PRACTICAL ADVICE
from manufacturing experts on solving critical issues.

Reducing costs and improving efficiencies in the supply chain
Effectively dealing with supply chain complexity may well prove to be one of the most important challenges facing discrete manufacturing companies over the coming years. The industry is increasingly becoming a complex and global industry where discrete manufacturers can no longer operate the same way they have in the past and remain successful. New products are incredibly complex, engineering is now a globally distributed and collaborative process, manufacturers as well as suppliers are also globally distributed, and consumer growth is almost entirely located in emerging economies. For discrete manufacturers to succeed in this environment, it is essential they orchestrate an integrated network of suppliers and customers. A company that is in control of a flexible and adaptable supply chain is better positioned to react when the market changes and deliver innovative, high quality products to customers.
NOTES FROM THE FIELD

Q: What advice would you give your peers to reduce costs and improve efficiencies in the supply chain?

“MRP - provided your data has accurate lead times and process times for manufacturing, MRP can reduce the amount of inventory most companies tend to hold. Make use of resource planning, minimum order quantities, forecasts and coverage groups. All of these can make you become more lean and create a more JIT approach. Use trade agreements to empower your purchasing negotiations and discounts. Use the ERP system to create safety stock journals for you. This looks at the movements of materials against their lead times and depending on the service level and number of ‘stock outs’ you want to have, your solution can determine the safety stock for you.”

ASHLEY DOUST, United Kingdom

“Make sure your ERP system is set up properly so that you only order what you need when you need it. Also watch out for extra charges on deliveries that you might not be capturing.”

STUART MACKAY, United Kingdom

“Introduce processes that can structure the purchase and items tied to a project and let the project manager have full control of the logistics status in a project logistics dashboard.”

OLAV BÆKKEN NATVIK, Norway

“Implement a workflow and budget control system. This will allow control of what is being spent and by whom. Following on from that procurement catalogues could be used to control what products are purchased and from which suppliers, allowing you to better manage purchase pricing.”

JOHN ROBINSON, United Kingdom

“Optimize inventory level in company warehouse and sign direct contracts with suppliers.”

ANONYMOUS, Latvia
“Establish a robust sales & operations planning process, measure inventory accuracy (number of cycle counts that match ERP system balance - do not measure accuracy based on inventory value), measure supplier on-time delivery, measure on-time shipment of sales orders, measure inventory turns, eliminate obsolete and slow-moving products & inventory.”

CHRISTOPHER JOHNSTON, United States

“First of all - get your inventory counted and updated. Then set realistic min/max levels where needed and use demand/supply forecast where possible. Do not produce to stock unless MRP suggests so.

HENRIK DALL, United States

“Returns are costly but are often not managed. Organizations must assign responsibility for reviewing reasons for order returns. Then tracking down the root cause for the reason i.e. damage due to improper packing procedures, picking errors, order tacking errors, etc...Finally plans must be put into place to address the causes and to track the success of the corrective measures.”

JEFF POWELL, United States

“More efficient picking routes, improving scanning devices to be more reliable and more intuitive views in the ERP-systems to monitor the whole process.

JØRGEN GJERDE, Norway

“I once heard an executive from a Tier One Auto supplier say the most important aspect of his supply chain was transparency. If you have a problem, don’t try and hide it until you have it fixed, instead work with your customer immediately to inform them of the challenge and how you are working to fix it. In fact, he cited a number of times in which they were able to very quickly fix the problem for their supplier.”

TOM NALL, United States

“Apply the Kanban process and focus more on the concept. Have the accurate lead time set for the materials that are imported. This is to avoid the carrying cost and shortage.

ANTONY PRABHATH, UAE
If you don’t have a good computerized materials planning system, set one up tomorrow.

MIKE MAKELA, United States

“Bar code data-collection systems provide enormous benefits for just about any business. With a bar code data-collection solution, capturing data is faster and more accurate, costs are lower, mistakes are minimized, and managing inventory is much easier. A bar code scanner typically can record data five to seven times as fast as a skilled typist. Keyboard data entry creates an average of one error in 300 keystrokes. Bar code data entry has an error rate of about 1 in 3 million. This benefit goes hand in hand with better decision making. With better information, you can gain opportunities and get the jump on competition.”

KURT HATLEVIK, Norway

Reduce cost by optimizing your inventory level and reduce carrying cost. Adopt a good resource planning tool to manage your resources including labor, distribution capacity and inventory more efficiently.

EMAD AKHTAR, UAE

“In order to make the process more efficient it is absolutely key that manufacturers are able to have mobile devices that a worker can leverage to both receive materials, pick to production and then pick to ship out of the company. Streamlining the movement of materials throughout the facilities is critical to minimizing waste.”

