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CUSTOMER FOCUSED SUPPLY CHAIN STRATEGIES

Presented by:

Martin Bailey, Managing Director



INDUSTRIAL LOGISTIC SYSTEMS
(Pty) Ltd



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MOST ORGANISATIONS SEE SUPPLY CHAINS AS A PAIN:

- Not core business
- Does not drive sales / market share
- Easy to outsource
- Adds cost not value

“Many companies dismiss SCM solutions as it is irrelevant to their business needs because they don’t realise that the key to competitive advantage lies within managing the supply chain. Instead, companies often believe success is tied to product design or the ability to sell. Changing this mindset is the first hurdle in the SCM plan”,



Jim Kilpatrick, Deloitte Consulting



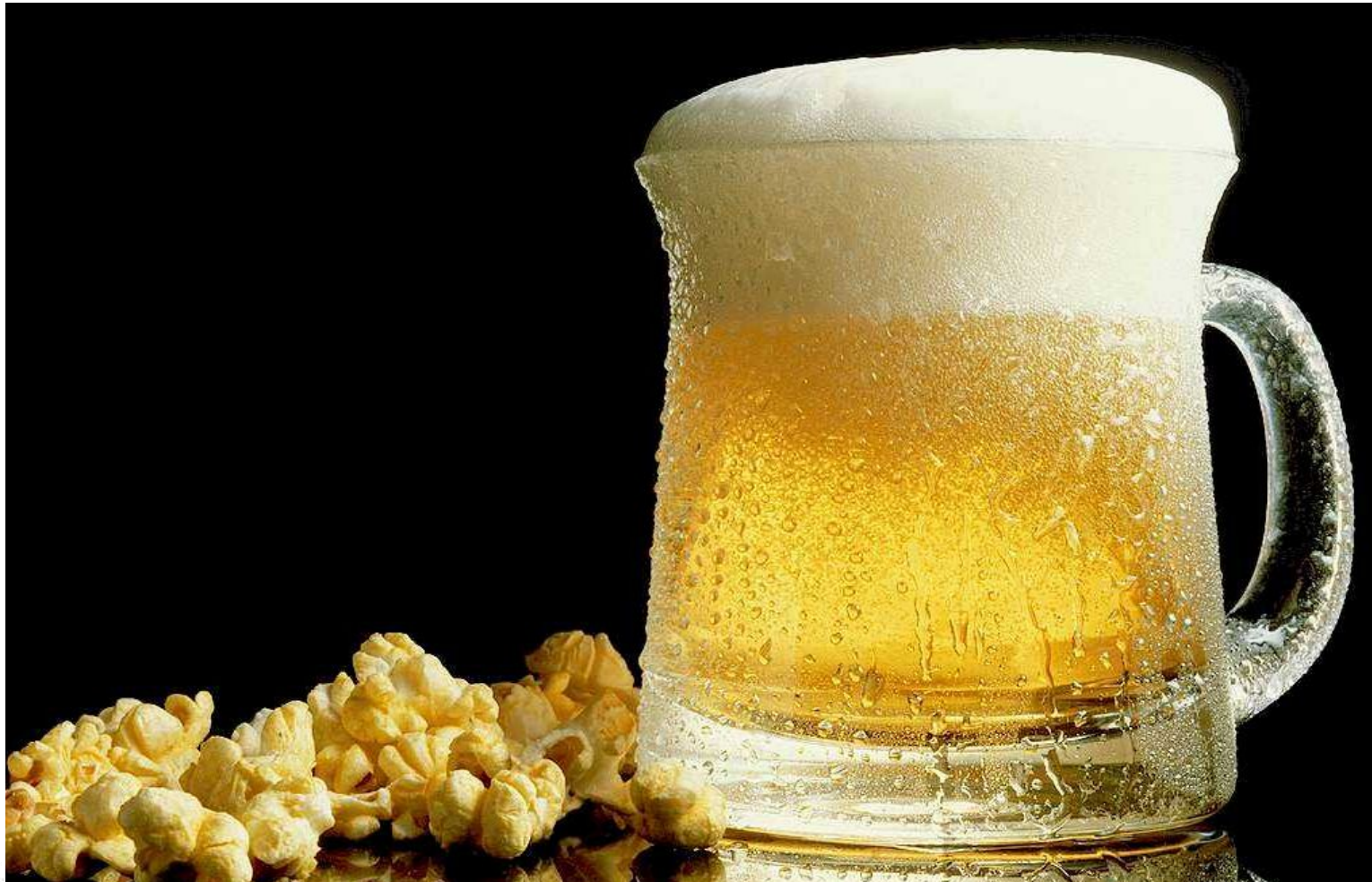
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MOST GOVERNMENTS SEE SUPPLY CHAINS AS A PAIN:

