



In the quest to maximise efficiencies and cost savings, companies are increasingly turning to third party experts. Rahul Dhingra, Strategic Market Intelligence and Advisory Consultant, Global Market Alliance, looks at how using market intelligence can enhance supply chain management

# Supply chain IQ

In its various forms and functions, supply chain management (SCM) has goals that require specific intelligence research and analysis that many SCM employees are either not trained for or do not have the time and resources to perform. Partnering with market intelligence professionals is a viable solution for satisfying some of these needs. Having accurate and timely information can enable SCM professionals to perform better and thereby reduce their firms' expenses and risks

## Needs

The purchasing process in a large corporate environment with a centralised purchasing department will usually follow the process of identifying a need, creating a requisition that records the budget owner with the expenditure and transforming the requisition into a Purchase Order (PO). The buyer will either have relied on an approved vendor listing (AVL) to know the appropriate vendor and price for the PO, or will have conducted a request for quotation (RFQ) from the most qualified suppliers in the buyer's network.

Often a buyer will know an industry or sector well enough to know who all the players are, but there are also circumstances wherein a buyer does not know who the suppliers are for certain goods and services. Where time is a constraint and when the purchasers' core competencies are in negotiating contracts and vendor relationship management rather than in-depth research and economic impact analysis, the buyer often needs someone to conduct targeted research and inform them in a clear and concise way of the sector's competitive landscape.

Not having access to complete information at the right time means the firm may be paying too much or buying from a non-reputable source. And this mistake may have large consequences when three to five year

purchase contracts are negotiated, or when the product or service is very expensive. Or worse – when the product or service is directly ingrained in the firm's core business offering.

## Procurement analysis

Benchmarking exercises enable a firm that is focusing on supply chain efficiency to know best practices and alternatives. Reorganising the purchasing function into either teams that service the company's lines of business or centralised resources that cater to all internal customers' needs is also a useful practice. Goals and metrics are organised around encouraging specific behaviours and outcomes. For example:

- Maximised savings targets
- Maximised percentage of spend using suppliers from approved vendor listings
- Maximised volume of Requisition-to-PO transactions completed in less than one day
- Maximised volume of PO-invoice mismatches resolved in less than seven days

**“Without benchmarking programmes, managers may not even know what is possible”**

Ongoing duties of the procurement department include the creation and maintenance of the approved vendor listing and maintaining the contract management process: negotiating contracts with suppliers for best pricing and other terms every two to five years.

## Strategy

Understanding how competitors have set up their procurement departments can give the firm ideas about how to set up their own procedures in order to best meet their needs. Best-in-class information is usually sought after by

those companies involved in operations that are heavily measured using operations control methods like Six Sigma and Operations Excellence; often asking questions like, “What is the most efficient and economical way to get those parts into inventory on time?” As well, when considering signing a purchase contract with a supplier for any length of time, a firm usually wants to know who else the supplier is doing business with, and the rough ranking of the supplier's client list, in order to know how clients are prioritised in case of stock shortages.

Without benchmarking programmes, managers may not even know what is possible in terms of styles and metrics around procurement functions. As one firm may be pushing to get their Requirement-to-PO process under five days, they may be surprised to learn that the best in class is averaging two hours for the same metric. In such a case, it is valuable to “know what you don't know” since it enables the firm to focus on learning how to get from point A to

point B, rather than wondering what to work on to become more efficient. So now that the firm knows it is possible to achieve a two hour Requirement-to-PO standard, they can try to achieve it.

## Logistics

The process for inventory management can be complicated and depends heavily on the industry and sector the company is involved in. Logistics managers are often involved in strategic decision-making regarding the approach to inventory deployment, distribution centre locations and op-



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erations, and other such tasks.

Inventory and logistics managers have the complicated task of balancing forecasted requirements with the cost of buying and carrying inventory which is not always sold or used right away. Inventory managers need to know that their production schedules can be met by the limitations of the production schedules of suppliers, and how wasted efforts, wasted materials and wasted time can be eliminated. Put this on an international scale and you can see that factors in between production and warehousing begin to have large affects on the tight management of inventory. These factors include external macroeconomic events, politics, regulations, and technological innovations and limitations.

The information needs of logistics managers can be local, in terms of

whom the third party logistics providers are, and what their competitive landscape looks like; or the needs can be global, in terms of what the customs requirements are in other countries, and what it takes to move inventory in countries with differing rules. It takes out-of-the-box, strategic thinking to be efficient and effective in varying countries and cultures, and often the logistics manager is not a geopolitical expert. Inventory managers have a real need for political and cultural country profiling to compliment their economic and strategic analyses.

