

Value Add

Supply Chain Management: the link to better business

**“Supply Chain Management
Won’t Work Here!
Don’t you believe it”
See page 7**



Consultants in
Supply Chain Management,
Procurement,
& Logistics



Welcome to **Value Add**

Welcome to SCMG's Newsletter

For many of our clients, old and new, supply chain management has become the key driver in their business or organisation. With clients in both the private and public sector our approach has proved to be robust and transferable when considering supply chain issues.

This issue of [Value Add](#) looks at the diverse range of projects and organisations that we have worked with and the key successes that they have achieved.

Our clients range from economic development agencies in the Highlands and Islands of Scotland to global companies operating in the oil and gas business and just about everything in between by industry sector and location with projects and assignments from the UK and Europe to the US and the Middle East and Far East.

One thing is for sure Supply Chain Management is # 1 on most CEO's improvement agenda.

So how do you get started? Our experience has been that many companies and organisations struggle to get beyond the discussion about what is the best way to manage their supply chain.

As customers' expectations become more complex and demanding then the dependence that any company or organisation has on it's supply chain increases correspondingly whether this be through outsourcing or partnering relationships or improved supply management or even perhaps to areas where a traditional approach may be most

appropriate. There is a plethora of strategies and tactics that must be employed to ensure that your supply chain remains competitive.

So, is IT the answer in our global high tech world? Unfortunately not, however, it is, and should be, one key ingredient.

What is required is a holistic approach that considers the portfolio of relationships with customers and suppliers from one end of the supply chain to the other to ensure that your customers are fully satisfied.

I hope you enjoy this copy of the [Value Add](#) and are inspired to tackle some of the supply chain issues in your own business.

Martin Murphy
Managing Director

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Comment

Whilst the retail sector and everyone else is enthralled by the very public debate between Philip Green and Stuart Rose of Marks and Spencer another retail giant has become the subject of everyone's attention unfortunately for the wrong reason. Sainsbury's have acknowledged that their investment in IT to support the supply chain has been at the expense of sales and profit and paying attention to the customer. Basics you might think but how could the once darling of the retail sector get it so wrong?

The balance between what your customers want and how you manage that demand and supply equation is the holy grail of supply chain management. When both ends of the equation are not considered then economies of scale and leverage will not necessarily support a high service level consumer model. Forget about your customers, and the service level they expect, and they will walk. What lessons can be learned?

The NHS is about to invest at least £6 billion (some estimate up to £30 billion) in IT systems. Will waiting lists reduce? Will the service improve? Unfortunately, probably not as a result of investments in IT! The NHS is a complex supply chain that has still not managed to balance that equation between supply and demand.

The supply of goods and services in complex customer and consumer environments must be flexible enough and adaptable enough to manage the range of requirements and demands placed upon it.

One size does not fit all!

By really understanding customer requirements and translating those into supply requirements, in the context of specific market place conditions a range of strategies and portfolio of relationships with supply partners, outsourcing service providers and good old fashioned suppliers will provide companies with a sustainable and high performing supply chain model.

You have been warned!

The Power of the Network – Global Horsepower

SCMG announce the launch of the Supply Chain Excellence Network.

‘Supply Chain Excellence Network is an umbrella brand that combines three leading consultancy companies, two in the UK and one in Switzerland as a powerful force in the Consultancy World’. Martin Murphy, MD of SCMG, says ‘the World is getting smaller all the time, our clients have global expectation and we need to be able to support them. A network approach allows us to leverage all three consultancy partners in the network and provide capability through collaboration with each other that increases our width and depth as a ‘business’ but does not build in unnecessary fixed cost that in reality would have to be met by our clients’. Murphy continues ‘our Clients can now have the best of both worlds. They have the security of contracting with a single point of responsibility but don’t have to worry about the ambiguity and uncertainty normally associated with working with a loose affiliation of individuals’.

Supply Chain Excellence Network will focus on delivering high value add global consultancy



assignments to blue chip clients. We have access to 30 highly qualified, experienced and motivated consultants with extensive experience of SCM across a wide variety of industries. Large scale Procurement and Logistic assignments with multi language capabilities can be delivered.

Supply Chain Excellence Network comprises SCMG and Aria in the UK and ZMC in Switzerland.



Link-up Registration

SCMG has been recognised as an approved supplier to the international rail community. SCMG are a registered supplier of Business Management Consultancy services. Registration is reviewed on an annual basis and involved an extensive assessment of SCMG’s policies, processes and procedures.

Metronet (formerly London Underground) to Continue their Long Term Relationship with SCMG

SCMG are delighted to announce that Metronet will continue their innovative licence and consultancy agreement with SCMG. The licence has been in place for 10 years and over that course SCMG have witnessed enormous changes within the Underground from a civil service culture through PFI and PPP to the current business model where as an InfraCo now provides services to London Underground as the customer.

