

Supply chain ingenuity

Grant Thornton Consumer and Industrial Products practice January 2014

Agile decision-making, business intelligence and your supply chain

Each year, Grant Thornton LLP conducts a series of surveys concerning supply chain issues and priorities. These surveys are intended to provide a snapshot of issues and opportunities in the supply chain industry. We hope that this edition, focused on business intelligence and supply chain decision-making, along with insights from Grant Thornton's supply chain professionals, helps inform your sourcing and supply chain decision-making.

Executive summary

Agile companies that possess data are positioned to compete. Agile companies that use their data are positioned to win. But a surprising number of distributors, especially those with a surplus of data and advanced technology systems, are unable to take prompt action based on their data. Why? Because many companies lack the capability to handle large amounts of diverse data coming from various functions, business processes and silos. While data may be readily available, it often is considered outdated, unreliable or inaccessible for prompt decision-making.

This survey examines supply chain business intelligence issues, including how companies use the data they have, how quickly they are able to respond to a changing marketplace, and how they could use their data more effectively.



Agile decision-making, business intelligence and your supply chain

Survey highlights include:

- 54% of all respondents indicate that their company's data is actionable. But, only 19% of respondents say their data is "completely actionable."
- 59% of respondents say they have all or nearly all the information they need to make process improvements and 54% indicate that they have the tools necessary to implement process improvements.
- 26% of companies can respond to supply chain pressures in just one week, and 49% can respond within three weeks.
- However, 45% of companies take one month or longer to respond to supply chain pressures. Nearly one-quarter (22%) take three months or longer.

Much data, little action

Most companies have more than enough data. However, this data is rarely used as effectively as it could be. Too often, companies have problems putting data into action.

Michael Capone, Audit partner and leader of Grant Thornton's Distribution practice, says, "A lot of companies that have added powerful enterprise resource systems aren't using the systems they have to the fullest extent. Companies can and should be leveraging these investments to get more out of them."

"Issues range from the system not being designed or configured properly, not being used correctly, or not producing consistently accurate outputs. In some cases, the people with the knowledge about how to get the data have left the company, and no one has the proper training to consistently get the right answers," adds Brian Larsh, Business Advisory Services director.

In many cases, action is hindered because decision-making is supported by silo- and function-based systems. Business leaders from different functions frequently bring different answers to the same questions. For instance, shipping may come to different conclusions than scheduling because they are using different data to support their decisions.

Explains Larsh, "There may be data in one place that does a good job with receipts, but it does not handle storage and retrieval well, or requires a couple of compensating controls to do it. Or, it may require manual adjustment entries to close a period, which create the possibility for error and open the data to confidence issues."

It is hard to trust the numbers when they don't align with the numbers elsewhere in the organization.

The end result often looks like this: A customer needs a part. Customer service looks in the system and sees the part is in a warehouse location, but when the clerk gets there, the part is nowhere to be found. This scenario ends with a lost sale and a disgruntled customer.

Master the basics

Not every problem requires a costly high-tech solution. Moreover, even state-of-the-art, expensive technologies can't perform without good processes, correct setup and accurate master data. Case in point: A large international manufacturing company with a state-of-the-art ERP system had two separate silos to manage their production and service supply chains. The service silo was using the expensive ERP system, yet it was riddled with configuration issues, incorrect application settings and master data errors. Production, on the other hand, used a simple spreadsheet connected to four known, good data sets and outplanned their service colleagues. The production team had better material and cash planning, fewer outages and spent less time on pull-ins and push-outs.

The information presented by business intelligence systems is only as reliable as the data the system is designed to analyze — if a company uses multiple databases with redundant, inconsistent data, its ERP systems won't be able to perform miracles.

If you have a new ERP system that is underperforming, determine the pieces that are working well and leverage those to achieve immediate success. At the same time, work toward resolving the underlying data accuracy issues that are getting in the way.