- Not core country needs
- Does not economy / votes
- Adds cost not value

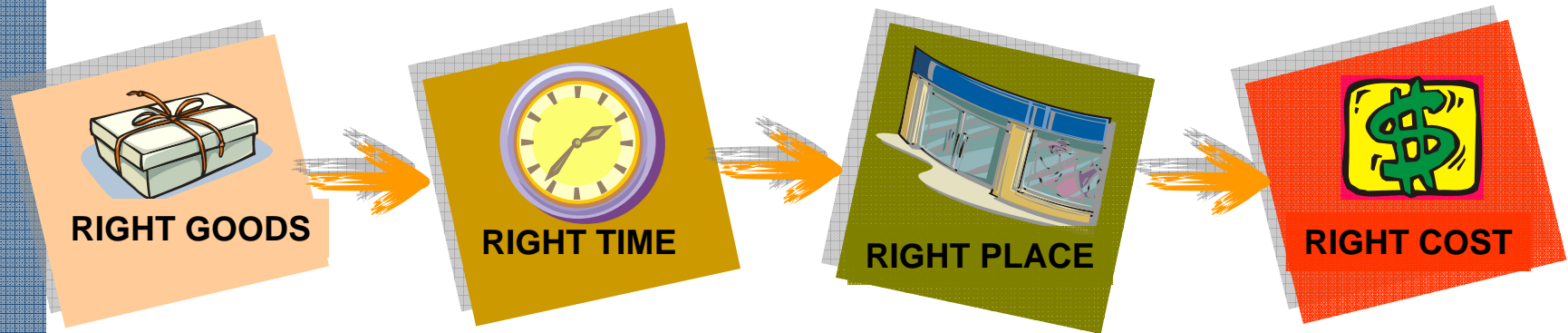


DOES IT ADD VALUE?



LETS ASSUME HAVING A GOOD SUPPLY CHAIN:

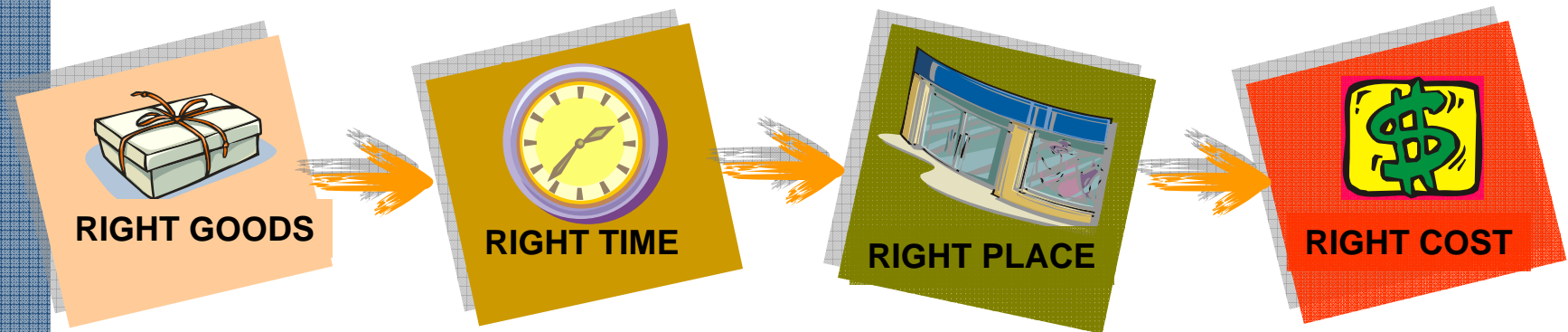
- Can increase market share
- Does drive sales
- Provides competitive edge
- Is core business



A world class supply chain?