The licence agreement provides IP to Metronet for their supply chain managers to utilise on a day to day basis as part of their tool kit but also provides consultancy support and training from SCMG in areas that require a more strategic approach or perspective.

Over the years this has included spend management analysis and Asset strategy development through to specific supply chain improvement plans with individual contractors and suppliers.



Working Smarter Will Generate Cash!

SCMG have won a contract with BP to help improve Working Capital. The SmartStores 2004 project will identify the improvement opportunity across ten BP manufacturing sites globally including the UK, Europe and the US. The project will focus on the efficiency of current supply chain operations to be benchmarked and compared to best practices and implement a sustainable improvement plan to support the overall project objectives.

This is a project that is a perfect fit for SCMG skill sets and project aspirations and we look forward to working closely with BP across their business.



Inventory Management

SCMG takes a non-nonsense approach to inventory control and management: demand driven and focused on physical stock. Even today in this post-JIT world there are significant pockets of pile-it-high-keep-us-safe mentality prevailing. The further upstream from the customer the more this attitude is apparent...a case of out-of-sight-out-of-mind back in the spares parts stores, for example, as far as best or even current practice is concerned.

Working capital is constantly undermining companies' performance and is more often than not hindering rather than helping supply and service.

Current projects are still identifying up to 40-50% of unnecessary inventory. SCMG can support and train your people in best practice inventory management and control techniques. We find that good stores management is often at the expense of good inventory management. Why not have both?

SCMG can ensure application of best practice such as vendor managed inventory or consignment stock where all costs are passed on. So your suppliers and 3PL contractors must be tuned in, in all senses of the phrase. Don't get mesmerised by financial policies whether they are

obsolescence, depreciation, capitalisation, pay-per-us or whatever. Make sure these practices are designed to serve your business in the short and longer term and drive the right behaviour and results.

SCMG can 'join-up' your demand-supply processes and systems to pull-through the right level of inventory whether you are in manufacturing, service or support.

Supply Chain Mapping – Aerospace and Defence Sector

Scottish Aerospace and Defence Supply Chain Mapping Project – SCMG have complete a supply chain mapping project of the Scottish A&D cluster. The project was funded by Scottish Enterprise (SE) and focused on the SE A&D Company Guide. The project uncovered a few myths and confirmed some true-isms about the sector in Scotland in terms of how joined up the A&D supply chain is in Scotland and the dependencies that exist in terms of Prime Contractors, Operators and Contractors and Suppliers. Many Scottish companies are successfully linked into global supply chains.



Sink or Swim – The Future of the UK Marine Industry

SCMG are working with Northern Defence Industries (NDI) in the North East of England looking at the Marine sector in the UK.

The MoD is about to embark on its biggest ship construction programme since WWII that will deliver 600,000 Te of ships over the next 20 years.

David Bowles, MD of NDI is concerned that current nervousness about the capacity and capability to deliver the programme cannot be provided from within the UK will translate in to a

strategy that looks elsewhere to fulfil some of this programme.

‘It would be a travesty if the UK Marine industry is unable to develop a collaborative strategy that can guarantee that the RN shipbuilding programme can be delivered on time and budget at a time when most Prime Contractors and the supply chain are facing an uncertain future’.

Bowles continues ‘the Marine industry is not asking for any favours or preference but a fair crack of the whip in terms of its ability to compete based on a collaborative approach to sharing risk and reward’.

The consequences for the industry in the UK if it is unable to rise to the challenge will result in thousands of jobs being lost to overseas competitors not only in the construction of the ships but also in servicing and maintenance over the next 20 years of the fleet lifecycle.



All Points North! (from Front Cover)

Supply Partnering is alive and well in the Highlands and Islands of Scotland. SCMG developed and implemented a Supply Partner strategy for Highlands and Island Enterprise.

The strategy was to reduce the number of providers of Business Advice and Property Services in the Growing Businesses Directorate to focus on a sustainable delivery service to HIE clients using supply partnering.

The strategy is now starting to deliver benefits and HIE can now focus on managing the relationships and economic development outcomes while supply partners deliver services to HIE customers.

This project followed strict EU public procurement rules and identified supply partners who were able to deliver services consistent with HIE's high standards and still be sympathetic to the many issues faced by local companies operating in remote areas.



Taster Sessions

SCMG ran Taster Sessions for SE Forth Valley's 'My Future is in Falkirk' programme aimed at business development for SME's. Bill Long a supply chain veteran from BP Grangemouth and secondee to SE Forth Valley organised the event and has involved SCMG in a number of initiatives aimed at and intended to get SMEs to develop their business by considering a supply chain approach.

Long says 'it still amazes me that many of the fundamentals of corporate life apply to SMEs as well, but are not considered or applied, to this vital part of the supply chain.

