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October 11, 2010

How to Customize Supply Chains to Earn Higher Margins

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Agenda

- The Four Supply Chain Strategies
- National and Regional Growth Benefits
- The Elements of Logistical Excellence
- Beyond the Basics: Customized Services
- Supply Chain Strategies for Omani Ports and Bulk Shippers

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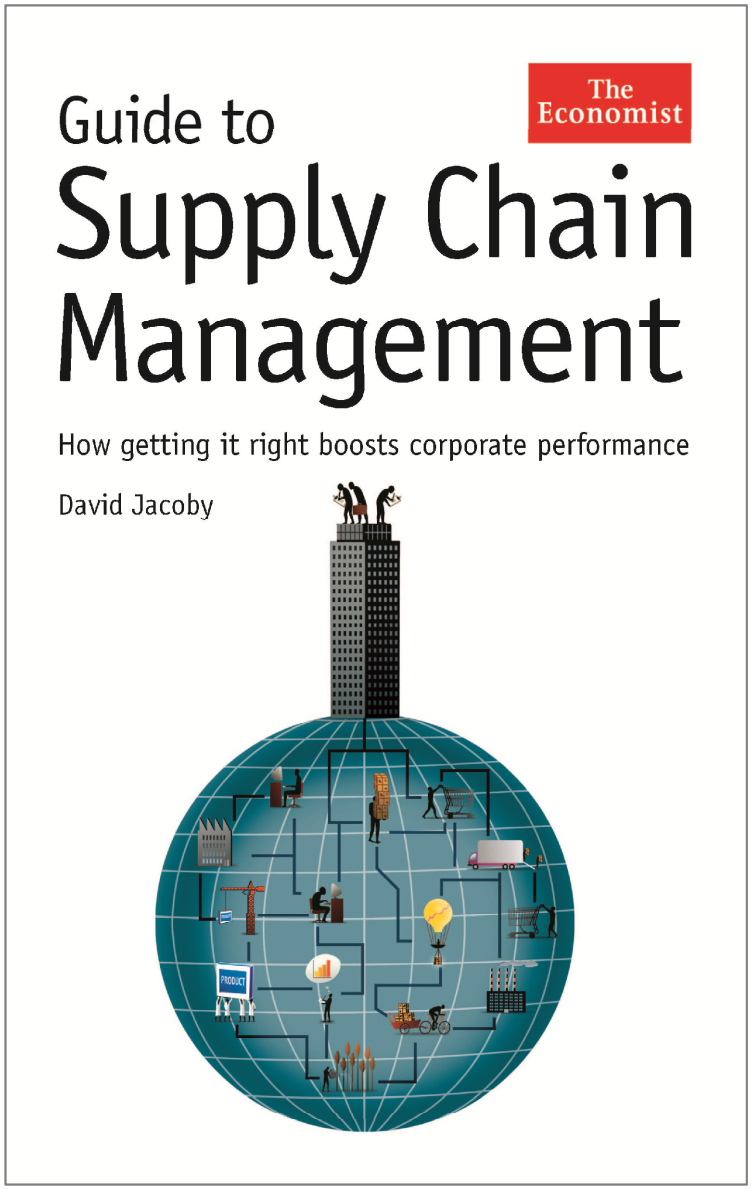
The Economist Guide – Getting it Right



- **"An excellent guide and, a must read not only for C-level managers but also for inclusion in curricula in business studies... brilliant in explaining the myths and realities of the various elements that are critical components of the supply chain."**-- *Ram Menen, Senior Vice President, Emirates Airlines*
- **"An essential tool for C-level management and their senior managers. It is clear, balanced in its objectivity and useful for achieving rapid results."**-- *Joseph Guerrisi, Vice President Marketing, UPS*
- **"A strategic breath of fresh air for executives who are tired of tactical how-to books on supply chain management. It provides simple, logical guidance on how companies should think about the people, processes and infrastructure they put in place to enable the supply chains that will deliver their future."**-- *Chris Cowger, Vice President of Global Consumer Operations and Planning, Dell*
- **"A pragmatic approach for turning supply chain into a strategic differentiator, along with a treasure chest of examples showing how successful companies have done it."** -- *Karen Weinstein-Millson, Vice President Global Sourcing, Boston Scientific*
- **"A real-world look at how leading companies are putting supply chain management into practice for proven competitive advantage. This guide definitely belongs in your business library."**-- *Frank Quinn, Editorial Director, Supply Chain Management Review*

