From cost reduction to improved responsiveness, introducing agility into your supply chain can deliver measurable financial and time saving benefits. Plus, you can leverage your supply chain to tackle significant strategic goals, like increasing shareholder value or demonstrating your green credentials. But what exactly is agility in the context of your supply chain, how do you take it from boardroom objective to operational reality? And why is logistics such a key part of any transformation?
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The business case for agile supply chains

In an uncertain world, creating an agile supply chain is the mantra for companies looking to offset a broadening spectrum of risk—and to boost responsiveness to changes in customer demand.

But what is agility? How does one get it? And perhaps more to the point, what are the tangible business outcomes?

A decade ago, leading business theorists Gary Hamil and Liisa Valikangas, gave us an interesting viewpoint which is still relevant today. Writing in the Harvard Business Review, they suggested an agile enterprise “strives to make ‘change’ a routine part of organisational life to reduce the organisational trauma that paralyses many businesses attempting to adapt to new markets and environments.”

So, for Hamil and Valikangas, normalising change across the organisation becomes key to developing enterprise agility. And a good place to start is to ‘embed change’ in the supply chain.

What then typically characterises an agile supply chain? According to Cranfield School of Management, key factors include:

- visibility and control of inventory in the pipeline
- a network tailored to market realities
- the elimination of complexity and streamlining of processes
- collaborative supplier partnerships to cut lead times and respond to external events or changing customer demands.

It follows then that in addressing the above, our supply chains become agile. However, it must be said that senior management hasn’t always recognised the vital role of an agile logistics and supply chain in delivering wider enterprise agility.

But as business becomes more global, this is beginning to change—supply chains are generating more executive interest. Often that far sourcing agreement, which started life as cost cutting exercises in the procurement department, begins to offer more business opportunity—over and above a price advantage.

The ability to tap into the intellectual or engineering talent within the supply chain can be a compelling proposition. For example, many of the major consumer device manufacturers use their networks as extended research and development departments—offering solutions that lead to new products or improvements in the old.

But supply chains are also on the boardroom agenda for what they can’t do. Should a link in the chain snap (as we have seen countless times due to natural disasters, social unrest and the like) the impact on the business, and its customers can be catastrophic. This applies equally for a manufacturing supplier as it does a logistics brand tasked with moving that product up and down the chain.

Which is exactly why so much attention is put on today’s extended supply chains—not simply building redundancy into the chain, but proactively selecting suppliers able to rapidly scale and restructure to cater to your changing demand.

It seems then that there’s a truly symbiotic relationship, with agility and the ability to change in the supply chain, reinforcing the same in your business.

And why is logistics so crucial to an agile supply chain? For one, your ability to respond to shifts in demand is predicated on the efficient movement of raw materials, components and finished product across the supply chain and out to the customer. But that’s not all. As we’ll see, the relationships you develop with your logistics partners can deliver a host of strategic benefits above and beyond operational efficiency.

So how then do you go about unlocking the value hidden in your supply chain?
2. Putting theory into practice

Bringing business value to life

Putting theory into practice, firms operating in a variety of sectors are past masters at developing agile supply chains – because they have had to. For example, the global recession hit the manufacturing base, an already competitive market, of many developed economies hard. Demand fell just as hikes in raw material prices began to bite, and troubled times ensued. Time to revenue became crucial to cash flow and shortening lead times became a priority. At the same time, a huge effort was made to streamline and optimize production and manufacturing processes within the supply base to reduce costs and increase margin.

But fluctuating demand was a major a problem. The need to rapidly (and cost effectively) scale up and down to meet shifts in market demand proved a significant challenge - demanding the very highest levels of enterprise and supply chain agility.

And this continues today. According to the Purchasing Manager’s Index for the UK, manufacturing growth rose at its fastest rate for 19 years in 2013. Good news for the economy, but growth puts everyone under pressure. Do customers, for example, have the supply chains able to flex to support demand while keeping a tight control on costs?

Added to this, the global realities of lengthening lead times due to long shipping delays, particularly in raw materials, and growing input prices, requires the ability to work with (or switch) suppliers or production facilities to address these issues in real time.

Whatever your business sector, to thrive and survive in this brave new world you need to be able to flex capacity, onboard new suppliers, change routes and re-allocate inventory – and all at the drop of a hat. If the ability to understand, anticipate and react to change becomes an intrinsic part of supply chain, then it truly can become a catalyst for change.

Links in the chain

But selecting an agile provider is only part of the story. Many companies have been successful because they have put the focus on the how goods – raw materials, components, and finished product – move up and down the chain. In others words, transport.

We work in a global economy, and the issues of shipping goods around the world are significant; encompassing energy costs, tariffs and regulatory concerns, environmental factors, the visibility and control of inventory, and a variety of natural and man-made disruption risks.
Managing this complex environment is no easy task, but doing so effectively provides a platform to enable agility in every element of the supply chain – and allows wider, more strategic business objectives to be achieved.

For example, as the world’s leading high service distributor of electronics and maintenance products, RS Components ships around 40,000 parcels each day to customers worldwide. For these deliveries the company needed responsive and agile providers that guaranteed customers next-day delivery of in-stock items and employed tracking technologies to enable full and accurate shipping statuses. TNT became one of RS Components’ strategic partners for these deliveries providing services in UK, Ireland, France and Thailand.

The ultimate objective was, of course, getting product to the customer on time, every time. But RS Components had a longer term strategic vision to reduce bottom line costs and enhance the customer experience. And it wasn’t something it could accomplish on its own. TNT Express rose to this challenge, offering fast connectivity to these locations at standard rates and providing dedicated customer service teams in France and the UK to deliver a more centrally co-ordinated approach. Moreover regular monthly performance reports against the agreed Service Level Agreement of 98% on-time deliveries ensured quality objectives were constantly being met.