Agile decision-making, business intelligence and your supply chain

Assessing your company's business intelligence

Can you accurately answer these 10 questions? If not, you may lack sufficient visibility into your supply chain.

- Do we have consistent data that has the integrity on which to base decisions?
- What is the impact of our decisions on working capital?
- How much does it cost us to serve our customers?
- What if we change our service patterns? How would it affect costs?
- Does our technology have the flexibility to gain insight into profitability by product, by channel and by customer?
- Where should we invest to optimize our strategy and our competitive positioning?
- What actions across all of our functions will maximize overall company profitability?
- What is our profitability by product, by channel, and by customer?
- How much product should we promote before we start losing money due to variances not captured in our standard costing (i.e., overtime, empty shelves)?
- What distinctive, combined promotions will shape demand to maximize profitability while holding market share?

Making decisions in this context is difficult, says Philip Higginbotham, national director of Grant Thornton's Analytic Solutions practice. "How do you run a race when you're not sure where the starting line is? Even if you can see the finish line, you have no clue what the best route is to get there. It's pretty difficult to make the best decision with missing pieces and limited understanding."

Another challenge is the nature of decision-making based on information about the past. Even if the data pulled from a company's transactional system is reliable, it's backward-looking, yet the decisions based on this information are forward-looking. Therein lies the disconnect between understanding data and being able to act on it. Given that the data is from the past, the faster the organization can act, the better the chance that the data will still be relevant.

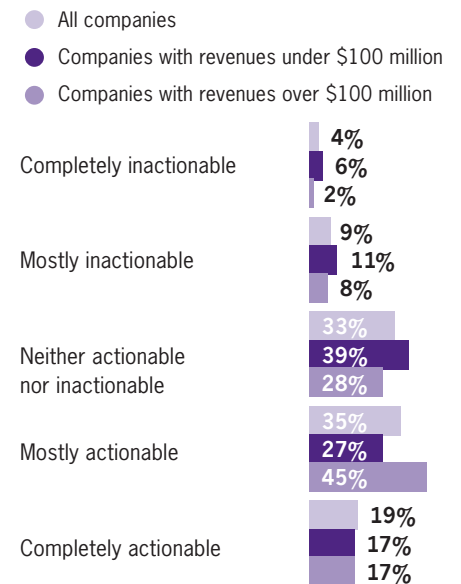
Taking action

Just over half (54%) of all respondents rate their company's data as mostly or completely actionable, but only 19% say their data is completely actionable. This leaves 81% with room for improvement.

At the same time, nearly six in 10 respondents say they have most or all of the information they need to make process improvements, and 54% say they have most or all of the tools necessary to implement these improvements. In summary, the data is available and actionable.

Currently, nearly half (46%) of respondents primarily use the business intelligence they gather to learn from the past and enhance production with future capital investments. One-quarter of all respondents use their business intelligence data to make real-time decisions and adjustments.

How actionable is the information your company currently captures about your supply chain operations?



Agile decision-making, business intelligence and your supply chain

How agile are they?

The ability to make timely decisions in response to external changes in material pricing, material availability, product mix demand patterns or competitor actions is poorly developed at many companies, which can be a significant competitive differentiator.

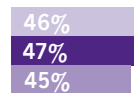
One-quarter (26%) of companies can respond to supply chain pressures* and marketplace changes in just one week, and one-half (49%) can respond within three weeks. More than one quarter (29%), however, indicate that it takes at least two months to make changes. This is particularly common with higher-revenue companies, which tend to move more slowly than lower-revenue companies. Only 26% of lower-revenue companies take two months or longer to respond, compared to 38% of companies with revenues over \$100 million.

“That’s where the value of predictive and prescriptive analytics, statistical modeling and optimization resides. These tools help companies truly understand where demand is going and can integrate simultaneous planning to maximize net profits,” says Higginbotham.

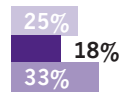
How does your company primarily use the business intelligence you gather?