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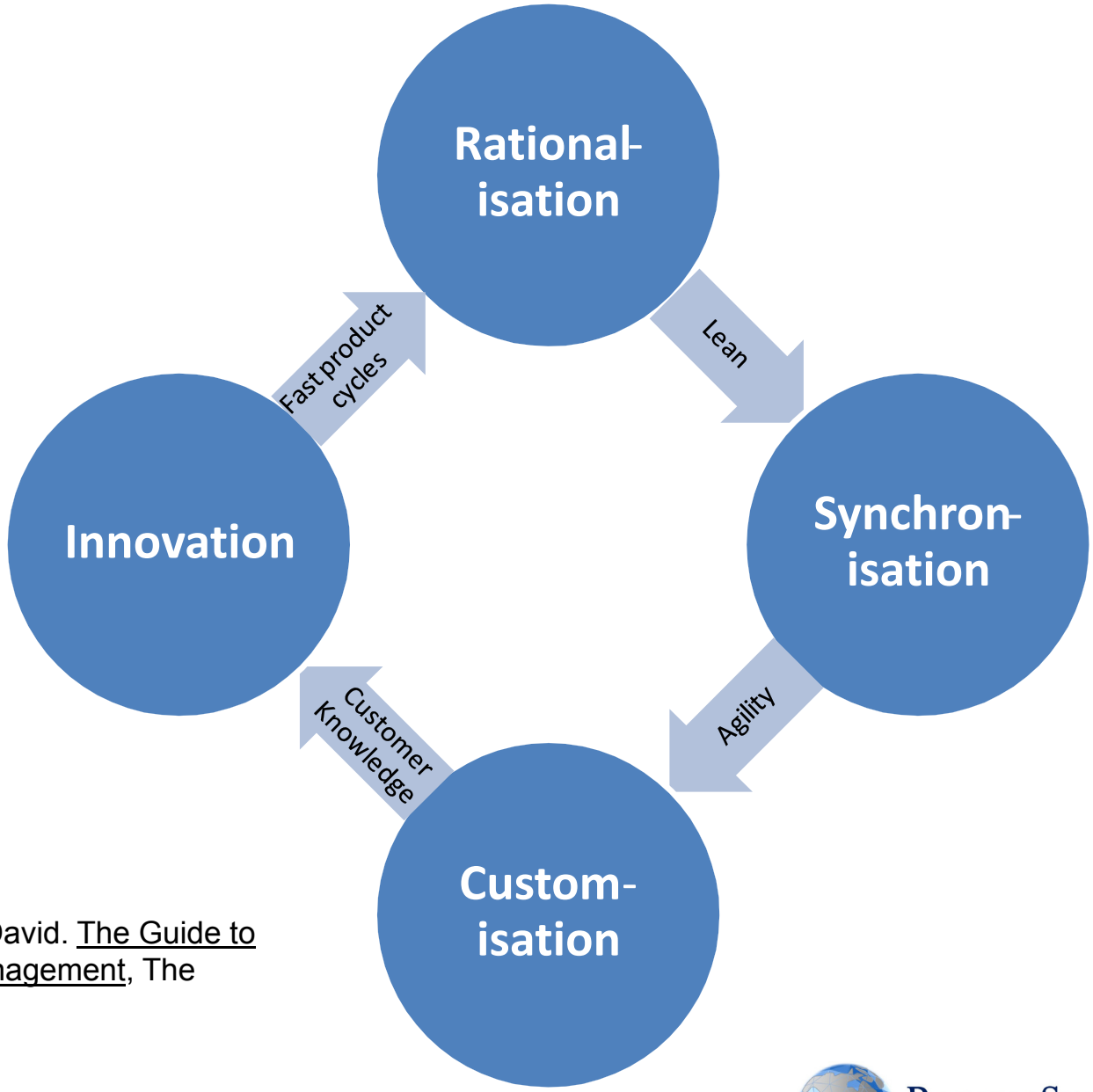
Supply Chain Strategies



Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009.

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Rationalization

- >60% transactions paperless on both ends of the supply chain, (50%)
- >70% of materials on consignment (41%)
- >29% net profit margin (11.3%)
- 13% increase in EBITA margins over the past year

Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009.

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Synchronization

- >99% perfect order fulfillment
- <0.08% obsolete inventory
- <0.05% backorders due to flexible manufacturing
- >99.5% ATP and available to request
- >99.5% picking accuracy

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Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009.

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Customization

- >90% of customers segmented, targeted separately
- >90% of customers' profit margin known (42%)
- < 3 week lead time to increase output by 20%, vs. 8+
- >97% of orders delivered by commit time, vs. 81%
- >95% of orders delivered request time, vs. 80%
- <= 1 day average response to customer inquiries

Henkel

Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009.

