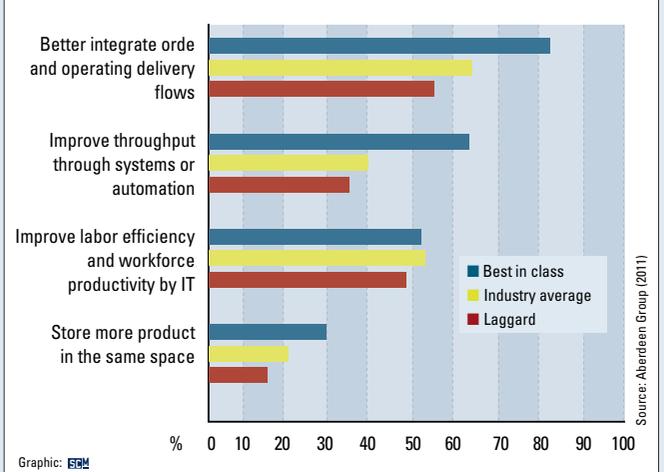
TOP 2 PRESSURES

in warehousing & fulfilment services

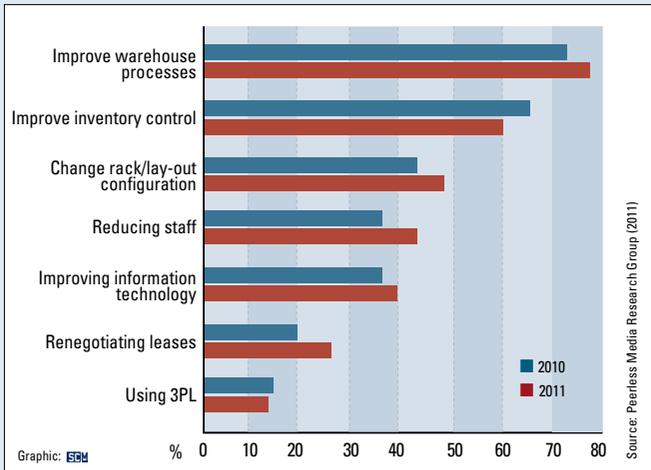


TOP 2 ACTIONS

in warehousing & fulfilment services

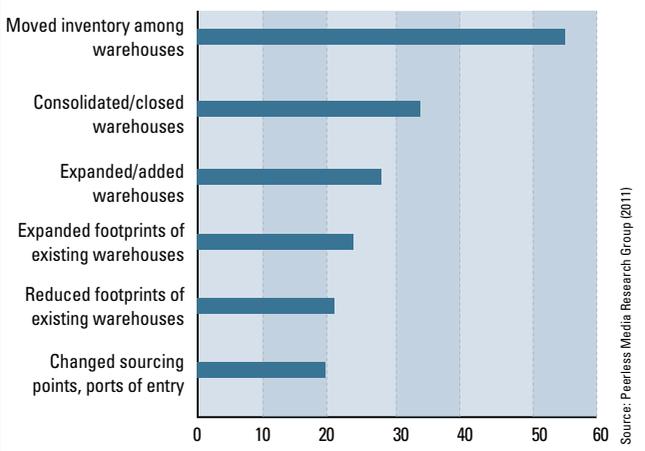


ACTIONS TAKEN TO LOWER OPERATIONAL



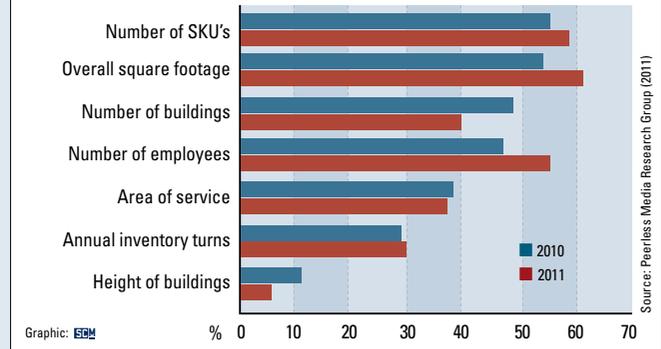
ACTIONS TAKEN

as a result of network optimizations studies



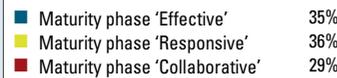
EXPANSION PLANS

in the next 12 months



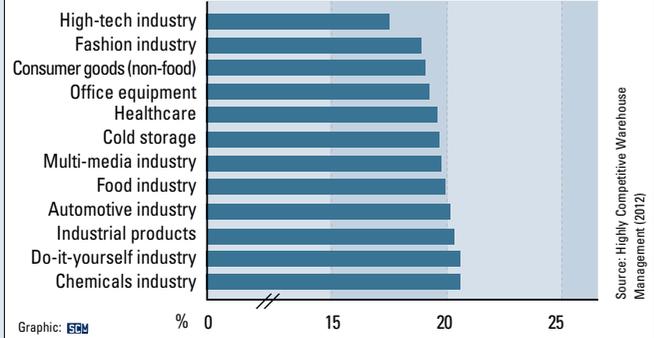
MATURITY SCORE

in warehousing



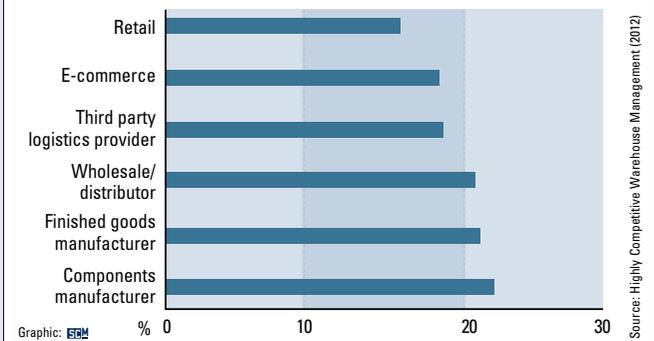
SAVINGS POTENTIAL

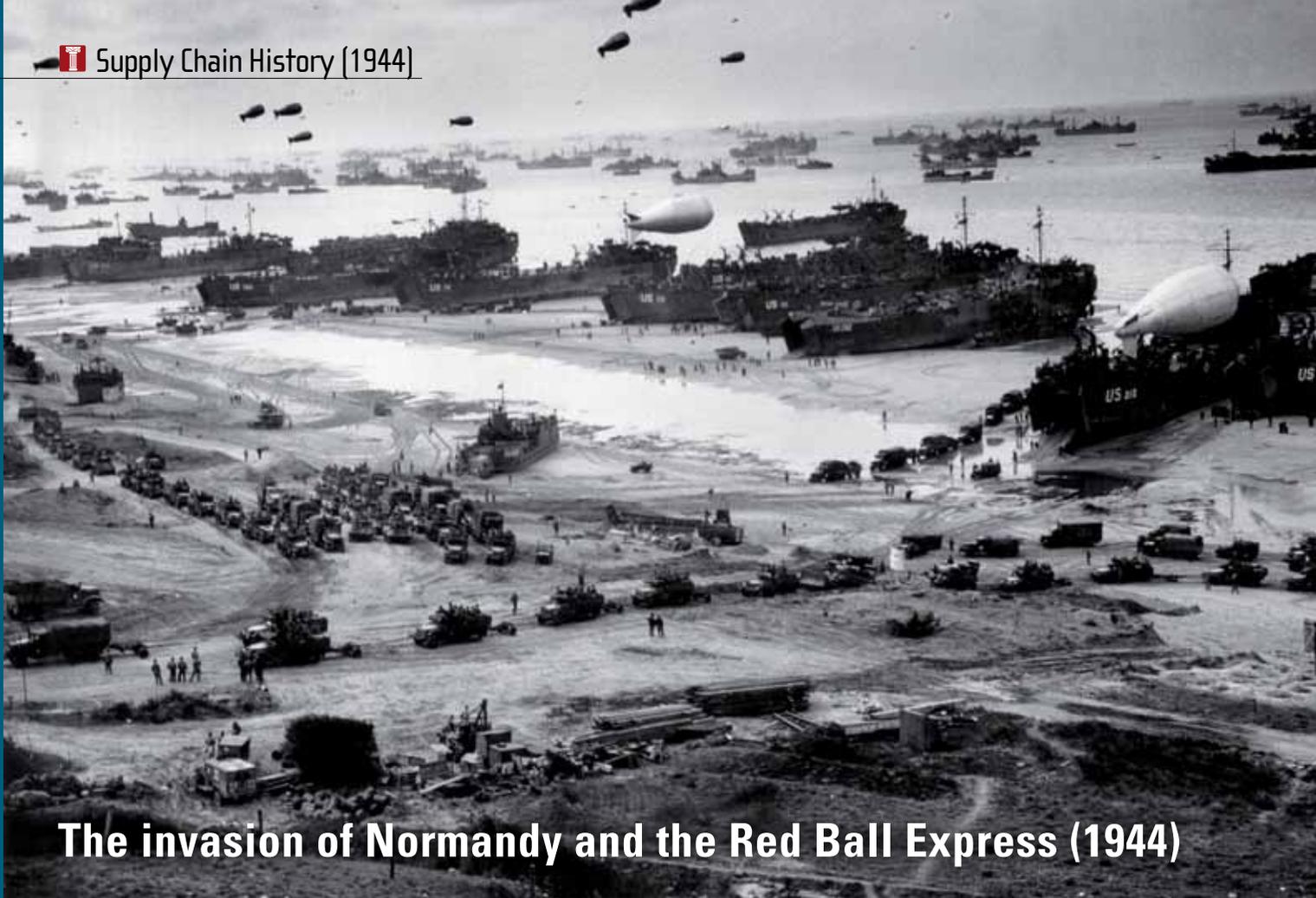
by vertical market



SAVINGS POTENTIAL

by supply chain position





The invasion of Normandy and the Red Ball Express (1944)

Getting supplies to the Allied forces was a crucial part of the Normandy Landings and the breakout from Normandy. The supply chains from the USA to the beaches in France were changed drastically, numerous times during the campaign and in the end it was the Red Ball Express, an improvised system of truck convoys, that got the supplies to the fast-advancing troops on the frontlines.

By Martijn Lofvers

D-Day: planning and execution

The Allied invasion of Normandy was not just about D-Day. Although that one day was a decisive part of the invasion as a whole, the gargantuan Operation Overlord actually comprised two different phases. The first phase consisted of the assembly of the troops in England that would be needed for the invasion. The second phase was all about the battle on the beaches and in the hinterlands, the vital breakout and the planned advance to Paris. The whole operation could be compared to an important product launch: first of all planning and assembling the goods, then winning market share post

product launch in different market areas along with the need to maintain supply to successful markets.

