

# Digital Supply Chain Management: WHAT'S THE COST OF DOING NOTHING?

WHY IT'S MORE IMPORTANT THAN EVER FOR  
MANUFACTURERS AND DISTRIBUTORS TO AUTOMATE  
THEIR SUPPLY CHAINS, OR PAY THE HIGH COSTS  
ASSOCIATED WITH NOT GOING DIGITAL.



Whether you're running a manufacturing company, a distributorship, or a retail organization, your supply chain is becoming increasingly complex and managing it is getting more difficult every year. As those complexities escalate, straightforward tasks like getting accurate forecasts around customer demand and future orders require additional time, resources and labor.

This is especially true for companies that haven't embraced digital supply chain management and are operating their supply chains with manual processes and siloed, outdated technology solutions.

"Supply chains are broadening out to incorporate more suppliers and customers that are dispersed across more geographies," says Gavin Davidson, Oracle NetSuite's Product Marketing Manager for ERP. "At the same time, companies are trying to get the best price and delivery options as quickly as possible. Combined, these factors are just further complicating supply chain and logistics processes."

The challenges don't end there. Companies are also working with a larger pool of vendors, each of which has its own method of collecting and sharing data. Where fully-automated suppliers may provide shipment status updates in real-time, for example, at the other end of the spectrum are those that use manual systems, still mostly relying on phone calls and emails. Those companies that provide manual updates, or even none at all, are at risk out of going out of business. These information gaps pose major challenges for manufacturers and distributors

across nearly all industry sectors. In food and beverage, pharma, and biotech, for example, compliance, traceability, and accountability are top priorities. With organizations like the FDA and the USDA constantly enhancing compliance requirements, companies must be able to provide accurate information quickly and reliably. For instance, the FDA is extremely unforgiving of data mistyping, which means manual systems generally can't stand up to its requirements.

To ensure the highest levels of accuracy, the FDA is requiring

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more companies use data capture at the source and in real-time, both of which can be achieved by implementing a unified, cloud-based ERP. "A lot of the data that end customers and regulatory bodies are demanding has to be provided in an electronic format," says Gerard Gray, Oracle NetSuite's Principal Product Manager for Manufacturing and Food and Beverage, "be it through electronic data interchange (EDI) or via integrations to external systems."

## Your customers want more

As the pace of change increases, businesses can't afford to wait on the next technology update, nor can they spare resources to implement those upgrades, diverting resources from value-add initiatives that improve company strategies and operations. Instead, manufacturers and distributors need a fully-integrated ERP solution that tracks and stores data across many different departments, employees, products, services, suppliers, and customers. That data provides a single source of truth leading to accurate analytics and actionable insights that support informed decision-making.

The autonomous supply chain processes and acts on requests (e.g. to retrieve a component from a specific location and take it to a delivery point) with little or no human intervention, freeing up organizations to do what they do best: run, innovate and grow their businesses. Supported by a unified, cloud-based ERP, the autonomous supply chain generates a long list of benefits for both manufacturers and distributors, including reduced costs, improved efficiencies, and better planning and visibility.

"The more processes you can automate within your supply chain, with the resultant data being sent directly into your central business system," says Davidson, "the more free time and resources you'll have to continue driving value for your company."

Inventory management is another key component of the digital supply chain. Ignoring this essential element can leave compa-

nies either out of stock on “hot” items and grappling with unhappy customers or overstocked on slow-movers and stuck with capital-intensive inventory. It also hampers a company’s flexibility and agility, thanks to resources being tied up and/or customers lost to companies that have more accurate inventory visibility. These scenarios are dangerous in an environment where the Amazon Effect has minimized customer delivery expectations down to a mere day or two at most.

Visibility also comes into play in the digital world, where buyers are used to logging into portals to see where their orders are at any given time. After all, when you can tap the Domino’s mobile app to place an order, get updates when the oven “fires up,” and then track the driver’s route to your house, why *wouldn’t* you be able to do the same thing with your order of fasteners, office products, or fresh produce?

“Customers want to see what products you have in stock, view shipping windows, enter their orders, and then track those shipments from door-to-door,” says Gray. “They already have this kind of control and buying power in their personal lives, and now they also expect it with their business transactions.”

### The cost of *not* modernizing

Small, family-owned entities that are run by older generations are known to be wary of new technology, but they’re certainly not alone in their fear of the unknown. The midsized manufacturer that doesn’t want to give away its “trade secrets” through data-sharing and the large distributor that’s still using clipboards and spreadsheets to manage inventory both fall into the same boat of organizations that are reluctant to invest in and implement modern supply chain technology.

Pointing to barcoding and RFID as two technologies that have proliferated in the distribution center and on the warehouse floor, Gray says some end customers are demanding labels that can be read with a mobile phone. This puts new pressure on shippers, who could risk losing those customers if they don’t step up and digitize quickly. The companies that ignore this reality not only fall behind the competition, but also hurt their own operational efficiencies.

