FOOD AND BEVERAGE
Tracking Italian produce, supplying a sandwich franchise, controlling indirect spend and distributing soft drinks

WAREHOUSE MANAGEMENT
The continuing case for automated stock control and mobile IT

DISTRIBUTION
New approaches at Lego and Bridgestone

SUSTAINABILITY
Reducing the cost of waste disposal

Make it … Store it … Ship it … Make it … Store it … Ship it … Make it … Store it … Ship it
Vol. 18 No. 01

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The moral of the story? Get the right supplier on board and you’ll go places.

The moral of the story? Get the right supplier on board and you’ll go places. So, embarking on your road to recovery, where to start?

Optimization is your goal, and it’s a fact that you can’t begin a recovery programme unless you know the scope. With the benefit of experience, it’s obvious that the starting point is to look at the business culture and to consider what the resource needs to look like when optimized, and to consider what the resource needs to look like when optimized, and to consider what the resource needs to look like when optimized, and to consider what the resource needs to look like when optimized.

So, always stay focused on your team, and try to find the answers to the soft of questions that will arise: typically, why does the supply chain organization need? Who does it need? How much resource? What skills do they require? Do I need to recruit, retrain, redeploy or restructure? What are the costs and time associated with this? What results will I drive and produce for the business?

Communication is Key

Something as simple in concept as communication is often an area wherein a business can be weak, but it is critical. You can manage the impact of change on the organization utilizing a strong and robust communication mechanism to ensure you deliver a benefits statement to the wider organization and allow the business to ask questions. For me, the best approach is one that involves listening, learning and turning from a proactive technical provider to a provider that sits behind it. Changes can alter the personality of a team before you know it; after all, there’s a huge cultural dynamic in being able to say ‘yes’ to your customer, so that when you get it right, confidence levels rise. Experience tells me to be successful, any recovery to optimization programme has to progress through three clear stages, and you won’t reach the heady heights of optimization without all three: Stage #1 Effective, Stage #2 Efficient, Stage #3 Optimal. Yes, it can be a long journey, but at least it’s not one you have to make alone. Having the right partner to work with means you’re not travelling alone, and becoming best friends with your software supplier makes the journey — not to mention the destination — as pleasurable as it’s ever likely to be.

About the Author

Gillian Holmes has been heavily involved in supply chain management for the past 15 years as a commercial buyer, stock controller, head of purchasing, Project Manager and Head of UK Supply Chain. She has recently been appointed Director of Supply Chain with Bobcock Networks Ltd (www.bobcock.co.uk).
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Quinn Radiators Awarded CILT Annual Award for Excellence

HRH Princess Anne presented the prestigious Award for Materials Handling Equipment and Technology to Quinn Radiators at the CILT’s awards evening held at the London Marriott Hotel, Canary Wharf, Operations Manager of Quinn Radiators and Andy Blair, Sales Manager at Swisslog, accepted the award at the ceremony held in October 2008. The CILT Annual Awards for Excellence aim to highlight the achievements of “the very best” to encourage the highest standards of excellence in the Transport and Logistics industry. Said Ciarán Doherty, Operations Manager at Quinn Radiators: “Quinn Radiators have received this award in recognition of the innovative and industry leading approach to have received this award due to its project increasing Quinn’s customer service levels and significantly reducing their costs. These criteria are always paramount to Swisslog when designing, implementing and maintaining logistics solutions.”

Leighs Paints Signs with TXT e-solutions

TXTDemand, part of the TXTPerform Supply Chain Management (SCM) suite, was selected by Leighs Paints to move closer to its aim of “World Class performance against customer’s requirements” by further increasing supply chain efficiencies.

The new partnership with TXT e-solutions will help to further improve Leighs Paints supply chain by enhancing its demand planning and forecasting capabilities and, in turn, customer satisfaction to secure its position as one of the industry’s most customer-focused companies. Leighs Paints is an international manufacturer of high performance coatings and passive fire protection products to various sectors, ranging from fire to steel and the energy industries. Following a nomination for an European Supply Chain Excellence award last year, Leighs continues to build its SCM capabilities through collaborative links with customers and suppliers.

Leighs Paints prides itself on the innovation and quality of its products, which is vital for some large projects such as London’s St Pancras International rail station and the Forth Rail Bridge. TXTDemand will help to improve forecast accuracy for raw materials — as well as for finished products — by bringing all of the forecasting inputs and variables into one platform. As a result, Leighs Paints will continue to increase its already impressive customer service levels through greater consistency in supply chain performance without a heavy reliance upon inventory. This achievement is critical, owing to the scale and importance of some projects. “This project is the continuation of Leighs Paints’ modernisation of the supply chain with the goal of achieving a world-class standard and turning those advantages into real customer benefits. I believe TXTDemand will provide us with a tool to greatly help our demand planning and forecasting capabilities that will not only improve our bottom line but also build on our reputation for excellent service,” said John Bewicke, Supply Chain Director, Leighs Paints (www.txtgroup.com).

Festo, a leading global manufacturer of pneumatic and electromechanical systems, components and controls for industrial automation, has appointed Barr & Paatz to bring its products and services to the UK as a System Integrator for its electrical drives business. The Düsseldorf-based company has a 19 year track record of automating process systems and an in-depth understanding of high technology systems, so is ideally equipped for identifying fresh applications for Festo’s comprehensive product range. This partnering agreement, one of only four across the UK, marks the latest move by Festo to expand its presence in the electrical drives and controls market. Under the arrangement, Barr will provide Barr & Paatz with pre sales support and technical backing across a fast-expanding range of sectors, stepper and linear drives, motor controllers, electromechanical axes, gantry and tripod robots, vacuum and mechanical grippers, handling modules and valve systems. Barr & Paatz will target applications for Festo’s modular electrical drive technology in such markets as food and packaging, process industries, the transport sector, electronic handling and the life sciences, as well as education and research.

Barr & Paatz have extensive experience of the automation marketplace and a long-standing relationship with Festo, typically working innovatively with pilot products not previously used in the UK,” says Festo’s Drive Manager, Nigel Dawson. “They are perfect partners for us, able to work with complicated technology like our soon-to-be released tripod robots and exploit the position that, thanks to our modular motors, drives, controllers and mechanical axes, we can provide a complete, integrated automation solution.” Stirling Paatz added: “I understand that Festo invests 7-8% of turnover on R&D, so it is always introducing plenty of innovative ideas and technology. A significant proportion of those new products are electrical, including some very fast and accurate linear motors, as well as energy saving electrical drives and axes, and they are pushing further into robotics, with a delta configuration that offers very good payloads at competitive prices. We have lots of applications experience and we’ve got some great products, so there is tremendous synergy between us. Having direct access to thousands of automation components also means that we can support the most complex application requirements and achieve shorter system build times, to the obvious benefit of customers.”

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NOTHING HAMMY ABOUT RFID PILOT

**Parma is the focus for an innovative RFID pilot, as Professor Antonio Rizzi explains to SCE.**

**T**he Parma region of Italy is, of course, near-heaven for a food junky. And with hams, cheeses and other specialty produce of high value, and in several cases enjoying official protection — the Parma ham, for example, must not only be produced, but sliced and packed, within the defined region — the area is a natural test-bed for the application of RFID technology to the food and grocery supply chain. Results are now coming in from a collaborative project, based in the RFID Lab at the University of Parma, which is backed by Oracle, and bringing together more than a dozen producers, wholesalers, retailers and their logistics providers. Firms involved include Auchan, Carrefour, Chiossi, Corriere Cacci, Corain, Danone, Grand Salumifici Italiani, GorgoNestle, Number 1, Lavazza, Parmacotto and Parmalat. The project was also supported in hardware and software terms by Avery Dennison, Caen RFID, Impinj, Intermec, Jamson Doors, Motrona, Psion Teklogix, Siemens, Toshiba and UPM.

**R**ector Professor Antonio Rizzi explains that the RFID Lab was set up in 2003, and this project had its inception in 2007 as a pilot implementation of RFID and EPC (Electronic Product Code) Network. Prior to that, there was a full year of lab research, addressing issues such as frequency limitations (there are constraints on Italian UHF frequencies).

"We got a temporary site licence and as soon as the frequencies were freed by the Ministry of Communications, we moved to the field to test RFID and EPC to exhibit how this could work in the food supply chain. We created a ‘pilot,’ but it is a real full-scale deployment to create visibility right across the supply chain," says Rizzi.

Some distinctive traits are noted by Rizzi:

"This was the first field test of RFID in Italian FMCG as a supply chain technology, and it is the first time we have got manufacturers and retailers integrating their data flows and technologies in FMCG. The project partnered 13 major manufacturers and retailers, testing and experimenting together, sharing costs and results even though they may be competitors."