FOR COUNTRY - HAVING A GOOD SUPPLY CHAIN

- Can decrease total cost to economy
- Can make country more competitive
- Provides competitive edge
- Is core business of country



A world class supply chain?

CUSTOMER SERVICE FOCUSED SUPPLY CHAINS

This presentation is all about:

- **Case studies – on customer focused supply chains**
- **How to achieve customer service focused supply chains**
- **Where world class business is going?**



***Customer Focused Supply Chain
CASE STUDY***

Reference: B Knichel

CUSTOMER FOCUS

- Measuring REAL customer satisfaction
- Availability



CUSTOMER FOCUS

- Measuring REAL customer satisfaction
- Availability
- Range



Customer Focus - Availability

- **Traditional methods**
 - DC or vendor to store service level
 - Store out of stock 'walks'
 - Systemised lost sales calculation
- **New Methods**
 - Online shop
 - 'Could you buy everything you wanted?'

CUSTOMER FOCUS - Availability

- **Traditional methods**
 - DC or vendor to store service level: **98%**
 - Store out of stock 'walks': **97%**
 - Systemised lost sales calculation: **96.5%**
- **New Methods**
 - Online shop
 - 'Could you buy everything you wanted?'



CUSTOMER FOCUS - Availability

- **Traditional methods**
 - DC or vendor to store service level: 98%
 - Store out of stock 'walks': 97%
 - Systemised lost sales calculation: 96.5%
- **New Methods**
 - Online shop: 92%
 - 'Could you buy everything you wanted?'



