



Five Key Ways Supplier Collaboration Solutions Can Reduce Supply Chain Costs

The Challenges You Face in Meeting Customer Demands

Companies today are extremely dependent on their suppliers to meet customer demands accurately and reliably. Yet, developing and maintaining effective collaboration with a network of disparate suppliers is a challenge many companies are unable to conquer. For those able to establish open lines of supplier communication, a host of benefits awaits. These include improved flow of inbound goods and a stronger ability to meet escalating order-fulfillment demands while reducing costs. But how does a company begin to attain these goals? First, it would be helpful to understand how a supply chain looks with and without a supplier collaboration solution in place.

The high cost of a supply chain without a supplier collaboration solution:

A manufacturer or retailer with goods coming from overseas **struggles** with the lack of visibility into incoming goods. The company makes **unsuccessful** efforts to communicate with its supplier network, which is **incapable** of system-to-system collaboration. The company doesn't know if shipments were made on time or if they were shipped complete. There is **no visibility** into in-transit statuses to determine if shipments will arrive on time. Once shipments arrive, the company must complete a detailed, **labor-intensive** receipt of the goods to verify accuracy. The company **wastes** thousands of dollars on expedited shipments and extra verification procedures. These process **inefficiencies** and excess costs result in a **loss** of competitive advantage and customers.

If this sounds familiar, you're not alone. Many companies today lack an effective means of working with their supplier networks to develop a more efficient supply chain. The example below demonstrates how this is possible.

Reduced costs with a supplier collaboration solution:

With a **cost-effective** supplier collaboration solution in place, the same manufacturer or retailer can leverage a Web-based portal to **share** information with all members of its supplier network. This **empowers** the company with **visibility** to inventory and the **status** of orders throughout the entire process. It can acknowledge purchase orders (POs) and **improve** receiving activities. It can also receive **real-time** notification of any potential issues or exceptions occurring or about to occur throughout the order-fulfillment process to eliminate or **better manage** unexpected delays. By eliminating manual verification processes and unexpected expedited shipments, the company **saves** thousands of dollars and ships orders to customers on time.

Perhaps the scenario describing a supply chain without supplier collaboration sounds familiar to you. The issues described in that scenario and those discussed below could be problems you face today:

- Inability to move to advance shipping notice (ASN) receiving to increase facility flow-through
- Seemingly insurmountable task of collaborating with your suppliers, who have disparate technologies or who lack technologies, to enable effective information sharing
- Inability to push item labeling work to suppliers to further reduce operational costs
- Means of eliminating the EDI transaction fees that facilitate ASN receiving with some of your suppliers
- Need to achieve additional visibility into goods that have been shipped to you (and more importantly when they haven't been shipped or have been shipped short) before they reach your dock doors

The answer to many of these issues resides in developing high-level system-to-system communication with each of your suppliers to exchange real-time information on supply and demand. However, with suppliers ranging in size and resources, a one-size-fits-all solution is difficult or even impossible to establish. Even if you have a robust warehouse management system in place, many of your suppliers probably lack the infrastructure and/or technology required to synchronize your operations. Furthermore, many communication protocols (i.e., EDI) are cost-prohibitive for all but the largest organizations.

Exploring Supplier Collaboration

Effective management of suppliers—supplier collaboration—focuses on synchronizing supply chain operations through the real-time sharing of demand signals, inventory levels, capacity levels and performance issues. The supplier relationship of today must break down the barriers of the traditional "four walls" and move to an environment in which all partners synchronize their supply chain planning activities to achieve a common goal: meeting customer expectations on time, every time. This synchronization ultimately drives cost out of the supply chain through the reduction of inventory levels and cycle times—and is increasingly a critical factor in determining success.

Enabling supplier collaboration requires technology solutions that create an environment for effectively managing all aspects of the procurement process. These solutions improve the velocity of materials moving through your supply chain by increasing the velocity and availability of information. Supplier collaboration solutions provide a single execution base for this collaboration and set the stage for process improvements such as visibility into incoming goods, ASN receiving, improved flow-through, exception-based management, and many others. Use of these solutions empowers all parties to share current, accurate information and proactively manage the procurement process.

The ideal supplier collaboration solution will meet your functional requirements yet be adaptable enough to manage unexpected and ever-changing customer and business requirements. These functional requirements might include:

- Web enablement
- Flexible workflows
- Purchase order negotiation
- Shipment building
- Tools to help each supplier become more efficient
- Performance visibility

It is important to remember that not all solutions are the same. You'll find that capabilities and prices will vary greatly as you begin to research the offerings. Later in this report you'll find additional information for evaluating supplier collaboration vendors and their solutions.

What You Will Learn in This Report

This report will highlight the five key ways supplier collaboration solutions can help you drive immediate cost reduction throughout your supply chain. Following this discussion, you will learn how to evaluate the range of software offered to meet your supplier collaboration needs.