- All companies
- Companies with revenues under \$100 million
- Companies with revenues over \$100 million

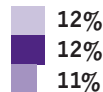
To learn from the past and enhance production with future capital investments



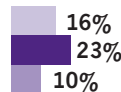
Real time: daily, hourly, minute-by-minute decision making as the environment changes



It is nice to know a data set but we don't really use it to make big decisions

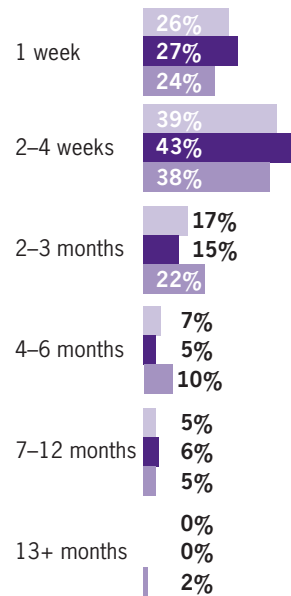


We don't have a mechanism in place to track business intelligence



How quickly are you able to respond to pressures to implement changes to supply chain operations?

- All companies
- Companies with revenues under \$100 million
- Companies with revenues over \$100 million



*Supply chain pressures include pressures from retailers/customers, supply channels, upstream vendors, internal goals and targets, and compliance/regulatory requirements.

Agile decision-making, business intelligence and your supply chain

Looking ahead

In today's fast-changing business marketplace, agility matters. Shortening the analysis time is critical to success and can be achieved by using trustworthy real-time data, having confidence in the data, and having supply coverage options to deliver solutions promptly.

Yet many companies — even those with best-in-class ERP systems — still lack the ability to integrate their data for a holistic understanding of the supply chain, a key attribute to optimizing decision-making, says Larsh.

All parts of the organization have to understand each other; using the same numbers and information goes a long way toward creating that collaborative environment. Without it, confidence and trust can break down rapidly. Integrated systems greatly reduce errors and inconsistencies because they are designed to pass numbers from one module to another automatically, quickly and accurately.

Ultimately, companies need to move quickly, but, more importantly, they need to get the response right. And making the best decisions requires analytic support. Those companies that are able to make strategic decisions on a dime have a competitive advantage. Agility — paired with forward-looking intelligence to support the right decisions — will always win.

About the survey

Grant Thornton partnered with Clear Seas Research, a subsidiary of BNP Media, to produce this original research on supply chain strategies. A total of 281 responses by readers of World Trade 100 magazine were gathered from Sept. 24, 2013, to Oct. 11, 2013.

About World Trade 100 magazine

World Trade 100 magazine is a business-to-business logistics journal delivering news and information to U.S. subscribers active in domestic and international trade. World Trade 100 magazine covers every aspect of the global supply chain, from the movement of products across the United States to the procurement from and delivery to international markets.

About Grant Thornton's supply chain advisory services

Grant Thornton provides a broad spectrum of supply chain solutions, including commodity planning; sourcing process evaluations; pricing reviews; technology solutions; supplier assessments and action planning; risk response protocol analysis, inventory and asset management solutions; and consolidation and resource management.

About Grant Thornton LLP

The people in the independent firms of Grant Thornton International Ltd provide personalized attention and the highest-quality service to public and private clients in more than 100 countries. Grant Thornton LLP is the U.S. member firm of Grant Thornton International Ltd, one of the world's leading organizations of independent audit, tax and advisory firms. Grant Thornton International Ltd and its member firms are not a worldwide partnership, as each member firm is a separate and distinct legal entity.

In the United States, visit Grant Thornton LLP at www.GrantThornton.com.

Contacts

Michael Capone

Partner, Audit Services
Practice Leader, Distribution
T 312.602.8020

Philip Higginbotham

National Director
Analytic Solutions
T 214.561.2580

Brian Larsh

Director
Business Advisory Services
T 414.277.1588

© 2014 Grant Thornton LLP
All rights reserved
U.S. member firm of
Grant Thornton International Ltd