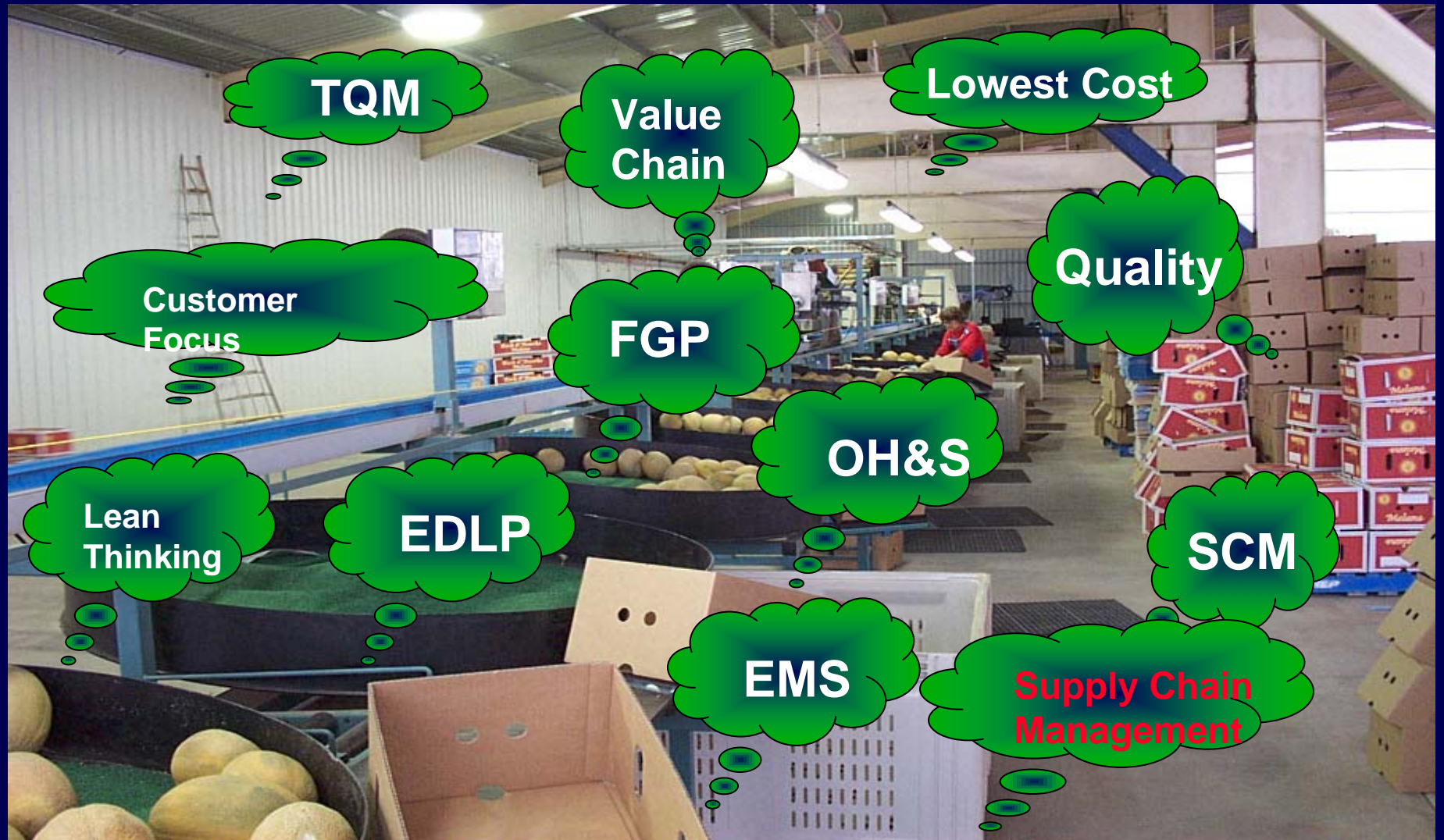


# Supply Chain Initiatives

David Hanlon

April 2004



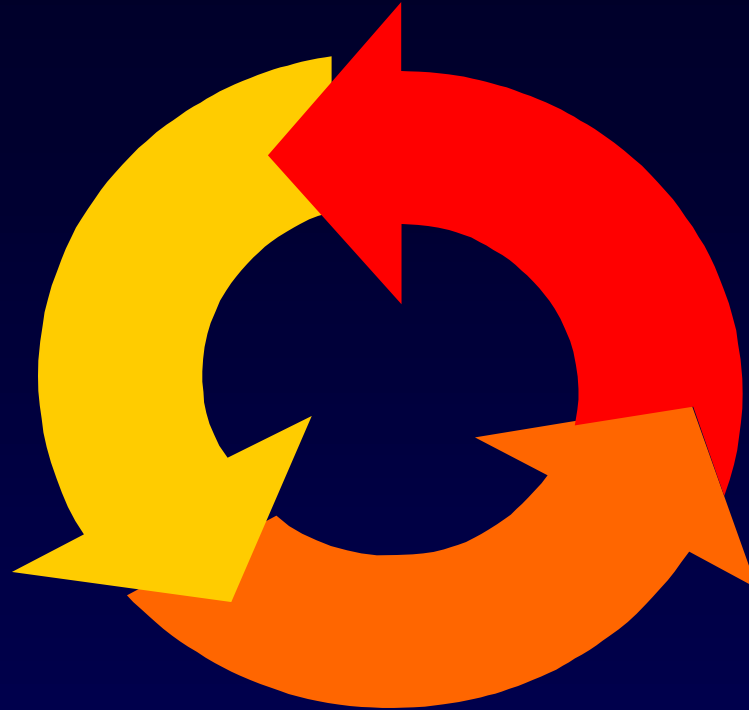


Another fad?

