



The Role of Supply Chain Management in a Recession - 10 Fundamentals

Over the last few years, despite the steadily escalating price of fuel, business has been good and Supply Chains have generally become more efficient. You may have concluded your Supply Chain budgets for 2009 reflecting ever greater demands for better service and lower cost.

However, over the last three weeks, all our assumptions for the foreseeable future have been shattered (inflation... fuel prices...exchange rates...growth rates...etc). Suddenly growth ideas have been scaled back and price deflation may accelerate, healthy margins may disappear and the price of fuel and transport is very variable.

What should you, the Logistics/Supply Chain Director do?

- (a) Keep a low profile, hold tight, stop all discretionary spending and hope you can last it out...?
- (b) Without delay, take a step back, reassess your assumptions and develop practical/flexible plans that address the new reality...?
- (c) Seek help from others in the same boat and those who have weathered recessions before...?

Here for you to consider, are 10 ways in which you might change the emphasis of your plans, not all of them may be for your company but we hope they will kick start your thought processes:

From:	To:
Top line, revenue-driven	Cost-to-serve awareness at Customer/product level. Focus on top 20% products and remove avoidable costs.
Customer Intimacy programmes offering "all things to all Customers"	Customer segmentation with highest service to Gold Customers only.
JIT or frequent deliveries	Order/drop consolidation and weekly deliveries, holding a little stock may be more economic
Any order delivered, large or small	Minimum order size or multiples. Explore the use of distributors/wholesalers for the tail-end of customers
Review your outsourcing arrangements	Ensure you can remove unnecessary: controls, requests and methods of doing business: save costs
Inventory used to cover all risks, shorten lead times, production overruns	Rebalance inventories to release Working Capital. Produce and/or buy according to demand. Remove slow moving and obsolete stock
Leading edge, "nice to have", in line with strategy	Must have, fundamentals/basics that produce tangible benefit in short/medium term
One way relationship with Service Providers based on highest service at lowest price	Give and take partnership built on reliability and trust
There is nothing you can do about fixed costs	Move fixed costs to variable wherever possible including labour
I have to do this myself	Engage commercial colleagues - ensure alignment and buy-in. Seek help. Collaborate vertically and horizontally. Share assets (including demand info) to improve utilisation.

Bisham Consulting is staffed by consultants who have been senior managers in the logistics, manufacturing and retail industries. We have all managed through recessions before and our experience base means that we quickly identify with Client needs and that we deliver/implement practical solutions that are specific to the Client's business.

Bisham Ltd

The Old Brewery House, 74 High St., Marlow, Bucks, SL7 1AH

Tel: +44 (0)20 8255 3132. Mobile: +44 (0)7980 750569

Email: contact@bishamconsulting.com. Website: www.bishamconsulting.com

VAT No. 836 6630 10

Registered in England 5096956. Registered Office 75 Marine Avenue, Whitley Bay, Tyne and Wear, NE26 1NB