In passing, the ability and willingness of competing Italian industries to collaborate in regional networks or clusters is a major strength and could usefully be emulated more widely, although Rizzi says "We achieved this by talking with Chief Information Officers and Chief Logistics Officers — we didn’t talk much to the ‘commercial’ side — on a need to know basis, they didn’t!"

Only two of the participating companies (retailer Auchan, and producer Parmacotto) were involved directly in the initial full practice trials, but all 13 are funding and following the research. Rizzi says: "First we defined the supply chain for the test; this was around pork-based products moving through Parmacotto’s DC, to Auchan’s DC near Bergamo and on to 20 hypermarkets across Northern Italy. We measured the flows to two of these outlets, so our model involved a manufacturer, a manufacturer’s DC, a retailer’s DC and two stores. We applied RFID tags at the manufacturing stage, and followed products through to the shop floor."

More than 12,000 cases of product were tagged, and labelled with a unique 96-bit serial number (in excess of 800 pallets were also tagged with SSCC codes), and movements followed during the 5 months of the trial.

Rizzi continues: "We tagged and read at pallet and case level — tagging at case level allowed us to follow goods all the way down to the shop floor and determine the exact amount of product getting onto the shelf. We mapped the exact business process — the pilot scheme lay over the existing processes, it didn’t replace them — that could have been cumbersome and we would have needed more time and confidence."

The main results, says Rizzi, have come in two areas. "Technically, we’ve been able to demonstrate that RFID is a viable tool for Supply Chain Management in this area, and we’ve developed new services using the EPC network features." Accuracy of read through an RFID gate was 100% at pallet level and 96% at case level (which might involve some missing or corrupt data), and "we are able to demonstrate that 86% of pallets were fully identified first time, both shipping and receiving. Perhaps more importantly, with RFID we can tell what is missing, as well as what we have read, that means we have to check 14% instead of 100%, and that is itself a decent amount of cost saving. Just in the shipping process, that represents benefits of €450,000 against a cost of €15,000 — a saving of €50,000 per site.

On the receiving side, says Rizzi, "there are huge benefits related to the automatic retrieval of traceability information into the EPC Network. We can receive a pallet and discover, for example, the IP address of the shipping party, retrieve traceability dates and so on. This saves a lot of money vis a vis the manual checking of bills of lading, manual checking at the dock door, and so on. With RFID, a ten minute manual process comes down to a couple of minutes or less."

Overall, the pilot claimed a 66% reduction in the time required to check product quantity and product mix at the manufacturer’s site, and an 86% reduction in checking time at the retailer’s DC reception. Other benefits are also becoming apparent, although they are as yet harder to quantify. As noted, many of the products of the Parma region are of high value and there is an ever-present temptation for counterfeiting — substituting some inferior prosciutto for the eponymous Parma ham, for example. RFID may have a potential role here.

Benefits are also coming through on the receiving side through data-sharing in the form of, for example, advance shipping notices triggered by RFID tags passing a control point, which enables the receiver to anticipate deliveries and thus deal with them more expeditiously. "Other benefits that are difficult to quantify," says Rizzi, "include RFID as a very effective tool to monitor quality of product in terms of shelf-life. This is an important issue for manufacturers: how long is the retailer taking to get goods onto the shelves? Parmacotto didn’t have this kind of visibility, but we can now, every day, give stores data on the remaining shelf-life of products they hold. We can spot interruptions in the flow of product to shelf, and thus achieve economies."

Rizzi concludes: "Also, we’ve been able to prove that RFID is an effective tool to monitor the execution of promotions. We monitored promotions in Guarni on a couple of high-rotating products and were able to ensure the preorder quantity, that the product, with its flairs and so on, reaches the store on time — in this case the Friday before the Monday of the promotion."

"By monitoring the shipping we were able to see the increase in production on the Wednesday, receiving (into the DC) on the Thursday, shipping on Thursday evening and receiving in store on Friday morning. In other words, we have real-time sight of the execution of the promotion, and we can see it is on time, or if something is seriously wrong. As it happens, we proved that most promotions were being executed well, but if someone had forgotten a pallet, so the promotional stuff didn’t go out, or it stuff was coming in too early — so that the promotion might be compromised by a shelf-life data expiry — we could know in real-time," adds Rizzi. Other potential benefits include automated billing, which could demonstrate savings of around 48% in administrative costs, bills management and mis-alignment rectification.

Rizzi believes the pilot has shown that RFID has real utility in the food and grocery supply chain. His team is now extending its approach to another Italian speciality: the garment and fashion trade. *
PuRChasing is a Sub-StantaL INgredienT

The European Independent Purchasing Company (EIPC) is a substantial ingredient behind the world’s favourite submarine sandwich in Europe.

Founded by franchisees of the SUBWAY® chain, in July 2001, EIPC is responsible for procuring the SUBWAY® chain’s food, packaging, equipment and services in Europe — by negotiating, price, supply and distribution terms. Today, the EIPC is collaborating its integral role in the growth of the SUBWAY® chain by helping the brand reach a landmarks milestone: the largest quick-service food chain in the UK and Ireland — with more stores in these two countries, to McDonald’s, KFC, Pizza Hut and Burger King.

Expanding rapidly during the last 6 years, the SUBWAY® chain has more than 2,200 stores open in Europe, in excess of 4,400 in the UK and Ireland, and some 700 in Germany. All stores are franchise owned, and it is this group of entrepreneurs, working together, that has been instrumental in the brand’s growth and success to date. It also has ambitious plans to continue its growth, with plans to open a further 2,000 stores throughout Europe by 2010.

Famous for offering customers a choice of fresh, great tasting Sub sandwiches, the EIPC has been instrumental in the ongoing success of the SUBWAY® brand and its franchisees. It provides a purchasing and supply chain network for European stores across 26 countries, with no other quick-service restaurant chain expanding at this exceptional rate, or one of the greatest challenges faced by the EIPC is to manage and support suppliers and distributors through this rapid growth cycle to ensure they continue to facilitate the phenomenal pace of the brand today — and going forward.

Bryan Griffiths, CEO of the EIPC, comments: “Being part of the continuing growth of the SUBWAY® chain is incredible. As the brand grows and develops, its product, service and supply requirements increase, broadening the EIPC’s scope for realizing cost savings, delivering greater benefits and value for franchisees. We have developed a flexible and scalable purchasing and supply chain network to accommodate the expansion of the business, constantly working with suppliers and distributors to ensure they have the capacity to continue to meet the needs of the brand.”

A franchise-owned organization, independent of the SUBWAY® chain, the EIPC is based on the already successful model operating in Australia and North America — home to the SUBWAY® brand. The EIPC works closely with a Board of SUBWAY® franchisees, which is responsible for providing direction and guidance to the business and its activities, to ensure that the focus is always on those activities which provide the best return and deliver value for its members. In 2007 alone, the EIPC secured cost benefits of £11 million for franchisees and is on track to surpass this level of contribution for 2008.

The EIPC’s primary role is to negotiate the lowest cost for purchased goods and services, including food, packaging, services and equipment. The team is continually looking at supply chain opportunities to offer greater savings, provide efficient operations and enhance competitiveness to ensure it delivers the greatest value to SUBWAY® franchisees and, ultimately, their customers. This includes working closely with the SUBWAY® chain’s research and development experts, franchisees and suppliers to identify all non-value added costs in the supply chain.

Managing contracts with suppliers worth in excess of £360 million, the EIPC devises a large proportion of time to contract negotiations and supplier selection as well as the management of supply chain and vendor partners as the system expands. The EIPC’s remit is extensive and is often called upon to negotiate contracts for secondary ingredients that the manufacturers must buy to produce the SUBWAY® chain’s products. Using one large master contract, the EIPC is able to deliver lower cost end product. The EIPC also works closely with its respective purchasing companies across North America, Australasia, Latin America and the Caribbean to identify global opportunities to negotiate contracts for products used by the SUBWAY® chain worldwide.

The EIPC has worked hard to form strong partnerships with key suppliers, many of whom have been in the SUBWAY® system for several years, and a number since the very first store opened in Europe. The expectation of these suppliers is clear: they are encouraged to continue to grow their business in-line with the brand, but they need to demonstrate that they have the capacity to adapt to the changing business requirements, as well as adding value and benefit to franchisees.

