

Cumbria Branch Event Report 4/5/2004

Customer Responsive Supply Chains

In April Professor Alan Harrison, Director of Research at the Centre for Logistics and Supply Chain Management (SCM) at Cranfield University addressed a small 'but select' audience of IQA and Chartered Management Institute members on the centre's latest research and thinking on supply chains.

Prof. Harrison's starting point was evolving markets, the increasing diversity of products and their decreasing life cycle time that make it more difficult to forecast demand accurately than was the case in the past. Unless an organisation supplies a commodity market with standard products with a long life cycle, an example given was canned soup, efficiency is no longer sufficient to be successful. Many markets cannot sustain continual drives for cost reduction. He introduced the idea of 'agility' in supply chains – making more use of innovativeness of the West, which can then be combined with the discipline of Eastern lean techniques.

What is needed is customer responsiveness and this requires innovation. Customer responsiveness begins by diagnosing demand characteristics in the marketplace, then developing a supply strategy that will develop the capabilities needed. The paradigm of supply chain management based on efficiency – optimised supply, cost focus and production focus needs give way to customer relationship management based on responsiveness – optimised demand, revenue focus, identification & response to customer needs. Prof Harrison used examples from the audience's experience to illustrate his proposals, going on to give details of a new supply strategy road map. Particular emphasis was given to internal objectives being set so that each part of the organisation is attuned to measures that are significant to customers, rather than to the supplier.

When customer responsiveness is achieved, the supply chain can be simplified by building package management rather than component management. For example, attendees were surprised to learn that there are 70000 components in a Rolls Royce engine. Rolls Royce is developing a model where these components can be managed through a handful of suppliers, each managing a package of parts.

We were left with the final thought that it is often supply chains that compete for business now, no longer individual suppliers.