



Supply Chain Strategy in These Turbulent Times

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In today's business environment the issue continues to be cash and cash generation. Companies are exploring every area within business management in order to identify every opportunity to turn resources and process change into cash in the form of immediate cost reduction and/or realignment of operating resources that will generate cash for the business.

There are two key areas within the business supply chain where management focus and attention will generate significant cash in the near-term – one to three months. The first of these areas is **Inventories** - raw material, in process, and finished goods – where near-term changes in both levels of inventory and processes can generate immediate cash for the business through:

- **Inventory levels** - where changes in cycle, safety, and surplus stocks of raw materials, in-process, and finished goods can be reduced, thereby
 - Lowering the amount of working capital necessary to support operations
 - Reducing the financial resources necessary to support inventory levels
 - Lowering related costs of inventory, such as interest expense, insurance, related taxes, facilities and related costs, etc.
 - Generating immediate cash that falls directly to the bottom-line
 - Freeing up much needed cash for other business purposes
- **Procurement performance** – where focus and leverage can achieve immediate results through:
 - Changes in purchasing policies and procedures
 - Reduction or elimination of low and no volume products and vendors
 - Changes in order cycle times
 - Price reduction through improved processes.

The second key area where management attention can focus and achieve near-term results is **Inbound and Outbound Transportation** – where changes can produce significant savings and therefore cash within the business's highest cost supply chain functional area, through:

- Improved **equipment utilization** - resulting in lower resource requirements and therefore costs through:
 - Maximizing load factors
 - Use of slip sheets versus pallets



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- Sizing equipment to load requirements
- Vehicle and load **routing** - focusing on:
 - Reducing empty equipment miles
 - Matching inbound and outbound load mix
 - Control of all freight including parcels, LTL, and TL
 - Getting the right fuel surcharge
- Reducing the number and **frequency of deliveries** - and related transactional costs
 - From vendors
 - To customers.

These key areas are a part of all businesses, whether large or small, manufacturer or distributor and whether consumer or industrial products, healthcare or pharmaceutical, food or beverage, retail, educational or institutional, or the like.

One of the true keys to immediate success is the application of the 80/20 rule. By that, we mean management must prioritize and carefully structure the approach to attacking these two key areas, considering:

- Largest volume materials and products where changes will have the greatest impact
- Largest vendors and customers where the business has the greatest leverage
- Highest value where change will result in the largest amount of saving and cash generation
- Ease of change and implementation where results can be achieved in the near-term.

Results from product and process changes in these two key areas can be achieved quickly through:

- Knowing what to look for and how to look
- Direct focus and attention separated from the day-to-day business operations
- Cataloging and tracking of results and accomplishments
- Benchmarking for monitoring continuous improvement.

Bottom line, the cash is there. It just takes a deliberate effort to go after it, harvest it, and put it to use where it can achieve more productive results for the business.

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