Many of the global commodity markets on which the SUBWAY® chain’s menu items are dependent, have recently experienced a significant upward price movement. This was due to a combination of factors, including increased demand, lower production, depressed global stocks and adverse weather conditions. Prices on a number of these items are now beginning to fall. The EIPC’s close relationships with its supply partners plays a vital role in mitigating the impact of any price fluctuations within the SUBWAY® supply chain. In this increasingly tough climate, the EIPC is able to leverage its relationships with suppliers to ensure a constant supply of product to the stores at the best possible price for franchisees.

The EIPC is constantly searching for opportunities that can create a competitive advantage for SUBWAY® franchisees and is continually seeking to identify new and innovative suppliers who can meet the quality and supply requirements of the SUBWAY® chain. Quality, price and service are the primary criteria considered. The EIPC, and the SUBWAY® chain place great importance on delivering continuous improvements in quality. The SUBWAY® chain is responsible for defining quality and specifications for products; the EIPC then tasked with supporting the chain to get Gold Standard products into the system through negotiating price and supply.

Alongside the SUBWAY® chain’s ongoing success, the EIPC’s remit has also expanded to encompass negotiating contracts for the likes of utilities, insurance and small-wares. Recently the EIPC has been involved in negotiating an energy deal for franchisees in the UK and Ireland, re-insuring negotiations for German franchisees partners and increasing the number of service contracts for construction items. It is also becoming increasingly involved in managing technology solutions on behalf of franchisees.

Due to the growth of the supply chain, the EIPC introduced QualityNet, in November 2007, an interactive quality management tool that provides a simple and efficient method for franchisees to log quality complaints and receive credit where appropriate. It is also a highly effective quality evaluation and tracking tool. If a franchise discovers a quality complaint with any food or packaging product, it is reported to a trained QualityNet operator and investigated.

Behind the scenes, the information received from QualityNet is sent to all relevant parties in the supply chain. With an extensive supply chain like SUBWAY®, QualityNet enables information to be gathered and analysed regularly, providing a highly useful tool for supplier performance management and evaluation. It also enables the SUBWAY® chain to react quickly and effectively should a serious food safety issue be discovered in the supply chain.

The EIPC is also playing a fundamental role in the introduction of a new loyalty scheme. In the summer of 2008, SubwayCard, a new electronic customer loyalty card programme, was introduced across Northern Ireland and the Republic of Ireland. From conception through to launch, the EIPC has been at the forefront of its development and is currently working with the SUBWAY® chain in roll-out SubwayCard across the UK during 2009. In particular, the EIPC has been actively involved in the technical aspects and operational execution of the reward card programme, as well as supporting marketing initiatives. There is currently a team of 20 highly qualified global and European management professionals at the EIPC, with specialist expertise, from strategic analysis, negotiation, purchasing, logistics and distribution. The number of people employed by the EIPC is expected to rise, reflecting the SUBWAY® chain’s goal of 4,000 stores by 2010 in Europe. Over the coming years, the EIPC will continue to focus on negotiating the lowest costs for purchased goods and services, improving quality, enhancing competitiveness and ensuring the best value to SUBWAY® franchise members and their customers, helping the brand to achieve its expansion plans.
The Challenges
Jim Stolze, Senior Manager of the Strategic and Global Sourcing Group at Del Monte, and his team are responsible for developing and facilitating the global team to become more strategic with regard to all raw materials spend — including all ingredients and packaging, such as steel, resins and paper-based varieties. While Del Monte’s Chief Procurement Officer Dave McLain manages more than $1 billion in cost of goods sold, optimizing MRo spend was not an easily attainable goal due to data requirements.

In the past, the Del Monte team successfully captured additional spend information. The team knew, however, that it needed to engage various internal resources, such as IT and AP, to manage PPV — its number one metric for improving efficiencies organization-wide. They also needed better reporting capabilities to know what they were buying and from whom. This drove the need for better overall visibility into its spending activities to more effectively manage its total costs.

The Solution
To address the above challenges, Del Monte implemented Ariba Spend Visibility. The solution provides Del Monte with timely access to category cost data, allowing it to significantly improve efficiencies organization-wide. Ariba Spend Visibility also provides supplier enrichment and item visibility into MRo and indirect spend across the enterprise. As a result of Ariba, Del Monte now has a good view of its indirect spend and is executing strategies for MRo and other indirect categories. The team is also using Ariba Spend Visibility reporting capabilities to manage a supplier-item approval process. Del Monte can now aggregate indirect spend, and slice and dice it by UNSPSC and SIC codes to negotiate savings in those indirect areas.

In short, implementing Ariba Spend Visibility has enabled the Del Monte team to successfully shift to the next generation of managing its MRo spend. “The MRo reports can illustrate from the plant level, to a supplier, down to a specific part number for price variation, and identify opportunities for standardization and managing on/off-contract spend,” said Ed Bergstrom, Manager of MRo Procurement.

Future Plans
Del Monte’s future plans include marrying market and economic data to item-level transactions to become even more strategic with regard to sourcing activities. Today, the Del Monte team uses Ariba Spend Visibility in the Strategic and Global Sourcing Group, but plans to roll the solution out to other functions such as Finance and IT for enhanced collaboration and consistency. By working collaboratively with Finance, for example, the buyers will work on the same information that the Finance team uses to assess performance. The result will be a seamless process that will deliver even greater efficiencies.

“The flexibility of the Ariba Spend Visibility solution has been very valuable in the Procurement Department’s collaborative efforts at Del Monte,” said Stolze. “As an example, we are using the system to manage Del Monte’s Supplier-Item Approval process, which is a process managed between Quality Assurance, Research & Development, and Procurement.” The team also plans to implement the function of managing purchase price variance — but to achieve these future goals, they recognize that they can only move as fast as their data.

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Future Plans

Del Monte Foods is one of the best known producers, distributors and marketers of premium-quality branded and private-label food and pet products not only in the US, but across much of the world.

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Coca-Cola HBC Italy (CCHBC) is one of the world's largest bottlers of Coca-Cola Company products, managing production, vending and delivery processes as well as trade marketing and category management activities for central-northern Italy.

The main aim of the project was to make the check-in process as quick and accurate as possible while ensuring that handling changes at the delivery were significantly more efficient. To make these operational changes, Coca-Cola HBC Italy decided to put in place mobile hardware that would optimize deliveries and reduce the amount of back office work.

The solution adopted was built around the Zebra Technologies RW420 mobile printer, combined with a Symbol MC9094 terminal and a route pad for housing both devices, to make transport and recharge easier. These devices are synchronized with the Mobile Delivery application — developed to support the delivery process.

Every day, route accounting information — setting out the amount of product to be delivered — is entered into a driver’s own terminal at the depot. Once the driver goes back to the storage and distribution centre, he returns to the storage and distribution centre where the depot manager checks the stock left on the truck and records any changes. At the same time, data from every delivery of the handheld terminal is sent wirelessly, using GPRS, straight to the central system. Each customer record is then updated and that day’s delivery is closed, all in one go. All changes are immediately reconciled to the customer’s account, reducing the administrative workload and minimizing any errors. The check-in phase ends when both the driver and the depot manager print and sign a copy each of the check-in document.

Results

The benefits fall into three main areas:

• Procedure simplification: the whole process is much faster. A process that used to take 10-15 minutes for each driver (who makes 30 deliveries every day) has been reduced to 15 seconds. In addition, printed documents are clearer than before and free of manual changes, improving billing and reducing customer queries.

• Electronic storage of documents: data is transferred wirelessly, removing the need to scan in the delivery notes. This saves time and energy and dramatically reduces the number of errors.

• Cash flow: once the driver goes back to the store, all the information about his delivery round are downloaded and invoices can be released in minutes instead of days.

The next stage is to provide final invoices at the time of delivery, printed with the Zebra RW420. This will further reduce invoicing costs and improve the “time to cash” process even more.

More information

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KRAFT FOODS HAS RUEDI SAEGESSER.

When the demand for Milka chocolate soared in Kraft Foods’ (MEA) Algerian market, Agility’s Ruedi Saegesser answered the craving. Working closely with his customer to streamline distribution, Ruedi optimized order preparation, customs procedures, and supply chain solutions from their centrally located, energy-efficient Bartenheim warehouse. With processes expedited from end to end, handling capacity tripled in one season, satisfying Kraft’s expectation and the market’s sweet tooth.

KRAFT FOODS HAS AGILITY.
Whether goods are coming in, going out or moving around in your warehouse or distribution hub, having access to accurate and timely inventory information can make the difference between all the little things you might be losing, satisfying or disappointing your customers. You might be equipped to this hit with the latest technology for warehouse management. Your workforce all sport the latest handheld mobile computer technology firmly holstered in their belts. However, it is where this data communication ends and this vital information is not being leveraged by a highly functional WMS, then your business will never realize the true potential of its data.