# Road map

## Tools:

- Benchmarking
- Lean
- Factory Gate Pricing



## Background:

- History
- Status

## Framework: ➤

Culture change  
Skilling  
Management

# Commodities -v- Products

## Commodity

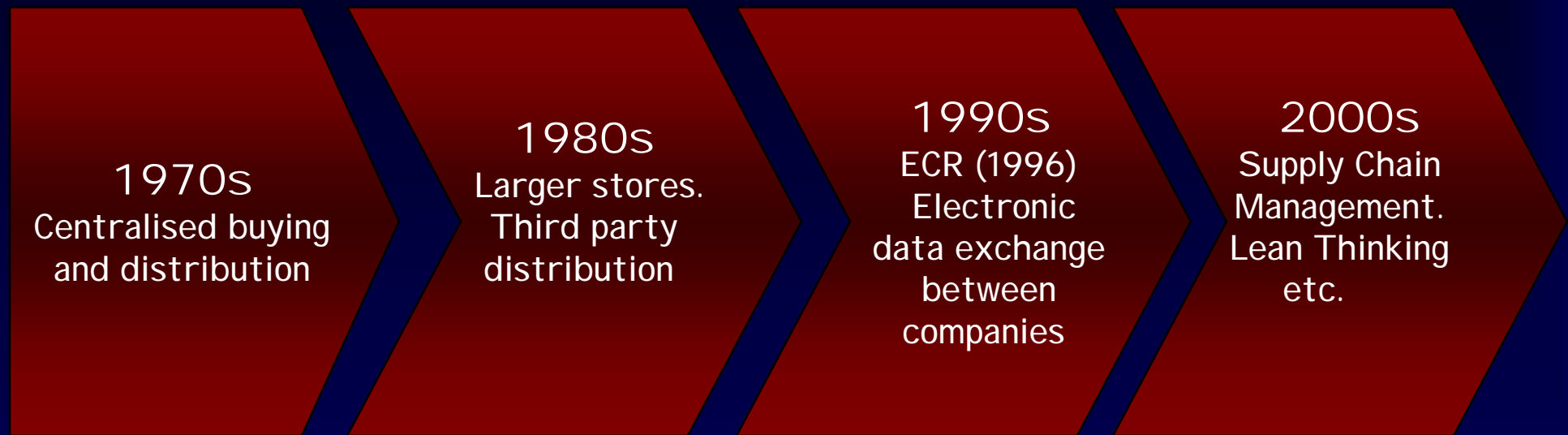
- No transformation
- Large quantities
- Readily available from a number of different producers
- Purchase is largely driven on price

## A product is differentiated on the basis of

- Physical;
- Service; and
- Symbolic

**Attributes that satisfies consumers wants and needs**

# Evolution of supply chain management



Supermarkets have driven the changes we are now experiencing in the marketing of fresh products worldwide.

# Supply chain drivers

**Definition:** “The planned, continuous improvement of **PROCESSES** and **RELATIONSHIPS** that exist to support the movement of goods and services through the physical chain”. (DIST, 1998).

This leads to.....

- Reduced uncertainty and risk
- Time savings
- Reduced costs
- Increase effectiveness
- Add value

.....But requires

- Continuous investment
- Volume growth
- Improvement of measurement and control of costs
- Innovation
- Good staff

Fearne and Hughes (1998)