Operation Overlord was not the Allies' first invasion in northern France. Before June 1944, the Allies had carried out a number of amphibious landings with varying success. The first attempt, on the beaches near the town of Dieppe in 1942, ended disastrously. More than 6,000 infantry soldiers, mainly Canadians, landed on 19 August with orders to capture an important harbour just for a short period of time, gain intelligence from

prisoners of war and analyse the German response. The Allies failed to achieve any of these goals: almost 60 per cent of the soldiers were killed or taken prisoner and more than 100 aeroplanes were lost. There were lots of wise lessons to be learned during this failed operation. Capturing a harbour unscathed was apparently impossible and alternatives were needed for getting new supplies to the troops once they had landed. The British developed a series of special tanks and armoured vehicles and prefabricated floating harbours (Mulberries) for the invasion of Normandy. Communication from out at sea to the

To get 130,000 soldiers to the beaches, they would need 6,900 ships, of which 4,100 were landing craft.

coast was improved and additional – and bigger – ships were brought in for attacking the coastal areas.

Assembling the troops

The preparations for Operation Overlord started as early as 1942. Between January and June 1944, the United States transported a total of 17 million tonnes of military equipment (including almost 400,000 litres of blood plasma) and hundreds of thousands of soldiers to Great Britain. The various Allied forces rehearsed their roles in the eventual landings for months on end. During one of these exercises on the English coast on 29 April 1944, around 700 American soldiers and sailors were killed when they were caught by surprise by German torpedo boats.

The day of the invasion, D-Day, was to be the biggest one-day amphibious landing of all time. To get 130,000 soldiers to the beaches, they would need 6,900 ships, of which 4,100 were landing craft. In total, 1,200 aeroplanes would be supporting the landings, including 1,000 cargo planes carrying three divisions of the air force and their 15,500 parachutists. The Allied Air Force was to drop 10,000 tonnes of bombs on the German coastal defences and carry out 14,000 air attacks.

Only a few days of the month would be suitable for the landings. Firstly, a full moon was essential for identifying and marking orientation points from the air for pilots, parachute regiments and gliders. The second condition was the spring tide – this meant that the water would be at its deepest, enabling the landing craft to navigate past defensive obstacles as safely as possible. Based on these conditions, Supreme Commander Dwight Eisenhower chose 5 June for D-Day.

On Thursday 1 June, a few hundred amphibious tanks and the 130,000 soldiers started boarding the ships in a process which was expected to take two days to complete. However on the very same day, weather stations detected a number of areas of low pressure over the North Atlantic. If seas were rough on the English Channel, it would cause the landing craft to capsize, and bad weather

would prevent the Allied air force and navy from bombing the German coastal batteries and defences prior to the landings. Moreover, the battleships and convoys only had enough capacity to turn around once before having to refuel. Eventually, based on the most recent weather forecasts, Supreme Commander Eisenhower postponed the landings by 24 hours: D-Day was instead to take place on 6 June 1944.

Mulberry Harbours

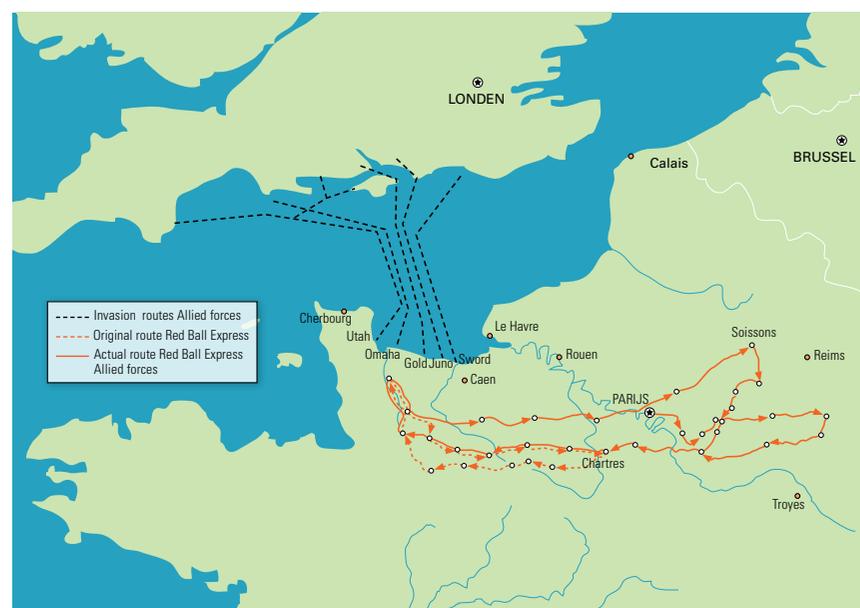
Despite substantial losses, especially on Omaha Beach, the landings were more successful than the Allies had hoped for or expected. In order secure Normandy, the Allies now had to get more divisions and sufficient supplies on land as quickly as possible before Hitler could deploy the strong panzer divisions from various coastal areas against the invading forces. However, the Americans struggled to get sufficient supplies onto land: in the first three days, only 6,614 tonnes of the planned 24,850 tonnes were delivered, while an average American division needed approximately 500 tonnes of supplies per day.

Three days after D-Day, the two artificial harbours were installed, each constructed from 600,000 tonnes of concrete: Mulberry A at Omaha Beach and Mulberry B at Gold Beach off the coast of Arromanches. However, a severe storm on 19 June destroyed the harbour at Omaha Beach prematurely because it had not been anchored to the seabed firmly enough. Meanwhile, Mulberry B was used for a total of eight months despite having been designed to be deployed for only three.

It also took the American army longer than expected to capture the harbour in Cherbourg, Normandy, and subsequently make it fit for purpose. For this reason, in the first months after the landings, 80 per cent of American supplies had to be transported across the sand. Trucks were used to ship goods from the open-air storage areas on the beaches near the frontlines. On their return journeys, they carried prisoners of war, and the bodies of dead soldiers travelled at the back of the convoys.