If you are currently looking at deploying a WMS — or to meet the growing demands of your business — are considering upgrading your existing system, it is crucial that you work with a WMS ‘partner’ rather than a ‘supplier’ and, importantly, a partner that is also a mobile data specialist. The working relationship between a partner and a supplier is poles apart. With a partner, you will be working with a team that understands your business and the challenges associated with that business. A partner will work with you to determine the requirements of your WMS and deliver a solution that matches those requirements. Conversely, a supplier will, in all probability, ‘supply’ you with a system that does not necessarily fit your business needs.

A mobile data specialist partner will understand the importance of working with you to deliver a WMS that unifies your systems and integrates the data captured in your warehouse and logistics centre into your existing business management systems. The resulting ability to access this combined data enables you to take control of what may be your largest financial asset — your stock. A mobile data specialist also understands that it is crucial to implement a WMS that creates a vital link in your data chain that leads from the warehouse floor all the way to the boardroom. A WMS server residing within your network should act as an invisible interpreter between your legacy systems and your operatives, equipped with their handheld mobile computers, allowing your data to be communicated quickly, accurately and efficiently, right into the boardroom.

The growing deployment of wireless networks in the warehouse environment has led to WMSs that allow for the natural dispersion of your data. It is now possible for you to put this data exactly where it is needed — at the fingertips of your warehouse operatives, via wireless or handheld mobile computers. This enables product efficiency benefits including the direction of pickers to the location of and number of items to be picked, either by display or voice application on their mobile computer, increased accuracy of moved, picked or put away stock and checks that enable the identification of stock that is not in its correct location.

One of the key benefits that has resulted from a WMS that integrates with legacy systems is the ability to deliver a mobile printing solution. Warehouse operatives are now able to print a label right where they stand, right where it is needed. No longer waste time waiting to a central printing location to collect a printed label. This also enables lost or damaged labels to be quickly and easily replaced.

Today’s challenging economic climate — coupled with the need to work in an increasingly real-time environment — are driving warehouse managers across businesses of all sizes and sectors, to increase efficiency at the same time as decreasing operating costs. The correct choice of a WMS, that exactly suits the requirements of your warehouse, will help your warehouse manager increase efficiency by ensuring that stock is available for sale by your sales force — and when they need it — and that goods are despatched in a more timely manner, which keeps your customers happy and helps drive return business.

The right WMS for your business will assist in reducing operating costs by helping to eliminate delivery errors. One of the biggest benefits of a WMS that fully integrates with a wireless mobile data solution is that it enables a perpetual stock count and completely removes the need for a manual stock take, which often results in the complete shut down of a warehouse operation and the associated loss of revenue.

The right WMS can allocate other pain points experienced by warehouse operators, such as the ability to ‘trust’ the accuracy of data that is being delivered back office systems and, consequently, being able to confidently act on that data, to easily monitor perishable goods by automatically being alerted to a change in the temperature within a particular area of the warehouse or monitor when pallets arrived, providing an understanding of which goods came in first and which should be despatched last; how to make the best use of your warehouse space by setting up a multi-location capability that enables you to better utilize the available storage. Historically, WMSs have been developed over the last ten years or so to deliver large, fully featured programmes, which are all things to all men and which require significant effort to ‘customize’ or make relevant to an individual warehouse requirement. Configuration is often lengthy and necessary, and it involves the dissection of features that are not required and the selection of those features that are relevant.

Looking ahead, warehouse managers will realize the importance of deploying a WMS that can be specifically developed to fit the exact profile of their individual warehouse environment by matching their operating processes. Warehouse managers will no longer be prepared to deploy a WMS that forces them to fit their way in which the WMS specifies. As economic pressures continue to increase, we are all looking for ways in which to work smarter, increasing efficiency and productivity, but at the same time reducing operating expenses. An agile WMS that matches your current business requirements, but which, importantly, is able to deliver on future requirements is a very valuable tool in helping to achieve this.

In today’s business climate, time is of the essence and senior management increasingly needs immediate access to accurate data from across the business. The warehouse is no exception. Warehouse managers will relish the ability to quickly and easily deliver information; for example, the ability to find out about any stock item in the warehouse instantly via a real-time spot check. A WMS that delivers this capability enables managers and warehouse operatives to obtain the spot information from anywhere in the warehouse. By scanning a product or location, or entering a product or location code into a wireless terminal, it is possible to instantly find out key information such as the product description, location and stock levels. Or, in the case of location, where the product should be.

The growing deployment of wireless networks across business sectors, to increase efficiency at the same time as reducing operating costs, is a trend that shows no sign of slowing down. As a consequence of this, wireless networks are seeing the emergence of Near Field Communications (NFC), enabling consumers to purchase small value items directly from their mobile phones. We should expect to see NFC features appearing in rugged handheld computers that will enable warehouse operatives to pick stock by location, automatically deducting the items from the location and updating an intelligent location-based memory device. Using non-volatile storage, this location-based memory will no longer be stored on physical paper, but instead be stored automatic, reporting its physical stock by WiFi or Ethernet connection to the back-office system. Developments in WMS technology, and the selection of the right WMS for you, will enable a better electronic distribution of data throughout your business, leading to improved analysis, reporting and accounting, and resulting in your business running more smoothly. The right WMS will allow you to capture important information about stock as it takes its journey through the warehouse, and, where necessary, back again, eliminating storage and handling errors, reducing administrative time and helping to enhance customer service levels.

A mobile data specialist partner will help in the selection of a WMS to ensure that the electronic update of instructions against customers’ accounts, the improved accuracy of pick and pack and delivery functions, and the automatic releasing of accurate stock information for sales and other business units, lead to improvement in your cashflow and customer service. Additionally, this accurately captured data will enable the electronic update of your main billing systems, along with orders, quantities, batch and serial numbers shipped, and other proof of delivery information, thus speeding up your time to billing and letting your business realize revenue faster.

Tomorrow’s WMS will continue the trend of disseminating data to — and capturing it from — your employees and mobile devices. You need to be absolutely certain that your WMS is allowing you to leverage this data to your maximum advantage and that you are, indeed, controlling your stock.
An automatic response to handling in manufacturing

Phil Steeds, Sales Director at TGW Limited, presents the arguments for automated materials handling in manufacturing.

Production lines cannot be allowed to stop because a part is not available on time. The question is what's the best solution to ensuring that a part arrives just in time, in sequence and undamaged? Automated materials handling systems offer a solution. No matter how many shifts, automated systems cannot be matched in terms of consistency of delivery and performance in delivering parts to a production line, which may look for many hundreds of orders per shift. These systems can allow manufacturers — particularly in discrete manufacturing — to find numerous cost savings, as the automated storage and retrieval system (AS/RS) — that can house the same number of units as a conventional pallet racking served by forklift trucks, even narrow aisle lift trucks, with an automated Storage and Retrieval System (aS/RS) — that can house the same number of units as a conventional pallet racking served by forklift trucks, even narrow aisle lift trucks, with an automated Storage and Retrieval System (aS/RS).

In general, an AS/RS will require less space than a VNA (Very Narrow Aisle) storage system. Automated storage and retrieval systems for pallets will often sit alongside mini-load systems for rapid small parts storage and retrieval. Reducing cycle times of picking and delivering parts to the line can be significantly reduced — and this is where great strides in overall manufacturing efficiency can be made.

For a successful implementation, the priority is to provide the best possible fit to a customer's strategy and production facility. To achieve this, the systems integrator needs to consider factors such as volume/use, throughput, costs per storing position and pick. Of course, it helps to be able to offer a powerful stacker crane and an effective load handling device for the AS/RS.

When it comes to delivering parts to the line, a system comprising conveyors, elevators and shuttle cars can be designed for most production plants to ensure products reach the line in the correct sequence, at the right time and presented in the appropriate way — either in pallets, totes, cartons or freestanding. It's advantageous to minimize the movement of parts in a production facility. In many factories without mechanized materials handling, staff can walk great distances to transport goods, increasing risk of both delay and product damage. Placing a product on a conveyor, particularly with the proper load handling unit in systems, means that the product can be delivered to the line in the correct sequence, at the right time but adds to the product's protection, which is a particularly important factor when handling high value parts.

Developments in technology have increased the versatility of the automated handling systems. Modularity allows systems to be updated and expanded as requirements dictate, with many plants required to meet ever stricter environmental conditions. Low noise, down to around (71 dB), is an increasingly important aspect here and can be helped by belt driven roller conveyors with aluminium frames and supports designed for handling unit loads — such as totes and cartons — in a controlled manner that guarantees the integrity of the components being transported.