**MANAGEMENT = Culture, Business structure**



**CHAIN EFFECTIVENESS**

Genetics

Producer

Transport

DC or  
Wholesaler

Transport

Retail  
DC

Customer

**CHAIN EFFICIENCY**



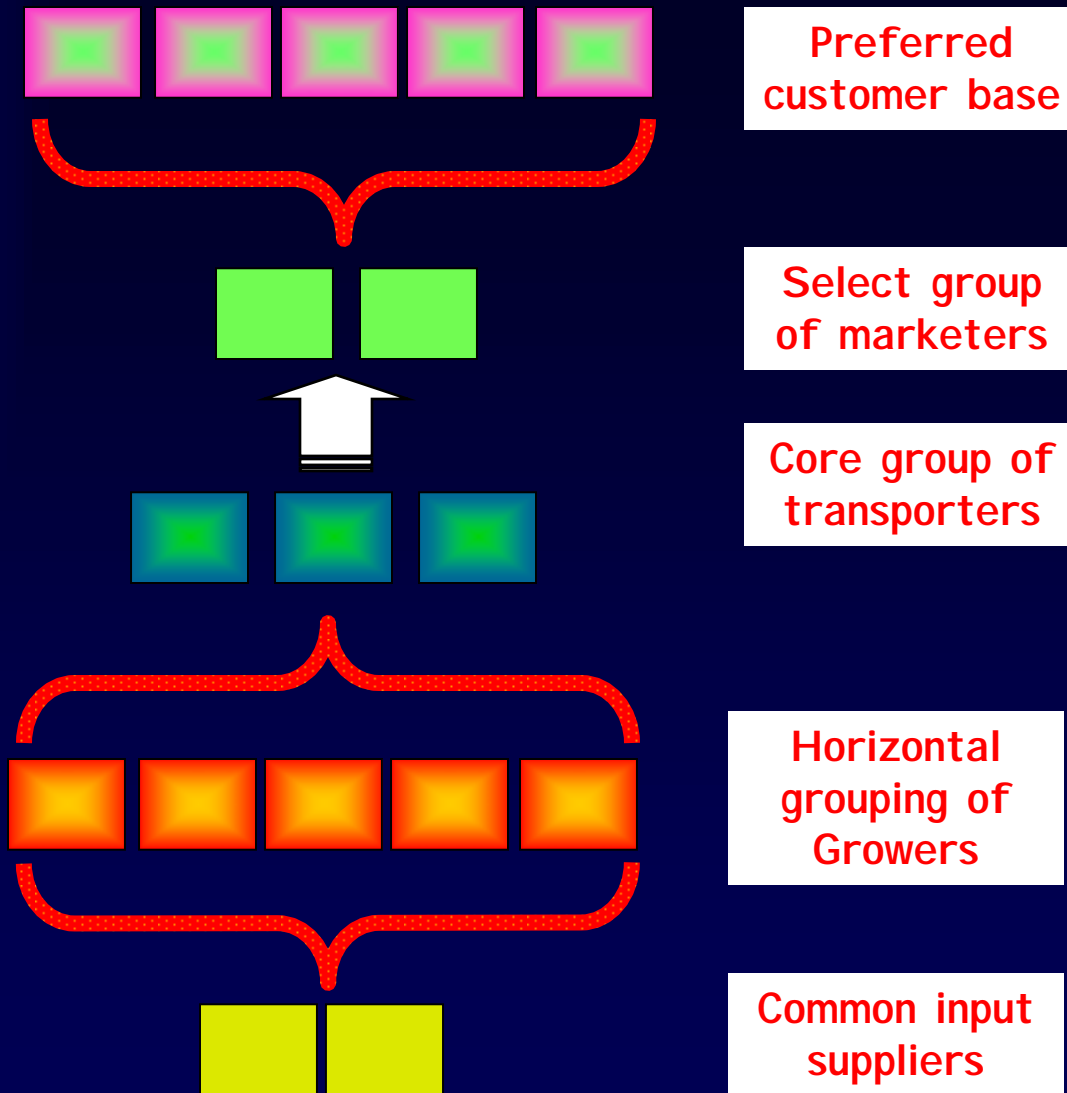
**LOGISTICS = Technology, Cost assessment**



# Supply or Value Chain?

Supply Chain Management	Value Chain Management
★ Taking costs out	★ Putting value in
★ Introverted	★ Customer focussed
★ Logistics productivity	★ Marketing productivity
★ Physical distribution	★ Information management
★ Benefits decline over time	★ Benefits can increase over time
★ Focus on the relationship structure	★ Focus on processes and learning
★ Relationship does not develop into an asset	★ Relationship develops into an asset

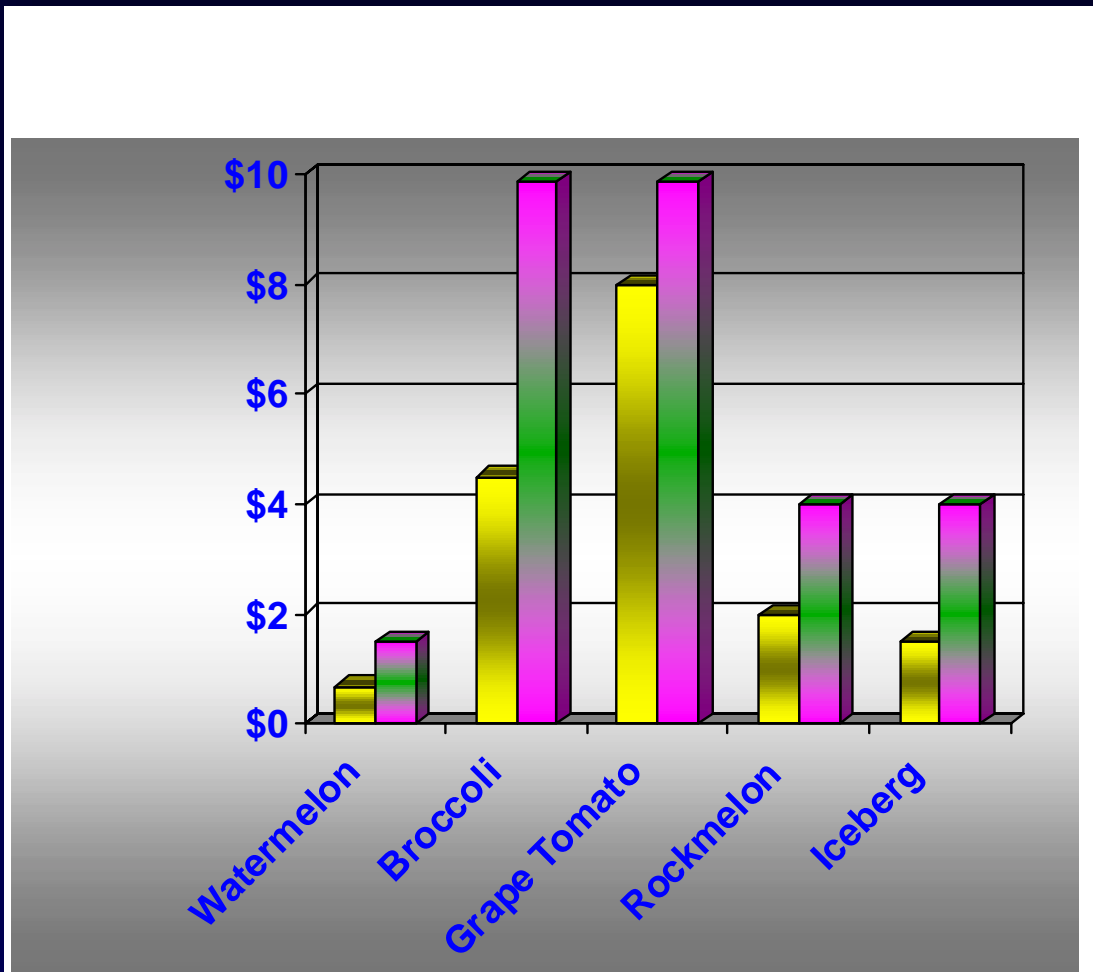
# Horizontal or Vertically aligned firms?



