

A fresh look can bring new insight to a steady state operation, highlighting crucial bottlenecks and pinch points as focus areas for cost reduction



Often viewed as a cost burden rather than adding value, an organisation's supply chain function can act as a release valve for cost pressure in challenging times.

Consilium proposes a response to challenging times

In the current economic climate of slower or no growth, the effective management of a company's costs and profitability is vital to maintain competitive advantage. Businesses are seeking to reduce overheads and operating costs, maximise cash flow and improve return on capital employed. This is especially true in markets where sales volume growth and profit margins are under pressure and differentiation is increasingly difficult.

Unlocking benefit from each link in the chain

Where do the largest cost elements lie in our supply chains: in procurement, production, freight management, transport, warehousing or planning functions? Each of these elements has its part to play in the overall picture. A fresh look can bring new insight to a steady state operation, highlighting crucial bottlenecks and pinch points as focus areas for cost reduction.

Undertaking an operational improvement review can take Consilium as little as four weeks.



Authors
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Unmasking hidden costs

We continue to meet companies who, having tackled low hanging fruit over the last 5 to 10 years, need to reduce costs even further, across their whole operation. They have taken out the visible waste and reduced cost by adopting lean principles and through outsourcing. Now however, dynamic markets for both inputs and finished products mean that we are all heading into uncharted territory and information on which to base supply decisions is often inadequate.

Critically, customers, products and services do not consume the same levels of resource yet they are treated as if they do. Traditional cost accounting often masks the true costs of doing business. Imagine being able to unravel this cost structure and lay clear the actual costs of service levels against products and customers within your business.

Cost-to-serve driven supply chain management

Realigning supply chain costs to reflect cost-to-serve at individual customer and product level offers an improved perspective on an entire organisation. Consilium offers a transaction-driven simulation model that passes delivery data through a modelled supply chain network in both actual and theoretical scenarios, revealing new information about the whole business. This approach enables informed cross-functional decisions on operational cost reduction, pricing

approaches, profitability and product ranging, allowing supply chain strength to be fully leveraged. From initial data-gathering to full analysis can take as little as twelve weeks.

It's not always about major, transformational change

Whether armed with detailed cost-to-serve analysis or simply a rapid operational assessment from an experienced external perspective, the key to unlocking significant benefit is often a series of small process alterations; modifications and enhancements to the overall flow of activity rather than wholesale change. Often these small steps are self-financing, which is particularly important in the current climate. Combining this with the reassurance of benchmarking the solution and benefits against similar operations, companies can still achieve cost reduction, rapidly and at low risk, even when capital for investment is in short supply.

Taking action on cost reduction

Our deep operational management experience combined with access to leading industry practice as part of a larger organisation means that our consultants can offer fresh insight to your supply chain operations. Familiar with such functions across a range of businesses and sectors, Consilium offers practical, real world solutions and the skills to implement these, rapidly. Our focus on quick wins funds the costs of change and delivers bottom line benefit in these challenging times.



About the authors

Sid Holian, Managing Director, Consilium for four years, has brought thought leadership to the industry on subjects including cost to serve management and technology solutions. Sid believes strongly in taking full accountability for solution delivery and has modelled Consilium on this approach. He has 19 years experience in supply chain fulfilment, change management and productivity improvement across retail and manufacturing sectors.

Alan Duncan, Principal Consultant, Consilium, is responsible for delivery of our cost-to-serve solutions. With over ten years of operational experience, Alan has managed global end-to-end supply chain disciplines including demand, sales and operations planning, master planning and factory scheduling, new product introduction and distribution. Alan is an experienced programme manager who has delivered both 'quick win' improvements and long term process transformations.



Information

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Event: Sid and Alan will both be speaking on this subject at a CILT round table event on Thursday 26th March 2009

About Consilium

Consilium specialises in providing supply chain consultancy services, delivering fitter, leaner supply chain operations for our clients. Our focused team of operational experts has unrivalled access to current industry best practice and recommends practical, realistic options. Consilium is part of the Wincanton group of companies.