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Forming an Axis of Differentiation

Supply Chain advantage is about more than cost!

- Reliability
- Flexibility
- Total transit time
- Inventory visibility
- Value-added services
- Product-services
- Intermodal links

Source: Boston Strategies International, Inc.

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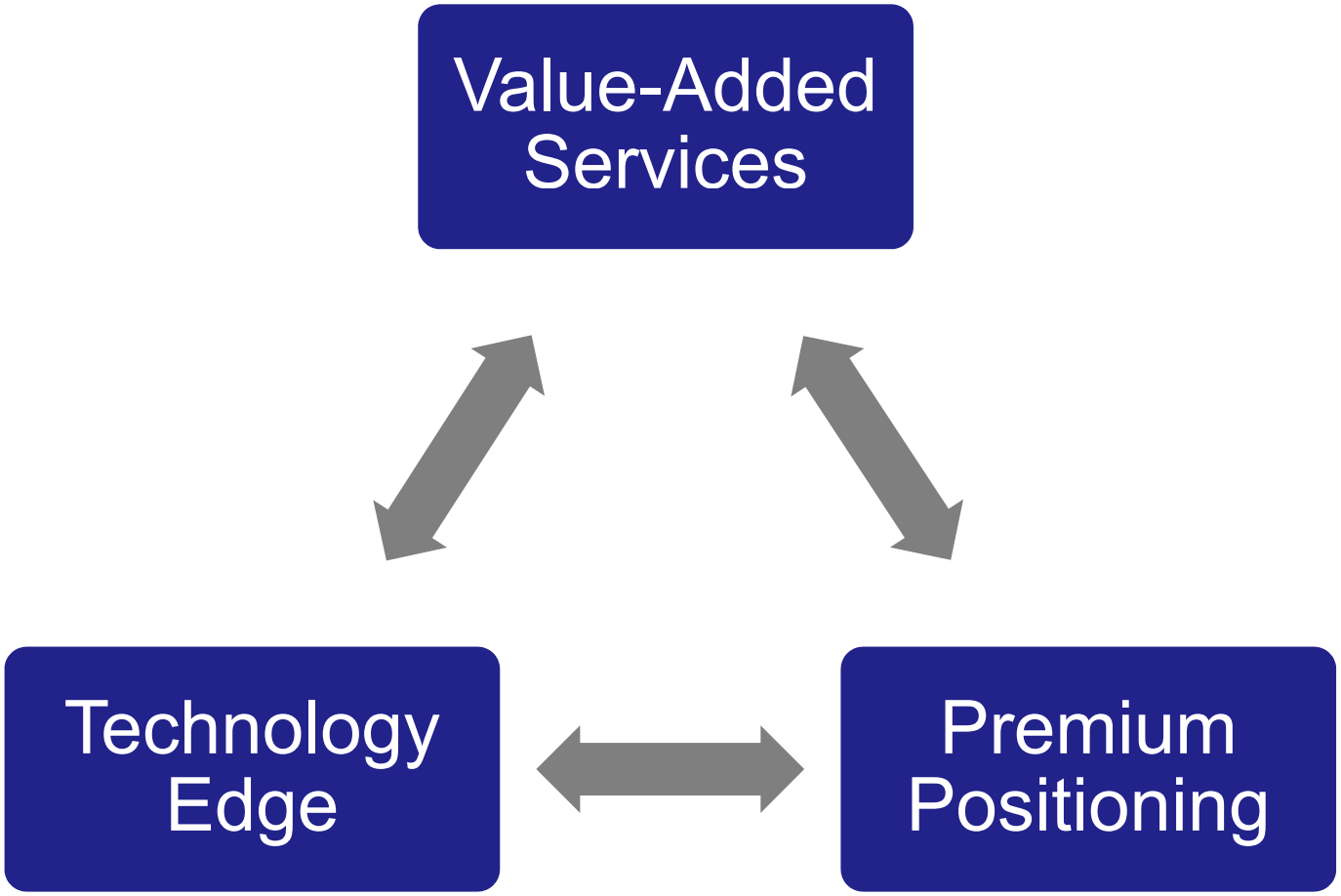
The Path Toward Differentiation

The Services-Technology-Premium Cycle



Sources: Jacoby, David. *The Art of High-Cost Country Sourcing.* Supply Chain Management Review, June 2008.