The ability to adapt the supply chains that were running from the US via Great Britain to France remained of strategic importance. Despite 289,827 tonnes of

SAILING ROUTES AND SUPPLY LINES ALLIED FORCES



A round trip from Omaha Beach to Paris with Red Ball Express lasted less than nine hours.

► “My men can eat their belts but my tanks need fuel.”

supplies having been unloaded onto the Normandy beaches by the end of June, there were still shortages. The supplies could not be deployed rapidly enough from the British ports and the ships could not return quickly enough from the landing beaches. On 15 June, therefore, the Allies began transporting goods directly from the US to Normandy, thus shortening the supply chain. Eventually, at the beginning of August, the harbour in Cherbourg finally became accessible for the 20,000 tonnes of goods arriving every day. This then paved the way for a different logistics innovation, namely the Pluto oil pipeline that ran along the bottom of the English Channel to the harbour in Cherbourg.

Red Ball Express

After heavy and difficult fighting in the ‘bocage’ (as lanes lined with tall hedges in the Normandy countryside are called), the Allies finally broke out of Normandy on 1 August during Operation Cobra. The zealous General Patton implemented his own Blitzkrieg with the US 3rd Army and managed to cross almost a hundred kilometres of enemy territory in two weeks. His army gained so much ground that on 31 August near the city of Metz, he literally ran out of fuel. Two days later, Patton complained about it to Supreme Commander Eisenhower: “My men can eat their belts but my tanks need fuel.”

Towards the end of August, 90 to 95 per cent of all supplies were still in the depots on the Normandy beaches, almost 450 kilometres from the troops on the front-line. In order to get these goods to the front, the Army Transportation Corps established a system of truck convoys called the Red Ball Express. This was an American railroad phrase referring to the fastest form of supply on the railways. Military police along these fixed routes were able to identify the trucks by the red ball emblems that were painted on their front bumpers. The drivers followed white signs, showing red balls and arrows, that had been put up at every junction along the route. The Red Ball Express could

RULES FOR DRIVERS

With the Red Ball Express trucks driving around the clock, their drivers had to adhere to strict rules:

- All vehicles must drive in convoy at 60 yard intervals (55 metres);
- Maximum speed is 25 miles an hour (40 km/h);
- No overtaking;
- In the dark, it is permissible to use full headlights rather than the so-called ‘cat eyes’ (blackout headlights that allowed only a small slit of light to shine through);
- Vehicles must stop for a ten-minute break at exactly ten minutes to every hour.

complete the 310 mile round trip from Omaha Beach to Paris in under nine hours.

The Red Ball Express operated for a total of 81 days from 25 August up to and including 16 November 1944. More than 6,000 trucks and 23,000 drivers transported 412,193 tonnes of goods to the advancing American armies, as far as to the German and Belgian borders. During these three months, the Red Ball Express had firmly

established itself in World War II mythology as one of the best wartime examples of the American ‘can do’ mentality. Only one in ten soldiers fought on the frontlines, while the rest took care of supporting and providing supplies to the combat troops. According to General Omar Bradley, commander of the US 1st Army, “Logistics was a lifeline for the Allied armies in France. Without supplies, we couldn’t move, shoot or eat.” ◀



The Red Ball Express was a system of truck convoys. The name was a term used by the railways meaning the fastest form of supply.



Inventory is no longer a concern for Berkleba

'Flexibility' and 'worry-free' are words regularly used by Matthi Rietrae, owner of Berkleba, when explaining why he chose to use the inventory management services of Huisman Group.

"They take care of goods despatch, which means that I don't have to worry about it. On some days we may need to ship up to twelve pallets, whereas on other days we might have only one for despatch. You can't employ someone especially for a role like that. This gives us flexibility."

The company Berkleba, located in the Dutch city of Wijchen, imports industrial tapes for a wide range of applications, from masking tape for the car body repair market to highly specialised tape that can withstand extreme temperatures. Delivery times to customers or resellers are short. "98 per cent of all orders received by 12 noon are delivered on the next working day. This means that our customers need to hold less stock, which saves them money. That's why we were looking for

a company like Huisman, with people who can react very quickly."

Rietrae went in search of a partner who could handle warehousing, order picking and stock control better than Berkleba itself, without increasing the company's costs – and found just the right partner in local company Huisman. "Actually, Huisman does the same for us as we do for our customers. Even if we ask them to do the seemingly impossible, they always try to find a way to pull it off. I've never worked with anyone with a more professional approach than Huisman." Every day at noon, Berkleba transmits an EDI message containing that day's orders, and receives an update at the end of the same day. "And because our inventory levels are aligned, we can only send them orders for items which they actually have in stock. It's a failsafe system."

In fact, Huisman is in charge of monitoring the stock levels, says Rietrae, including inbound deliveries. "If a manufacturer confirms it will be sending 20 boxes, Huisman makes sure that they are actually received. But the responsibility for whether the rolls of tape meet our quality standards still lies with us – it's our inventory, after all."

Huisman also made a positive impres-

sion by implementing a new warehouse management system at Berkleba's premises. "The whole process went very smoothly. Thanks to the new WMS, we now know exactly which phase of the picking process our orders are in at any time; whether they've been prepared for the final check, been loaded or are still in the picking location, we can monitor the entire process precisely."

