

SUPPLY CHAIN MANAGEMENT

2-PAGE SPECIAL REPORT

Evolution not revolution in Irish SCM

Research shows a steady improvement in leading edge thinking among practitioners, writes Dave Boland

Logistics has always been a reasonable yardstick to gauge an economic activity – if goods are moving, trade is happening, whereas a moribund supply chain points to a terminally ailing economy. But as a small island nation, Ireland has always had a split personality when it comes to the movement of goods – there is the local market and there is the export market, and often the two bear little resemblance other than the fact both are excellent indicators of the state of the country's economic health.

So, while Irish exports have been having another positive year (despite gloomy predictions at the beginning of 2012), there is still a lack of confidence in the domestic sector; and this dichotomy has been symptomatic of the dynamic in the Irish economy for at least the last five to six years. But whereas the supply chain can do little enough to stimulate the domestic economy, Edward Sweeney, director of learning at the National Institute for Transport and Logistics (NITL) at DIT, believes everyone involved in the exporting side of the Irish supply chain could be doing more to bolster Irish exports.

"We often talk about how good our exports are," Sweeney said. "But what I have found to be a little disappointing is the fact that we have tended to focus on the old retailers when it comes to our export markets – the UK, the

EU and North America. Whereas we haven't really been good at tapping into emerging markets, and especially not the BRIC (Brazil, Russia, India and China) economies."

The other issue facing Irish exporters is that much of the growth has been driven by the multinationals based in Ireland. But, said Sweeney, there has been significant progress in the activities of indigenous organisations, especially in the food and drink sectors.

"The agri-food sector has attracted a lot of plaudits, and from a supply chain perspective we are seeing a lot of good practice and a number of new models emerging," he said. "But what we are seeing is an evolution rather than a revolution, and a steady learning curve rather than one thing that has revolutionised the landscape."

Sweeney is well placed to comment, given the institute's ongoing research into the current state of practice in Ireland – what it calls the "supply chain barometer". The most recent of these was completed at the end of 2012 and, said Sweeney, the story emerging is giving the institute empirical evidence that backs up what it is seeing anecdotally – that there has been steady improvement in Irish SCM in the application of leading edge thinking.

"Undoubtedly there are pockets of excellence out there," he said. "But benchmarking Irish practice against best practice, the bad news is that there is a lot of room for improvement, largely in what

the CSO refers to as the 'traditional' sectors of industry."

Sweeney highlighted a number of issues that need to be addressed and one of these was the notion of how supply chain management is perceived.

"In a lot of traditional areas of the economy, there is a very old-fashioned view of supply chain thinking," he said. "In many cases, it is still regarded as 'loading bay' rather than as a strategic, boardroom activity."

"Secondly, while we continue to see incredible developments in technology, especially in smartphones and telematics, we see only a patchy take-up of the technology and it is a very mixed story in terms of its effective application."

Still, it is not all bad news, and NITL is currently seeing demand for its advanced training and education programmes increasing, despite the volatility in the Irish economy.

"I feel that this is a reflection of the fact that the profession has become more knowledge-intensive," said Sweeney. "Markets have become more sophisticated and complex, globalisation continues to happen and this is especially important for Irish firms tapping into new territories where they have previously not had a footprint. We are seeing more virtual supply chains, more outsourcing and a greater use of technology, and what this means is that managers require a higher level of skill and competency – all of which will have implications for education."

Also, many modern supply chain managers need to grasp



Edward Sweeney, director of learning at the National Institute for Transport and Logistics (NITL) at DIT

with the sustainability agenda, and a part of all NITL's programmes focuses on sustainable supply chain management.

"I think we are seeing a far stronger recognition of the importance of green issues," said Sweeney. "Of course, putting

that into practice is the difficulty, but awareness of the issue is a prerequisite to doing anything about it and we are making progress, albeit slowly."

"There is a sense that when the recession began to bite, sustainability issues slid down the agenda, but our mantra has al-

ways been that good supply chain management is about maximising the use of resources and eliminating waste."

Finally, another area where Sweeney is seeing some progress is in the link between production design and innovation

on the one hand and supply chain thinking on the other.