An automated material handling system can be linked up to production management and ERP computer systems. Not only does this enable full control over picking and sorting of inventory, but it can also feed back important management data about the operation. It offers production management a greater element of control over the whole process and can be provided by simply using barcode readers, and the greater amount of data is particularly important for manufacturing where strict asset tracking is important.

Technology developments have led to an inherently high uptime with automated storage and retrieval systems being sustained over many years when supported by an appropriate preventive maintenance regime. These developments have also led to flexibility; an AS/RS aisle, for example, can be lengthened to accommodate more stock, with minimum impact on the performance of the machines, while the modular design of conveyor systems and accumulation units allow internal transport systems to be reconfigured and as required.

Convoy line flexibility is of paramount importance for long term and economic use of a material flow system. Ideally it should allow different product ranges and packaging to be transported and the entire system must be open to change and expansion when required.

Modularity of the equipment and the conveying equipment and control systems are key to this.

Automated Solutions for DaimlerChrysler

German industrial giant DaimlerChrysler turned to TGW when it required a materials flow system to support a new production line for the successor model to the Mercedes-Benz Sprinter, produced at the company’s plant in Ludwigsfelde, Germany. A new small parts mini-load system was located at the centre of the plant’s various production halls to ensure the shortest possible routes to the assembly points for materials supply. As soon as small parts are required by any of the separate assembly points there is an immediate automatic response and supplies are sent from the small parts mini-load warehouse.

The parts are stored in totes, and delivered by the suppliers, ready-packed, in two different sizes: 300 x 400 mm or 600 x 400 mm. Totes retrieved from the warehouse are placed on a loop conveyor by a TGW Mustang L stacker crane. The crane places the tote in the approach zone where the material loaded is distributed to three retrieval lines, depending on the assembly area. When they reach the assembly area, the totes, including the internal delivery notes, are buffered, ready for pick up by lift truck for transport direct to the assembly location. The next part requirement is triggered from here as soon as the existing stock of components is used up.

Some 40% of all mini-load AS/RSs erected in Europe over the past few years have been fitted with TGW devices. For DaimlerChrysler, two Mustang L type stacker cranes take care of handling in the 8.6 m high small parts warehouse. A total of 9600 positions are served in two aisles, which have a total length of 49 m and a 5.5 m overall width. The Mustang L reaches speeds of 5 m/s with 3 m/s sec acceleration and can transport goods with a working load of up to 100 kg at this pace.

The TGW combi-telecope double-deck load handling device installed on the Mustang L, assures efficient storage and retrieval of the reserve totes and a fast hand-over to the conveyor system. The totes have the honeycomb bases that the automotive industry prefers and TGW demonstrated its ability to provide conveyor systems that operate within the limits demanded by DaimlerChrysler. TGW was able to assure a very low level of 71.3 dB by using its Multi Roller conveyor. With a lightweight aluminium construction, the Multi Roller conveyor is an example of versatile conveying technology, thanks to its modular design. In addition to straightforward conveying, it can provide pressure-free accumulation or load buffering.

More information

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Although investing in a mobile solution may initially seem daunting, with solid business objectives, a clear vision and thorough planning, it offers great opportunities for reduced operating costs, improved business performance and enhanced decision making. To be effective, any mobility strategy needs to have clearly defined business goals and it is essential that these are identified before any investment takes place, as this determines what type of solution and support package is chosen.

Business aims could include anything, from using a mobile technology to cut administration costs by eliminating mistakes and reducing queries or increasing productivity with enhanced tracking and asset usage, to using mobile technology to better manage or re-assign employee tasks, thanks to faster, more accurate data. While different goals tend to be uniquely tailored to the needs of a particular business, there are some considerations that will be universal to any supply chain professional thinking about implementing a mobility solution to boost warehouse efficiency.

In the Warehouse
One of the most important steps to take before anything else can be done is to ensure that there is adequate wireless network coverage and signal strength within the building, as this is the key foundation for any mobile technology. Before establishing a WLAN (wireless network), conducting a wireless survey helps to highlight the coverage and signal strength throughout the warehouse, identifying any objects or problems that might be obstructing this, such as racking, metal support structures and even other RF networks.

An effective technology partner should always offer a detailed survey, while advising on the most suitable siting for new and existing antennae and access points to maximize signal strength. A secure wireless network is also critical to prevent hackers from stealing valuable data. As a minimum, businesses should follow PCI compliance guidelines to protect sensitive data and consider installing Wireless Intrusion Prevention Systems (WIPS) for an additional layer of security.

Hardware suggestions:
- Motorola’s high-performance RF9600 switches and AP3600 access points provide a secure wireless network foundation
- Motorola’s MSP RF Management Edition provides a WIPS enabled backbone and enables you to deploy, manage and troubleshoot mobile hardware remotely.

Picking and Inventory
After establishing an effective infrastructure, a business needs to identify which mobile solution best complements its existing processes, meets its strategic goals and can
Barcoding is also configurable with voice picking technology, which has been shown to speed operations and boost productivity. Armed with a small wearable terminal, headset, scanner and voice picking applications, staff can pick goods more quickly and accurately by following voice instructions. In contrast, radio frequency identification (RFID) tags are a more refined but costly alternative. Barcodes carry unique information that allows simple identification of any object they are attached to, data from RFID tags can be shared wirelessly allowing items to be easily tracked and managed through the supply chain. RFID tags also hold large amounts of information, making them especially suitable for tracking palettes, inventory groups and high-value assets. The capacity that RFID tags possess to enable faster, simultaneous processing, allows them to be read by unattended readers, making them ideal for warehouse applications that require a certain degree of automation. In this scenario RFID use can help to optimize processes and reduce or eliminate areas of human intervention.

**Hardware suggestions:**
Intermec SR41ex barcode scanner. Bluetooth enables barcode scanning from 6 inches to 50 feet.
Motorola MX9000 series of handheld terminals: highly ruggedized, featuring integrated 1D/2D scanner and IP64 rating (impervious to dust and sprays). Withstands multiple drops from 6 feet onto concrete.

**Consultation**
In addition to the handheld hardware itself, it is also important to consider how it will enable a smoother and faster installation, a good service provider will always make sure that any equipment is fully set up, tested and ready to use before it is deployed.

**Installation Support**
While the importance of thorough planning cannot be overstated in keeping implementation disruption to an absolute minimum, support from a technology service provider that offers project planning, staff training and after-sales help can be invaluable. An effective provider will ensure that every business it works with fully understands the roll-out process and timescales before a project begins. Besides offering support to the business along every step of the installation process, the service provider can give expert guidance on the routing of structured cabling, placement of access points for wireless networks and even the equipment roll-out plans (across multiple sites if necessary). To enable a smoother and faster installation, a good service provider will always make sure that any equipment is fully set up, tested and ready to use before it is deployed.

**Training**
Staff training is also important. A service provider that offers to train a business staff to operate any device and application helps to engender a faster adoption of the technology throughout the workplace, minimizing human errors and boosting productivity. For added peace of mind, seek out a service provider that offers quality after-sales support, with a comprehensive facility for logging all queries and a back-up team that is always on hand to help swiftly solve customer enquiries.

Planning and implementing a wireless strategy must be tailored to the particular application to be successful, but need not be daunting. With careful consideration and by enlisting the right support, businesses can create a robust strategy based on their mobility requirements, and use it to gain a competitive advantage in their marketplace.

**About Jade Communications**
Established more than 15 years ago, Jade Communications has quickly grown to become one of the UK’s leading providers of voice and data communications technologies. Expert in the areas of barcoding, data capture, fixed mobile convergence, RF networking, structured cabling, and printing and media, Jade specializes in the integration of end-to-end network solutions.

**More information**
www.jadeonline.co.uk
In November, last year, the Lego group opened a new distribution centre (DC) in Jirny, just outside Prague, in the Czech Republic. The DC, which will be operated by DHL, is seen as a key asset-light move, as Lego wanted to be asset-light. It will dispatch all Lego products to the worldwide market, with the exception of North America, which is supplied from manufacturing facilities in Mexico. Egil Møller Nielsen, Lego’s Senior Director for Global Distribution Logistics, explains the thinking: “Having all our EMEA, Asian and South American products flow through one centre makes very good sense on cost and service grounds. Our biggest concern, of course, was risk: fire or flood or other Acts of God. So we started with a very detailed risk analysis, and we have incorporated very high levels of fire protection and so on — essentially, whatever we can reduce the risk, we have done so.”

Nielsen adds: “The choice of location in the Czech Republic was the result of a fairly simple analysis according to our 5 year plan, which we complied in 2004/5. We looked at where we were going to be manufacturing and selling in the future, and although we hadn’t then determined that our manufacturing sites would be in the Czech Republic, Hungary and at home in Denmark, this was looking likely, and a distribution location near Prague seemed the best fit.”

