

Supply Chain Management



We have been proving for nearly 30 years that process improvement methods, driven systematically across the extended supply chains of our clients, drive enormous improvements in profit, quality, and customer responsiveness.

At Thomas Group, we do not view Supply Chain Management simply in terms of a single point solution or the implementation of a software package. Nor do we consider it

purely as the cost-focused objective of an organization's procurement function.

Supply Chain Management is a strategic process that spans the entire enterprise, enhancing competitive advantage by establishing seamless links from suppliers through to customers, creating value at every stage.

Beginning with an overall Supply Chain strategy assessment, our Process Value Management methodology replaces the old functional silo concept with powerful enterprise-wide processes. We customize these processes into a program to meet our client's unique needs in forecasting, planning and scheduling, procurement, logistics and distribution, inventory management, supplier management, information flow and systems. We use this methodology to drive the shift from a narrow view of the silo to a boundless view of the enterprise; from the supply chain through to the customer.

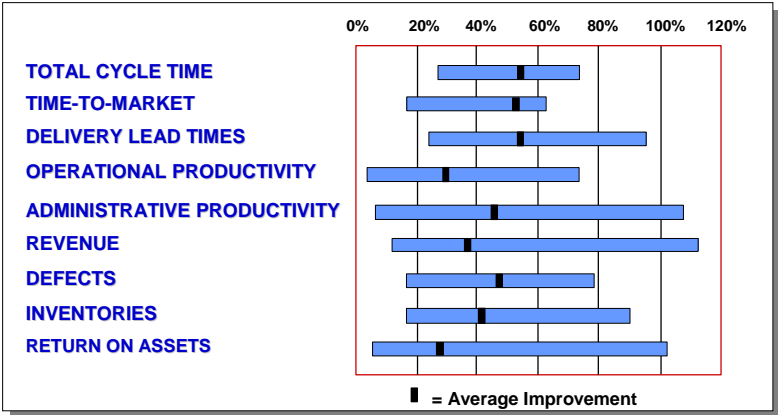
Thomas Group's proprietary Process Value Management methodology provides an effective platform to achieve cross-functional and cross-entity collaboration. It optimizes each step in the supply chain process in the context of the customer's need and the competitive advantages of the enterprise.

So, what of the role of technology in Supply Chain Management?

Many companies have made large investments in hardware and ERP software as the means to accomplish a seamless linkage between themselves, their suppliers, and their customers. However, we have all read horror stories about the result of many technology implementations. Very simply put, if business processes are wrong, technology will magnify their flaws and will then, like a virus, seamlessly extend these to suppliers and customers alike.

At Thomas Group, we remain committed to first getting processes right, for only in this way does technology become an effective and collaborative partner.

Our Clients' Ranges of Improvement...



Effective Supply Chain Management in Action: Real World Examples

Garment Industry

We worked with one of Asia’s largest garment manufacturing groups with 25,000 staff at 19 factories in eight countries. A merger had created 28 sales



teams, each controlling its own material sourcing, supplier base and, effectively, its own factories. Suppliers were dealing with each team individually without any structure or process to consolidate purchasing volumes. Sales team focus was primarily price and expediting delivery for the current order with little consideration given to total cost of ownership or managing the supplier base for best sustainable performance.

Supplier lead time ↘ 50%	Material costs ↘ 8%	Inventory holding ↘ 40%	Order lead time ↘ 38%
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Electrical Motors

Our client is a leading manufacturer of micro-motors for automotive and consumer goods. It has 19,000 employees in 14 countries. The company was suffering from



traditional procurement problems with its 700 suppliers, each buy being individually negotiated. Supplier on-time delivery was below 20% with significant quality issues and only 2.5 inventory turns per year. Changing to a collaborative procurement process resulted in significant performance improvements and a \$40 million annual saving in material purchasing and holding costs.

Supplier lead time ↘ 30%	Material costs ↘ 6%	Inventory holding ↘ 25%	Order lead time ↘ 40%
Supplier OTD ↗ 600%		Inventory turns ↗ 200%	

Tier Two Automotive Supplier

A producer of synthetic fiber for automotive upholstery was struggling with excessive finished goods inventory and a high level of obsolete product write-off. Its supplier base was shipping poor quality raw material with unacceptable on-time delivery. Its customers were asking for frequent and last minute changes to product specifications. Change was driven through converting from functional to process management, establishing strategic partnerships with a reduced set of suppliers, sharing information with customers, rigorous ordering and stocking rules, establishing minimum lot sizes and an order change freeze process, and implementing standardized color setups.



Supplier quality ↗ 50%	Finished inventory ↘ 75%	On time delivery ↗ 50%	Spec changes ↘ 75%
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Power Generation Equipment

Key targets of the program were inventory reduction and engineer/build lead-time reduction. A cross-functional sales and engineering team reduced hundreds of existing product configurations to a small



set of product platforms with a limited set of variants. By applying a critical path process to generator manufacturing and consolidating an existing internal/external supplier base to a set of key supply partners, generator lead-time was reduced from over 15 months to six. Total manufacturing output, without additional investment, increased in excess of 50%.

Material costs ↘ >20%	Product lead time ↘ >60%	Internal costs ↘ 15%	Inventory holding ↘ 69%
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