

VALUE CHAIN after M.E Porter Competitive Advantage (1985)

How do we improve our logistics to maintain value to our customers?

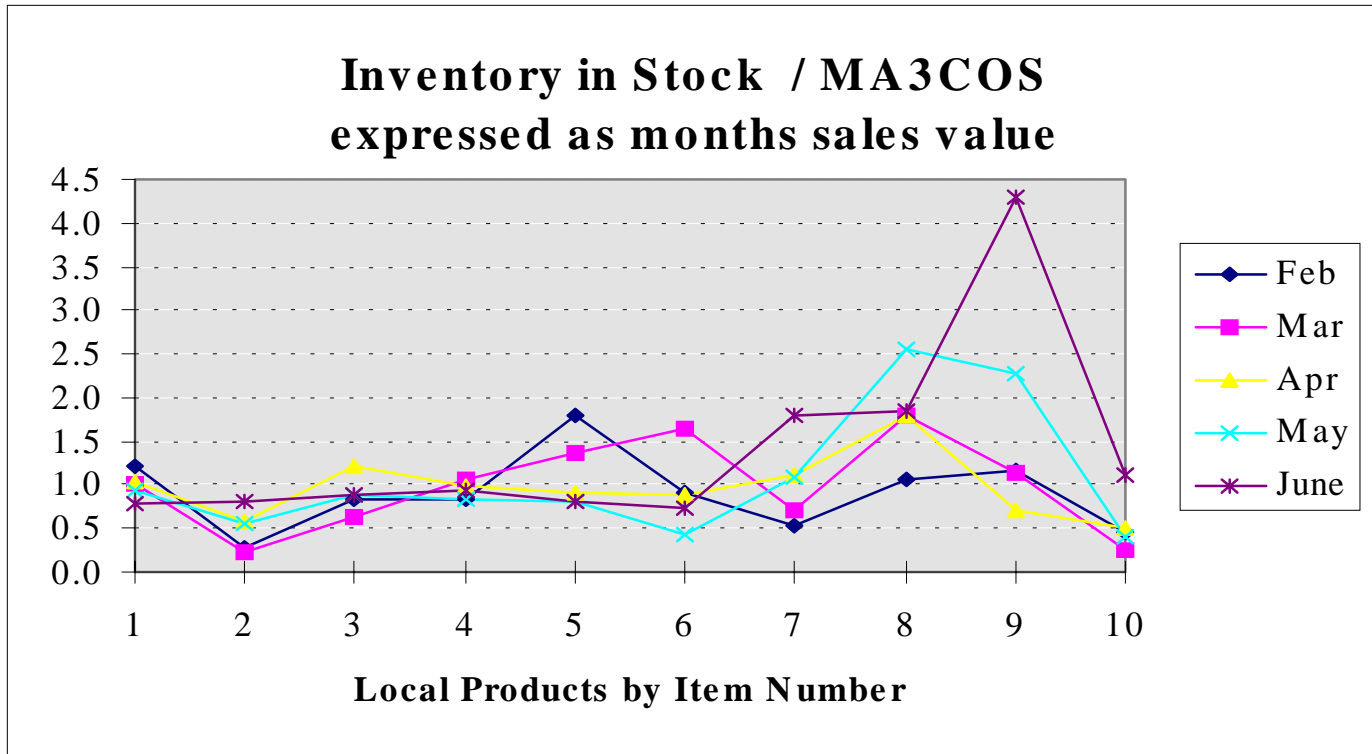
Logistics Issues

Current Performance Measures :

- IFOT
- Inventory Accuracy
- No clear understanding of basis for targets

Result :

- Unrealistic ?? inventories
- Variable service standards
- People in the process seem powerless to fix it

