

LEADING THOUGHTS >>

More than just a cost centre

Appreciating what supply chains can give to your business is key to bringing real margin improvements

While most businesses focus on profit improvement, too few understand the contribution that better supply chain management can make to corporate



Andy Keith,
MD of Total Logistics

strategy, according to Andy Keith, MD of independent supply chain consultants Total Logistics.

Traditionally, supply chain initiatives have focused on driving down operating costs through defined projects with quick paybacks. While this approach has been adopted by many organisations in the past, we are beginning to see a new breed of senior management that don't see their supply chains merely as cost centres, but as vital elements of their businesses that can bring about genuine change.

Senior management teams that understand the key role that supply chains play in their businesses can also improve margin by increasing revenue and

reducing indirect costs.

This all sounds theoretical, until we illustrate the point with real life examples. We recently conducted an infrastructure study with a major automotive parts supplier to enable their aggressive growth plans. As a result of this change to its logistics strategy, it will be able to double its sales from £200m to £400m within the next three years.

Similarly, effective supply chain planning can reduce indirect costs. We undertook an assignment to help a laboratory equipment supplier identify ways to improve its inventory management. This project identified achievable stock reductions of 20 per cent which released over €10m of working capital.

Better supply chain management is not just about cost reduction. Savvy management teams know it can add value to established processes and bring about competitive advantage.

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