## Key issues

- ★ I identify value streams
- ★ Map the processes
- ★ Establish Business-to-Business relationship principles
- ★ I identify what horizontal associations within the value stream can be valued added
- ★ Determine the management structure for each value stream

# Chain benefits from innovation



Source: RCS

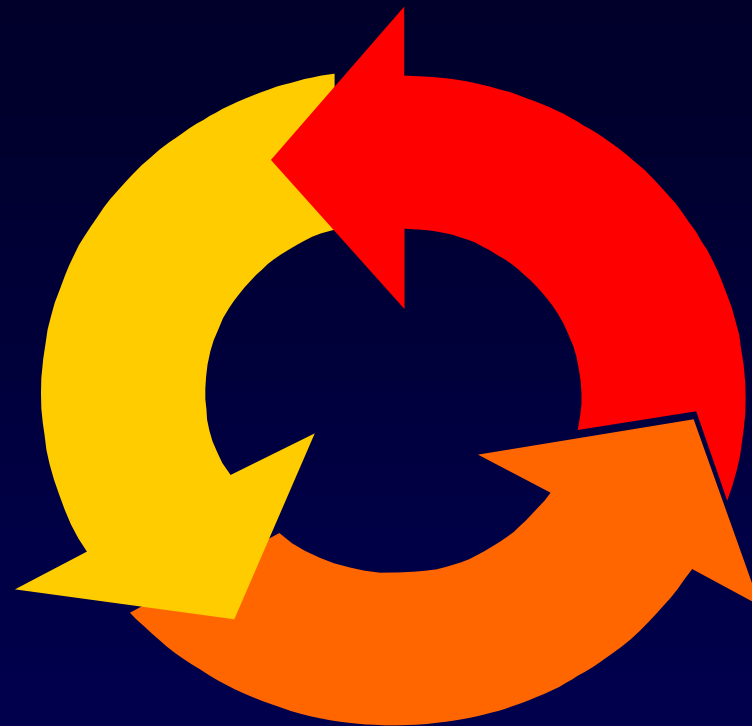
■ Commodity ■ Product

- **Genetics** – Supply chains have the purchasing or management power
- **Technology** – Taking the leading edge in development of NIR and other technological advances will be increasingly important
- **Service** – Ready prepared is one of the major areas where supply chains are taking the leading edge

# Road map

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Management

# Chain analysis – what we look for

## Inputs

- ✳ operational plans & deployment
- ✳ Information systems
- ✳ Technologies applied
- ✳ Performance reporting systems
- ✳ Workplace culture and leadership