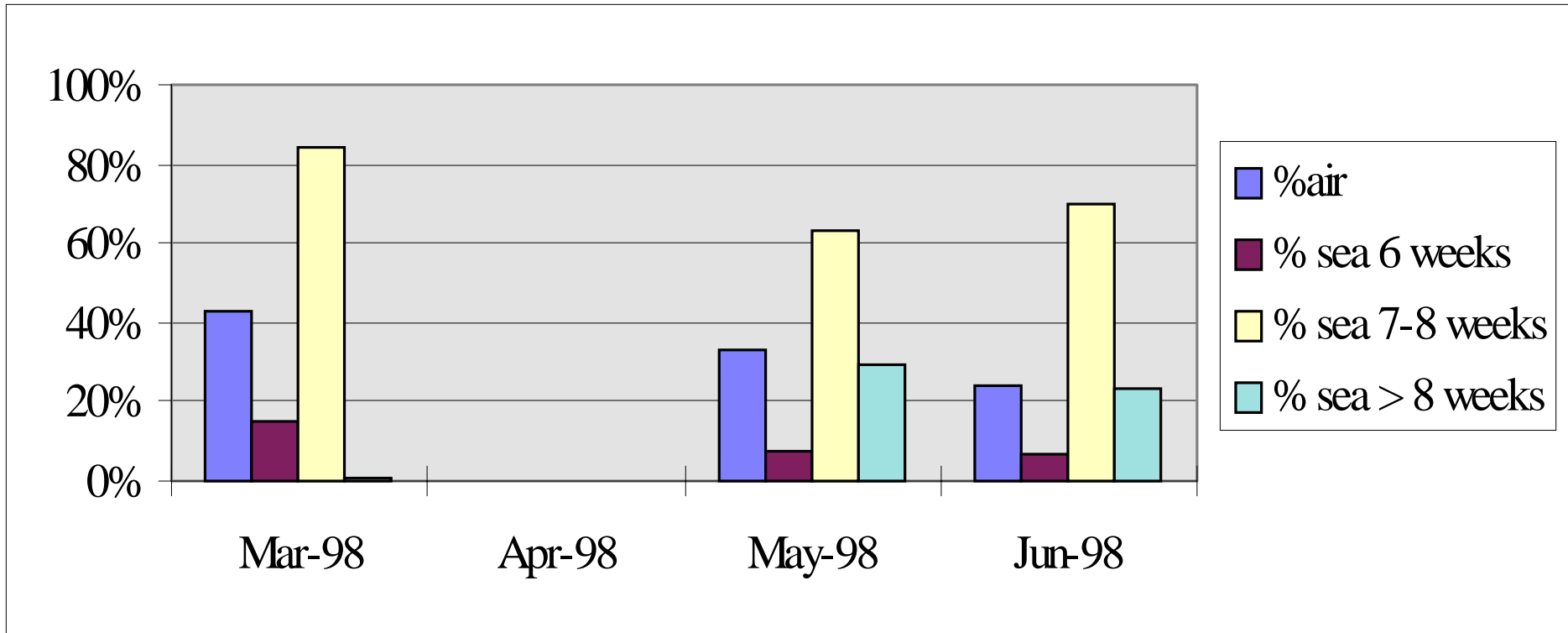


This was used by 1 company to evaluate actual inventory vs sales...

Is such a measure appropriate for your company?