"Huisman does the same for us as we do for our customers"

**Matthi Rietrae,
eigenaar van
Berkleba BV**

huisman
delivers

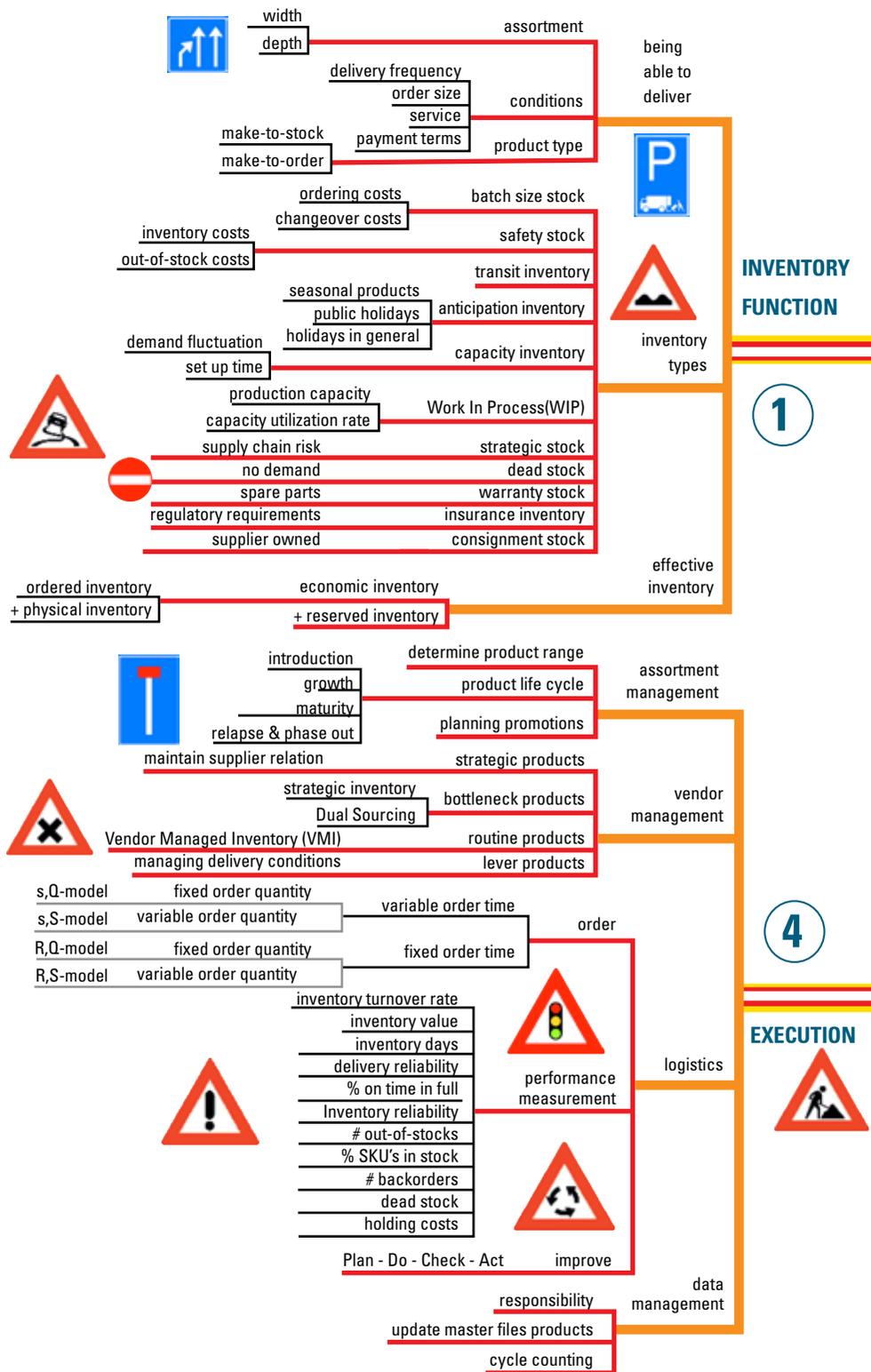
Mindmap for inventory management

Inventories represent a considerable part of a company's working capital. Uncertain economic times require the amount of working capital tied up in inventory to be reduced. But managing stock levels is more complex than it seems. In collaboration with Slimstock, Supply Chain Movement has developed a practically oriented mindmap for inventory management which takes you through all the relevant aspects, including warning signs where necessary.

Creators Mindmap:




& Walther Ploos van Amstel
& Paul Durlinger



MINDMAP MANUAL

Reducing working capital: In the economic crisis of 2008 and 2009, it was very difficult for companies to obtain loans from banks, who themselves were struggling to survive or even going bust. In times of economic certainty, it is undoubtedly

a case of 'cash is king'. One way of freeing up cash is to reduce the working capital, including by lowering stock levels. During the crisis, many companies reduced their inventories drastically, and sometimes even too extensively which

