

SUPPLY CHAIN VISIBILITY: KNOW SOONER, ACT NOW

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This report explores the disruption challenges that all supply chain leaders face, and the critical importance of upstream visibility in resolving or responding to issues before they become crises.



The constant monitoring, adjusting, course correction, and occasional heroics are what keep a plan on track. None of that is possible without visibility.

Business leaders at all levels expect supply chains to operate on time, and there is little tolerance for anything less, regardless of any disruptions. In statistics, there is the axiom that “there is nothing surer than the *rare event*.” The same holds true in a global supply chain – a *rare event* is a on-going occurrence. The ability to keep a supply chain on time is often determined by the *levels of visibility* that leaders have into their upstream supply chain, allowing them to alter the outcome of the *rare event*.

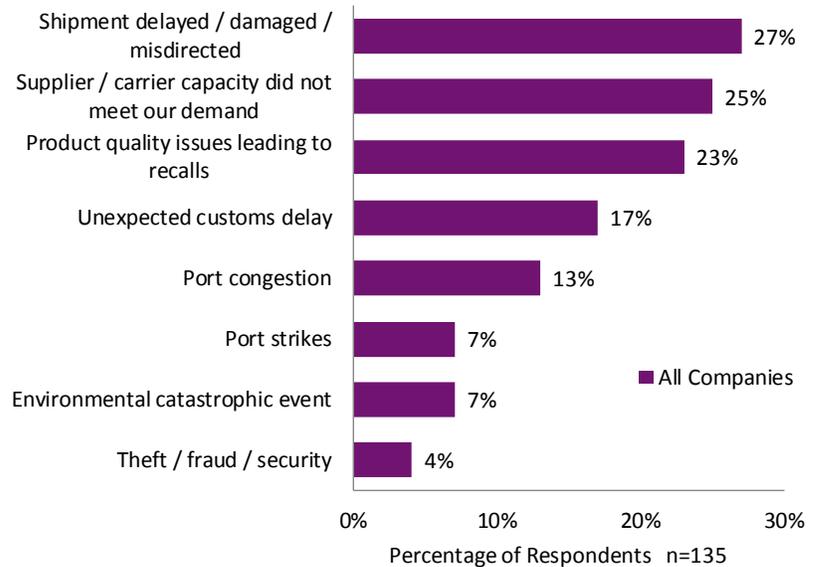
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Disruption is a Given

Supply Chain Disruption comes in many forms. Figure 1 shows the many types of *event-based* disruptions that could be termed *rare events*. There are other causes of disruption to be sure, such as, government, regulatory, and pricing disruptions, but it’s the completely unplanned/unforeseen event that most supply chain leaders try to have a backup plan in place for as an alternative.

Even though they don't know when or where a disruption might happen, supply chain leaders know they must always be thinking one step ahead.

Figure 1: The Many Forms of Disruption



→ [Read the full report, *Visibility: The Key to Managing Your Inbound Retail Supply Chain*](#)

→ [Related Research *Leveraging Global Trade Management \(GTM\) for Frictionless e-commerce*](#)

Every supply chain leader has experienced some form of disruption, with damages, late shipments, or quality issues being the top three most prevalent. Global trade shipments add another level of complexity due to the incremental potential points of failure, such as customs, port congestion, and labor strikes. Catastrophic environmental events or theft can happen anywhere, but they can be much tougher to manage internationally, due to limited access or delayed information. Common to every one of these disruptions is that the sooner they are known, the sooner action can be taken to mitigate or work around the problem. The early call is what supply chain visibility is all about.

Hanjin Meltdown

The recent crisis surrounding Hanjin, an international container cargo carrier owning 97 container ships who got into financial trouble, exemplifies the meaning of unforeseen. Hanjin was

Best-in-Class Performance Metrics:

- *Percentage of perfect orders received from international suppliers*
 - Best-in-Class – 97%
 - All Others – 77%
- *Percentage perfect orders delivered to international customers*
 - Best-in-Class – 96%
 - All Others – 75%
- *Percent change in average trade compliance costs relative to declared shipment value on imports/exports*
 - Best-in-Class – 1.4%
 - All Others – 9.2%
- *Total landed costs per unit of import/export handled*
 - Best-in-Class – .6%
 - All Others – 6.2%

ordered by a South Korean court to return its chartered ships back to their owners and sell off as many of its own ships as possible. For now, ships are calling one-by-one at ports to drop cargo, but only where they are protected from seizure by court orders, and then heading back to Asia. During this time, many of the Hanjin ships wait offshore in international waters beyond the reach of creditors and cannot unload, because of fears by cargo handlers that they will not be paid. This has resulted in several ships returning to Korea to unload, while Hanjin frantically negotiates to secure funding and/or protection from creditors, so they can unload their remaining ships with stranded cargo safely. The net result is that the delivery uncertainty is ending a few containers at a time for shippers, with a combined \$14 billion in goods on board Hanjin vessels. The ultimate outcome for the carrier and its creditors is still in question as Hanjin sells off assets to cover expenses.

Now imagine the dilemma for all the shippers using Hanjin as their carrier. Shipments are suddenly held hostage with virtually no certainty of a delivery date. The only hope is that, if they have visibility to *what is on hold and at risk at the product and customer level*, there is at least a chance of establishing a duplicate shipment or advising customers of the potential shortfall in product and unknown delivery. Solving the Hanjin disaster from a customer/shipper perspective is contingent upon having visibility in to product and customer information at the outset. This knowledge includes who shipped the product and who is importing it. Without this granular level of knowledge, corrective action is all but impossible to implement.