TNT Express’ network optimization, consolidated delivery and efficient transport routing lowered transport costs for RS Components. The centrally co-ordinated, holistic approach from TNT Express also proved to be easier to manage and more efficient, ultimately improving delivery performance and customer satisfaction.

So, as we see, the ability of RS Components to succeed wasn’t simply due to its raw material, component or manufacturing and assembly partners. Success was also predicated on its ability to deliver product up and down the chain – quickly and cost effectively.
Aligning strategic planning with the right supply network can help transform top and bottom line performance. As we have seen on the previous page, working the chain delivered customer satisfaction and financial gains for RS Components. So, in the context of effective logistics (and reverse logistics) strategies, how can firms assure agility here too?

For TNT Express, the answer lies in building resiliency and flexibility into every level of your supply network – from planning and sourcing through to manufacturing, logistics and distribution. The business must become sensitive to real, not forecast, demand, and be able to respond.

Product and manufacturing systems must be integrated into every element of the product lifecycle to streamline and optimise processes. And real-time data must be collected, analysed and acted upon – not only market and customer intelligence, but inventory insight so changes in demand can be quickly acted upon.

Communication at every stage is critical too. Making the wrong decisions can cost money. For example, understanding whether suppliers need to flex up temporarily or permanently is important as this often dictates pricing, availability, planning and speed of transition.

Ultimately, agility rests with the relationship between all customers and suppliers with the network. As we see from TNT Express’ approach, developing both the strategy and the relationship is a straightforward process that can be replicated across the sector spectrum.

**Step 1: Plan**

Shortening order-to-delivery time, on-time delivery and responsiveness to changing customer demands are critical factors for retaining your competitive edge. But this is easier said than done. The key is to create a streamlined infrastructure across every tier of your supply network that supports your demand and production planning – and ultimately generates efficiencies, flexibility and lower operational costs.

**Step 2: Source and make**

Next it’s crucial that your source materials are available – which requires building in resilience and multiple supplier options to assure consistent supply in the event of the kind of natural disasters and economic collapses we have seen over the past decade. With raw material secured, transportation from source to manufacturing facility becomes critical.

Here, integrating order processing and tracking systems offers the kind of visibility, traceability and inventory control deemed so crucial to supply chain agility by Cranfield School of Management.

**Step 3: Deliver**

Transportation and distribution management are again central to the final process – especially when it comes down to last-mile deliveries. If you are outsourcing customer delivery, your brand becomes intrinsically linked that of your distribution partner. On time and in good order are crucial here.

**Off the shelf value**

Agility demands speed – the ability to flex up and down in the fastest possible time. Here the concept of off the shelf tailoring becomes important. Building a bespoke solution or approach can be a time intensive process. Tailoring an existing offering to the client need typically isn’t. And this is important when firms need to react to changing environments rapidly. TNT Express’ network offers a good example. Its network is ready and waiting. All that’s needed is a little input from the client as to how it needs to be set up...and it’s ready to go.
4. Conclusion

So back to the opening questions: what is supply chain agility and how can it add real value to your organisation? Ultimately, agility is the ability to respond - instantly and successfully - to change within your business and marketplace.

For our theorists earlier in the piece, building a culture where change, and adapting to change, is a normal part of everyday business offers the most effective approach. And it’s a compelling idea. Firms that intrinsically understand the need to change will naturally build agility into all their commercial undertakings – particularly when selecting and developing their supply chains.

But culture is nothing without process. The most agile firms are the ones who have, perhaps ironically, very clearly defined processes through which to manage change - using real time insight to anticipate and react: addressing their evolving marketplaces by continually optimising the entire development and distribution lifecycle.

Here suppliers like TNT Express have a crucial role to play – going beyond logistics to build competitive advantage throughout the supply network and in doing so embedding the kind of agility today’s national and global businesses need.

And the value of agility? It’s whatever you need it to be. As we have seen, whether your business outcome is supporting your environmental agenda, enhancing customer experience or dramatically reducing your bottom line costs to increase margin, embedding agility into your enterprise, and throughout your supply chain, will allow you to deliver.

Global Logistics Best Practice

With logistics at the heart of the agile supply chain, selecting a partner is crucial. At TNT Express we are helping customers around the globe achieve greater flexibility, visibility and end to end control at optimum cost, through:

- Planning and design: supply chain planning, design and consultation for maximum network efficiency
- International distribution: managing the flow of goods from low cost production locations across Europe and worldwide
- UK distribution: low cost, flexible nationwide network
- Inventory management: integrated technology for end-to-end visibility and stock control
- Inbound to manufacturing: delivery direct to the shop floor to maximise production output
- Service logistics: storage, delivery and returns of replacement parts
- In-night Solutions: stock delivery straight into store, at night for the start of the next working day
- Warehousing and order fulfilment: improved stock accuracy and increased speed
- Returns Management: collection, consolidation and redistribution of products.

About TNT Express

TNT Express is one of the world’s largest express delivery companies dealing with more than one million consignments every day.

TNT Express works closely with its customers to understand and address individual logistics requirements, as we understand the importance of being able to deliver in a timely and efficient manner. TNT has the ability to tailor bespoke solutions for companies, to help them deliver greater service levels across their own customer base.

The company operates door to door, integrated road and air transportation networks in the key areas of global trade in Europe, the Middle East and Africa, Asia-Pacific, the Americas and Australia.
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