



Effective strategy...delivered!

YOU HAVE INVESTED IN A CAREFULLY DEVELOPED STRATEGIC PLAN, NOW WHAT?

Most organisations will have a supply chain strategy under review or in the process of being implemented. Many will focus on increasing value, quality and flexibility from the external supply chain. The approaches to developing such strategies are numerous and intend to ensure the most is being

made out of the available internal capital and the external market capabilities. In Vendigital, our work with many major organisations in delivering strategic change has identified some common themes. There are three key challenges that help drive the thinking and one that

can prevent benefit realisation. The challenges that drive the thinking can generally be categorised into Cost Pressure, Market Volatility and Supply Chain Agility. The challenge that prevents benefit realisation is implementation.

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Firstly, Cost Pressure: The significant pressure on margins and the drive to deliver improved cost competitiveness from your supply chain never ceases. Fierce competition and the rapid evolution in the capability of low-cost markets create constant challenge to existing sources and opportunities for you or your competitors to exploit. The ongoing economic uncertainty adds a strong need to manage cash and watch the cash position of your suppliers. Only the most savvy procurement professionals are delivering sustainable cost leadership.

Secondly, Market Volatility: Supply Markets have always been volatile, but the cycles we are now witnessing are both more extreme in amplitude and more rapid in their transition. The fundamental drivers of this volatility do not show signs of changing. Examples include new technologies that require specific materials which dislocate historical commodity prices e.g. carbon fibre for new aircraft and memory chips for mobile phones. The credit crunch and the subsequent global recession drove prices down rapidly and yet the faltering recovery has seen just as dramatic increases. Currencies only serve to add further complexity to the situation. It is becoming increasingly important to ensure the risks are understood and the impact managed. Access to high quality information and the ability to understand and respond to it is no longer a differentiator but a necessity.

Finally, Supply Chain Agility: Customer expectations on all aspects of service, including lead times and performance are increasing. The ability to meet those expectations, when coupled with shortening product life cycles, challenges the traditional supply chain. Competition is entering markets faster and more aggressively than ever before. The need for supply bases to adapt during the product life cycle from innovation to cost leadership demands levels of supply chain agility not previously

seen. External perturbations such as labour unrest or commodity shortages only serve to accentuate this need.

These challenges do share some common characteristics: they necessitate selecting and working with the right supply partners, having processes in place for understanding and managing market volatility, having the ability to switch product lines or suppliers quickly in response to changing markets. Only these types of approach can ensure remaining in the most appropriate supply chain, producing the right products with supply chain profits fairly distributed.

The key challenge that underpins the success of a great supply chain strategy is implementation. Poor implementation negates any theoretical gains and can even lead to a worse condition than before any strategic reorganisation was attempted. One of the crucial challenges in the implementation process is in deploying the right resources with the appropriate skill sets and a robust plan. The capabilities of the team running the day-to-day business are often very different from those required to implement significant strategic change. This change is often intense yet only periodic. It is rare that a pool of the required implementation experience is available internally or retained from cycle to cycle. This is particularly true in situations with an increasing shift of significant operations to low cost regions. Understanding local politics, languages and cultural differences can be critical in the delivery phase and is unlikely to be in the day-to-day skill set.

At Vendigital, we have a strong focus on the execution and implementation of strategic, supply chain plans. We have specialised in the manufactured goods sector across our broad customer base. The skills and experience in successful implementation and delivery are core to our business. The clinical execution of your supply chain

strategy is a crucial piece in the strategic jigsaw. The selection of the appropriate resources to drive and manage the implementation should not be overlooked as part of the planning process. The mix of external, specialist skills alongside internal capabilities to develop the strategic plan and then support it throughout the implementation phase is increasingly common. This allows faster and more robust execution with increased momentum in the realisation of benefits. 'Business as usual' costs are kept to a minimum as once the transition is complete the external costs can be released. Vendigital can support you in ensuring that your strategic challenges are answered, robust plans put in place and implementation secured.



Apple unveils new software for iPhone and iPad

Despite the success of Apple's product launches, recent strikes at their major Chinese manufacturer severely tested their supply chain strategy. The resulting need to move production from southern China to the central provinces highlights the increasing need for even the best companies to have both technology and cost leadership. This needs to be complemented with an agile supply chain and the ability to respond to market changes quickly.

Strategic execution: Comment



"Vendigital have a rare set of capabilities. Their ability to help shape the strategy is useful, but their delivery capability and relentless pursuit of results is most striking."

