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# SUPPLY CHAIN - IMPORTANCE OF INFORMATION TECHNOLOGY

BY

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## INTRODUCTION

Supply chain management (SCM) is the oversight of materials, information, and finance flowing between suppliers, manufacturers, wholesalers, retailers, consumers. Information flow forms the backbone of seamless operations and is vital in achieving best supply chain surplus. Supply chains are known for their complexity due to involvement of multiple stakeholders within and across organizations, gamut of SKUs to handle, varied geographies and ever increasing customer expectations.

Being a Supply Chain and Technology enthusiast, the rate of technological advancements in Supply Chain has always astounded me. From the days where the transactions were all paper based and manual, to the present day where companies are moving towards automated data exchange and processing, Supply Chains have evolved drastically.



Earlier the information flow was manually handled through letters, documents, with advent of E-Mails the information flow shifted to the Electronic channels. Companies are re-engineering their supply chains with IT as the base. Designing the process and enabling them through IT is very important and this very reason has made IT a cross functional lever of Supply Chain. With advances in systems and companies providing services like SaaS (Software as a Service) the TCO (Total Cost of Ownership) has come down and the ROI (Return on Investment) has increased.



For the better understanding I would through some light on Why, What and How of IT transformation journeys i.e. Why IT Systems are the need of hour, What all options do we have, How to face challenges on the journey.



## Why IT Systems are the need of the hour?

The customer expectations are ever increasing and for companies to meet this they must have robust systems in place this would not only ensure that the human errors are reduced but also ensure that the effort required is minimized. With the advent of E – Tailing’s one day delivery or in some cases delivery within few hours the flow of information and decision making should be as rapid as possible and without proper IT systems this can’t be achieved. Hence IT helps in reducing the customer lead times.

Customers (not necessarily the end consumer, could be a distributor also) are expecting real time traceability of their orders so that they can set their or their customer’s expectations. The traceability also helps in identifying the source of the product or piece/part of product. With better traceability comes improvement in the people in terms of their ownership of the job they do.

Hence with better IT systems in place the customer satisfaction can be improved greatly, this would have direct impact on the customer retention, attracting new customers, thus improving topline of the company.

The IT also helps in improving the bottom line by reducing the costs incurred by the companies. IT and Automation helps in reduction of the man power, and these days with raise in resource scarcity and the costs of the resources it is desirable to have lesser man power, this would also reduce the issues arising due to the worker unions to some extent. With improved traceability the inventory in the entire supply chain can be brought down in a scientific manner thus freeing the working capital.

In the current era of CPFR seamless information flow and communication is essential between multiple stakeholders in the supply chain be it the manufacturer, the vendors, distributors, retailers (POS devices). This would help in improving the forecast accuracy thus reduce the costs of high inventory or stock outs. IT systems act as Decision Support Systems and monitoring systems enabling faster decision making and issue resolutions. All these would directly and positively impact the bottom line of the companies.





## What all options do we have?

With drastic developments in technology field several innovative systems have been developed for Supply Chains, these can be classified at a high level as:

- ERP Systems (SAP – ECC, Oracle – ERP etc.)
- Operations Specific Execution and Design Platforms (Supply Chain Network Design softwares – Supply Chain Guru of Llamasoft, WMS, MES, WCS etc.)
- Analytics (SAP – BI, Business Suits, R, SAS etc.)
- Mobility (RF Handheld terminals, Android Devices etc.)
- IoT (Industry 4.0)

ERP system is a holistic system which has basic capabilities to handle all the functions of an organization and share information across organizations. But with the higher complexity at the operational level several new system addressing this requirements have come up helping the companies to further improve their processes. ERPs, execution platforms on cloud and advanced computing capabilities, the data analytic tools can be used to crunch the data and come up with deep meaning full insights that could improve the business performance. The advancement in technology and low costs have enabled the companies to go mobile (Sales executive provided with Mobile devices for seamless data integration, Warehouse operator provided with RF handheld devices for seamless and independent operations), this has improved the productivity of the resources to a great extent. IoT is the next big thing on the way to revolutionize the industry, but to take that step we need to first create basement consisting of the remaining systems ready.





## How to face challenges on the journey:

To answer how to face the challenges let me first list down the major challenges:

- Availability of Skilled Resources
- Change Management
- Lack of Awareness among the all the Business Stakeholders
- No single platform addressing all the business requirements

Availability of Skilled resources is a major challenge for any company, but majority of times it is not necessary to have own resources, rather one can hire a consulting firm for the job, who on the transformation journey would train the resources of the company so that they can handle the new system being brought in. Change Management is the biggest challenge, it is advisable to show the pros of the new system in a data driven approach and have pilot implementations to give the people an idea of the impact of the system. It is necessary for the companies to be on top of the technological advancements, with the IT team attending various seminars, exhibitions etc. Most importantly it is desirable to have a single platform which provide the wide gamut of technology offerings, SAP is trying to be that One - Platform but there might be a gap in this front, but that should not be a deterrent in taking the first steps in transforming your supply chains with IT as it is rightly said that the journey of thousand miles start with a single step!



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