



Industry Forum

Business Excellence Through Inspired People

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The impact of supply chain innovation on UK manufacturers

The strength of the UK manufacturing recovery has started to register on a global scale according to a new survey of global manufacturing leaders by Deloitte. These leaders are looking to the US, China and the UK as the principal growth markets in the next two years.



The UK has a limited number of indigenous global manufacturers and much of the major manufacturing investment here comes from overseas, particularly the US, Germany and Japan. If smaller UK owned firms are to benefit from these opportunities, even more focus on being an effective supply chain partner is vital. The survey shows that global manufacturers are looking for increasing levels of supply chain transparency and visibility driven by improved use of data, analytics and business intelligence tools. The integration of new technologies remains an important strategic driver for them and with a focus on greater partnerships and collaborative business models.

In the Deloitte survey, forty percent of respondents say they currently lack visibility across their extended supply chain, with thirty three percent saying it was due to either inadequate IT systems or a lack of skills. So far the gains in supply chain visibility have resulted from stronger relationships between manufacturers and their top-tier suppliers. This pattern has been evident in automotive and aerospace for some while, two sectors where the UK is especially strong. More than three-quarters of Deloitte's respondents say that their relationship with top-tier suppliers is now strong enough for them to share real-time capacity and demand data. This sets a new standard for the lower tiers of the supply chain in the UK. Reviewing the survey data, Deloitte conclude that, over the next decade, there will be dramatic reductions in the time it takes organizations to get their products into market because of advances in three areas: 3D printing technology, collaboration and supply chains.

A majority of respondents in the survey think that they may achieve a globally integrated supply chain within the next three to five years. More than half say that they already use global demand planning and global capacity planning technologies in their supply chain enterprise-wide. All of this means that for smaller UK firms to be partners of the global majors they must meet the objective standards of global competitiveness not just in QCD but the more demanding areas of management, partnership, innovation and information systems.

One of Deloitte's interviewees commented "Given the ongoing shifts that we continue to see in product lines,

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technology and supply chains, it's not surprising that organisations are prioritising a wide variety of analytics and data-driven investments in an attempt to get a better handle on their costs and profits. Many manufacturers are looking for any way they can to get more insight into their business.”

The global manufacturing supply chain is probably the area where the much touted 'internet of things' will first become a potent reality with sensors up and down the supply chain providing managers with key operational data with the potential for the achievement of higher levels of performance excellence. This suggests that if smaller firms in the supply chain are to be part of this emerging scene they will need to acquire new skills and capabilities in fields which are already experiencing skills shortages thanks to the boom in digital services investment. Deloitte found that a third of respondents believe that their lack of supply chain visibility was a direct result of inadequate IT systems and an equal number pointed to a lack of skilled talent as impacting the effectiveness of their supply chain. In Deloitte's survey forty-five percent of respondents say that new technology could be the biggest enabler in helping their organizations communicate critical demand signals, capacity constraints and supply chain disruption data across their supply chain. Deloitte infer that once technology proves itself mature enough, decision-makers in global majors will become keen adopters.



The UK automotive and aerospace supply chains need to keep a close watch on this fast changing environment. Deloitte suggest that consumer product manufacturers have had greater success in building partnerships, achieving supply chain visibility and determining profitability than their peers across the broader manufacturing sector. Consumer product manufacturers are often much closer to the end-consumer than their peers elsewhere in manufacturing. This supports the view developed by McKinsey Global Institute that a key factor driving the progress of advanced manufacturing down the supply chain is the need to satisfy the fast moving consumer markets in which prosperous consumers demand the latest goods and service personalised to meet their specific tastes and needs. This kind of market pattern is particularly significant in the premium automotive sector where the UK has developed a major global position with very strong brands.



Another important area where supply chain capability needs to improve is risk management. The new version of ISO 9000 will make effective risk management a central feature of quality management. This will almost be carried through to the sectoral derivations of ISO 9000 in automotive, aerospace and medical technology. Again the UK supply chain will need to stay ahead of these requirements if they are to demonstrate to global majors that they are globally competitive partners.

With these demands on lower tiers in the supply chain, these smaller firms can reasonably expect better partnership behaviour from their



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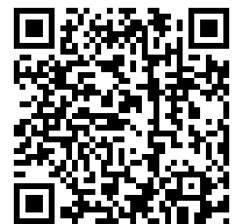
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customers. A survey published at the beginning of June found that in the UK economy overall, some £75bn is owed to suppliers by their business clients. Total trade credit now stands at £327bn, making it the number one funding source for businesses, according to the research from the Credit Management Research Centre and Taulia. This is 20% larger than bank credit to businesses. More transparent supply chain management could bite cash flow benefits to lower tier suppliers in due course.

Industry Forum has over fifteen years' experience in supply chain improvement not just in automotive but several other sectors. The introduction of new technologies will only deliver real benefits if the operational disciplines improve to exploit the true potential of better information flows. Industry Forum has ample experience of helping clients bring this about.

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