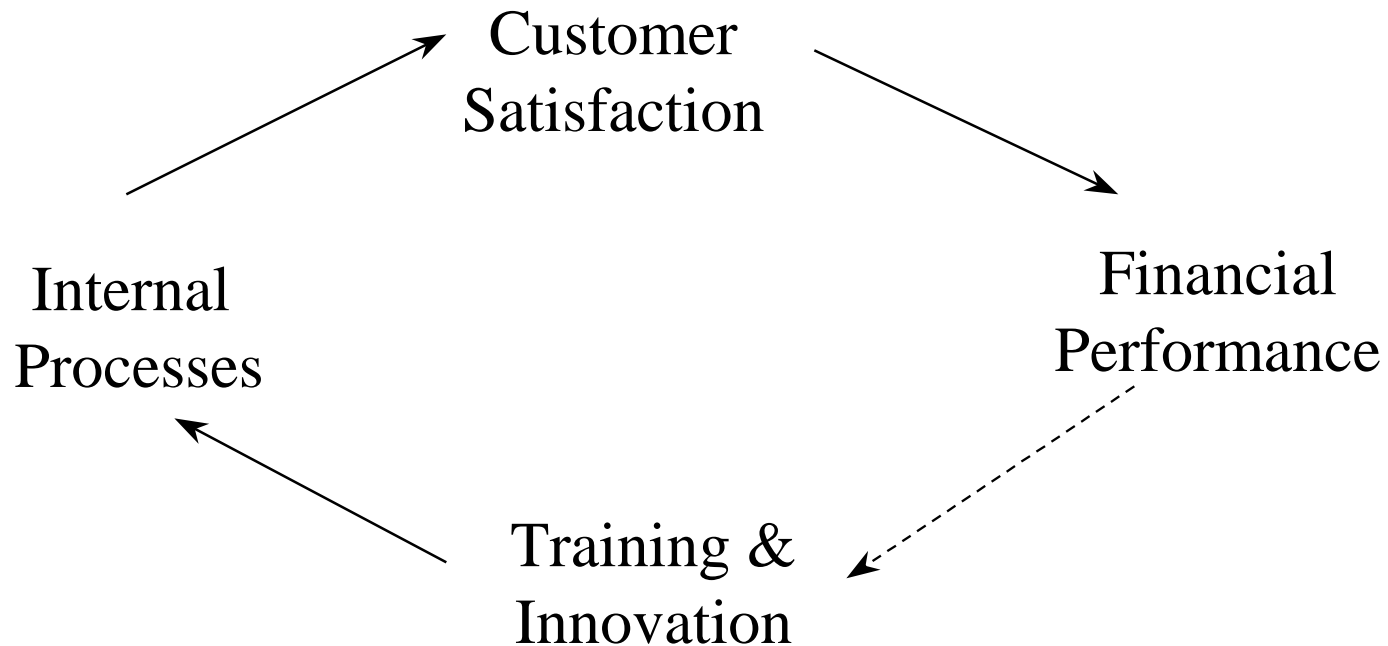
Why the peaks ? Are the levels adequate to supply yet low enough to finance ?

Transit Leadtimes: US - Australia (sea FCL)



Based upon 200 container movements & 300 air despatches US - Aust in 1998

Balanced Scorecard Approach



What are the most appropriate measurements in each area ?

Training & Innovation

How well do our supply chain people understand logistics processes?

How well do we understand tradeoffs?

- intrafunctional
- interfunctional
- interorganisational

How can we add value through using the most effective practices?

How well do we communicate information ?

Internal Processes

Do they add value ?