Retail Squeeze

In retail, it is commonly understood that little investment has been made in supply chain execution capabilities, as many global apparel companies are operating with a very limited view of their inbound supply chains. Investments have gone primarily

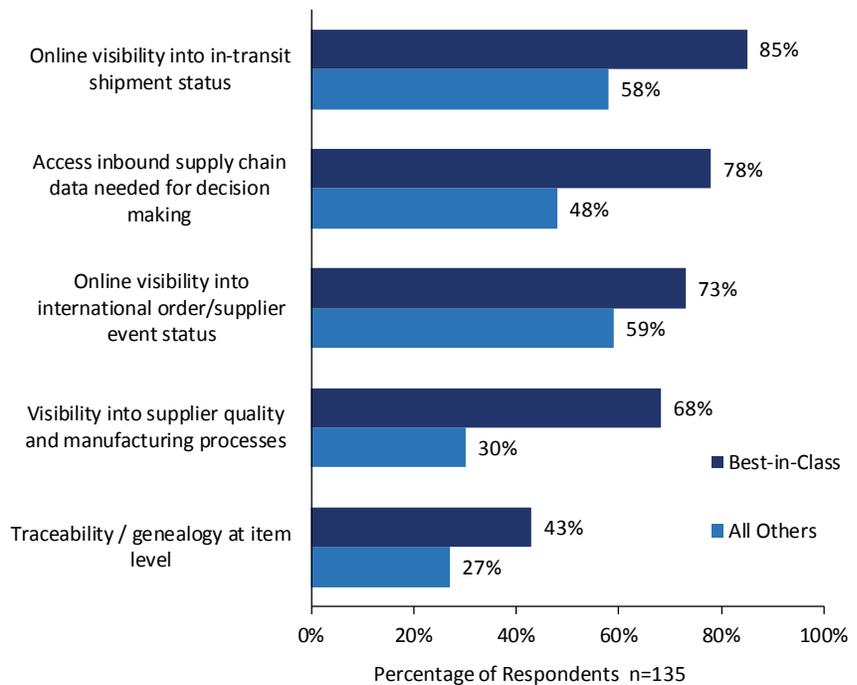
Having visibility into supplier quality and manufacturing processes is a serious point of weakness for All Others, who are at a 30% adoption rate. The Best-in-Class are more than 2x as likely to have this in place.

to PLM solutions and little has been spent on supply chain execution. However, times are changing, and it's becoming clear as a result of disruptions and the subsequent financial losses, that the time has come for retailers to take ownership and control of their supply chain. As mentioned earlier, the key to preventing issues from turning into crises, is visibility to the upstream supply chain, particularly for global trade.

Visibility: What's Needed and What's in Place

Figure 2 reflects the visibility that Best-in-Class companies have into their upstream supply for shipment information.

Figure 2 Inbound international Supply Chain Visibility



In the case of Hanjin, the top shipment status capability alone would provide enough information to get them moving in the right direction for recovery. The second capability involves data such as product, quantity, and order information to allocate product to customer orders, or inventory for replenishment

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85%

of Best-in-Class companies have visibility into in-transit shipment status.

orders. In both cases the Best-in-Class have a significant competitive advantage while All Others are at less than 50% adoption. When considering the plight of many retailers who depend entirely on their suppliers for their product, this would indicate that less than half really know where their inbound shipments are, which is a major point of control for their supply chain.

For global trade products, the Best-in-Class are 25% more likely to have visibility into international orders and supplier event status, which indicates they know the location and timing of all product movements from the origin to destination. Consider the issue for those shippers in the Hanjin scenario, who do not have status information for shipments that are now quarantined on idle vessels. Where do they begin?

Supplier Quality

Having visibility into supplier quality and manufacturing processes is a serious point of weakness for All Others, who are at 30% adoption. The Best-in-Class are more than 2x as likely to have this in place. When considering the retail scenario, solving quality and manufacturing issues before a product is made and shipped is a lot cheaper than trying to fix it after the fact. Either way, it must be fixed. Best-in-Class companies recognize the value in working with suppliers and solving issues at the source before they become crises and prohibitively expensive to repair or replace.

Traceability/Genealogy at Item Level

Item-level traceability is a capability that not all companies require, but for those that do, it's a must have. However, for anyone that has quality and recall issues on product coming from overseas, the cost of traceability, versus the cost of recalling all items without lot traceability, may be well worth the effort. Verifying material certifications for all suppliers at the tier 1, tier 2, and beyond is best practice, particularly when a variance in material quality can affect the performance, life, or appearance of

the end-product. This is an area where retailers might want to get controls in place for their incoming supply chain at the global trade level. Certifications also provide visibility to timing and can signal shipment delays due to inbound raw material timing. Best-in-Class companies leverage all the tools to establish a complete visibility profile for their inbound supply chain.

Summary and Key Takeaways

Disruptions happen at all levels in a supply chain, but Best-in-Class companies are much more likely to have the inbound supply chain visibility to combat them. Compared to their competition, they excel at every level of engagement with suppliers, partners, and logistics providers including international suppliers and shipments.

Visibility pays off in the form of on-time shipments and lower costs for the Best-in-Class companies, as reflected in their performance metrics. The examples of the Hanjin situation and retail squeeze on supply chain execution improvements are examples of how visibility can be the difference between an issue and a disaster. Visibility doesn't solve every problem, but it does enable your organization to *know sooner and act now*.

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