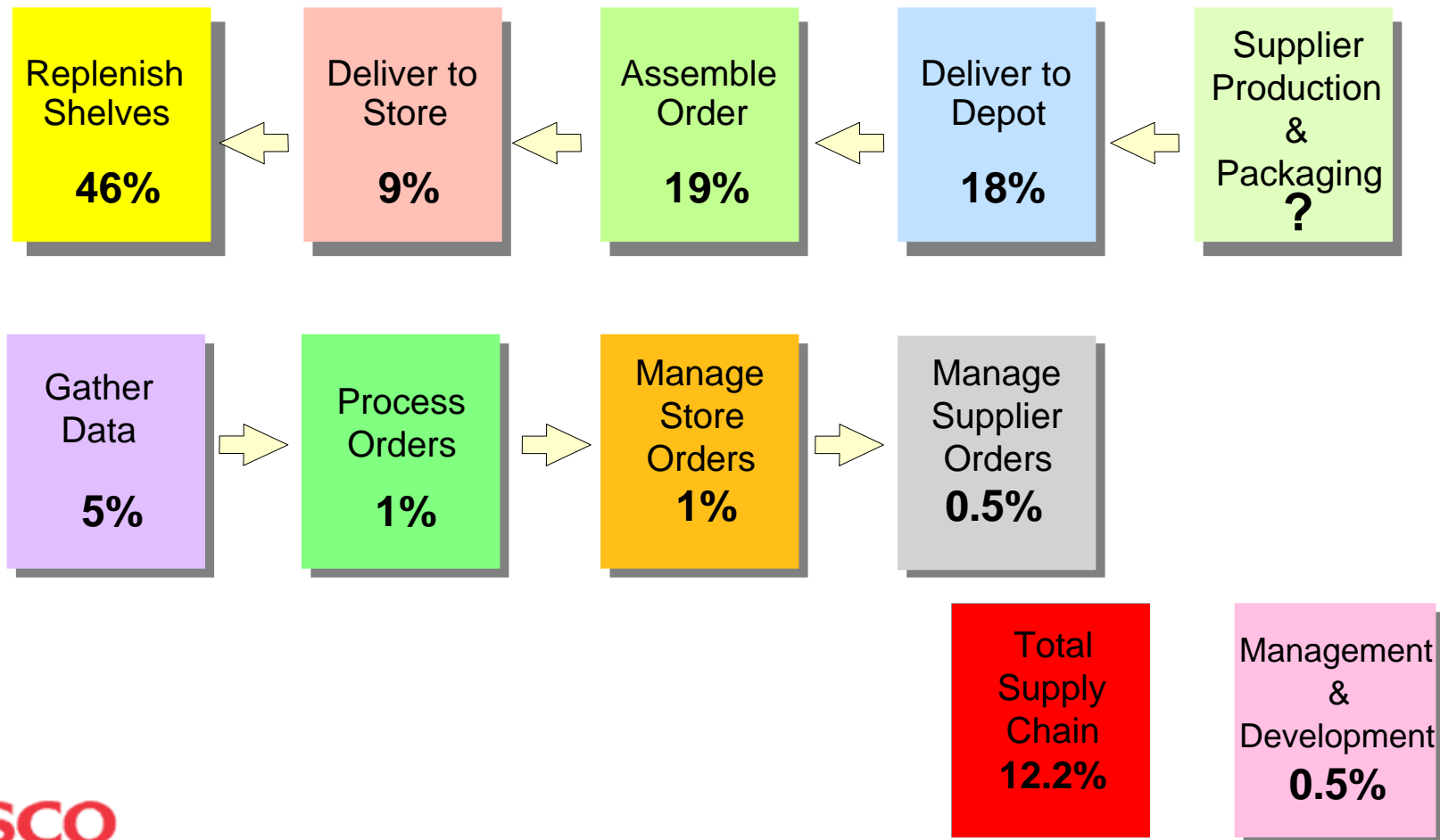
CUSTOMER FOCUS - Availability

- **Traditional methods**
 - DC or vendor to store service level: 98%
 - Store out of stock 'walks': 97%
 - Systemised lost sales calculation: 96.5%
- **New Methods**
 - Online shop: 92%
 - 'Could you buy everything you wanted?': 75%

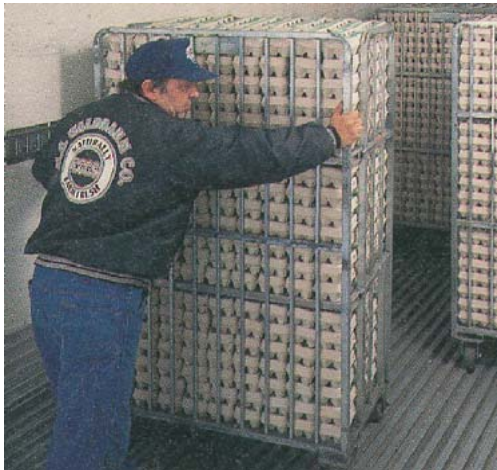
HOW DID THEY FIX THIS?

- Total focus on customer
- Continuous customer surveys
- Implement customer corrective action (e.g. more tills, pleasant cashiers, better supply chain for fresher product, better supply chain for more range, better supply chain for more non-foods etc)

In 1996 Tesco took a different look at supply chain management



So what did they do



HOW DID THEY FIX THIS?