BY PAUL ADAMS, TALARIS CHIEF OPERATING OFFICER

Talaris, formerly part of DeLaRue, are the leading provider of cash handling equipment and software solutions to the financial sector. Talaris has been undergoing a strategic transformation programme since they were spun out as an independent business in 2008.

Paul Adams, Talaris' Chief Operating Officer, is leading the change which includes a new approach to their operational and Supply Chain strategies. Paul has aligned his operations team around hitting a number of tough challenges in their supply chain.

Paul is both passionate and fanatical about delivering against targets and objectives.

For the past 18 months, Vendigital have been instrumental in ensuring the product cost reduction has been delivered and the supply chain strategy is executed in line with the overall plan.

We will have an in depth interview with Paul in the next edition of Dynamic Procurement.

MEGGITT Strategic Sourcing Programme



IAN JOESBURY

GROUP DIRECTOR OF OPERATIONAL EXCELLENCE, MEGGITT PLC

Within the current economic climate, more and more organisations are looking at how they can reduce costs. Direct and Indirect materials are an obvious target, especially since materials can often account for 50-60% of revenue. However, embarking on a programme to improve the effectiveness of the supply chain including the ability to fully leverage cross site synergies has challenges which need to be overcome to deliver the significant benefits available.

Meggitt PLC, a £1.2 billion turnover international aerospace, defence and energy group, is an example of how to do it well. Meggitt has grown significantly through a combination of organic growth and acquisition. By 2006 the organisation encompassed 30+ manufacturing facilities globally, all operating as independent businesses and each with their own highly regionalised supply chains. It was recognised that, in order to drive value for their clients and shareholders alike, the organisation needed to develop relationships with a smaller number of strategic suppliers to meet the business and end client future needs. Ian Joesbury, Group Director of Operational Excellence, was appointed to drive this strategic change and in 2007 launched Meggitt's 'Global Sourcing Programme' which Vendigital continues to support to this day. Four years on Ian has welcomed the opportunity to review the approach taken and share his thoughts on the challenges faced and the successes that followed for those who are looking to embark on a similar journey.

Q What were some of the initial considerations on how best to approach the task?

The intent was never to take away the authority of the businesses. The challenge was being able to put in place a central team that drove best practice and a common approach in a way that delivered results for the group yet focused the benefits on the business units.

Q Why did you go for external support and how did that help you in your journey?

It was important to bring in external experience to supplement the knowledge within the organisation. There were many things that Meggitt did well. However, the key to successful change is recognising that you don't have all of the answers. Vendigital incorporates a team of highly experienced manufacturing and procurement professionals who have a proven track record of supporting these types of programmes and not only bring this experience to the table, but also best practices and techniques utilised within other industry sectors.

Q How did the organisation embrace change in the initial stages?

As is expected within change management programmes, there was a mixed response with some businesses recognising the potential benefits and embracing the programme with enthusiasm whilst others were more cautious and needed convincing. There are always examples where these types of initiatives have failed which can lead to some individuals to take on a more sceptical stance. Winning over hearts and minds in the initial stages is a key factor to success. Encouragingly, some of the greatest sceptics at the outset are now the most outspoken advocates.

Q How did you initiate and drive the programme?

It was critical from the outset of the programme to achieve the senior level buy-in from all sites. This included clear communication on how the activity would work and how the businesses would be supported, including an understanding of the resource needs to support the businesses. It was important that the overall ownership and credit clearly lay with the businesses and that initial activities were carefully chosen to ensure success and that early wins were communicated in order to demonstrate the potential to the wider community. Regular communication on progress and the celebration of successes were key to keeping focus and maintaining momentum.

Q Who were your sponsors and what backing did you have internally?

Whilst sponsors from within each of the businesses were required in order to drive the initiative and deliver the results, our ultimate success has always been down to a very strong commitment from the CEO and the management board.

Q What were the critical points in the programme that you would see as fundamental to its success?

To start off with it was important to develop a strong business case of what you are going to do, how you are going to do it, what it will cost and when the expected benefits will be derived. The how and the when need to be weighed against cost to achieve benefits. In terms of the programme delivery, robust processes, great communication and close measurement is needed to drive strong support and behaviour as well of course the firm commitment from the top down.

Q Where do you see the journey going from here?

Significant inroads have been made to date, both in terms of savings realised, as well as the attitude of the organisation which has transitioned from businesses operating independently with limited cross site communication to that of a 'One Meggitt' community. In addition to the ongoing focus of forging close partnerships with key suppliers in order to optimise the supply chain, continued effort is being placed on the rollout of group procurement processes and best practices, as well as the ongoing development of skills within the procurement community with the objective of being a lean, high performing organisation better served to meet the challenging needs of the future.

