



## Outlook 2004 - Logistics and supply chain



in single piece flow from our supply base, moving completely away from batch manufacture and the traditional 'hold and ship' philosophy to a totally leaner, wasteless inventory system," he said.

Jaguar and Land Rover work to a bulls eye model with the company at the epicentre. Depending on the car line, a significant number of suppliers lie within 100 miles, then moving out to continental Europe and beyond. Ford is considering opportunities in China but eastern Europe is also highly attractive.

The delicate balance between componentry cost, transport cost and the need for agility is under constant review. "A total cost view is extremely important," he continued. "Our purchase team are out looking not only at the impact of low cost componentry but also at a host of other factors to make sure that sourcing decisions are made on the basis of total cost to serve the market."

Established tools such as value stream mapping and total cost analysis are widely used. However, what is new to Jaguar and Land Rover is the rigour with which they will be applied with the deployment of new car lines in the future. "In the past, for example, we have tended to work with averages and generalities. Now we will be looking in much closer detail at areas such as our investment in containerisation, which can be very expensive if we over-estimate."

Jaguar and Land Rover work with a single logistics provider for all their European operations. Together, the two companies are engaged in a constant evaluation of the cheapest and most effective way of managing the supply chain. The relationship with UCI Logistics is one of total integration in an extended, shared enterprise. Michael Storey, general manager with UCI Logistics, responsible for the Premier Automotive Group, believes this is a trend that others will be following. "Joined-up thinking produces the best solutions. The best rela-

tionships are becoming less transactional and much more about sharing risk," he stated.

Other companies UCI is working with have similar supply chain objectives. "Manufacturers are lengthening their geographic reach but wanting to simultaneously reduce inventory. Consignment sizes are becoming smaller and more frequent with rising transport costs. This is an additional cost but one that should reduce overall cost. It is our job to manage that process prudently," he said.

"There is a big debate between lean and agile," commented Dr Wilding. "Generally if you have stable demand it is relatively easy to source from the Far East. If you need rapid response and agility, lead time is critical."

For high value, low-bulk items sold through retail channels with volatile demand, EPOS data can link directly into the production scheduling of an operation based in Malaysia, for example. The finished goods can then be bought in using air freight. Expensive maybe, but ultimately worthwhile. Logistics providers are constantly evaluating transport options and if the total cost dictates a sound business case, then air freight will become more common. Environmentalists will have much to complain about. However, on a more positive note, leading companies are paying more attention to the environment. Jaguar and Land Rover, for example, are carrying out an extensive feasibility study that it is hoped will reduce road usage in favour of rail transportation over the next decade.

David Hindson is strategy and marketing director for TDG plc, another logistics provider. Particularly for those serving retail markets, he believes that the demand for agility is so great that

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some manufacturers must literally re-invent themselves. "Some retailers can now best be described as in a constant state of experimentation," he said. "Technology is only one aspect of what is needed to help service this sort of environment. Forecasting systems become irrelevant if they only tell you that the future is going to be largely like the past. The real challenge is to create much more agile organisations with an external focus that are driven by the needs of the marketplace."

As the sector edges tentatively towards recovery, supply chain optimisation can mean the difference between survival and growth or slow strangulation by competitors overseas. ●