#### Investigation

While sourcing is the act of looking for the best supplier for goods and services, strategic sourcing is more about looking internally for the best

needs assessment, and determine the resources and capabilities available within the organisation, they do not always have the resources to perform the same level of investigation outside the firm. Strategic sourcing requires benchmarking breakdowns, best-in-class studies, competitive landscape reporting, and strategic analyses. A report that advises the sourcing specialist who does what, where, how well, and for whom, could be the difference between mediocre sourcing and real strategic sourcing. Strategic sourcing, to be effective, requires a change in the view of their supply options, from the traditional linear supply chain to the alternative supply network web.

#### Constraints

SCM professionals are not trained to supply all of the listed needs. Purchasing management accreditation courses tend to focus on upholding ethical selection processes and mastering economic inventory reorder point models. SCM professionals can be great at vendor selection and relationship management, but can often benefit from the assistance of professional research skills.

Take the example of a buyer in the pharmaceutical industry: A buyer working for a pharmaceutical company was asked to issue an Request for Proposal (RFP) for dry ice – which is used in shipping bio-samples to labs to keep the shipments cold. In attempting to determine who to invite to bid in the RFP, the buyer conducted his own search. The initial *Google* searches came up with companies that supply dry ice machines for making cloud effects at high school dances and Halloween parties. Later after asking the incumbent supplier who its competitors are, the buyer had three suppliers to issue the RFP to. In the end, the buyer discovered that there were numerous companies offering this service on the international scale, but this information arrived too late. What the buyer needed was some-

big picture solution and considering the total cost of buying and owning goods. When investigated at a deeper level with a wider scope, it may turn out that there are multiple departments seeking the same goods for other functions, and a bulk purchase for the whole company could result in cost savings. Alternatively, the investigation may result in determining that the department does not really require the goods after all, what it actually requires is process re-engineering. This function is often employed in concert with a Lean Sigma or equivalent philosophy, where experts attempt to determine what is really driving the need for this purchase by looking at the entire process and the whole supply chain.

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one to conduct a targeted search and inform him in a clear and concise way of the sector's competitive landscape.

The company recognised that a lesson could be learned from this experience and decided that going forward, an extra amount of time and money would be set aside for comprehensive industry research in all sourcing projects where the current spend was more than US\$10,000 per year.

**Research**

Some of the intelligence research and analysis that SCM professionals don't have time to do can be outsourced to MI firms.

For example, a customised country profile would have made all the difference to this logistics manager in the aerospace industry. I spoke with the Manager of Spare Parts Inventory and Forecasting for a global aerospace company about his attempt to efficiently move plane parts around the world to various depots. His goal is to have the parts available in the local depot whenever a customer asks for them, but carrying as many parts as custom-

ers might ask for is too expensive. The inventory manager says that forecasting is part art and part science. "You can have all the right analysts working with all the right technological tools with the right goals in mind and still be negatively affected by some event from outside your control," says the inventory manager. Knowing in advance that the government of a certain country is going to use their bureaucracy to trap your inventory would be a God-send. As well, knowing what affects the changing price of raw materials or fuel will have on the inventory logistics line of business would make the logistics manager's job a lot easier.

**Solutions**

Some strategic analysis projects which are valuable to SCM professionals include company profiles, industry landscape analyses, risk analyses, and market size and forecasting projects (Figure 1).

Once again, knowing who is doing what, and what is coming down the pipe outside of the linear supply chain, but within the supplier network web,

can act as an early warning signal service, enabling a firm to be prepared for otherwise unforeseen impacts.

Continuous monitoring can apply to specific companies, suppliers, competitors; or it can apply to industries. This can also include regulations, and other strategic themes. This type of service can enable SCM decision-makers to be one of the first to know about new innovations in services and products that their firm relies upon.

Be it a buyer or a manufacturer, nobody wants to make the wrong decision. The information required to build the right, well-informed decision needs to be plentiful, accurate, timely, and organised. Market intelligence and advisory services perform research and analysis, organizing data in such a way as to enable efficient and effective decision-making. Partnerships between SCM departments and their MI partners enable supply chain management staff more time for confident execution of their duties, cost savings and risk avoidance. 🌅

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Figure 1

Area of expertise	Rapid response research	Strategic analysis	Continuous monitoring
Purchasing	Company profiling	Partner screening and evaluation	Supplier monitoring
		Supplier deep dive	
Procurement		Value chain analysis	Competitor benchmarking
Logistics		Market profiling	Regulatory monitoring
		Country risk analysis	Competitor benchmarking
		Scenario analysis	
		Macroeconomic analysis	
		PESTEL analysis	
Strategic sourcing		Market sizing and forecasting	Price monitoring
		Trend analysis	Supplier monitoring
		Supplier deep dive	Market monitoring
Intelligence workshops	Building a world-class MI department		
	Strategic quantitative and qualitative research and analysis techniques		