Of the ‘old East European’ countries, the Czech Republic was the closest to key West European markets, in terms of time to market (although Lego also looked at Poland and Slovakia), and “We are now very happy there — we wouldn’t want to be anywhere else,” says Nielsen. As well as geographical location, he says, demography was an issue, as was educational and general knowledge levels and the political environment. Filip Budzik, MD of DHL’s EMEA Supply Chain Czech Republic, agrees: “Our analysis also showed that this was the best location in terms of infrastructure, access to both Western and Eastern markets and the availability of experienced employees.”

Nielsen adds that the growth potential in Eastern Europe and Russia is “humongous. We expect double digit sales growth in North America, Lego makes in the region of 15 billion bricks and other elements each year, 2003 or so different elements in 55 colours and a variety of materials — and 60–70% of global production is in Europe. Having the global inventory in one place, says Nielsen, “gives us a much higher fill rate to our customers, which means fewer lost sales. We have consolidated stock in the Czech Republic and these can be pulled down by local DCs worldwide. The DC has also improved our overall carbon footprint: we estimate a 25% reduction in kilometres of transport.”

As is expected in the toy industry, demand is highly seasonal, with a high season starting in August, peaking in October/November and ending in December. The company tries to level the load out to some extent, but “There are limits to what levelling is achievable, and so we are dependent on the experienced and skilled Czech labour market,” says Budzik. “We have special programmes to balance permanent and temporary or agency staff, and we try to manage and motivate temp agencies through a bonus system to provide us with staff who have had previous experience with us.”

Given that, one might think Prague is not the most obvious location when Lego was moving in, unemployment was a more 1–2%, and it isn’t much higher now. But, says Nielsen, “If you are the best employer, you will always get employees. That’s the challenge. So far we have always managed to get the right people. It is important for us for to be near the big city to have access not only to airports, but also to educated people; it wouldn’t have worked if we were out in more remote parts of the Republic where unemployment is higher. In fact, currency, not employees, has been the biggest challenge, with the Czech currency increasing against the Euro — frankly, we would look forward to the Czech Republic joining the Eurozone.”

But underlying the success of the venture has been the challenge of getting everyone to pull in the same direction in what is a complex business. Budzik says: “The key point is to find some common ‘language’ between the parties. The logistics side and the customer side often have different expectations. We have brought all the key players together on a basic ‘language’ of trust, of win-win solutions and of doing things together. If you start by using the same language, it is easier to get to where we want to be. Making an agreement ‘live’ is still a big struggle — there were a lot of fights in the beginning, but the solution has to be something that all parties can agree on. So it doesn’t mean that there are no challenges — it does mean that we have agreed on the approach to any problems, so our discussions can be very professional.”

Nielsen agrees: “The commercial agreement is a cornerstone. If DHL performs better, in terms of efficiencies and KPIs, there are bonuses; if they do less well, there is pain. We motivate them to perform better, which brings our costs down — while increasing their profit. We are all motivated by the same things, which is not true of all commercial agreements.” •

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Reserving stocks for certain customers is nothing new. Nowadays, though, these reserved stocks are no longer physically set aside in the warehouse, but virtually in the IT system. The best answer is to have a dynamic solution that allows optimal exploitation of the available stock every time a customer places an order. This was the kind of solution that Bridgestone Europe needed. To prevent important sales offices to report to the national organization but to a specialized logistical centre. In addition, the brand plays only a minor role in the management of the RDcs, only 20 now remain, serving their territory. Vaessen continues: “Our supply chain is now entirely driven by the forecasts of the sales offices. But for these forecasts to be as accurate as possible, we first had to adapt our structure. Only then were we able to address channel and customer-specific forecasts. We are also in the process of setting up a Collaborative Forecasting system with the customers. The more accurate the forecasts, the better we will be able to allocate products for each customer. And this brings us to the heart of the matter. In a market suffering from shortages, it is essential to allocate the right products to the right customers. Thanks to the new pan-European structure and the forecast-driven planning cycle, we can now serve the right customers much more efficiently.”

Switch to Dynamic Planning

After overhauling the structure and the organization, the company was then able to tackle the planning system. By moving from a monthly to a weekly planning cycle, Bridgestone Europe has managed to reduce buffer stocks. And the centralization of stocks at a point further upstream in the chain has also allowed more efficient allocation of products at times of shortages. This means an improvement in customer service levels. “Having a weekly planning cycle is an important condition for being able to allocate orders to customers, a process that depends greatly on forecasts. But because forecasts, by definition, are never precise, the need for flexible and dynamic planning is all the more pressing.” The accuracy of forecasts is affected by various factors, such as the tyre industry: seasonal influences, because) sales means lower sales of winter tyres; the availability of tyres from competitors, as tyres are regarded as basic products and non-availability from one manufacturer results in higher demand for the products of another; the impact of the product range, as the tyres intended for one make of car are different from those intended for another, even if they have the same dimensions; and finally, the impact of the over-shorthing lifecycle of the different products. Papageorgios comments: “Clearly, it is impossible to apply an order allocation system to all product groups. By any logic, you have to do it for the A products first. Moreover, it is for the products still at the beginning of their lifecycle that the concept of order allocation is most useful. Above all, you want to make sure that the launch of new products onto the market goes as well as possible.”

To support its planning, Bridgestone Europe decided to implement the APO software package, the SAP planning tool. “We now manage all the existing stocks in our network with this additional layer on top of our ERP SAP R/3 software. The implementation of the APO software has resulted in increased visibility and higher quality of information across the network, allowing us to do more advanced planning. This step was necessary to be able to move towards order allocation and implement the processes of planning"
commercial and industrial flows (S&OP). We are going to deploy S&OP processes at two levels: centrally, and at sales office level. At the sales office level, we want to be able to react sooner to the changing needs brought about by the deliveries from the production sites or by specific commercial actions. Where there is a risk of shortages, the sales offices must still be able to allocate the right products to the right channels,” says Vaessen. “The aim is to evolve progressively towards a solid partnership between sales and marketing, production and logistics. This evolution benefits everyone, and most certainly the sales offices. These offices present the supply chain management with non-binding forecasts, which after going through the S&OP processes, are returned on a weekly basis in the form of binding forecasts. The offices can thus firmly claim the promises made to customers and improve their relations with them. But for the moment, we are still in the learning phase, and it will take a little while yet before everyone is facing in the same direction. And this will require all the departments to be familiar with the limitations and needs of all concerned,” adds Alexis Papageorges.

Everyone Facing in the Same Direction

Now that all the preparations for order allocation have been made, the company can devote itself to the actual implementation of the concept. “From now on,” says Papageorges, “we want to ensure optimal allocation of all the orders we receive each day, taking account of the priority that must be given to the biggest customers. This is a challenge, in terms of both the system and the processes, because we want to take into account as much dynamic planning information as possible for the delivery of orders.

The result of the calculation process will therefore also have an impact in terms of sales. Because when a customer places an order, they want to be given, almost in real time — a confirmation of the availability of the product concerned. The system must therefore be capable of identifying the customer directly and deciding, according to the availability of the product and the group to which the customer concerned belongs, whether or not the order in question can be filled. This requires, at system level, a very sophisticated integration between the ERP system and the planning system with regard to the allocation of orders: real-time verification and consumption on the ERP side, and frequent updates and allocation calculations on the APS side. With regard to the processes, the concept of order allocation unifies the sales and marketing departments with the logistics and production departments. But before we can speak of unification, the organization of each of these departments has to be optimal.”

“Although the project is not yet completed, the initial positive results have been quick to reveal themselves. It is therefore time to push things a little further. "Obviously, we had to be patient for a while before the new processes stabilized, and this is a factor that certainly should not be underestimated. I can’t give precise figures yet, but for certain important product groups, the availability has risen from 85–90% during the last 2 years. Most of this year will be marked by the actual implementation of the concept of order allocation and the deployment of the S&OP process at central level. This is the operation that demands the most support in terms of the system. At a local level, the S&OP concept involves more management tools, such as reporting, as well as co-ordination and collaboration. In my opinion, we will never be entirely finished with this. After each step, we discover new opportunities for developing the process. In the current context, it is no longer a question of stable situations. It is, quite simply, a question of supporting constantly evolving operational processes with a technology capable of evolving at the same pace. In this way, you lay the foundations for a learning company, where everyone is facing in the same direction. But this has to be done step by step. Before you can unify different functions around a single process, that process has to be in good working order,” concluded Vaessen.

