



Managing supply risk for distributors



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When considering supply chain risk for distributors, many different challenges can be categorized as “risks” including more obvious challenges such as natural disasters, continuously monitored risks like fluctuating transportation costs, or more subtle risks involving the evolution of demand for certain products. As distributors continue to enhance services to customers to remain competitive in today’s market, constant diligence is necessary to maintain a streamlined and efficient supply chain that is resistant to disruption.

In a recent white paper by [Brown Smith Wallace Consulting Group](#) exploring how distributors might take advantage of the current ‘onshoring’ trend, they revisit the truism that ‘the successful distributor will need to deliver on the six “R’s:” right product, right quantity, right time, right quality, right packaging, and right price.’ Having an optimized supply chain is necessary to hit these benchmarks; and the most effective means to mitigate supply chain risk, no matter the type of challenge, is with an integrated and agile technology environment.

Mitigating Risk with Technology

First and foremost, integration between critical business systems is essential to ensure all stakeholders have the necessary insight to detect and eliminate potential supply chain risks. Disparate systems and data silos wreak havoc on businesses by creating different versions of the truth and preventing users from foreseeing how their decision may impact the supply chain later on.

Beyond integration, distributors need solutions that provide flexibility to react to changes in order requirements or scheduling. This is particularly critical for the just-in-time (JIT) delivery model, which helps to promote lean manufacturing, but also creates greater supply chain risk for distributors. Demonstrating the quickness and dexterity to flourish in a JIT environment can help distributors increase competitive differentiation and build their appeal as business partners because the likelihood of receiving parts too soon or too late is much more improbable.

Today’s social business tools offer a viable option to help distributors further mitigate supply chain threats. By implementing a social platform that integrates directly with core business systems, companies can facilitate greater communication and collaboration across the organization. Rather than relying solely on traditional methods such as phone calls or lengthy email chains to discuss shipments, stakeholders can track an order directly through the application as it progresses through the supply chain. By providing third-party users with access to the platform as well, distributors can further reduce risk and help provide greater transparency and higher levels of service.

Consider the following scenario as an example. A distributor that supplies pipes, valves and fittings experiences an ice storm and is forced to close one of its locations unexpectedly. With an integrated technology environment, the distributor has visibility into inventory at each of their operations centers and advanced forecasting capabilities that have helped to optimize their inventory levels. This allows decision-makers to examine all of the orders that were scheduled to be fulfilled from this particular facility, and then determine which other locations have the necessary stock to complete the customer orders on time and at the same price. Users can then be quickly notified via the integrated social business application, ensuring that all necessary stakeholders are aware of the impending changes within seconds of the decision. In this example, the distributor has successfully avoided an unpredictable threat to their supply chain simply by relying on advanced technology that helps them to solve greater issues when necessary.

More Options to Reduce Risk

There are other options distributors should consider when looking to eliminate potential threats to the supply chain. An integrated supply model will certainly help to further reduce risk and can also prove to be more cost-effective, as in this type of scenario, inventory is already stored on site with the customer. Rather than shipping orders from location to location when there is a need, which increases the level of risk, distributors can enhance customer service by fulfilling their requirements well in advance, in anticipation of needs. To be successful, this model still relies on an integrated technology environment to provide the distributor with the necessary level of visibility into products.

Distributors looking to reduce risk in their supply chain should first take a step back and assess potential threats. In today's global environment, where supply chains can span multiple countries and continents, there is a greater probability for disruption. To maintain relationships with customers and appeal to manufacturers, distributors must prove they have the agility and enterprise-wide insight needed to anticipate supply chain challenges and establish reliable back-up plans, ensuring that orders are on time despite any issues that may arise.



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