"The supply chain begins on the drawing board," he said. "It's the idea of simultaneously designing a product and a supply chain to supply that product, and it's happening more and more, especially in sectors

with short product lifecycles. This is not a luxury, it's vital to give producers a competitive edge, and there are some who have it down to a fine art form. But then ... supply chain management is not science and not art, but somewhere in between."

Movers to shake up retail reality

Cold Move's direct retail model could change the landscape for plenty of Irish firms, writes Dave Boland

Ireland's largest retailers have long benefited from centralised distribution, where one delivery can carry multiple products from multiple suppliers. But there is still a swathe of symbol groups, and indeed manufacturers, who would benefit from such streamlined and efficient distribution models, but which have to date been excluded from the party due to their interdependence.

That could all change now, however, with the introduction of Cold Move's direct retail model, which operates out of its new chilled distribution centre in Swords.

Opened in 2012, the north Dublin facility allows Cold Move to manage deliveries on behalf of its customers and deliver them directly to retail, taking in products for its clients, consolidating them, picking them to order and sending them on in one integrated delivery.

"This is a new model for Ireland in terms of chilled and frozen foods," said Jason Mallon, managing director of Cold Move Ireland. "Before 2012, manufacturers had to deliver to Irish symbol groups directly. But now these same symbol groups are setting up their own central distribution models, which cut down on many of the deliveries required to get the goods to retailers."

Thus, the familiar sight of a motorcade of trucks, both liveried and unliveried, making constant drops to small symbol retailers could become a thing of the past, certainly in the area of chilled or frozen goods (assuming these retailers opt en masse for the direct retail model).

As well as providing its services to symbol groups, Mallon said Cold Move would be interested in talking to individual



Jason Mallon, managing director, and Stephen Gillen, commercial manager, Cold Move

retailers, though he is aware there are not many left, and those that do remain are likely already to be part of a purchasing group (which will already understand the power of centralised commercial activity).

"In the past, you might have seen maybe up to 40 deliveries per day," said Mallon. "Now that same store gets just one. And from a productivity, cost and quality control perspective, it makes far more sense to have one vehicle going in than to have 40."

While relatively new to Ireland, the model has been pioneered successfully throughout Europe, and has already been adopted by the larger retailers who have their own centralised distribution models and who have been benefiting from the traceability and cost savings that come with the model for some time.

But just as the smaller symbol groups can benefit from centralised purchasing, so, too, can they benefit from centralised logistics – and Mallon believes this is a side of Cold Move's business that will grow considerably into 2013 and beyond.

"Some are already working with us," he said. "But I strongly feel that this part of our business will experience significant growth over the coming year. It has to be done if retailers are to move forward, and obviously one of the big

drivers of the initiative is cost savings. We are trying to add value and extract costs from the supply chain on behalf of our customers."

Indeed, the case for manufacturers is as open and shut as is the case for retailers – in the past, a manufacturer might have had to drive 30 or 40 kilometres to deliver one or two cases. Now they can deliver all of their goods to Cold Move's centralised hub and allow the distribution specialists to bring their product around the country in a consignment that includes deliveries from other manufacturers – with everyone benefiting from the added value of extra volume.

To date, Cold Move operates a subcontracted fleet of about 45 dedicated vehicles a day; and while not all of these bear the Cold Move colours, Mallon said the intent was to have all vehicles liveried soon.

"We have invested heavily in our infrastructure," he said. "We have invested in new facilities and in new IT, but, because our vehicles are subcontracted, we are using the available capacity in industry."

This new service from Cold Move has triggered an increase in the company's overall business of about 20 per cent on 2011, growth that has been helped by a positive 2012 for Irish food exports (and Cold Move plays a significant role

in bringing Irish foodstuffs to overseas markets).

But overall, the company is poised to take advantage of the changing way in which food is distributed in Ireland and overseas, and is currently in the vanguard of ensuring the businesses of Ireland benefit from these changes.

"The evolution of the supply chain in Ireland has been ob-

vious in frozen and chilled foods," said Mallon.

"I do believe to a certain extent that the Irish ambient business has a bit to go, but certainly the frozen and chilled sector has been going through a period of change; and we will see more big changes in how frozen and chilled food is distributed in Ireland in the years to come."

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