

## **Energize your supply chain network – A European perspective**

### *New competitive advantage from existing investments*

In partnership with *L'Usine Nouvelle* magazine, IBM® Business Consulting Services conducted the 2004 IBM European supply chain survey to better understand how supply chain management (SCM) is evolving in Europe. There were a total of 1,174 respondents, the majority from the consumer products and industrial products industries. The survey identifies current practices, captures significant trends and establishes operational performance benchmarks in five key areas of SCM: new product development, supply chain planning, customer order management, procurement and logistics.

### **New product development (NPD) – Cost and time are paramount, driving the NPD strategy.**

Product innovation management is essential to optimize the return on investment for NPD. Companies are developing strategies for cost reduction, such as increasing the level of commonality of components, platforms and assets for reuse and for revenue growth, such as improving speed-to-market. Also, many are implementing integrated, collaborative processes with partners to manage product change and new, derivative product launches.

### **Supply chain planning – It's all about sensing and responding.**

Advanced planning systems and leading supply chain practices have been implemented or piloted to increase the responsiveness to customer demand. The complexity of products and markets results in companies extending their strategy to their end-to-end extended supply network. Leaders are increasing their capability to sense market changes while developing capabilities to respond faster through collaboration with partners.

### **Customer order management – Realtime processing leads to superior customer experience.**

Order management processing is paramount to attainment of superior customer service and perfect order standards. On-time delivery and inability to fulfill sales orders due to out-of-stock continue to be challenges in meeting customer responsiveness and satisfaction targets. Companies are slow to embrace leading customer relationship management (CRM) practices of self-service, automated cross-selling and up-selling and purchasing customer focus groups.

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### **Procurement – Globalizing to go to the next level of advantage.**

The trend toward global sourcing is on the rise, with growth rates of over 20 percent from three years ago. Attainment of perfect order delivery to original request date is growing rapidly, but supplier lead times have remained somewhat static. Greater than 34 percent of the respondents indicated average supplier lead times of 20-plus days. Information technology focus is on integration of internal procurement and supplier management functions, as well as external integration with trading partners.

### **Logistics – Focusing on differentiating competencies through outsourcing.**

Specifically in logistics transportation, warehousing/distribution and handling of product returns, outsourcing was a theme for the respondents. Companies are implementing flow-through strategies (cross-docking, merge-in-transit) to provide specialized logistics services by customer segment. Only 30 percent of the respondents are achieving order fill rates of 97 percent or greater and only 30 percent of the respondents are achieving ontime delivery rates of 97 percent or greater. New technologies, such as RFID, are creating significant change in logistics performance and inventory control.

### ***Conclusion***

Today's business environment is rapidly and dynamically changing. Leading companies have demonstrated that supply chain management not only concerns operational excellence and cost reduction objectives, but is more and more focused on developing new business strategies.

The survey provides insight into the adoption of leading practices by capturing significant trends and operational performance benchmarks. The insights presented in this report provide a framework for companies to begin redefining their strategies, fine-tuning their performance objectives, and continuing the transformation journey of supply chain evolution towards maturity – thus, energizing the supply chain to delivery superior performance and increased profitability.

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