

SUPPLY CHAIN MANAGEMENT

MANAGING THE PACKAGING SUPPLY CHAIN

Recent years have seen an increased focus on the supply chain issues associated with product packaging. This is partly a result of the relatively high proportion of total cost which packaging represents for many products. A key focus in this regard has been on the desirability of integrating packaging operations more closely with other links in the wider supply chain. Moreover, the recent focus on the need for greater environmental sustainability in all products and associated processes has given developments in this area a renewed impetus.

However, despite its existence for almost three decades, the phrase 'supply chain management' (SCM) is still widely misunderstood. There is evidence of differences in understanding between different industrial sectors, across different geographical areas and amongst practitioners from different functional backgrounds. The National Institute for Transport and Logistics (NITL) has developed a definition of SCM based on the 'Four Fundamentals'. This represents an attempt to concisely, yet comprehensively, define the essence of SCM as it has evolved over recent years. This short article introduces this definition with specific reference to some of the current strategic challenges faced by the Irish packaging industry.

COMPETITIVE ADVANTAGE

It must be recognised that a product is delivered to the ultimate customer through a complex interaction of several companies on the way. The manufacturer's ability to give the customer what they want, when they want it, at the price and quality that they want, is not just determined by the efficiency and effectiveness of the manufacturer's own operation. Inefficiencies anywhere in the supply chain will reduce the chances of the manufacturer successfully competing against other suppliers. Without a proper focus on the overall management of the total supply chain, therefore, a company will never achieve true competitive advantage.

Edward Sweeney, Director of Learning at NITL, explains the 'Four Fundamentals' of Supply Chain Management and their application to the packaging industry.



The increasingly international nature of markets and companies has resulted in many packaging providers becoming part of large and complex international – indeed, often global – supply chains. In addition, the potential benefits associated with emerging electronic commerce technologies provide the potential to simultaneously improve customer service levels and to reduce supply chain costs. These factors and others have sharpened the focus on the need for improvements in all aspects of supply chain performance.

The 'Four Fundamentals' are vital to the continuing profitability of the companies in all parts of any product supply chain, including packaging providers.

FUNDAMENTAL ONE

'Fundamental One' relates to the overall objectives of SCM. These are concerned with:

- Meeting or exceeding customer service requirements in the market;
- Optimising total supply chain costs and investment.

Both are self evidently important. As with all other links in the supply chain, downward pressure now exists on costs (such as purchasing costs, production costs, transport costs and customer service costs) in the packaging sector. Simultaneously, customer service requirements are becoming more and more demanding.

FUNDAMENTAL TWO

'Fundamental Two' recognises that a supply chain is

ABOUT NITL

NITL (the National Institute for Transport and Logistics) is Ireland's leading centre for education, research and consultancy in all aspects of sustainable transport and SCM. It is part of the Dublin Institute of Technology (DIT).

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only as strong as its weakest link. This is as true in all industry sectors and requires that raw material suppliers, distributors, manufacturers, retailers and others work together in new and innovative ways. It further requires that barriers between the internal functions and activities of packaging providers be tackled.

FUNDAMENTAL THREE

'Fundamental Three' is concerned with the efficient and effective management of material, money and information flows throughout the supply chain. The latter (i.e. management of information flows) is of particular importance. Significant investment in information and communications technology (ICT) in the packaging industry in recent years bears testament to this.

FUNDAMENTAL FOUR

Finally, 'Fundamental Four' requires companies, particularly in an environment where outsourcing has become more common, to re-appraise both internal and external customer/supplier relationships.

ABOUT THE AUTHOR

EDWARD Sweeney is Director of Learning at NITL, where he has overall responsibility for all aspects of training and education provision. He is also active in research and carries out projects on many aspects of SCM on behalf of client companies.



ENHANCING SHAREHOLDER VALUE

In short, the potential exists across the industry to significantly enhance shareholder value through the adoption of SCM thinking. The increasingly demanding marketplace, particularly in the midst of the current economic volatility and turbulence, brings its own particular challenges but these are not insurmountable. Rather, they require that creative SCM strategies be developed, and then executed superbly, with strong attention to detail.

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