## Outputs

- ✳ Service levels in functional areas
- ✳ Overall cost to provide that service



Source: Benchmarking success

# Chain analysis

## Where can we improve?



### Service

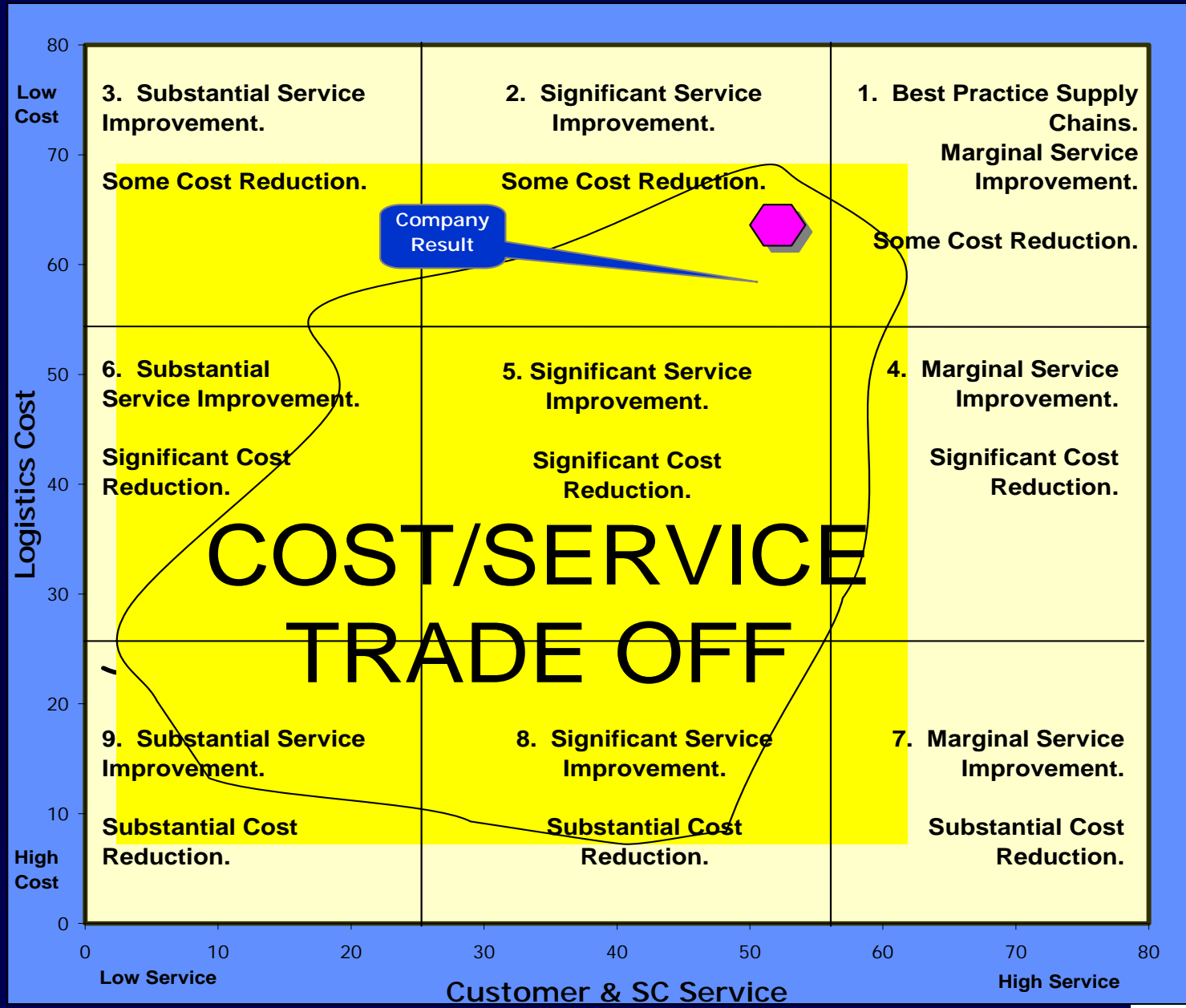
- ✳ Order entry accuracy
- ✳ Inventory availability
- ✳ Warehouse DIFOT - service level
- ✳ Carrier delivers IFOT
- ✳ Customer accepts order
- ✳ Accurate invoice - paid

### Cost

- ✳ Procurement
- ✳ Inventory management
- ✳ Inventory holding costs
- ✳ Warehousing
- ✳ Transport