Good forecasts can’t be conjured up with a flick of the wrist. You have to incorporate market data, customer data, product data and marketing data.
UPS MOVES INTO EUROPEAN HEALTHCARE THEATRE

UPS has chosen healthcare as “one of its key sectors as they reorganize around markets rather than products,” says Bill Hook, VP, Global Strategy, Healthcare Logistics. He adds that “the attraction is the complexity, the strength of growth around the world and our very strong client base among major global companies.”

UPS has had an interest in healthcare since at least 2000, when they acquired Livingston Healthcare Services Inc. (and Mr Hook), but he explains that “Around 3 years ago, we decided to formalize a strategy for the special requirements of healthcare: the basic things are the same of course, but adapted to the requirements of healthcare: the basic things are the same of course, but adapted to the unique needs of this marketplace. It is a very diverse market, and it can range all the way from sourcing with manufacturers to delivering products and remedies to clinics or sometimes direct to patients’ homes.

There is a whole supply chain with centres of excellence from manufacturing right through to clinicians and pharmacists.”

The healthcare market is, says Hook, “seeing a tremendous amount of change. There is a heavy and increasing degree of regulation affecting our facilities, the way we move products (across borders, for example), the requirement for biotechnical products to undergo temperature-sensitive conditions — and for these to be recorded, verified and audited.”

UPS Healthcare has access to 3 million square feet of space around the world — 95% of which is licensed as compliant. Early next year, a new facility is opening in the Netherlands — 20,000 ft, all fully validated — and it isn’t just the physical premises that have to be validated. It’s also the technical platform.

Hook explains: “Many aspects of the European healthcare market remain unique — as in each regional market — and, despite the European Union, there are still many different jurisdictional requirements. Most countries have an individual approach to things like labelling requirements, so that means more special kitting and so on.”

The Western European healthcare market, like that in the US, is largely quite mature: there is a high level of acceptance and utilization of healthcare, and these two markets have traditionally comprised about 70% of the world market, says Hook:

“But there is now significant growth in Central and Eastern Europe, with a growing understanding and acceptance of newer healthcare procedures and remedies.” UPS healthcare clients are both the manufacturers and the providers. For the latter, he says, the “dominant offer is around transport: moving the product to the clinic and out to the patient.”

“The manufacturers, be they pharmaceutical, biotech or appliance companies, are heavily regulated, so for them we need a strategy of integrated, complete supply chain solutions. This isn’t just to comply with regulation, it also reflects the tremendous pressures on costs in healthcare.

To control costs, we need to make the supply chain more of a flow and less of a series of steps, so we have to develop distribution, air freight, broker services, ground services, all with a guarantee of supply chain integrity.

There is a clear trend in healthcare towards a more integrated relationship with suppliers, such as ourselves,” adds Hook.

In the UK, UPS doesn’t see itself as being in direct competition with the DHL NHS Logistics contracts. Hook continues: “They can hopefully provide economy of scale efficiencies into hospitals, which tend not to be very efficient at rationalizing slugs and so on.

Our approach is to support our manufacturers in that environment. We also want to support UK and European manufacturers moving their products around the world, to tight timeframes in temperature-sensitive conditions.”

From the supply chain standpoint, says Hook, “there is a lot of progress in being able to move product throughout the EU, but there are still sensitivities regarding labelling and marketing requirements. The question remains, how can we deal with that through a few facilities, rather than having one in every country! We want to consolidate into a handful of facilities if possible.” The same, he notes, applies in Asia, where lessons learned in Europe are being applied. Additionally, he says, “healthcare has lacked some of the trends in hi-tech and consumer, so there are valuable lessons to be learned. But healthcare is always going to be somewhat different. We can drive the supply chain to be more efficient, but if that impacts on one patient’s life, that isn’t achieving. ‘A patient, not a package’ is the slogan.”

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P or document management causes difficulties at both an operational level and from a dispute resolution perspective. The most frequently encountered problems tend to be inaccuracies in the notes and an inability to correct any errors in real-time; a failure by one carrier to hand the note over to a subsequent carrier; multiple notes issued covering different legs of the journey; the loss of the note or delays in finding the note (which may also impact on the carrier’s ability to secure early payment of its charges).

A New Business Medium

Could the solution to solving these problems lie with the electronic cMR note (e-cMR)? In theory, e-cMR would certainly seem to solve the problems associated with the electronic cMR note or delays in finding the note (which may be caused by a failure by one carrier to hand the note over to a subsequent carrier; multiple notes issued covering different legs of the journey; the loss of the note or delays in finding the note (which may also impact on the carrier’s ability to secure early payment of its charges).

The potential advantages of e-CMR notes are obvious. As long as procedures are in place to ensure the document’s integrity, it will reduce the risk of fraud.

The use of e-CMR notes should result in swifter settlement of freight accounts, as e-CMR can be sent immediately upon delivery and should facilitate the earlier resolution of problems encountered at the delivery point. Furthermore, by minimizing disputes on whether sub-carriers took over the cMR note (as well as the goods), it will make an assessment of whether the sub-carrier is a “successive carrier” a more straightforward issue.

Initially, operators will likely need to undertake a cost-benefit analysis for implementation and discuss with their customers the manner in which the requirements can be fulfilled. Operators may be required to create the e-CMR (although it could also be done by the sender or receiver) and maintain a corresponding database, accessible by the parties to the contract. To ensure security, each party is likely to be assigned a suitable identifier, such as a code or PIN number. The carrier’s operators will carry a mobile wireless communications device and, at the delivery point, an electronic signature will be required. The completed e-CMR will then be uploaded to the database.operators, particularly smaller carriers) will need to consider the cost implications of implementing or updating their IT systems and may find staff training prohibitive.

Schemes Running in Tandem

It is important to note that the Protocol expressly provides that if an electronic consignment note complies with the provisions of the Protocol, it will have the same evidential value and produce the same effects as a paper consignment note. The Protocol requires the electronic consignment note to be authenticated by the parties to the contract, by way of a reliable electronic signature (or “e-signature”). The Protocol sets out four requirements that, if met, create a (reversible) presumption that the signature is reliable. The onus will then be on the party claiming that the signature is not reliable to provide evidence to reverse the presumption of reliability. These requirements can be met in practice using cryptography technology which, unsurprisingly, is host to an entirely different set of problems. There is an express requirement that the particular contained in the electronic consignment note shall be accessible to any party entitled to it. Access to this information is likely to be achieved by use of a PIN or password. This will ensure the integrity and security of the consignment note.

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In reality, however, there is a risk of a less enthusiastic use of the model. It will of course require both cargo interests and carriers/logistics operators to be able, technologically, to make use of electronic consignment notes. For large entities, the cost of dealing with this is unlikely to be prohibitive, but for smaller cargo interests and carriers/logistics operators it may well be so. Nonetheless, in the current economic climate, with companies beginning to tighten cost controls, it will be for all parties to balance the short-term expense with the anticipated longer term logistical savings and efficiencies. It remains to be seen whether or not there will be any take up of the model.

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A new survey suggests that while supply chain risk is rising sharply, supply chain management isn’t keeping pace. Denise Paulonis and Deepak Mishra, from McKinsey, report on their findings.

As part of ongoing research into supply chain practices around the world, we recently surveyed operations leaders and other senior executives about the risks that their supply chains faced and their organizations’ strategies for dealing with those risks. More than three quarters of the 273 respondents said that supply chain risk had increased during the last 5 years. A third said that this increase had been “significant” — a sharp increase compared with 2006, when we asked a similar group the same question and only a quarter saw a significant increase.

The increasing complexity of products and services tops the list of global factors that executives say most influence their supply chain strategies. That focus seems persistent: seven in ten respondents who choose this factor say it was equally important 5 years ago. By contrast, among the global executives who say that the price of energy is one of the most influential factors today, three-quarters indicate that it wasn’t 5 years ago, which is hardly surprising given the spike in oil prices at the time of our survey. Despite the importance respondents place on these trends, relatively few say that their companies are acting on them. For example, only 35% of executives say that their companies have acted upon the increasing complexity of products and services.

The Right Reactions?

The most common responses to the trends influencing supply chain strategies are

• increasing the efficiency of supply chain processes (71% of executives)
• actively managing risks along the supply chain (56%)
• and sourcing more inputs from low-cost countries (47%).

The degree of attention paid to supply chain processes seems prudent, as process improvements are an effective way to manage increasing complexity. Unfortunately, these strategies don’t seem to be working. Indeed, fewer than half of the executives in our survey indicate that their companies completely, or almost completely, meet any strategic goal involving supply chains.