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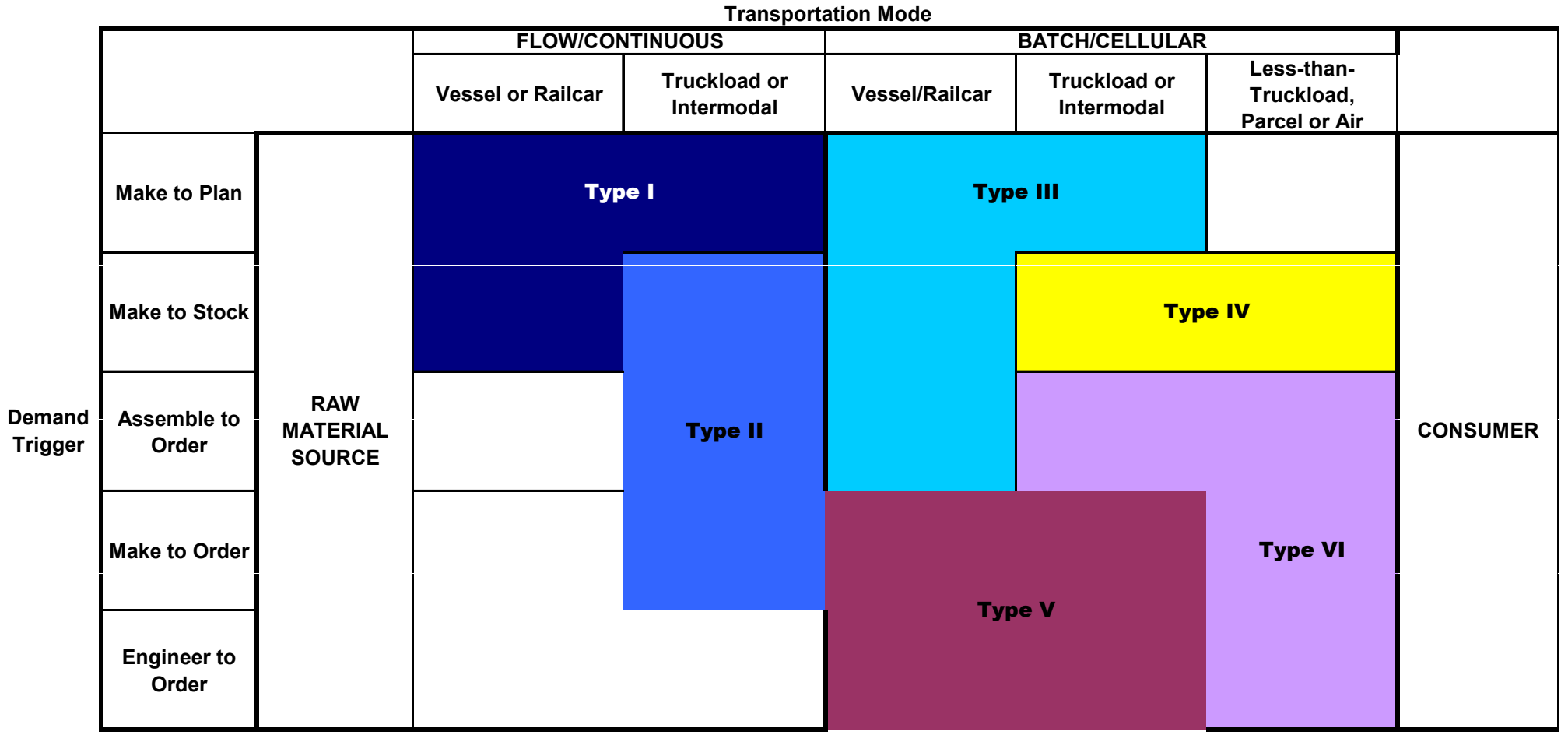
What It Means for GCC Logistics



Low External Spend	<---------- ---------- ---------- ---------- ---------- >	High External Spend
Commodity	<---------- ---------- ---------- ---------- ---------- >	Service
Price Taker	<---------- ---------- ---------- ---------- ---------- >	Price Maker
Asset Intense	<---------- ---------- ---------- ---------- ---------- >	Labor Intense
Few Locations	<---------- ---------- ---------- ---------- ---------- >	Many Locations

Source: Jacoby, David. The Guide to Supply Chain Management, The Economist, 2009.

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Thank You!

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- **Global Supply Chain Consulting Services** that help supply chain leaders make high-stakes decisions related to strategic and capital investments, outsourcing, off-shoring, and make-or-buy.
- **Global Cost, Price, and Market Analysis Products** that help financial and operational managers plan and budget by providing benchmark, best practice, and forecast data tailored to their companies' supply chains.
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