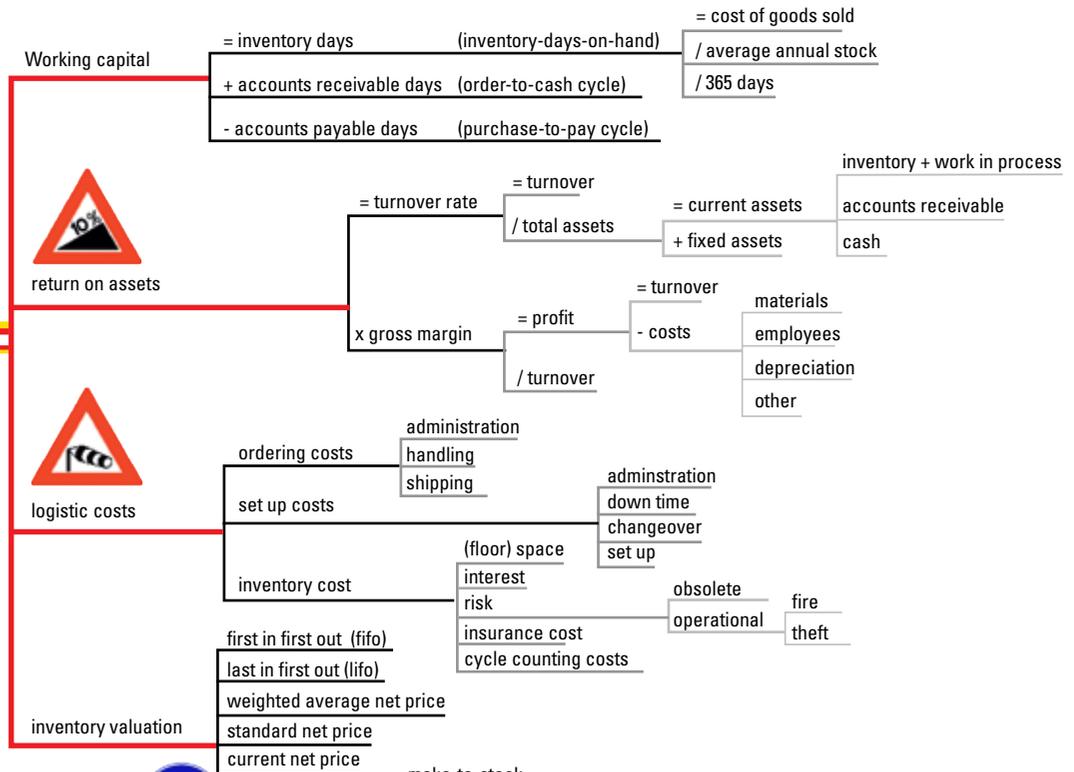
led to them facing stock shortages of essential raw materials when the economy picked up again in 2010. At the height of the recession, 'Inventory optimisation in 2009' was in first place in terms of supply chain projects.

Longer supply chains: In recent years, companies have increasingly relocated their production to, or outsourced it in, the Far East, resulting in longer supply chains. Companies need to manage their inventories much more effectively and forecast

Inventory Management

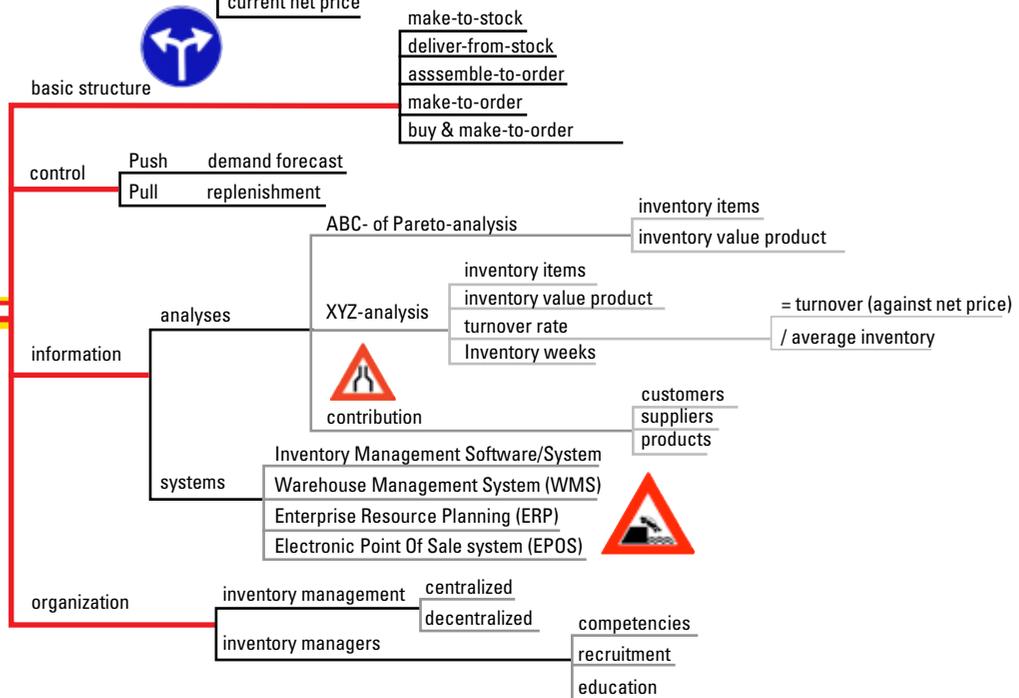
FINANCIAL IMPACT

2



LOGISTICAL CONCEPT

3



demand more accurately. In a global study conducted by consultancy PRTM in 2010, 'Effective inventory management' scored 69 percent and ranked top in terms of focus areas for managing supply chain risks.

Increasing competition: Competition has increased worldwide as a result of globalisation and transparency. This, along with the corresponding rise in customer expectations, has put immense pressure on companies' margins. As a result of these devel-

opments, companies are negotiating keenly with their suppliers to ensure they deliver reliably, including stipulating consequential loss payments if they cannot supply or requiring them to hold more inventory to compensate for low supply reliability.