“The cost of acquiring new customers is huge, so the impact of losing them and not being able to replace them is even steeper,” says Davidson. “At the end of the day,

the digital supply chain really comes down to being able to promise those customers accurate delivery dates, sharing data with them, and meeting those delivery commitments as often as possible.”

If your company doesn’t do any of these things, your customers will find someone who can.

In some cases, the slow adopters have employed in-house systems for decades because they like the “control” that comes with being able to see, touch, and feel computer equipment and servers. The problem is that these systems are now getting old, with many of them outliving their useful life at a time when advanced technologies are growing in popularity.

“These shippers put their businesses at risk by not moving forward and adopting technologies like Oracle NetSuite,” says Davidson, who has seen an uptick in adoption by companies where new generations have taken over the reins. “Their minds are much more open to adopting technology, and I expect that to continue over the next few years.”

As that shift occurs, the companies that get onboard will also have to reassess employees’ and managers’ roles, and particularly when it comes to gathering, utilizing, and sharing data in a productive manner. “In manufacturing and distribution companies right now, there are some non-traditional roles that aren’t being identified and/or filled,” says Davidson. “Because these new technologies pump out a lot of data, it’s not inconceivable for shippers to have a data scientist onboard to analyze the information and ensure that it supports the organization’s strategy.”

### Using technology to scale

A family-owned business founded in 1980, Compac Industries manufactures and distributes products designed to make life simpler, ranging from kitchen gadgets, to oral care, to baby accessories. Over its 40 years in operation, the company has navigated many significant changes across technology and consumer behavior that ultimately shaped the way the company went to market.

Historically concentrated in the B2B space, Compac Industries traditionally relied on its partnerships with retailers to reach end customers. B2C was less of a focus, driven primarily by call-in customer orders from product catalogs. Yet, as technology

advancements drove the growth of the ecommerce sector, both Compac’s consumer and competitive landscapes were revolutionized.

As its business continued to evolve, Compac recognized the limitations of its antiquated ERP system and its manual processes, often done in Excel. To propel its brand strategy and future growth, Compac needed the right technology partner to manage the entirety of the business, from customers, to inventory and financials. Compac switched from its Sage ERP platform to NetSuite in 2017.

Today, Compac leverages a full business management suite, managing financials and accounting, inventory, warehouse operations, customers and email marketing on the NetSuite platform. During a recent webinar, second generation President Dean-Paul Hart proudly shared that after implementing NetSuite, the company’s inventory was fully reported, and work orders were automatically generating for the first time in 20 years.

Hart values the system’s out-of-the-box dashboards, which allow him to keep tabs on all major departments while empowering his employees to drive maximum value for the business. Compac has successfully navigated 40 years of operation through two generations of Hart leadership. Building on the foundation of strong family values established by his father, Hart has helped guide Compac Industries through changing customer and competitive landscapes with the help of modern technology.

### Automating the supply chain

For many companies, the thought of automating the supply chain sounds both daunting and expensive, but it doesn’t have to be. Having shepherded many organizations through the process, both Gray and Davidson say the key to automation is to start small. For example, a company that relies heavily on paper to manage its fulfillment operations could start by trying to go paperless. This strategy is forward-looking because in the end, going paperless is a primary component of

extending a digitized supply chain out to customers and suppliers.

Along the way, you’ll probably learn that many of those vendors are experiencing the same challenges that you are. This creates an opportunity to collaborate and enhance those vendor relationships. “NetSuite offers a complete range of business functions within its overall solution, but it doesn’t demand that you implement all of those areas simultaneously,” Davidson points out. “You can adopt more functionalities over time, choose the areas that are particularly impactful at the moment, and then advance in a very controlled manner.”

When combined, these small steps help advance companies of all sizes toward automating their supply chain. “With the autonomous supply chain, all of the information coming in from suppliers goes right into a centralized, unified platform,” says Davidson, “where all of the numbers are crunched, and recommendations made. It’ll even tell you when things are going sideways and show you what to do about that.”

For organizations that are just starting down the digital supply chain path, Davidson says the best first step is to examine whatever centralized business system you’re using now and determine whether

it’s open and able to communicate and receive data in the cloud. In addition to making digital supply chain management possible, cloud ERP also has increased ease of adoption, lower total cost of ownership, and more flexibility and scalability than legacy systems.

By embracing the cloud as part of their digital supply chain strategies, companies are not only better positioned for today’s fast-paced, highly-competitive environment, but they can also significantly improve employee satisfaction and retention while also attracting a younger, more digital-savvy workforce. “Self-analyze and make sure that whatever your company’s current and future strategies are, they can be attained with the processes that you have in place,” says Davidson. “If not, then it’s time for a change.” •

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