The Five Key Ways Supplier Collaboration Solutions Can Help You Reduce Supply Chain Costs

1

Compressing Cycle Times

The opposing forces of delivering "the perfect order"—having the right product in the right place at the right time—and cost containment through reduced inventory levels must be balanced in your inbound supply chain. Delivering the perfect order is a key metric all organizations are focused on achieving. It is a calculation of the error-free rate for all components of the fulfillment and distribution process, including: order entry, warehouse picking, on-time delivery, shipping without damage and final invoicing. The benefits of the perfect order are clear: increased customer satisfaction, higher customer retention and lower cost of lost sales. Delivering the perfect order should be accomplished without excess inventory or increased costs in the form of expedited deliveries. Striking this balance requires collaboration and real-time coordination with your supplier network. Reducing your suppliers' cycle times is the best way to realize the benefits of delivering the perfect order without incurring additional inventory and delivery costs.

Supplier collaboration solutions can reduce cycle times by creating an environment in which communication is automated, timely, accurate and certain. These solutions provide the ability to efficiently communicate both current and forecasted demand requirements with suppliers and receive responses in real time. Additionally, supplier collaboration accommodates both system-to-system integration and Web-based portals to allow for the accurate flow of real-time information and best practices. This drives further reductions in transaction costs.

In an economic environment where the supply chain often extends to include international shipping, the impact on the order-to-cash cycle throughout the supply chain can be extreme. International and homeland security can introduce significant barriers to timely delivery in a process already complicated by multiple touchpoints and opportunities for delay. The ability to proactively monitor and effectively supervise the end-to-end process directly determines your ability to manage long replenishment times profitably.

2

Reducing Inventory Costs

Whether your supply chain extends next door or across the ocean, the goal is the same: to optimize inventory levels and reduce the costs associated with carrying unnecessary safety stock. Supplier collaboration solutions create a tighter link between customer demand and your supplier network, allowing you to maintain high service levels while safely reducing inventory levels. With supplier collaboration, all stakeholders can automatically monitor inventory and demand levels to help ensure variability in demand does not result in an unanticipated shortage. Working collaboratively with your supplier network to meet common customer demand allows for true supply chain synchronization where cost is not simply pushed back into the supply chain to be passed on later, but rather is pushed out of the supply chain by allowing all links in the chain to plan based on timely, accurate information.

Further reductions in inventory costs can be achieved through the ability to plan labor more accurately. Optimal staffing levels can be maintained based on actual quantities of inbound materials. Labor productivity can also be enhanced by using inbound visibility to plan the flow of inbound goods to require the least amount of handling possible, whether through cross-docking, flow-through or sequencing for the shop floor. Likewise, supplier collaboration solutions minimize the cost of product obsolescence in the face of ever-shortening product lifecycles by regulating inventory levels according to demand.

Supplier collaboration solutions can also be key in the successful conversion of inbound freight from prepaid to collect. Accurate shipment information can easily be obtained from suppliers to create optimal inbound routing and carrier assignment. With new government hours of service (HOS) regulations, accurate pick-up appointment scheduling has become a critical component in this process. Unbundling inbound transportation costs from material costs can also generate further savings by creating an apples-to-apples comparison of suppliers. Supplier collaboration solutions can also drive savings by keeping inbound routing requirements up to date across your supplier network where freight is not converted to collect.

3 Streamlining the Inbound Flow of Goods

You are continually challenged with optimizing both resources and the flow of goods throughout your supply chain. Collaboration creates more accurate and automated receiving processes, which in turn reduce costs. Use of a supplier collaboration solution empowers all suppliers in your network with the ability to provide you electronic ASN information. This will significantly enhance your ability to accurately and efficiently receive inbound goods. Additionally, these solutions can automate receiving with support of supplier shipping, labeling and bar coding. Supplier collaboration solutions support additional value-added services such as special packing and sequencing requirements.

“Receiving ASNs from suppliers typically reduces time to receive a shipment at the distribution center between 30-40%, with a corresponding reduction in costs to receive while improving the physical flow of goods. Web-based supplier portals can enable companies to receive ASNs from suppliers much more easily, especially those without EDI capabilities. Many companies can justify their investment in a supplier portal from the savings in receiving costs alone.”

- *SupplyChainDigest 9.27.03*

4 Streamlining the Flow of Information

A supplier collaboration solution functions as a single, central repository for all information related to the inbound flow of goods. With the ability to reach all members of your supplier network regardless of the level of technology each has implemented, your supplier collaboration solution can serve as the system of record for all inbound material transactions. By centralizing this information and making it available through a Web interface, you empower all stakeholders with an equal ability to participate in managing their respective segments of the supply chain. Duplicate orders and costly shortages can be prevented because stakeholders have access to accurate, current information. Sales can be enhanced by the ability to provide firm commitments on demand based on accurate item availability and inbound cycle times.

