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Guest Column

Supply chains enter 'Platform' era

By Eddie Capel, EVP global operations, Manhattan Associates

These are exciting times for retail supply chain managers. We are finally starting to see real progress against the once-competing goals of high-inventory availability and better financial returns. Thanks to sophisticated technology solutions, retailers can reduce stock levels and still keep customers happy.

These developments are coming just in time. A new, more demanding customer has arisen in the last few years. I am speaking, of course, of the cross-channel, mobile-enabled customer. The one that researches online, buys via a call center and wants to pick up in the store to save shipping. Or goes to a store, doesn't see what she likes, and expects an associate to direct her to the next best alternative.

Cross-channel customers have high expectations for your brand and don't understand or even care about the pressures they put on your supply chain. On the other end of the spectrum, senior executives, boards of directors and investors expect supply chain participants to do more with less and deliver superior results in the process. At Manhattan Associates, we've been busy with supply chain technology innovations that are designed to keep everyone happy while positioning organizations to achieve continued inventory optimization.

The process begins with improved forecasting. The better the forecast, the more optimized your inventory. That's why we developed the Unified Forecasting Method, or UFM, as a means to combine multiple forecasting methodologies in one framework. Retailers and suppliers experience a broad spectrum of demand and UFM enables them to continually adjust components of the forecast model to compensate for demand variations. In essence, planners are able to determine how much they expect to sell and when they expect to sell it.

Our pursuit of inventory optimization also led to the development of a multi-echelon inventory management solution. It allows retail managers to view inventory from the lowest store echelon through mid tier hubs and upstream to the supplier's dock resulting in better overall decisions and more optimal replenishment plans.

Another means to achieve optimal inventory levels involves establishing appropriate safety stock levels. High levels are usually associated with high service levels, but maintaining fixed safety stocks, especially for entire categories of products, is a drag on the bottom line. We sought to provide a more intelligent solution to the safety stock dilemma by looking at each item within the group and allowing certain items to fall below expected thresholds, yet still keep the category at the required level.

While each of these inventory optimization solutions has produced desirable results for our customers, our belief is the next generation of supply chain optimization will come from what we call Platform Thinking. Earlier this year, after spending five years and more than \$200 million on research and development, we completed our Supply Chain Process Platform. This integrated platform allows all of our solutions -- from warehouse management to transportation to labor management and beyond -- to operate within a tightly-integrated environment. All of our applications now share common data, components, and base code. If this sounds like tech jargon, it is. But there are practical advantages to Platform Thinking such as reduced complexity, lower total cost of ownership, enhanced flexibility and increased visibility throughout the supply chain. Supply chain managers no longer have to make decisions about inventory, orders,

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transportation and distribution in isolation without considering data, workflows and inputs from each discipline in the supply chain. Platform thinking replaces silo thinking by blending insight and execution capabilities across supply chains and ecosystems to deliver advanced levels of visibility, agility and customer responsiveness.

For example, Platform Thinking makes the concept of 'anywarehousing' possible by enabling any location in a supply chain to be viewed as a potential point of order fulfillment. Platform thinking also closes the communication gap between the transportation department and warehouse management. Platform Thinking integrates these two critical functions so that companies can enable real-time visibility and create cross-departmental workflows throughout the supply chain to improve efficiency and profitability. Platform Thinking also recognizes the important role mobile devices will play in the future. As a result, we developed an application called FieldSCOUT to run on mobile devices that are integrated with core supply chain applications to facilitate receiving, shipment dispatch and inventory functions at any point in the supply chain. These capabilities and many others are elements of Platform Thinking and offer a glimpse of our view of the future. A future where a Platform Thinking approach will be required to achieve continued supply chain optimization and ultimately deliver the kind of performance and results that will be expected by ever more demanding customers and shareholders.

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