

FMCG, retail supply chain report now out

Supplychainforesight, the industry research study sponsored and initiated by Barloworld Logistics, has produced its 2010 annual survey with a focus on how the FMCG and retail sectors intend to deploy supply chains for growth. The following extracts are from the report, which is available free online.

FMCG Objectives

The short-term objectives of this sector in 2010 demonstrate a deepened continued focus on cost and waste reduction, continuing the theme of survival from last year. There is also a marked increase in alignment of the supply chain with the business as a top priority. The top five are:

- Alignment of supply chain with the business strategy
- Distribution network optimisation
- Optimising outbound transportation
- Lowering procurement costs
- Reducing inventory

Retail Objectives

For the retail sector, the top five are:

- Aligning the supply chain with the business strategy
- Distribution network optimisation
- Lowering procurement costs
- Improving inventory deployment across the supply chain
- Warehousing optimisation

FMCG Challenges

The top-ranked challenges for FMCG are:

- Optimising the distribution network
- Implementing efficient planning and forecasting tools
- Potential failure of key suppliers
- Cost of fuel
- Adaptability of supply chain to economic slowdown

Retail Challenges

The top five retail challenges are:

- Optimising the distribution network
- Transforming supplier relationships into true collaboration
- Implementing efficient planning and forecasting tools
- Implementing a demand driven supply chain
- Waste and inefficiencies across the supply chain

All of these challenges reflect the difficulties inherent in changing from a complex supply chain, which was built to handle

increased volumes in the boom years, to one in which cost cutting and survival is imperative, yet one that must drive efficiency and future growth. The strong retailer support for the option of 'transforming supplier relationships into true collaboration' seems to indicate that a continued cost squeeze on suppliers is a strategically dangerous route in these troubled times, and that a mutually beneficial relationship has to be realised.

FMCG infrastructure Issues

The challenge faced by the country's infrastructure, which is resulting in escalating costs and embattled service levels is well known. The real extent of the problem from the FMCG sectoral point of view is well illustrated by the research.

In the sector currently, 84% of companies move less than 10% of their goods by rail, slightly more than the national figure of 80%. If adequate rail capacity were available, this figure becomes 39% and 34% of the sector would move between 20-40% of their goods by rail if capacity existed, well above the national estimates given in the overall sample. For an industry, which is critically dependent on its distribution network, it is of the utmost importance that the road versus rail distribution picture becomes more equitable and cost-efficient.

Retail infrastructure Issues

For retailers, once again, there are significant divergences of opinion from the FMCG grouping. There is far less confidence that improvements are happening in regulation and investment in the road system, which stems in turn from the response that the industry has far less need of rail capacity than the overall sample. Of course, the bulk of retailer's goods travel by road due to just-in-time stock requirements and the need to cut waste and stockouts.

The extent of the need for adequate road infrastructure in the sector is well illustrated by the extent of its current use. Fully 94% of the sector moves less than 10% of their goods by rail. Were rail capacity available, road use would still be far higher than the overall sample, with this figure dropping to 44%. Despite the sector's need for road transport capacity however, it would still move significant portions of its transport needs to rail if capacity existed. For example, currently only 3% of companies move between 11% and 30% of their goods by rail, this figure would become 41% if capacity existed. A multi-modal solution, combining road and rail transport, is clearly what the sector requires, but it is currently heavily reliant on an overloaded road transport sector on congested roads, which further complicates efficiencies and cost reduction efforts.

Download a free copy of the full report at www.supplychainforesight.co.za.