Less Touches



Less Touches



Least Touches



Least touches



Least Touches



PRELIMINARY STATEMENT OF RESULTS 2005

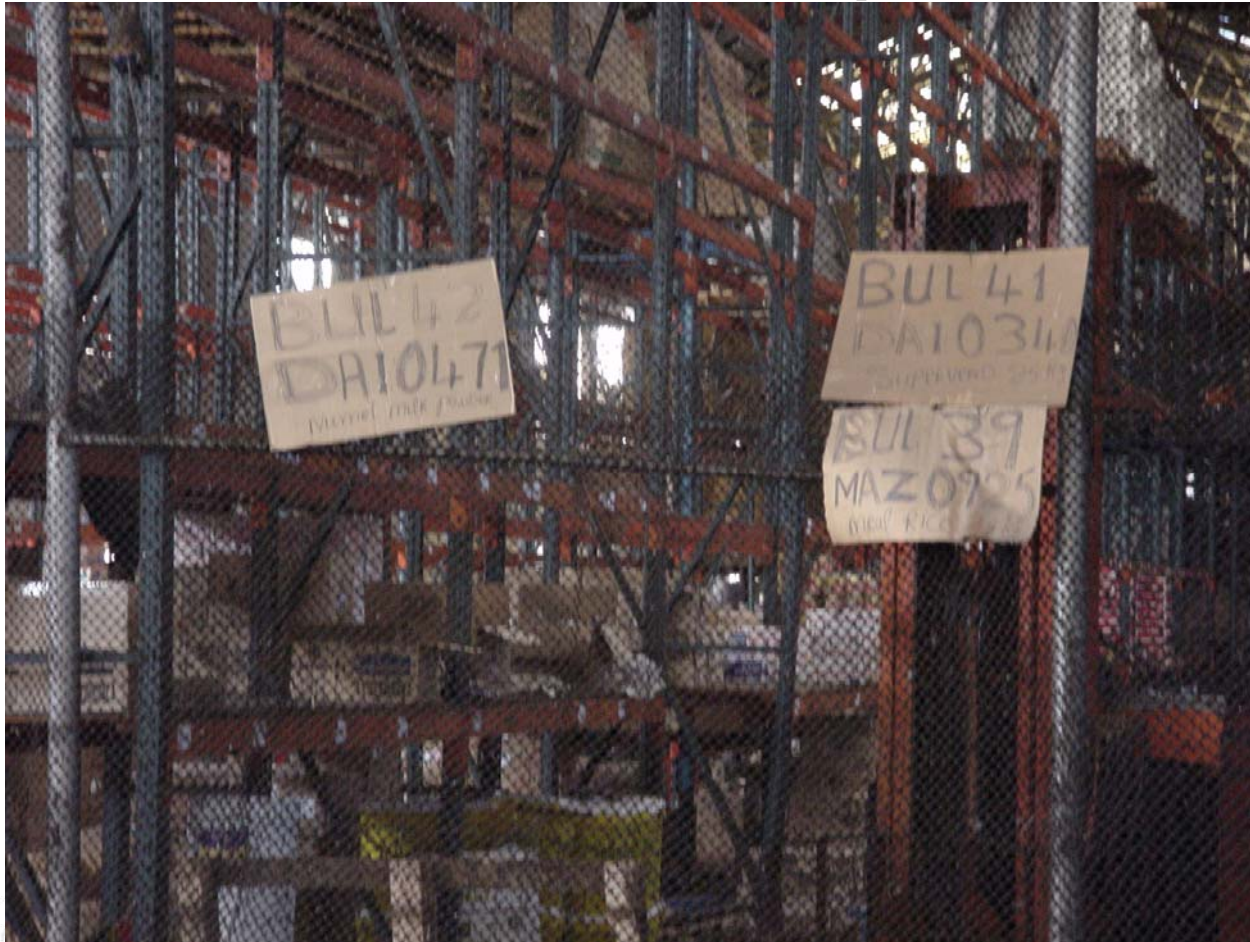
Tesco profits break through £2bn

Overseas expansion and non-food lines have boosted sales
Supermarket giant Tesco has become the first UK retailer to unveil annual profits of more than £2bn.

The UK's biggest supermarket chain posted underlying pre-tax profits of £2.03bn (\$3.83bn), up 20.5% on 2004.



A few local examples



Technology Options



Pick into rolltainer & move to dispatch

Technology Options



If you use rolltainers you don't need cages



Technology Options



Traditional unload method

Technology Options



Tail lifts used throughout the world for many industries

Once in the trade, use can be made of tail lifts to unload rolltainers



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Lots Touches



Lots People



PERCEPTIONS OF SERVICE

**CAREFUL – DIFFERENT PEOPLE HAVE
DIFFERENT PERCEPTIONS
OF SERVICE:**

EXAMPLE:

SA SURVEY – RETAIL INDUSTRY

- 1. Want to be treated with respect**
- 2. Want availability**
- 3. Price**



PERCEIVED SERVICE LEVEL

Examples – South Africa:

Organisation	Their measurement of service	Customers measurement of service level
FMCG Supplier in RSA	92%	68%

How to measure actual service levels:

- Number items dispatch on time in full?
- Shelf fill level at customer?
- Final consumers perception of service level?