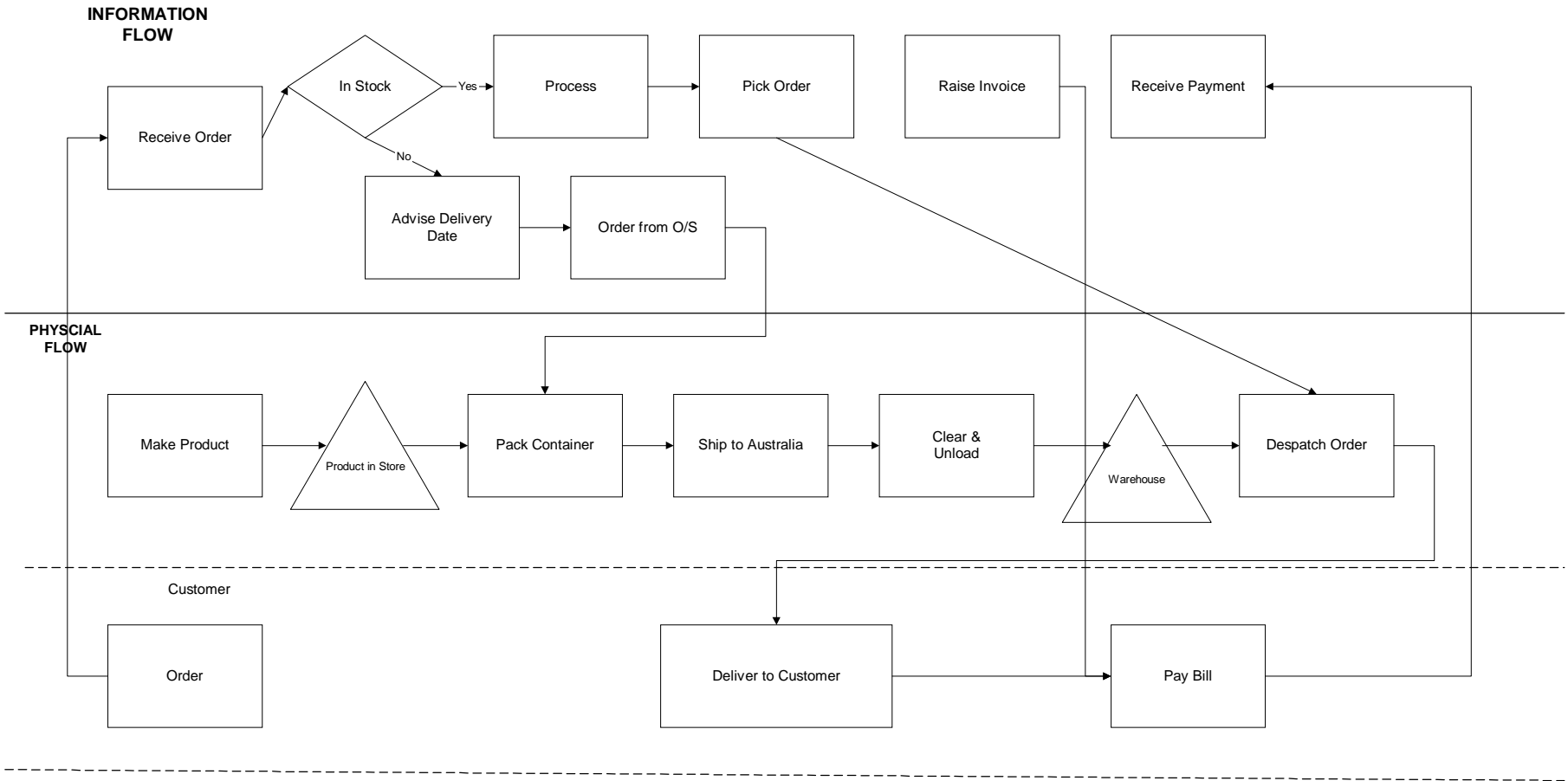
Are they variable ? How much ?

What are the priority causes of delays / mistakes ?

What are the priority sources of cost ?

How are the processes measured ?

Next slide is a flowchart for delivery of product



FLOWCHART (SIMPLIFIED) IMPORTED PRODUCTS

- KEY :**
- Dynamic Box : Process moves material or information along the Supply Chain.
 - Static Box : Material or information waits until requested to move.

Figure 1: Imported Product Supply Chain

Delivery Improvement & Inventory Reduction

- effective forecasting system
 - (systematic, includes the drivers of product consumption, eg customer's customers' activities, real need to stock)
- standardised transit times
- shorter transit times (lower priority than standardised)
- decision-making procedure for customer / product prioritisation
- decision-making procedure for air freight

Internal Processes

warehousing

- how much time does material spend in warehouses
- how much time is needed in warehouse
- direct ship 10 x 10 ? (top 10 products / customers
- virtual warehouse - how do we set up?
- what physical warehouse space is needed

an improved importation system will reduce
reliance on warehouses

Customer Satisfaction

why do customers buy our product

- function?
- cost?
- form?

what are our priorities

- form?
- revenue?
- function?

Is there a match between form & function ?

Customer Satisfaction

what keeps customers satisfied?

TQAA ?

(time quality availability accuracy) (LMAA Survey)

desired service level for

- strategic customers
- principal customers
- transactional customers

How can we pick up spot business without added cost

Customer Fulfillment

- right product on time
 - customer input to forecasting
 - EDI/extranet/internet linkup
- measure performance to agreed service level per customer
- measure product avail/cost at product level
- trading terms to minimise disruption; EFT

Do our internal processes help us deliver our customers' expected and unstated needs ?

Customer Input

- Customer and Product Profiles (top 20 start)
- distributor capability
- customer input to forecasting process (start with the easier industries)
- special product needs
- feedback on design of new processes
- structure of decision-making processes