LUCIANO CUNHA, United States
The whole supply chain and costs need to be analysed, storage costs, movement cost (including the rising fuel costs), custom duties, all indirect and direct variable and fixed costs, and the starting base cost. Understanding the total delivered cost of the product will enable a business to be in a better position to make decisions on cost realignment. Companies may focus on the customer end of the supply chain but this is neglecting the purchasing side where cost savings and efficiencies are sometimes easier to make and can have a bigger impact on the overall profit. Holding high levels of inventory is not the answer for supplying the customer element of the supply chain, this simply increases costs. Making the supply chain agile to deliver products quickly and cost-effectively is the key. The supply chain touch points need to be assessed to ensure the business is demonstrating it can react to change whilst delivering high quality product in an unpredictable market.

STEVE WEAVER, United Kingdom

If you deal with serialized items in your inventory, you must have asked yourself: “I selected a serial number in this journal line, why do I have to select the warehouse and location and batch number, isn’t that obvious? My item cannot be in two places at the same time!” Some solutions will automatically populate the rest of your journal line based on your serial number and you will be able to create inventory journals at least 3 times faster!

ALEKSANDAR JOVANOVIC, United States

1. Proper segmentation of products, vendors and customers to guide alignment of corporate objectives with manufacturing and distribution strategy.

2. The above amounts to capturing the required details about item, vendor and customers accurately in the data base of ERP.

3. Strategic network optimization, including the number, location, and size of warehousing, and facilities. This amounts to accurate design of warehouse management system where ever necessary.

NIRAJ NANDA, India

Reduce number of purchase transactions to a minimum and reap the benefit of large scale buying if possible. Negotiated Trade agreements could be a big part of that process.

HENRIK DALL, United States

Completely abandon old manual and individual processes. So throw out all the stand alone spread sheets and paper based reports and find common ground in the organization with a true centralized system. Sharing of data creates more responsible employees and multiplies the value of information.

THOMAS HAUGE, United States

Plan production and purchases based on sales forecasts.

IEVA KOKOREVICA, Latvia

Look to find the right supply chain partners with the right tools to allow you to focus on what makes your company unique. Actively manage and hold your supply chain partners accountable to deliver on best-in-class metrics around price, delivery and quality. If your supply partners and your company have the right tools in place to communicate and objectively manage the entire supply/demand chain, you should see an improvement in efficiency and a strong bottom line impact.

NORMAN CARMICHAEL, United States

Use an ERP solution that enables you to optimize your Bill of Material Calculation.

PÅL LINDE, Norway

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HOW CAN COLUMBUS HELP?

COLUMBUS SUPPLY CHAIN SOLUTIONS

Columbus Supply Chain Solutions provide manufacturers and distributors with comprehensive, innovative support for planning, execution, and monitoring of inbound, warehouse, and outbound processes—from warehouse and inventory management through distribution management.

A module-driven architecture lets you extend and scale supply chain execution step by step, or build an end-to-end solution that automates logistics for receiving, put-away, internal transport, picking, packing, and shipping and other execution processes.

BENEFITS

1. INCREASE PRODUCTIVITY FROM THE START.
   Deliver solutions that people can learn and use in minutes, on multiple devices. Simplified user screens give your staff the precise information and tools they need to perform tasks quickly and accurately.

2. ENSURE YOUR SOLUTION ALIGNS WITH YOUR BUSINESS MODEL.
   Warehousing and distribution are key processes in supply chain execution. Our solutions offer an integrated business process modelling application for defining your optimal business model (strategy, organization) and process model (processes, flow, activities) in a structured way fully embedded in to your ERP solution.

3. IMPROVE ACCURACY AND DRIVE CUSTOMER SATISFACTION.
   Automated processes and real-time information flows ensure fast, error-free inventory allocation, picking and packing processes, and order fulfilment.

4. DRIVE SPEED ACROSS YOUR ENTIRE SUPPLY CHAIN.
   Support transport and distribution processes, including integration with carriers, electronic data interchange (EDI), and transport planning for shipments.

5. MEET COMPLEX CUSTOMER DEMANDS FOR HANDLING GOODS.
   Utilize delivery rules, wave planning, and packing stations. Support standardized integration with material handling equipment.

6. TAKE AUTOMATION TO NEW LEVELS OF EFFICIENCY.
   The Supply Chain Solution combines standardized solutions for handheld terminals and forklift terminals and supports Auto-ID (barcode scanning).

7. SUPPORT CROSS-CHANNEL RETAIL OPERATIONS.
   Simplify the transition from traditional to cross channel retailing with flexible logistics that support multiple channels and ensure accurate delivery to stores and consumers.

The full Columbus Manufacturing solution includes our best practice business process modeling with RapidValue, our own Advanced Discrete Manufacturing and Supply Chain Solution modules, Microsoft Dynamics AX, and our proven implementation methodology, SureStep+.
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- **Volume 2** Sales Quotations
- **Volume 3** Advanced Projects
- **Volume 4** Plant Maintenance
- **Volume 5** Service Management
- **Volume 6** Supply Chain

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Columbus is the preferred business partner for ambitious companies worldwide within the food, retail and manufacturing industries. We exceed 20 years of experience and 6,000 successful implementations, and we're proud to offer our customers solid industry know-how, high performance solutions and global reach.

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