Service is not fill level from warehouse: Example:



Warehouse service level

- 99.999% service
- Maximum 30 min from order dispatched
 - To courier (average 18 min)

But

- Up to 24-hours to enter order
- Up to 24-hours to approve credit
- Up to 24 hours to assign phones
- Availability new phones often low

Real service level
Delivery in full on time from customer first contact

Lowest cost is not necessarily the Best



We think we have the lowest cost supply chain

Example:
▪ **Clothing Retailer**

- **Warehouse / DC in Cape Town**
65% of customers in Gauteng

But:

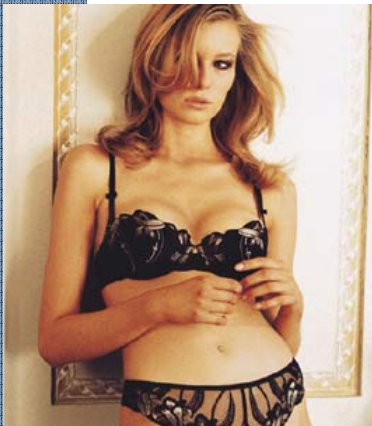
- **Cross dock facilities in Durban & Gauteng**
 - **Fixed route deliveries**

Low frequency delivery and distant supply leads to:

- **Long lead time**
- **High back end stock rooms**
- **Difficulty in reverse logistics**
- **Lots of stock outs**
- **Inability to do intelligent 1 for 1 replacement**
- **Off site stock rooms**
- **Minimal special orders from customers**
- **Unhappy stores**
- **Less happy customer**

M&S SERVICE LEVELS

When you stop being customer focused.....



AVAILABILITY IN SA?

Often Poor

- No understanding of total supply chain
- Manufacturers are driven by costs
- Manufacturers are driven by manufacturing
- Lack of service level agreements
 - Internal
 - External



REAL VALUE CUSTOMER SERVICE IS ALL ABOUT:

TRADITIONAL WISDOM	CUSTOMER FOCUSED WISDOM
✦ Quicker delivery	✦ Speed and reliability from demand to customer
✦ Lowest cost	✦ Appropriate cost
✦ High service levels	✦ High availability
✦ Focus on customer	✦ Focus on consumer
✦ Push systems	✦ Pull system
✦ Continual special offers	✦ Every day low prices
✦ Internal needs come first	✦ Customer needs come first

MYTHS:

- Outsourcing will improve customer service
- Balanced scorecards / benchmarking will increase customer service
- Customer service can be achieved without spending on people and facility resources
- Less / more inventory will improve customer service
- EDI, e-logistics, e-data, e-business will improve customer service

CORE NEEDS FOR AN EFFICIENT SUPPLY CHAIN STRATEGY:

- Intelligent business strategy
- Treat total supply chain to end user
- Appropriate infrastructures (facilities, kit and transport, IT, etc)
- People resources
- Customer focused strategy

WAYS THAT WILL IMPROVE SERVICE:

- **Understand what your customers wants**
- **Make sure it is not what you think he wants (or want him to want)**
- **Decide to what level you will satisfy these wants**
- **Integrate this into a logical business plan**
- **Set up a supply chain strategy to meet business plan**
- **Set up logical supply channels to market**
- **Set up resources to meet supply chain strategy**
- **Always see big picture – not components**

RESOURCES TO MEET SUPPLY CHAIN NEEDS:

- **Forecasting**
- **Inventory strategy**
- **Production / procurement planning**
- **Inbound strategy and resources**
- **Storage strategy and resources**
- **Picking, dispatch and transport strategies (outbound strategies)**
- **Delivery and merchandising strategies**
- **Payment strategies**
- **Physical and people resources**
- **3rd party resources**
- **Technology resources**
- **IT resources**



RESOURCES TO MEET SUPPLY CHAIN NEEDS:

- Not accepting bad decision making
- Not accepting less than world class
- Not accepting “we are different” to anybody else
- Not accepting stupidity
- Not accepting under funding



RESOURCES TO MEET SUPPLY CHAIN NEEDS:

- Not accepting bureaucracy
- Not accepting corruption
- Not accepting “it can’t be done”



CAN'T HAVE WORLD-CLASS SERVICE IF YOU CAN'T MEASURE / BENCHMARK



SILLY MEASUREMENTS = SILLY RESULTS

CONCLUSION

- **Most supply Chains are not customer focused**
- **Most supply chains “worry” about service but:**

Measure it badly

Are not prepared to spend money to improve

THE END

Real Customer Focus begins at the top. It can only happen with visible, passionate, relentless, commitment by all



A HAPPY CUSTOMER WILL COME BACK AND BUY MORE.