Many of the SMEs we work with have enormous potential but are bogged down in day to day activities. Anything we can do to encourage them to think about the bigger picture and adopt a supply chain approach is a useful exercise'.

SCMG ran workshops for MFiF to look at Supply Chain issues specifically for small to medium sized businesses. This included an analysis template to map key customer and supplier processes and identify where improvements could be made. This approach helped participants to understand how joined up, or not, their supply actually is. It doesn't take much effort to quickly identify where improvement opportunities might lie.



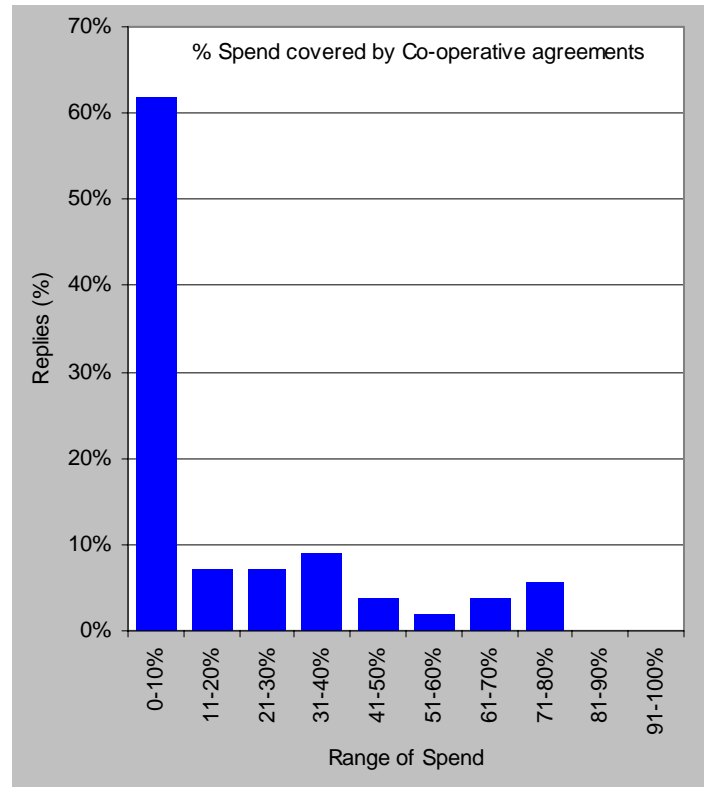
What Gets Measured Gets Managed

SCMG will launch the Purchasing Benchmarking Study (PBS) 2004 in August. Following last years successful study that attracted 85 replies from blue chip companies the Study will become an annual event that will not only take a snapshot of current purchasing performance but will as things develop identify trends in company data to indicate if best practices are being translated through to improved operational performance.

The range of issues benchmarked includes spend, number of buyers, numbers of suppliers, organisational model, strategic and tactical relationships and the adoption and use of e-Procurement.

Workshops to feed back the results will be held in London and Zurich in 2005.

PBS 2004 is available through SCMG's website at www.scmg.co.uk



SCMG's integrated supply chain approach considers a whole lifecycle perspective involving Process, Organisation and Technology issues. Our projects range from strategy development to implementation and include private and public sector clients in the UK, Europe, US, Middle East and Far East.

Supply Chain Management

Supply Chain Strategy
Supply Chain Audit (SCA ©SCMG)
Partner Selection (PST ©SCMG)
Partnering & Alliancing
Relationship Strategy
Portfolio Management
Supplier Development
Supply Chain Improvement Process (SCIP ©SCMG)
Outsourcing

Procurement

Procurement Strategy
Category Spend Analysis
Category Spend Strategy
Supply Base Strategy
Supplier Reduction
Strategic Sourcing
Tender and Bid Management
OJEU Public Procurement
Tendering
e-Procurement
e-Auctions

Logistics

Logistics Strategy
Planning
Demand Management
Customer Service
Inventory Management
Transport
Primary Distribution
Secondary Distribution
Warehousing
Location Optimisation

Our consultancy approach is underpinned by processes and tools that we have developed over the past 10 years. This means that the soft (cultural) and hard (process) issues are considered in equal measure to ensure that sustainable improvement are delivered to your business or organisation. These tools provide best practice terms of reference for our projects and provide clients with a perspective on what they do and what others have done to ensure that realistic and ambitious improvement targets are set and delivered.

SCMG have clients in Oil and Gas, Manufacturing, Electronics, Aerospace and Defence, Rail, Transport, Pharmaceuticals, Construction, Drinks Industry, Utilities, Mobile Phones, Health Service, Local Authorities and Service Organisations including Outsource Service Providers, Hotel and Leisure and Economic Development Agencies, Industry Associations and Trade Bodies including the DTI.