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Implementing Strategies to Improve Efficiency of Procurement Cycle and Supply Chain Activities

Date: 24th & 25th May 2012

Location: Amsterdam, Netherlands



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Conference topics

- Improve procurement processes and become more cost-effective and time efficient
- Maximize opportunities in the global arena to improve efficiency of your supply chain process
- Increase the transparency of all procurement processes
- Evaluate the latest EU procurement legislation for Utilities
- Learn how to effectively manage contractor relationship for strategic advantage
- Benchmark best practices from the latest procurement and supply chain case studies
- Network with key players in the industry and share best practices
- Gain valuable insight into key supplier relationship management
- Benefit from quality assurance through new means of measuring performance

Conference focus

This forum brings together key industry experts from leading utility companies to develop innovative procurement and supply chain functions that contribute to bottom line that is a crucial challenge for today's energy PSCM professionals and to give a clear insight into the main challenges for energy and utilities procurement and offers the most successful solutions that have been found to date

Experts from Utility Operating Companies will present case studies focusing on successful projects; effective ways to manage increases in capital works programs, scarcity of supply, escalating commodity prices, achieving sustainability and corporate responsibility. For Procurement Managers these represent a significant challenge if they are to meet their future operating requirements and manage the risks to their businesses associated with their supply chains

Who should attend the conference

Chiefs, VPs, Directors, Heads, Managers, Coordinators of
Procurement Contracts
Supply Chain Category Management
PSCM e-procurement
Purchasing Legal Counsel/General Counsel

From:

Energy and Utility Operating Companies
EPC Contractor Companies
Service and Solution Providers

Key Speakers

Heather Rodgers
Chief Procurement Officer
Centrica Plc

Milos Olejnik
Director of Procurement and Service
Enel

Bernard Gracia
Director
European Institute of Purchasing Management

Farhan Mirza
Vice President Supply Chain Management
Winwind Ltd

Frank Bernaerts
Procurement Manager
Fluxys SA

Speaking Opportunity:

Do you have enough expertise and experience that you would like to share with the conference delegates?
If so, please contact: Martin Smith, Operations Manager, BIS Group Prague, Tel: +420 270 005 475,
email: martins@bis-grp.com

Business Development Opportunities:

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BUSINESS SOFTWARE

Reducing stock and preventing shortages

Many stock shortages could be prevented if they were identified sooner. In order to provide insight into whether stock levels are too high and the likelihood of out-of-stock (OOS) situations, software supplier Slimstock offers ABC Stock Scan.

This is an add-on for a software application which provides an at-a-glance indication of whether the logistics parameters are correct and where action needs to be taken.

According to Slimstock, well-adjusted parameters are at the heart of balanced inventory. In a complex environment, an ABC classification is the most commonly used method to gain insight into stock.

Ideally, however, a different classification should be used for each individual situation. A warehouse manager requires a different ABC than a purchaser or financial director, for example. Likewise, the product range at the heart of an ABC classification can vary greatly – purchasers will only want to see the items they are directly responsible for, whereas warehouse managers will make a classification of all items kept on stock. With Slimstock's ABC classification, everyone can choose their own approach. The ABC Stock Scan is a platform-independent add-on.

www.slimstock.com



INVENTORY ANALYSIS

Stock insights for rapid efficiency gains

In recent years, many companies have improved their efficiency by applying Lean principles, thus significantly reducing the amount of working capital required. "While Lean is a very good method, it can be a lengthy and intensive process," comments Mark Steegh, project director and branch manager for The Netherlands at the Total Logistics management consultancy. Therefore, Total Logistics offers a tool that provides relatively quick insights into the inventory situation in order to achieve efficiency more rapidly.

To reduce capital demands, lack of space in the distribution centre and to improve product availability are often the key reasons that companies want to gain insight into inventory. The Total Logistics tool uses historical data such as delivery performance and service level to identify where potential savings can be made. "We go through the output report together and interpret any irregularities, which generally results in

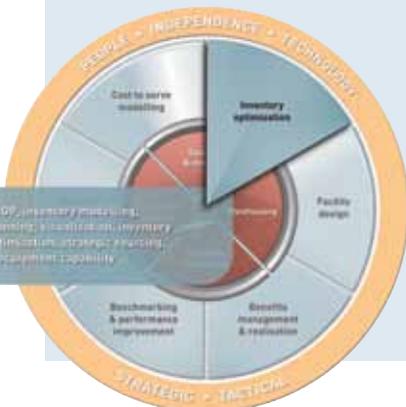
the order quantities or order frequencies being adjusted," says Steegh. "It is a proven tool that has been used in practice for several years, including in optimisation projects for customers such as Nestlé, Acco and Princes Foods."

Back to basics

Steegh is keen to stress that the tool is not a software application but rather a simple Excel tool which uses basic calculation methods. It is designed for daily use by the inventory manager. Steegh: "You don't need to be a black belt in Six Sigma to work with this tool, although you do need to understand basic underlying concepts such as Economic Order Quantity and the Poisson distribution. In effect, it can be introduced at local level without management having to wait its turn in a large-scale Lean roll-out."

Inventory analysis using this tool often forms part of a total optimisation project within a distribution centre. The scan and analysis takes between two and three weeks, depending on how the data is supplied and the data's quality. The tool is often adapted to specific customer requirements, with the client being allowed to keep the model for subsequent use.

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“Avoid flying blind”

Elena Vdovichenko (32),
Supply Chain Director at Nova Linia JSC

Nine questions about the topics on the supply chain agenda of a supply chain professional.

By Helen Armstrong

1. What is the strategy of your company (or division/supply chain): Operational Excellence, Product Leadership or Customer Intimacy?

“Firstly, our company, Nova Linia, is a chain of DIY hypermarkets and one of the leading operators in the DIY segment in Ukraine. First opened in 2001, Nova Linia has become one of the main professional organisations selling home construction and decoration materials. Currently there are 15 stores in various cities in Ukraine. Total sales area is more than 200,000 square metres and annual turnover is over USD300 million (EUR230 million).

