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Supply Chain Walks
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Dear Lean Community Member

One of the most interesting things I do is to take a walk through a complete supply chain. I did this twice last week. The first was from a vegetable grower through a consolidation warehouse to a Distribution Centre and then to a Tesco store. The second was a virtual walk through the supply chains of a large aerospace manufacturer. While the products are about as different as you can get, it is surprising how similar the issues and the learning points are.

The Tesco walk was impressive. You can see that they have learnt many of the most important lean supply chain lessons. The grower is using sophisticated software to measure and control the sowing, planting out and harvesting of their crops in line with trend profiles of demand. They begin picking the crop each day based on plans agreed once a week with Tesco. Top up orders to adjust the exact quantities required each day are fed directly to the picking unit in the field in real time. Products are picked, packed and dispatched from the field through two cross docking operations (one to aggregate loads and one to disaggregate loads) to the store, where they are on sale the next day.

The first very important lesson Tesco learnt is that it is up to them to identify and remove the noise in the orders sent to suppliers. This is one of the most significant causes of excess capacity, inventories and waste in every supply chain. It took them a while to acknowledge this fact and to recognise that this is the biggest win-win gain they can offer their suppliers, who in turn can then begin to synchronise their production with real demand and not the Chinese whispers that come out of most forecasting systems. Key to making this work is to separate and manage base load demand differently from top up variable demand.

Once you see this then you also see the huge opportunities that arise from also taking responsibility for managing inbound logistics from suppliers, rather than waiting for suppliers to deliver full trucks to you when they have enough to ship. Tesco has led the industry in taking this step. They are reaping the gains from much better consolidation and timing of loads throughout the supply chain, from much higher load utilisation through improved backhauling to and from suppliers and stores and from higher availability in store through more frequent deliveries of exact quantities.

The aerospace supply chain is still focused on taking waste out of production in their own plants and on helping their suppliers to do the same. This is all well and good. However they are not yet convinced of the need to take the next big step by taking responsibility for redesigning their whole supply chain. This is the way to reap the next set of gains from leaning the supply chain. The best way to realise the scale of these

opportunities is by taking a walk, rather than listening to a software supplier wanting to better optimise the existing far from efficient supply chain.

Taking responsibility means deciding on the right place to trigger the supply chain, in this case final assembly of the product. It means analysing and removing all the causes of noise in the signal sent to suppliers. This should be easy to do in a product assembled two to four years after the order is placed, but is in practice hugely variable for individual components. It also means managing all the logistics flows through the supply chain to speed up the frequency of delivery.

It may also mean choosing suppliers located closer to the point of assembly for next generation products. It will certainly mean building a very different relationship with key suppliers to conduct joint value stream analysis around target cost rather than cost plus objectives. The way to do this is to work with clubs of suppliers who share similar supply chain challenges, who can cross learn from each other and share the improvement experts between them. This is exactly what Toyota did with their suppliers over thirty years ago. Have you taken a value stream walk yet?

I wish you a good summer.
Yours sincerely

Daniel T Jones
Chairman, Lean Enterprise Academy

P.S. Redesigning your supply chains – indeed your whole business model back from the customer is one of the topics we describe in our new book **Lean Solutions: How Companies and Customers Can Create Value and Wealth Together** and which we will discuss at our **Frontiers of Lean Summit** in Stratford-upon-Avon in the UK on 31 October to 2 November (full programme on www.leanuk.org).