

Web Usage Enables Better Supply-Chain Practices

BY STEPHEN GEARY

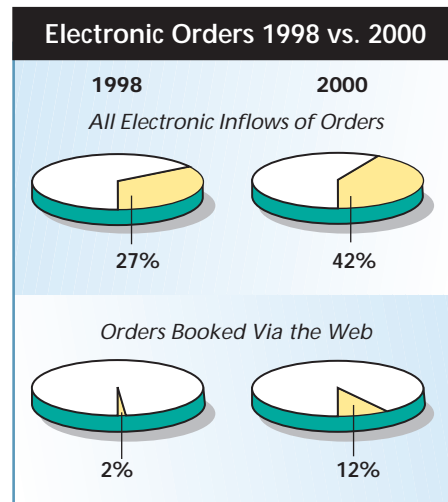
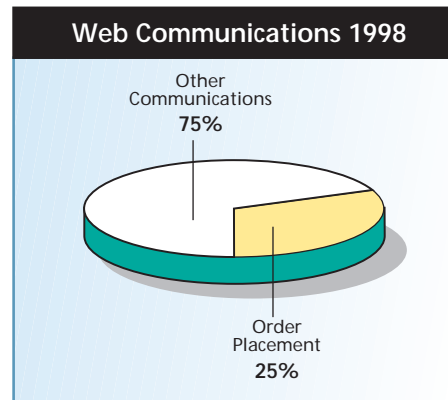
In today's global economy, the web has created an unprecedented opportunity to "do things differently." Results from our 1999 survey of subscribers to the Supply-Chain Management Benchmarking Series (70 subscribers from six industries) show these high-level findings:

- Leading companies use the web to fundamentally alter the nature of communications among trading partners. Over the next two years, the value of orders placed over the web in the high-tech industry segments is expected to increase *sixfold*.
- 75% of Internet exchanges are unrelated to order placement. The web is being used to transmit other information, such as shipment status, order status, and inventory status. In the past, information tended to move from one organization to another through specific individuals designated as points of contact. Today, the term *web* is an appropriate description of information networks across organizations within supply chains. With the web, communication occurs more frequently, contains more detail, involves more people—from the operator to the CEO—and penetrates more deeply than has been possible before.

In 1998, we saw that 2% of the orders placed in most industry segments arrived over the web. By the end of 2000, our survey respondents anticipate booking 12% of their orders via the web. These projections are in line with popular conceptions that e-business is growing rapidly and is an important business channel within a total supply-chain portfolio.

Traditional Means Replaced by Electronic Inflows of Orders

Combined, all electronic inflows of orders are expected to grow from 27% to 42% of orders placed from 1998 to 2000, an



increase of 50% over two years. Companies are investing heavily in the development of electronic order-receipt mechanisms, with far-reaching implications for the entire administrative front-end of the order-fulfillment process.

E-business orders are replacing traditional receipt modes of face-to-face sales calls, phone, fax, mail, and email. The

percentage of orders placed using these traditional methods is expected to drop from 65% to 50%. This is a reduction of approximately one quarter, which should have a continued dramatic impact on order-management staffing, and consequently on order-management costs. The cost/benefit of electronic transmission of order requirements is well understood based on past EDI experience, but the impact of improved data integrity associated with the expected sixfold booking increase on perfect order fulfillment and invoice accuracy remains unclear.

Although automated techniques are growing at a rapid rate, our survey indicates that fully half of all orders placed still arrive in a manner that requires manual order entry. Significant improvement opportunities remain for all companies in simplifying the order-management process, properly applying information technology, and continuing to meet the customer's needs.

We have already seen that the web is expected to have a dramatic impact on inbound order processes by next year. Yet, isn't it interesting that over three quarters of current web activity is associated with activities other than booked orders?

Today's customer relationships require a great deal of data transfer between companies. Customers frequently request shipment-status notifications and inventory-status updates, and suppliers and customers frequently exchange product sales activity data as well as planning and forecasting data over the web.

We find that most of the business-to-business activities taking place over the web are simple data exchanges or inquiries. Contrary to the popular impression of the "dotcom" revolution, in which every order is only a "click" away, the

Internet has adapted quickly to provide information exchange and preliminary and pre-order communication between the customer and the supplier. In fact, much of the information exchanged over the web precedes manually received and entered orders. Supply-chain managers should worry as much about being able to book orders over the web as they do about making data that is of interest to customers available over the web.

A Web of Chains

Throughout the customer-facing side of the supply chain, we are seeing the development and deployment of tactical sophistication, blending practices and technology to further the vision of the supply chain beyond a “chain of chains” to a “web of chains.”

What are the executive implications of these findings?

- *Embrace the idea of being first to market with service-oriented processes, just as market leaders have long embraced the idea of being first to market with new product technologies.* Process innovation should not be confined to the shop floor or the engineering lab. Explore new technologies and processes applied to order management and physical distribution outside of your direct competitor set.
- *Pursue only the practices that support your desired performance levels.* Design your supply chain to deliver specific outcomes, and measure progress toward those outcomes.
- *Resist the temptation to dilute focus away from highly leveraged initiatives.*
- *Embrace the web.* Drive initiatives that improve information flow across your company’s organizational boundaries as well as those that more closely integrate your company with your customers and suppliers. A fundamental philosophy of supply-chain excellence is to view your

supply chain as one link in a network of chains. To truly optimize performance, trading partners must synchronize activities across this network. The web is emerging as a powerful tool to support cross-organizational and cross-company information flows.

- *Get closer to your customer.* Explore the forward deployment of inventory, automatic replenishment, and real-time delivery commitments as vehicles to improve partnering with your customers. “Close” can be thought of in terms of time, distance, and/or the availability of physical product or information. Depending on where you are in the supply chain, your customers could be original equipment manufacturers (OEMs), distributors, retailers, or consumers. There is only one direction to go: closer to the customer. ■

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