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Contacts:

Erin Pate, Ruder-Finn

312-329-3977

patee@ruderfinn.com

CCMI Outlines Current State of Supply Chain Collaboration

Recommends strategies for focusing on underlying business processes and leveraging technology to reap substantial benefits

ALEXANDRIA, Va. (July 8, 2002) – According to Capital Consulting & Management Inc. (CCMI), a supply chain-focused consulting firm, the use of collaboration among supply chain partners remains limited for most companies today, but there is a wide range of technology and process improvement strategies manufacturers can deploy to drive improvements in costs, cycle times and customer satisfaction.

“To obtain the substantial benefits available from true collaboration, companies need to go far beyond the basic information-sharing activities that typically are being done today, said Scott Elliff, president of CCMI. “In terms of real bottom-line improvement, it’s much ado about not much, so far, since most supply chains continue to have substantial inefficiencies, redundant activities and a lack of true collaborative action.”

CCMI characterizes supply chain collaboration activity in three stages based on observations of its client base of small, mid-sized and large manufacturers across a wide variety of industries:

- Stage One: “Information Sharing” – providing access and visibility to short-term information such as order and shipping status
- Stage Two: “Coordinated Execution” – working together to react to supply and demand requirements and making changes in day-to-day activities to improve costs and service levels

- Stage Three: “Optimized Planning” – making joint decisions to maximize supply chain performance, profitability and customer satisfaction, including substantial changes in business practices

More than half of companies today are in Stage One: “Information Sharing.” While improving communication provides a solid foundation, passive information sharing alone will not yield substantial supply chain performance gains.

For example, telling a supplier that a large unanticipated order will be placed next week, or advising customers that their prior orders were out of stock and didn’t ship still yields parts shortages, production overtime, expediting costs, stock-outs and customer dissatisfaction.

Approximately 30 to 40 percent of companies are in Stage Two: “Coordinated Execution” and are beginning to proactively change historical processes to achieve bottom-line value from supply chain collaboration. Examples of beneficial collaboration activities in this stage include instituting vendor-managed inventory and automatic replenishment programs with suppliers and working with customers and logistics providers to implement programs such as shipment consolidation, direct store delivery and merge-in-transit transportation.

Only one to five percent of companies have reached Stage Three: “Optimized Planning,” where the most substantial supply chain benefits exist. At this level companies take a broad view of collaboration and make underlying and sometimes difficult changes in order to achieve improvements, such as:

- Instituting new programs and shared incentives with customers to avoid traditional end-of-quarter sales and shipping “spikes”
- Coordinating sales and marketing campaigns across all supply chain participants to reduce the level of markdowns, returns and inventory write-offs
- Jointly designing new products with suppliers

- Realigning manufacturing and distribution processes to increase flexibility, reduce the level of costly “expediting” and optimize overall product flows
- Changing logistics and transportation practices and responsibilities to obtain better routings, equipment utilization, delivery costs and response times
- Coordinating shipment flows with other manufacturers that have compatible needs—both within an industry and across industry lines

There is a dizzying array of software support tools to help achieve improvements, so it’s not an information systems issue anymore. Rather, companies need to be willing to change their historical practices in order to take full advantage of both the coordinated execution and optimized planning stages of collaboration.

“The industry leaders in supply chain collaboration recognize that supply chain inefficiencies have a direct impact on their bottom lines and the competitiveness of the entire supply chain,” said Elliff. “Aligning incentives and changing processes, roles and objectives drives success in collaboration—and leads to improvements in costs, cycle times, inventory levels, order fulfillment and customer satisfaction.”

About Capital Consulting & Management Inc. (CCMI)

CCMI has more than 16 years experience developing and implementing supply chain process improvements that truly "move the needle" for clients by reducing costs, shortening cycle times, improving performance on key financial measures and strengthening strategy and capabilities. Overall, CCMI has helped clients save more than \$2 billion in annual operating costs and inventories, with typical reductions of 15 percent or more in procurement, manufacturing, transportation, logistics, order fulfillment and related areas. CCMI has had a leading role on projects for a diverse set of clients, including Amgen, Amtrak, AT&T, General Electric, Kmart, Lucent Technologies, NexPress Solutions, Sara Lee, SkyJet and Zenith Electronics. For further information visit www.ccmiservices.com.

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