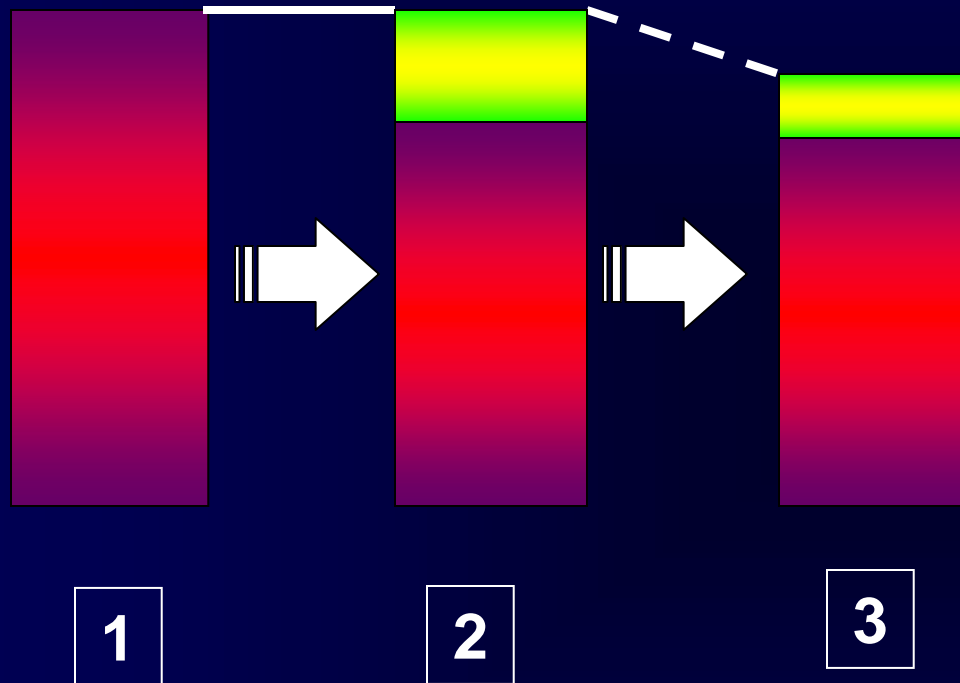
Source: Benchmarking success

# Final position of the firm



Source: Benchmarking success

# Factory Gate Pricing



## Driver

- ★ Retailer initiative to improve transport efficiencies in the supply chain

## Issues

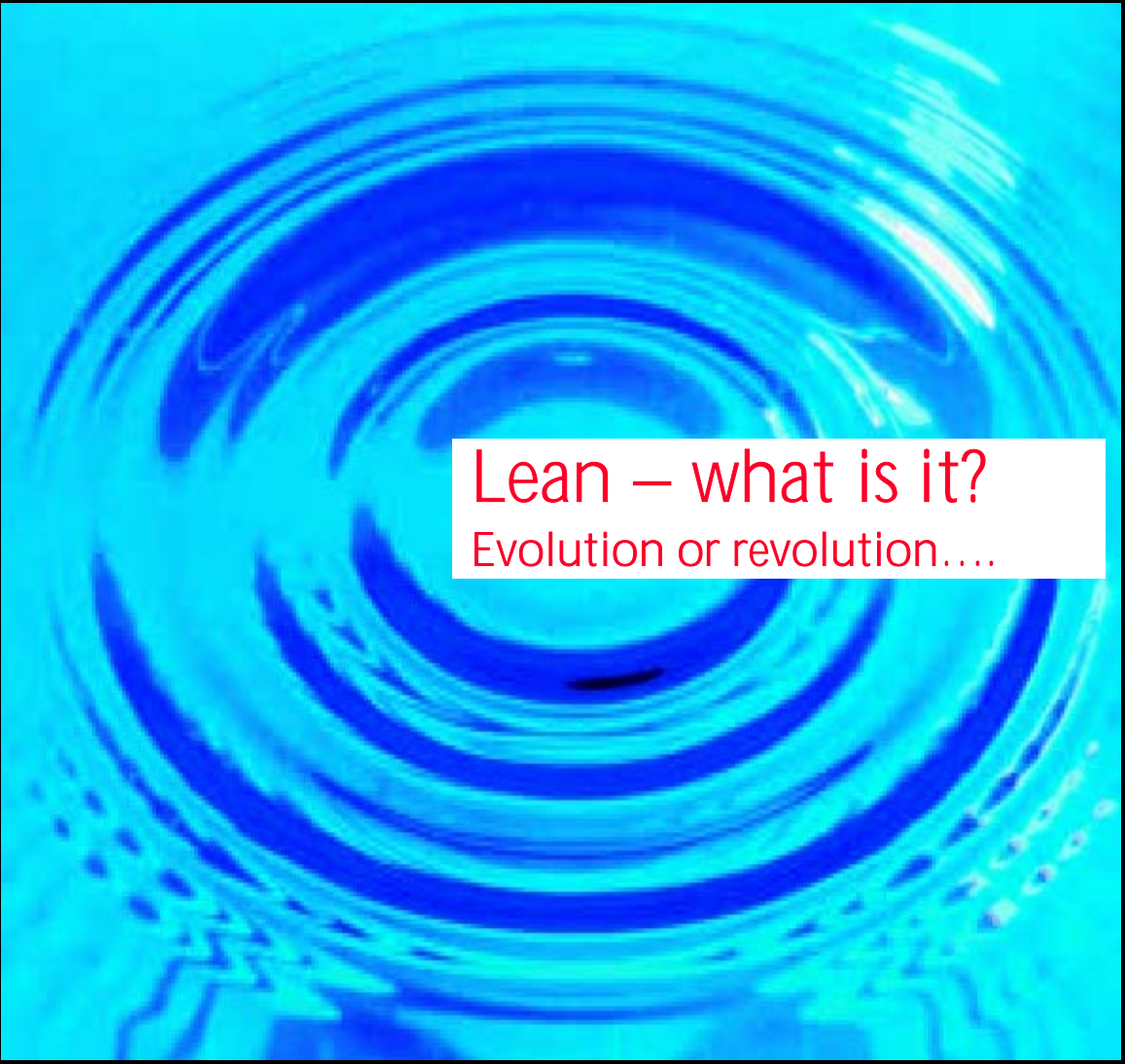
- ★ Retailers will squeeze product prices