Q For those thinking of embarking on such a journey now, what advice would you give?

Make sure that you have talked to people who have actually done it. The difference between success and failure lies in the subtleties in what you do and how you do it. Broadly following a process will not deliver success. Celebrate achievements in order to motivate and generate a positive reinforcing attitude. Such programmes invariably do not come without challenge. However, the results that they deliver will mean that you will never want to turn the clock back.





“Volatility is now normal; procurement must be agile in response”

PROFESSOR RICHARD LAMMING, DEAN OF THE UNIVERSITY OF EXETER BUSINESS SCHOOL

World markets have not settled back into a predictable state and they probably never will. As a consequence, the sourcing of materials in particular needs to be increasingly flexible, proactive and agile in response to unforeseen changes.

It's not just the cost base that could be seriously affected; the availability of materials to support manufacturing could be in jeopardy too. The powerful manufacturing economies of Asia are able to move commodity markets very quickly with their demand profiles; a few percentage changes in their hunger for materials such as copper, steel or nickel can drive major changes in supply to smaller users in a matter of days. According to the WWF 'Living Planet Report', the human race is currently taking 130% of the Earth's capacity – an

unsustainable situation. Procurement teams must have options that can be deployed as soon as the “call for action” signals appear.

This requires full business engagement - it is not just a Procurement challenge. For example, specifications need to state alternative materials that can be used, and even more fundamentally, rare or exotic raw materials should not be designed into the products in the first place - or must be designed out - unless supply can be guaranteed. This harks back to the supply control that vertically integrated businesses can achieve; remember the two very different supply strategies of Cadbury's and Mars Confectionery in the 1960s/70s? Cadbury's had strong ties to specific cocoa plantations whereas Mars always bought cocoa on the open markets. Both strategies had their champions however the

markets were rarely so volatile as they are today. The alternative sources and materials need to be pre-validated via the appropriate quality and manufacturing engineering processes; customers must be aware of the “design flexibility” so that they are able to accept such changes for their use of the end product.

Procurement has therefore to deploy agile sourcing strategies; today's sensible sourcing plan could be next month's route to loss of market share and/or product profitability. The winner will be the company who can recognise the need to change supply strategy before everyone else, and be able to implement this change rapidly to secure sensible pricing and availability.

Flexibility in the strategy is vital; the ability to execute such flexibility and agility is critical.

Johnston Press: National Newspaper Distribution Tender



Johnston Press Plc is one of the top three local newspaper publishers in the UK; producing hundreds of newspapers and websites.

Historically Johnston Press had not been in a position to leverage their newspaper haulage expenditure across the group due to a regional management structure for logistics activities.

Vendigital was brought in to compile a uniform Delivery Profile detailing all

of Johnston Press' routes and then to negotiate with a head-hunted supply market in order to identify the true market price for the deliveries. The tender objective of significantly reduced costs was to be delivered through supplier rationalisation, route optimisation and spend consolidation in two regions – Scotland and England.

The Scottish requirement was handled via a traditional “face-to-face” negotiation, underpinned by the increased competition and market information from the Vendigital sourcing exercise.

In England, the greater supply market

liquidity suggested an online auction would be the most efficient method to negotiate with the large number of suppliers for the many delivery routes. This e-auction was run by Vendigital together with Johnston Press on the Vendigital eRFx platform.

Across both England and Scotland the exercise resulted in an overall saving in excess of twenty five percent.

The resulting solution provided the new central team, led by Logistics Director George Brittain, with a great solution from which to move forward with managing Johnston Press' newspaper distribution.

VENDIGITAL NEWS

MILITARY / ITAR ONLINE RFQ MANAGEMENT

VENDIGITAL has released its latest version of the online eRFx platform, an electronic means of efficiently distributing and managing RFQs and negotiations within the supply market. A key feature in this version allows users within the US and UK to run Military / ITAR related RFQs in region without breaching local

trade compliance legislation. ‘This software enhancement is significant’ says Roy Williams, Managing Director of Vendigital's UK and US operations. ‘It allows our Aerospace and Defence clients to manage their own RFQs online, and to exploit the numerous benefits that these toolsets provide with the confidence that they are complying with local government legislation’.

VENDIGITAL APPOINTMENTS

VENDIGITAL are pleased to announce three new appointments, namely Paul Chadwick - Commercial Director, Sean Downey - Business Development Manager, Asia and Phil English - Senior Project Manager. Paul, Sean and Phil come with a wealth of experience in their respective fields of expertise across a diverse range of industries.

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