5 Facilitating Proactive, Automated Management by Exception

Most companies are moving toward increasingly lean environments, with less need for buffer stocks. Production plans and customer service are dependent on the timely receipt of raw materials, components and finished goods. Unfortunately, the unexpected often happens and causes problems with these dependencies. Suppliers are suddenly out of stock, trucks are delayed, and suppliers ship short or late. The list goes on.

The faster you are aware of these exceptions, the faster and more effectively you can react to assess the impact to your supply chain and take appropriate steps. These may include changing manufacturing schedules, expediting shipments, finding another supplier and communicating with customers. Visibility, real-time notifications and automated event management through the PO and in-transit process allow you to have this capability.

Supply chain visibility demands automation and intelligence. As cycle times are compressed, visibility to potential performance issues must be intelligently and effectively elevated. Supply chain events such as shortages and quality issues must be automatically identified and elevated to the attention of managers or others who can work quickly to resolve them. Or better yet, they are resolved automatically. Supplier collaboration solutions should manage the tactical issues of goods and information moving through the supply chain, freeing managers to "scan the horizon" for larger issues.

Evaluating Supplier Collaboration Solutions

Now that you have learned why supplier collaboration solutions are beneficial for your business, it is important to understand the variety of offerings on the market today. These solutions range in both price and functionality. It is essential that you carefully evaluate the unique requirements of your business to get a strong understanding of what you actually need and the budget you can allocate to the project. The following are key points for consideration:

- ***Adaptable connectivity and integration model***

A solution that offers the same level of connectivity to "Mom & Pop" suppliers as well as the largest organizations will help ensure everyone in your network is operating with the same information. The materials coming from small suppliers are rarely less important than those arriving from large ones. Likewise, you will need to be able to support a variety of transports and protocols for your trading partners, including EDI, XML, flat file and Web.

- ***Support for real-time collaborative process management***

A solution that offers real-time collaboration empowers all stakeholders to participate in the process with current and accurate information. This creates an environment where exception conditions are automatically identified and solutions are quickly and effectively negotiated with all parties informed and in agreement.

- ***Integrated supply chain event management***

As discussed previously, management by exception is a key way supplier collaboration solutions drive cost reductions throughout your supply chain. To maximize your ability to leverage this functionality, a solution featuring configurable, automated exception management is the best choice.

- ***Rapid implementation and simple user adoption***

Understanding the time frame and cost involved in system implementation and training is a critical step—and one many companies overlook in selecting supplier collaboration software. One component of the implementation process is the ability to integrate with your existing systems, and often those of your suppliers. A solution with a configurable architecture will facilitate this. Another consideration for the implementation process is whether your vendor utilizes a best practices-based methodology. Ask potential vendors about their approach to implementation and how it will impact your business operations.

The system should also be easy to use so that users can become proficient with its functionality easily and quickly. Check with your vendor to understand the training and technical support options available.

- ***Ease of configuration to meet changing requirements***

As with ease of implementation and training, configuration is an important element when it comes to evaluating and selecting supplier collaboration solutions. Your business, customer and trading partner requirements are unpredictable, and it's impossible to know what sort of demands you'll face a month from now, much less a year away. Because of this, a system that easily and cost-effectively accommodates your changes will empower you to save money by performing modifications in house without involving your vendor. This type of configurable system will ensure your long-term total cost of ownership is low.

- ***Secure, controlled access for all trading partners***

Ensuring the security of your information is a top priority for your company and your supplier network. Supplier collaboration solutions must provide multi-enterprise, role-based security to both functions and data. Each trading partner represents a unique relationship and level of authority that need to be reflected in its ability to access information.

Conclusion

Supplier collaboration is a fundamental component of supply chain optimization. It is essential to your ability to meet customer demands on an ongoing basis and maintain profitability through continual process improvements and cost reduction. Understanding the relevance of supplier collaboration solutions, the manner in which they should be evaluated, and the five ways they can help you immediately reduce costs within your supply chain is an essential foundation for long-term success.

About HighJump Software, a 3M Company

HighJump Software, a 3M company, is the global leader in providing highly adaptable, best-of-breed supply chain execution solutions that streamline manufacturing and distribution from the point of source through consumption. HighJump's tightly integrated solutions empower operational excellence in the warehouse and optimize the flow of inventory throughout the supply chain by facilitating collaboration with customers, suppliers and trading partners. These comprehensive solutions combine robust, standard functionality, a best practices-based implementation methodology, and a uniquely adaptable architecture that facilitates fast, cost-effective system modifications. The result: the industry's lowest total cost of ownership for more than 700 satisfied customers worldwide. As part of the 3M family, HighJump leads the industry in financial strength and delivers on an unmatched commitment to innovation and quality. HighJump leverages these advantages to continually expand its solution footprint and empower operational excellence for domestic and multinational customers.

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