Product Price



Transport Price



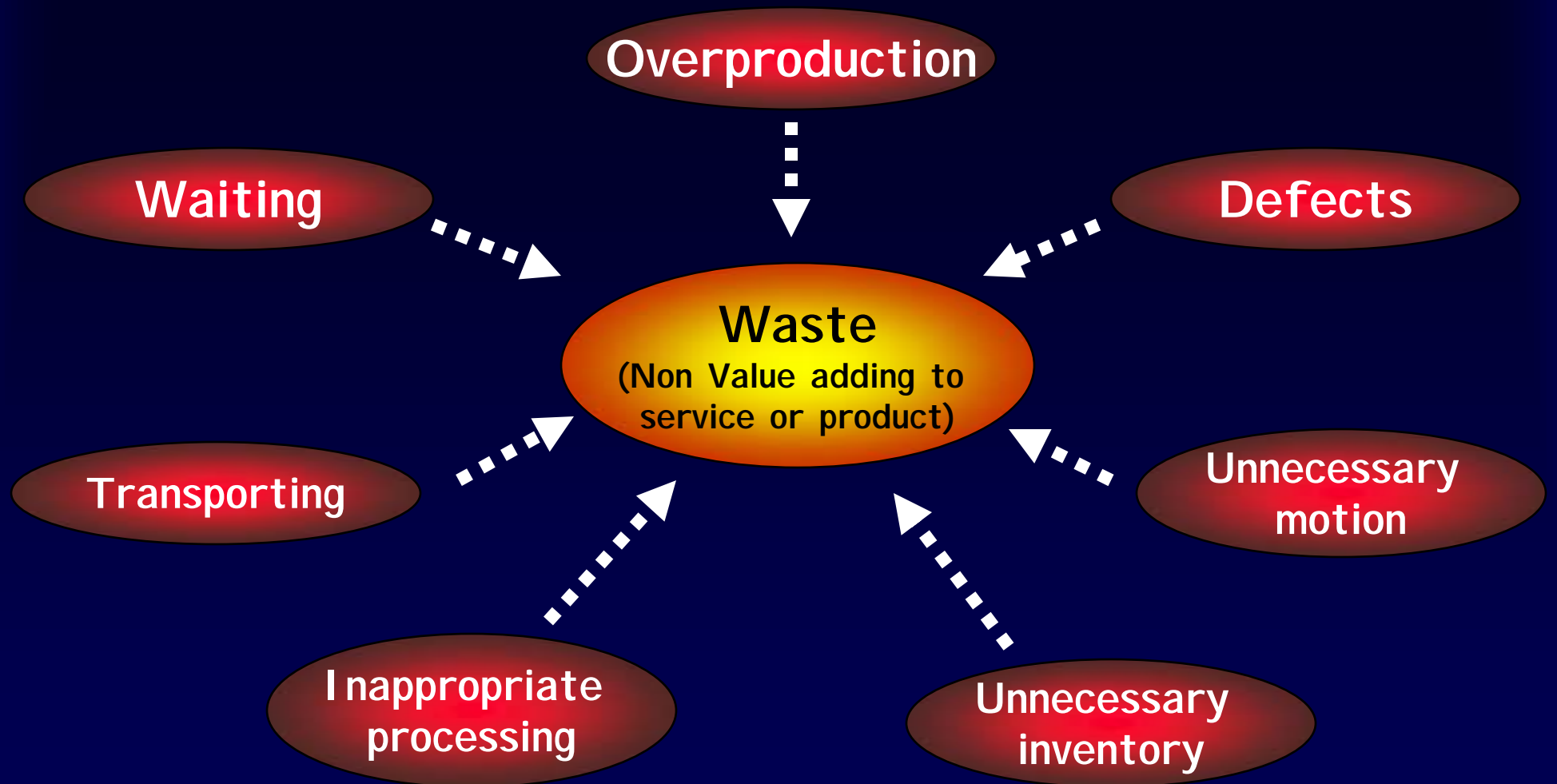
Lean – what is it?  
Evolution or revolution....

## Definitions

- ★ Lean production is the philosophy and practice of eliminating **WASTE** in all processes continuously
- ★ Lean performance is a management strategy that leverages the fundamental strengths of any business – the people and processes

(Carroll, 2002)

# "Muda" - the 7 Wastes



Prof Peter Hines, Lean Thinking Enterprise Research Centre (2003)

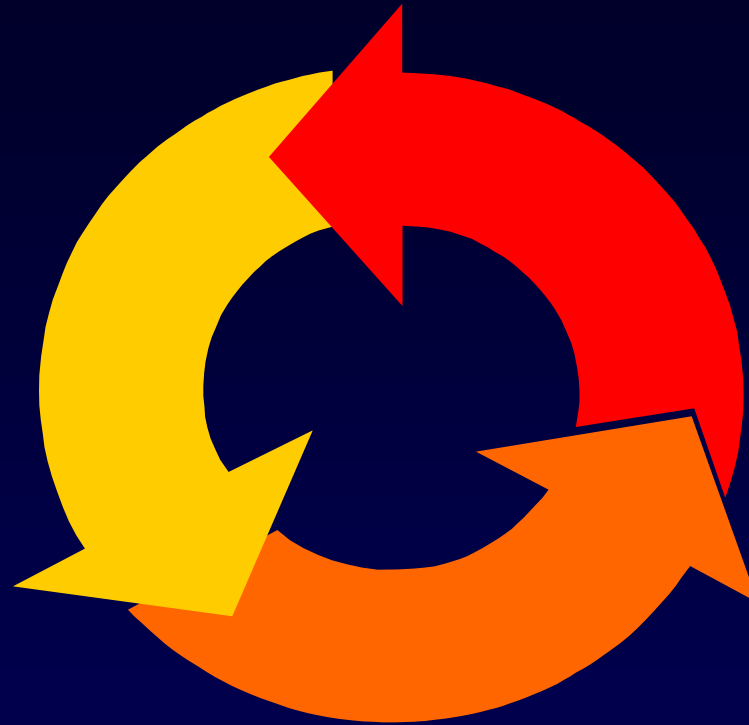
# Road map

## Tools:

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## Background:

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- Status



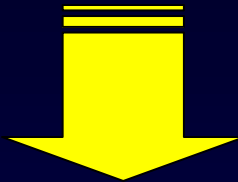
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Culture change  
Skilling  
Management

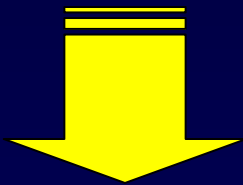


# What are the steps.....

Decision to progress

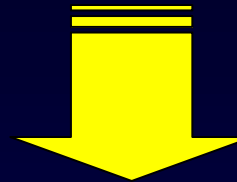


“Captains” of industry  
“Round Table”

