PART TWO OF THREE

Ditch the Silos and Optimize the Supply Chain

For hose & coupling suppliers and the broader manufacturing sector, 2017 could be a stellar year for improving efficiencies and reducing costs. The reason? Supply chain optimization.

Few industries boast supply chains equal in complexity to those in the manufacturing sector, yet the industry as a whole has been slow to apply the power of data to daily operations. This leaves companies of all sizes poised to implement a timely and nearly fail-safe opportunity to achieve cost-savings and revenue growth.

By Jeff Eiben, Principal Owner, River Point Technology

Above the industry average in revenue growth and earnings before interest and taxes (EBIT).

Backed by facts

According to a Deloitte study[1] of 400 company executives, this highly coveted designation is achieved by approximately 75% of organizations deemed to have superior supply chain capabilities, as compared to fewer than 10% of companies whose supply chains are performing at less than an optimal level.

Based on those findings, it's a safe bet that an investment in a data-compliant IT architecture and supply chain optimization will be a winning decision in 2017.

Silos and stagnant data

Decision makers are most effective when they are equipped with a comprehensive

COLLECTING AND TRANSFORMING DATA

and accurate set of data. Access to sufficient data is not the problem. In fact, the sources seem limitless: orders, shipments, inventory, sales, invoicing, transportation, assets, downtime, staffing, salaries, and nearly every other aspect of daily operations. Unfortunately, many companies are operating in the realm of disjointed business systems, scattered data storage, and archaic recordkeeping.

Without a central repository, data trickles in from one departmental silo at a time. Some data will be lost along the way, and even more will arrive in a variety of formats that make unified reporting impossible. Plus, a percentage of the compiled data will be outdated before it ever reaches the desks of decision makers. This incomplete and stagnant picture does little to help companies evaluate their risks and opportunities.

Consolidation and real-time data

Consolidation immediately enhances the organization and security of data, but its value extends much further into the role of supply chain optimization. Instead of viewing one supply chain link independent of all others, data consolidation provides insight into how the performance of one link impacts the performance of others. A robust collection of data can be analyzed in multiple ways, so that every "if this, then that" scenario can be considered. In turn, this vast amount of business intelligence can contribute significantly to informed decisions, operational efficiencies, and enhanced fiscal management. This level of business intelligence is in itself a virtual return on investment.

Case in point

A $225 million packaging and labeling company relied on historical data to manage equipment maintenance and parts inventory. After investing in an IT architecture that delivers real-time data and reporting, the company began to leverage that data to drive cost reductions.

For years, the company had been purging information that would have provided valuable insight into facility-wide equipment repair and replacement. Once a real-time reporting

structure was implemented, patterns of inspection, repair, replacement and downtime became readily available. Within one year, the company realized cost savings in both asset replacement expenses and the cost of unscheduled downtime.

A second manufacturing company recognized their need to reduce the costs of scrapped production runs and wasted materials. By organizing and analyzing their massive data base, they were able to move away from batch reporting and rely instead on data delivered in sync with each stage of production. The resulting data-based conclusions allowed the company to reduce material waste by nearly 12%.

Strategic decisions

Data-driven analytics provide benefit well beyond maintenance and repair. When equipped with the facts, decision makers can answer questions that were previously in the gray areas of partial data and assumptions, including:

• Are we getting a better price from some vendors than others?
• Are we taking advantage of volume discounts?
• Are we using analytics to negotiate optimum pricing?
• If we adjusted our flow of production, could we reduce lead time and costs?
• How are sales in comparison to forecasts?
• By adjusting our delivery schedules, can we reduce manpower and related costs?
• Will additional data help us more effectively manage inventory levels?
• Are we efficient in managing returns, disposal, recycling and sales fulfillment?
• What supply chain improvements will reduce downtime?

Data-driven communications

One interesting but less recognized benefit of real-time data is its ability to improve communications among employees and departments. Better communication, in turn, improves accountability, responsiveness, and risk management.

For example, real-time data can be used to trigger an immediate notifi-

cation to everyone along the supply chain, whether that communication is about a change in delivery schedule, a production mishap, or an order change. Every team then has an opportunity to adapt accordingly to avoid the potential of interrupted operations. When consistent, these real-time notifications and "on-the-spot" adjustments can contribute significantly to improved efficiencies and cost reductions.

When it comes time to squeeze a little more productivity and savings out of your business, supply chain optimi-

zation will again become a topic of discussion. No doubt you have made changes until it seems there is nothing left to squeeze.

Good news, though. The evolution of real-time data and modern IT architecture has brought a solution into reach. That solution, supply chain optimization, can deliver exceptional value across every aspect of your business.

[1] Deloitte Supply Chain Leadership: Innovation, Collaboration, and Talent Alignment; https://www2.deloitte.com/us/en/pages/operations/articles/supply-chain-leadership.html

Keeping Up with IT Lingo

New tech terms keep popping up to describe advances in technology. The terms and the technologies they define are all important to your business strategy, but keeping up with the lingo can be a real challenge. Following are a few of the most common terms:

Internet of Things (IoT) and Big Data are synonymous; both are based on the premise that virtually everything will one day be connected to the Internet. For your business, that means more and more data to manage.

Data Explosion is similar to IoT; it is another way of referencing the rapid increase of information and the potential data overload that could eventually hinder your business operations.

Data 360° goes beyond a point-in-time, rearview-mirror view of data. Data 360° means that you are always looking at a simultaneous view of multiple sources of data, which gives you great perspective and brings you one step closer to predictive analysis and more informed decision making.

Cloud Computing works a little like electricity. Cloud computing gives you all of the data storage space you need, as you need it. This means that you don't have to continually absorb the cost of growing your in-house data storage or risk the loss of information.

Evergreen Storage refers to "forever" storage that grows with your company's needs.

Disruptive Innovation refers to the adoption of new technologies that change the way you do business. Companies that engage in disruptive innovation take advantage of technology to advance their businesses with creative and more efficient processes.

Data Breaches occur when an unauthorized person gains access to confidential information. Data breaches pose significant liability for your business in terms of cost, reputation, and business sustainability.

ABOUT THE AUTHOR

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