Against a backdrop of sharply rising supply chain risk, companies are likely to take a harder look at their manufacturing and supply footprints. In some cases, companies could even consider localizing elements of their operations now managed in remote — including offshore — locations.

Moreover, our experience suggests that successful cross-functional collaboration will increasingly differentiate companies that meet the full range of their strategic goals from those that don’t. Companies that can ensure closer partnerships between operations and groups, such as sales and marketing, for example, will be able to respond more quickly to changing trends and will have the edge in turning strategic trade-offs (say, speed versus cost) into sources of advantage.

Finally, while environmental concerns — particularly a company’s carbon footprint — are of increasing interest to consumers and executives, they are not yet major strategic considerations for supply chains. That will probably change. Trade-offs between emissions and profitability may lead companies to explore new kinds of supplier relationships, including the transfer of best practices to supply chain partners.

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About the Authors

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You can turn this around and make the old adage of “where there’s muck, there’s brass” ring true.

A laudable idea, for sure, but in practice, recycling remains a complex process in which the transport, handling and processing involved in recovering raw materials frequently outweigh their market value. Waste is one of the most “hands on” industries around, and most recycling processes are very intensive, requiring a high degree of manual processing. Technology to mechanize recycling is slow to develop and, although the recovery value of the end materials remains low, it is rarely a financially viable option. For the time being at least, the recycling industry must rely heavily on expensive, time-consuming, low margin, manually driven processes that often negate the value of resellable materials produced – unless the quantities generated are vast.

When Can We Convert Waste Into Cash?

For some organizations, opportunities to sell their waste on do exist. Common materials such as paper, plastic and metals are all highly sought-after waste streams when presented in sufficient quantity. Clear plastic wrap, for example, can be sold on for up to £120 per tonne. The price is dependant on a number of key factors, including location, waste volume, how it is presented, the level of contamination and even the accessibility of the collection site. If we produce more than a tonne of uncontaminated plastic wrap per week, stored in mill-sized bales in an easily accessible location, then we can expect to be paid for it. But, if we produce a wheelie bin full of plastic bottles a week, we may struggle to find a company who will take this away free of charge, let alone pay for it.

What about cardboard? Cardboard is a major waste stream produced by many businesses, but the ready supply and low price of new cardboard means that few companies are able to sell this waste on. Even companies who produce more than a tonne of baled cardboard every week will most likely have to settle for having this taken away free of charge (which is still better than paying for it, of course).

In addition, the high cost of collecting and processing recyclables means that unless we produce tonnes of high grade, high value waste, we are unlikely to be able to turn much of it from a cost into a ‘nice little earner.’ It’s not all doom and gloom, however, as there are still easy steps we can take to limit our waste disposal costs and make very significant savings.

Cut Costs: Generate Less Waste

You could argue that waste represents little more than the failure of our organizations to use their resources effectively. From a financial perspective, it might be helpful to view waste in this way, because it makes us examine new ways to use and reuse materials, and so reduce the amount we consign to waste unnecessarily and the money we must pay, regularly, to have someone take it away for us. In essence, the most economically prudent way to manage waste is not to produce it in the first place.

This model is also known as “resource productivity,” and simply requires us to make full, effective, repeat and even creative use of our resources. It involves looking at our processes and making sure that we aren’t encouraging waste by simply over-ordering or continuing with inefficient processes. Paper waste, for example, is often the result of printing unnecessarily or of formatting documents incorrectly so that extra (often blank) pages are printed. These types of waste can be prevented relatively easily, for the sake of a little thoroughness and, perhaps, an office brainstorming session or two.

Cut Costs: Reuse Waste

Reusing materials and resources is a good ‘all rounder’ when it comes to waste and associated cost reduction because it cuts into other recovery areas, reduces the amount and cost of waste disposal in one go. Unlike recycling, which involves a physical process requiring energy, reuse simply asks us to use existing resources more than once, or for more than one purpose. This can be as simple as utilising reusable packaging or even using waste paper as notepads. It is estimated that, while it could save businesses 4–5% of their annual turnover simply by using their resources more effectively to prevent waste.

Cut Costs: Recycle Waste

We can also significantly reduce our waste disposal costs by segregation and isolating the different waste streams produced on site. Once segregated, these materials become much more attractive to a recycling company and, in sufficient volumes, we may be able to eliminate the disposal cost entirely. Correctly sorted waste that is properly baled in standard sizes will be collected by many recyclers for free. And with significant volumes of high value waste, such as high-grade office paper, you may be one of the lucky ones who is able to negotiate a payment from the recycler.

Cut Costs: Compact Waste

Every site produces waste that can’t be recycled, but that doesn’t mean savings can’t be made. What can’t be recycled can instead be compacted, to reduce the number of waste collections required to remove it, and so minimize waste disposal costs. Compacted general waste takes up far less storage space, and most companies will be able to halve their waste collections using this method, achieving significant cost savings in the process.
Food Law Regulation cover food safety, traceability and New FSA guidance notes on compliance with General and these can’t be ignored.

Those involved behind the scenes in the supply chain, regulatory environments have hit home with many reputation and brand. Ever more strict and intrusive (FSA) and having to stomach huge dents to both heavy fines levied by the Food Services Authority charges for the withdrawal of contaminated products, bodies. Failure to comply can mean huge recall

A plethora of regulations and standards from industry Food and beverage manufacturers are bound by a plethora of regulations and standards from industry bodies. Failure to comply can mean huge recall charges for the withdrawal of contaminated products, heavy fines levied by the Food Services Authority (FSA) and having to stomach huge dents to both reputation and brand. Ever more strict and intrusive regulatory environments have hit home with many manufacturers, which have forced major changes on those involved behind the scenes in the supply chain, and these can’t be ignored.

Traceability and the assured consistency of food preparation lies at the heart of all these regulations. New FSA guidance notes on compliance with General Food Law Regulation cover food safety, traceability and the need to notify withdrawal and/or recall products not conforming to the requirements. If food or drink products are found to be contaminated, regulations state that the manufacturers have to produce a traceability report within 4 hours that describes the problem.

Traceability is essential for food safety and relates to the completeness of information about every step in a process chain. Although guidelines do not dictate how the system should be constructed, it states that there has to be a method in place to accurately trace the source throughout the entire supply chain. Compliance guidelines also state that manufacturers have to be able to prove that each individual food product has been cooked to the required standard. Each manufacturer needs to be able to accurately identify all batches of all ingredients and products, as well as historical information regarding when and where they were moved or transformed. If they cannot guarantee the quality and preparation of their food, they cannot sell it.

The Food Safety Authority (FSA) has seen manufacturers struggle to pull through from falling foul of regulations. Therefore, constant close monitoring and the collection of data from the supply chain is, without doubt, the most mission-critical consideration for food manufacturers.

Technology Solution or Problem?

It sits at the heart of food production, so it’s key to ensuring the integrity of food. This means that manufacturers need to be sure that the technology they deploy can monitor the supply chain for regulations around the clock. So, for the last 15 years, manufacturers have turned to the latest and greatest technology to support their systems and meet the regulator’s requirements. Manufacturers have used command centre-traceability solutions that monitor the supply chain and give visibility from production through to the check for clear forecasting and preventing issues. These are great solutions … up until the time they fail. The only way that these solutions can be 100% effective is if they can be sure to receive and monitor data continually, 24 hours a day, 7 days a week, with absolutely no hiccups.

If manufacturers are not right on the button, all the time, it’s their livelihood at stake. If downtime occurs, the ability to monitor and trace goods falls, and the whole chain is affected. Some manufacturers deploy a high availability or fault tolerant solution to ensure continued uptime. Today, many are turning to a virtualized environment, which means improved system management as well as greater and more flexible control because servers are consolidated. Other benefits include greater IT, lower capital and operating expenses, and greater flexibility to meet the regulators’ requirements. But, food manufacturers should be issued with a word of caution: virtualization can also bring with it some unintended consequences. The most important one is that it dramatically increases the need for rock-solid availability because server consolidation can result in the server becoming the single point of failure for multiple applications, the implications of downtime are much greater. If the servers that track the food experience downtime, the whole set of data is lost, the whole batch of food has to be put in the bin and production will stop.

With this in mind, manufacturers need to be sure that, when adopting the newest and ‘safest’ technologies, they also ensure that it comes with rock-solid availability. Continuous uptime for the food and drink industry is not a luxury. It’s absolutely essential to the success of the business, as well as the safety of consumers. For good reason that the industry is so heavily regulated. As such, it needs to respond by ensuring that it can meet guidelines, and the only way to do this is through fail proof technology.

For more information

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99.8% OF THE TIME
WE THRIVE WHEN THEY DON’T

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