Nova Linia’s main philosophy is to offer customers product innovations and new solutions for home construction, repair work and decoration at a low price, every day. I would say that all three points – Operational Excellence, Product Leadership and Customer Intimacy – are key strategic pillars on which we base our activities and business processes. In other words, we create competitive advantage through superior customer service and new financial leeway through business process optimisation, which has in turn significantly reduced costs and given us financial freedom to invest in new projects and expansion.

The supply chain management strategy as a business model is aimed at long-term success through process optimisation and interaction between customers, partners and private companies in a dynamic market. In the current economic situation, the modern customer wants the purchase to be easy and convenient, fast and consistent, cheap and good quality. To fulfil this expectation and to succeed in the competitive market, we are focusing on our core competencies. We are not only improving customer service quality but are also outsourcing non-core activities to reduce purchasing costs. It is one of the leading cost-saving and revenue-enhancement strategies in use today.”

2. What is your responsibility regarding the supply chain?

“As Supply Chain Director, my responsibility is to meet the company’s goal and strategy, which is: To deliver the right product in the right place, at the right time and at the right price. In other words, to optimise business processes both within and outside the four walls of the company and to be more efficient in delive-



ring the new products that customers want, when they want them and where they want them. By managing our supply chain, we are creating customised and robust structures to provide a value-added supply of products and the high service desired by customers – in the long term, efficiently and with as little capital commitment as possible.”

3. What are the main business challenges driving supply chain projects at the moment?

“With regards to purchasing and logistics, this is currently changing! Market competition made us reconsider our classic way of operational purchasing and led us towards more strategic areas of responsibility and a broader coordinating role. The supply chain is not the only area dealing with procurement logistics to control costs but also coordinating and leading the purchasing processes to create one smart, efficient and adaptable unit. A similar development is running in parallel in logistics and distribution. The motto

► “Purchasing and logistics are united in supply chain management.”



is, purchasing and logistics are united in supply chain management. This inevitably expands the range of everyone's task. Deep knowledge of all the company's business processes – processes and interactions of the supply chain within the company as well as with our partners' organisations – is the basic prerequisite for successful supply chain management.

The other challenge is to measure results in order to avoid flying blind. On the one hand, we need to use metrics to control the daily operations, the performance of the entire supply chain and the cash-to-cash cycle. On the other hand, we also use them as the 'rear-view mirror' for root cause analysis in order to draw the right conclusions and make decisions for the future supply chain management strategy.”

4. Which supply chain challenges keeps you awake at night?

“As I already mentioned, the range of tasks within supply chain management is constantly expanding. Increased competition requires constant improvement and realignment of procurement management.

On this point, two things keeps me awake. Firstly, the consistent generation of complete data –master data, consumption data, shipping status, inventory, etc. – which is required for Sales & Operations Planning and to quickly respond to continuously changing demand. Secondly, the reliability of suppliers, which always requires collaboration from a minimum of two sides: supplier and retailer. It is irrelevant that we as a retailer have highly developed business processes and software systems if our suppliers cannot guarantee what the customer wants. Then none of the 'smartest' systems can provide you with the solution to on-shelf availability!”

5. What do you do about these challenges?

“In this respect, we would like to be a proactive company. We do not want to wait until our suppliers reach a decision – we want to lead them to this decision! We are starting a Supplier Retailer Management project with our key suppliers to develop mutually beneficial relationships to deliver greater levels of customer satis-

faction. We will cooperate with our suppliers at all levels and stages including procurement and logistics to get unbeatable competitive advantage that could not be achieved by operating independently. We are due to implement some activities including joint research and development, information-sharing, joint demand forecasting and process re-engineering, and developing a common action plan based on root cause analysis which is specific to the supplier's or producer's individual supply chain.”

6. Who do you like to meet for exchange of knowledge?

“I am always open and ready to seek new experiences and share my own. I like to meet any supply chain professionals who have valuable experience in emerging markets or in start-up projects. To learn about the challenges which people face in their own supply chain environment and ways of overcoming them is of great value. The reason for sharing experience is always to upgrade each other's level of knowledge and to learn something new that can be useful, especially if it prevents having to 'reinvent the wheel'.”

7. Which book has inspired you the most and why?

“I am currently captivated by Eliyahu Goldratt's book *The Goal*. This book is about management concepts and the theory of constraints but there's more – it is written in the style of a fictional novel that sets it apart from other books which focus on explaining a method. A key outcome of focusing on value chains and system flow is, or should be, maximising throughput. As a supply chain professional, I found a lot of useful things that I can use in practice, for instance, in the 'bottleneck' theory. And it is fascinating how the author describes utilising the theory of constraint methods by illustrating plant-closure threats, downsizing and even a marriage crisis. Since the Lean concept is receiving a lot of attention at the moment, *The Goal* is well worth reading.”

8. What do you expect to be doing professionally in five years?

“I see myself in a responsible position in supply chain management within a fast-growing company because I love working with people and bearing responsibility. Supply chain management is constantly changing and there is growing competition in Ukraine as well as worldwide. This requires a company to have its own tailored approach that can efficiently respond to market challenges. The development of complex system solutions and strategies is a challenge which I like to coordinate and I will combine all my knowledge and energy to achieve the best results in this area. Also, I believe it is important to extend the international aspects of my current job, so I hope in five years' time that I will be actively participating in major cross-border projects.”

9. What do you use as an agenda?

“I use two things: my physical diary, in which I write down details (not only appointments) for the coming day and at the end of the day I tick off the things that have been done, and on the computer I use Outlook appointments to remind me about key meetings.” ◀



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