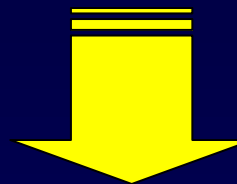


Implementation Framework  
*and*  
Key Stakeholder Skilling

No go NOT an option



Industry Leaders BUY IN



AGREED Framework and  
Appropriate  
CHANGE skills in place

# "Captain's of Industry" BUY IN .....

## *"Buy in" issues*

### Gain consensus on key issues:

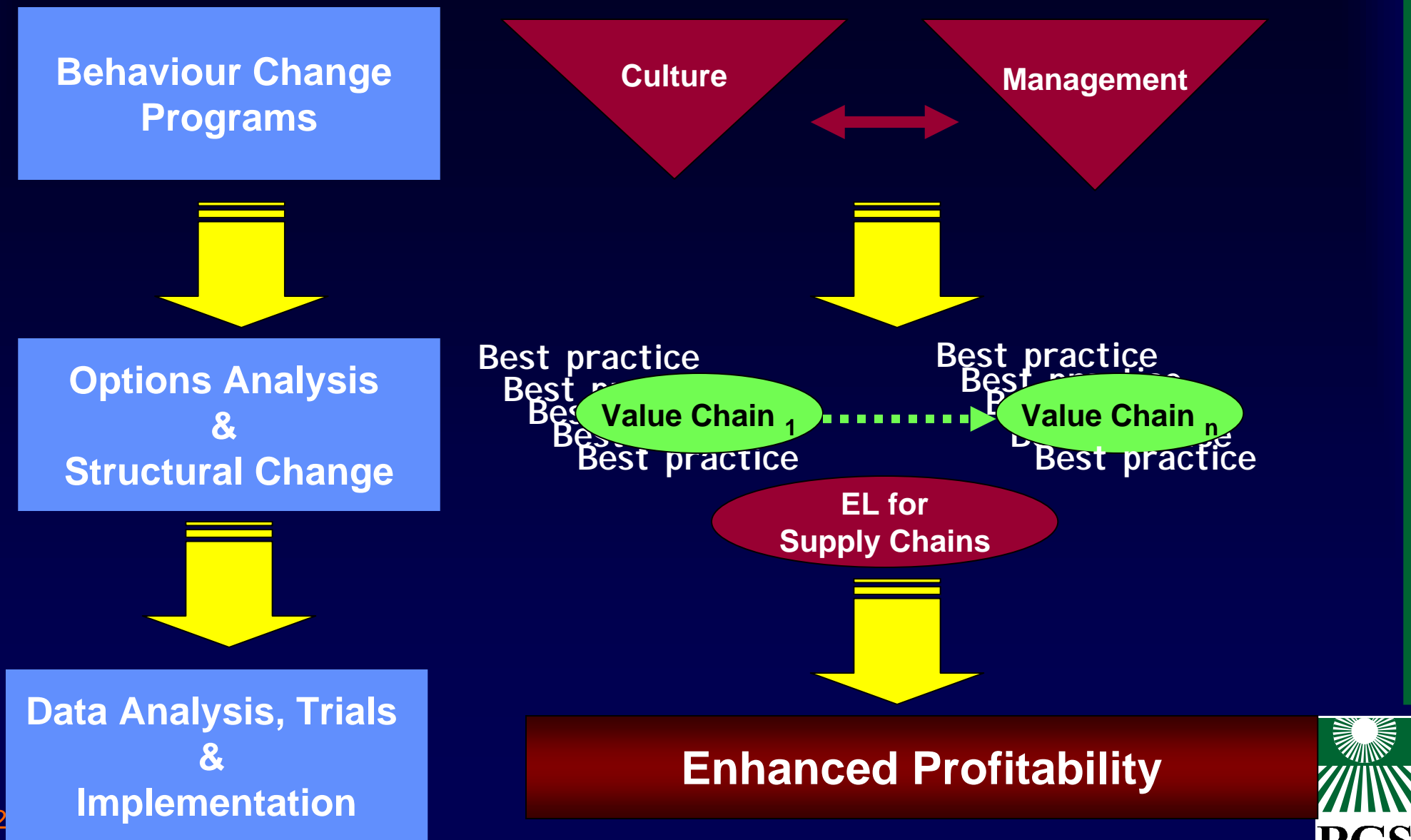
1. Industry benefits from adopting change not apparent
2. Benefits from change greater to others than to "my" stakeholder group
3. A lack of trust between the various stakeholder group

## *Critical success factors to address*

### Explore and seek consensus:

1. On consequences of **DOING NOTHING**
2. In generating options for each stakeholder group. They must be **REALISTIC**, and **MUTUALLY BENEFICIAL**, **OUTCOMES**
3. Trust is **EARNED**, not **GIVEN** and the progress towards achieving this target will determine how well the team is progressing towards this goal

# Implementation Framework and Stakeholder Skilling....



Best practice management in the supply chain offers potentially big gains...

### *What are the issues*

- ★ Wide range of performance with similar intrinsic
- ★ Best practices can be disseminated much better than at present
- ★ Overall management approach and performance across all practices is more important than individual practice areas
- ★ Growers cautious on adoption
- ★ Processes could be better managed to decrease commercial risk to growers
- ★ Incentive systems and logistics issues hinder good performance

### *Critical success factors to address*

- ★ How to enhance best-practice dissemination
- ★ How to enhance R&D adoption process
- ★ Develop new incentive system
- ★ Assess integrated logistics entity
- ★ Consider harvesting rationalisation and organisational structure
- ★ Consider whole of system approach

PROTECTION

(Minimisation)

= I

---

GENEROSITY

(Maximisation)

= We

As long as / am connected with the  
"WE", I will never miss out





Thankyou

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