

## Straight Talking – On-demand supply chain management

By Bob Tarzey, Service Director, Quocirca Ltd

Some things go well together, even if they were not specifically meant for each other in first place: teenagers and SMS, Apple and music, mums and 4x4s. Today's global economy throws up another such pairing – supply chain management and on-demand applications.

You'll find many terms being used for the latter: on-demand applications, software as a service (SaaS), hosted computing. Let's not get caught up in a discussion about terminology. What we are talking about is a software enabled business applications running on hardware located in a secure 3rd party facility by an organisation with the wherewithal. Let's stick with the term on-demand applications.

In the last 5 years, the variety of applications being offered on-demand has proliferated, and a number of high profile suppliers have emerged including WebEx with its online conferencing service, salesforce.com which started out with CRM but has now created a whole new on-demand platform called APEX and Google, which made its name in search but is now offering a whole range of on-demand services including office tools.

There are many drivers for the take up of such services, including the switch to a monthly service subscription rather than having to make upfront investments, reduction of management overheads, a simplified user experience and higher availability – all of which can mean a lower cost of ownership over the lifecycle of an application.

But certain business processes have flourished because of on-demand and the pervasiveness of the internet to make the applications that drive such processes widely available. A good example of this is automated supply chain management (SCM): once such applications became available on-demand, supply chain partners of all sizes were able to benefit from real time co-operation and data sharing that was all but impossible before.

Supply chain management is as old as trade itself – it has just got slicker over the centuries.

Supply chains can be the single most important competitive advantage in certain industries such as retail and manufacturing. Retailers look to offer their customers broader choice, scouring the globe for new products from remote suppliers. Manufacturers look to drive down inventory levels through real time delivery from their suppliers.

Both have ended up using the supply chain itself as a warehouse, cutting down the need for expensive storage facilities. The food we eat will be in constant motion through the supply chain from the supplier to the supermarket ensuring its freshness. The parts that make up our cars are timed to arrive in the factory on the day of assembly, minimising excess inventory that has to be stored and managed, keeping manufacturing costs as low as possible.

Efficient supply chains are now a necessity for big retailers and manufactures. However, getting competitive advantage out of the supply chain is getting harder and harder. But there are ways. An accessible SCM system with low barriers to entry and multiple electronic interfaces for would-be participants allows small remote suppliers to be more easily included. This increases choice and ensures competitive costs and allows for ad hoc relationships between buyers and sellers. And a well managed supply chain can ensure goods are transported efficiently, minimising the environmental impact, which is an increasing concern for both governments and consumers.

To some this latter environmental point may be an anathema, but you can't have your cake and eat it. Easy to access global supply chain systems allow small suppliers in emerging economies to participate in global trade. Many argue that this is the best way to increase global wealth, create greater levels of self sufficiency and lift more and more people out of poverty (although for this to be truly effective rich countries also need to eliminate all trade barriers). However, they cannot trade if their goods cannot be transported; well managed supply chains can enable the easier aggregation of goods from different suppliers in nearby

locations into single shipments maximising the efficiency of transport.

So why is SCM as an on-demand service so good for enabling all this? First in most cases, whatever organisation sits at the top of a particular supply chain, it is unlikely to see managing a complex IT system as a core capability (although some of the very largest organisations do). This is a task well suited to being outsourced to a proficient 3rd party with the right facilities, skills and proximity to high speed communications. But it goes beyond this, especially when you start to consider the other participants, the grass roots suppliers and the physical enablers of the supply chain – the transport organisations that also need access to information from the system.

These organisations not only need to be able to communicate with the top of the supply chain but also with each other. When and where do I collect the goods? Who do I transfer them to when I arrive at my destination? How should one container be disaggregated and the contents repackaged for onward transport? What paperwork is required at this border? What language should all the paperwork be in? Answering these questions and ensuring the efficiency of the supply chain involves thousands of communications by hundreds of individuals in multiple organisations all over the globe. If the supply chain fails, all this breaks down. To put it starkly, if there was a wholesale failure of global supply chains, most of us would soon be starving. A resilient and accessible system is required.

Resilience is a given with the right 3rd party facility: a primary data centre located by a high

speed reliable internet connection, with one or more geographically separate backup locations, mirrored in real time, each with their own emergency power supply. Accessibility can be more problematic; the large number of participants in complex supply chains means multiple electronic interfaces. These will range from direct interaction with state of the art enterprise resource planning (ERP) systems that are deployed in many enterprises to a sole trader in a remote location with little more than a mobile phone.

This mix of an on-demand supply chain management service with multiple electronic interfaces is exemplified by the GXS Trading Grid. The availability of such a service has an additional benefit for suppliers who link up to it; having developed the ability to participate in one supply chain, it is easy to get involved in a second, third and so on. A many-to-many relationship between buyers and sellers enables a global market ensuring an effective price for goods is established.

Highly available supply chain systems that are easy to access by thousands of participants using multiple standards are not a core expertise of most retailers and manufactures – providing such systems is a job for specialists like GXS. However the system is funded, by the supply chain head – as is often the case in manufacturing – or by suppliers – which is more often the case in retail, a supply chain is not for the sole benefit of any one company but serves a wide community. If the supply chain application fails, the community does too. Best left to experts, a supply chain system must always be there – on-demand.

## About Quocirca

Quocirca is a primary research and analysis company specialising in the business impact of information technology and communications (ITC). With world-wide, native language reach, Quocirca provides in-depth insights into the views of buyers and influencers in large, mid-sized and small organisations. Its analyst team is made up of real-world practitioners with first hand experience of ITC delivery who continuously research and track the industry and its real usage in the markets.

Through researching perceptions, Quocirca uncovers the real hurdles to technology adoption – the personal and political aspects of an organisation's environment and the pressures of the need for demonstrable business value in any implementation. This capability to uncover and report back on the end-user perceptions in the market enables Quocirca to advise on the realities of technology adoption, not the promises.

Quocirca research is always pragmatic, business orientated and conducted in the context of the bigger picture. ITC has the ability to transform businesses and the processes that drive them, but often fails to do so. Quocirca's mission is to help organisations improve their success rate in process enablement through better levels of understanding and the adoption of the correct technologies at the correct time.

Quocirca has a pro-active primary research programme, regularly surveying users, purchasers and resellers of ITC products and services on emerging, evolving and maturing technologies. Over time, Quocirca has built a picture of long term investment trends, providing invaluable information for the whole of the ITC community.

Quocirca works with global and local providers of ITC products and services to help them deliver on the promise that ITC holds for business. Quocirca's clients include Oracle, Microsoft, IBM, Dell, T-Mobile, Vodafone, EMC, Symantec and Cisco, along with other large and medium sized vendors, service providers and more specialist firms.

Details of Quocirca's work and the services it offers can be found at  
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