

“A Fresh Approach to a Competitive Supply
Chain.”



Introduction

Who am I?

Who are you?

Why are we here?

Agenda

History

Supply Chain Management (SCM)

The Role of Purchasing

Challenges of Planning and Inventory

Logistics

Currency Fluctuation Risks

Global Trade Agreements

Emerging Markets

Purchasing and Supply Strategy Trends

History

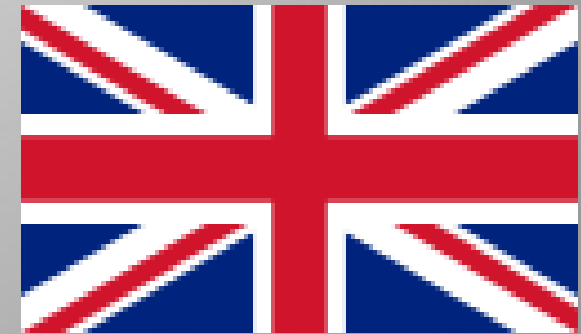
Pre-industrial Meat Processing to 1870

The Superior Council of New France

Lower Canada

Production scales up

F.W. Fearman



History cont.

Industrialization of Meat-Packing, 1870–1930

Increased factory complexity

Birth of Industrial Engineering movement

Assembly line, Mass production

Henry Gantt: Gantt charts, Scheduling

Human factors

History cont.

The Big Three, 1930–1980

A new and more concentrated corporate structure emerged.

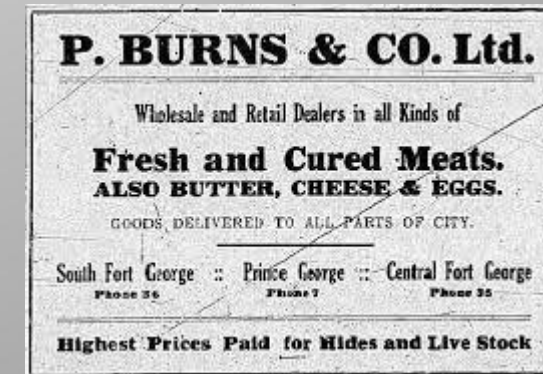
The Big Three integrated meat-packers

Canada Packers,

Burns Foods, and

Swift Canadian

United Packinghouse Workers of America



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Delivering Strategic Innovative Procurement Solutions

History cont.

1980–present

The oligopoly restructured

Mergers

Maple Leaf Foods

Olymel

Cargill Foods

Lakeside Packers

Specialization

Boutique producers

Supply Chain Management (SCM)

SCM is the integration of key business processes from end user through original suppliers that provides products, services, and information that add value for customers and other stakeholders

Global Supply Chain Forum (GSCF)

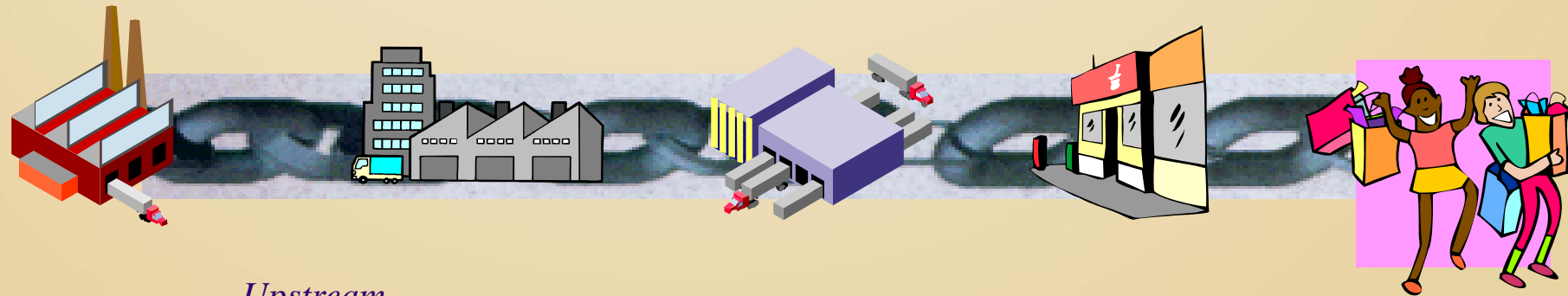
Supplier

Manufacturer

Distributor

Retailer

Customer



Upstream

Downstream

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SCM cont.

A New Competitive Environment

Increasing numbers of world class global competitors

Sophisticated customer base

More performance at lower cost

Widely available information sources

Balance of power between buyers and suppliers

Greater levels of outsourcing

SCM cont.

Factors Driving SCM

- > Low cost and wide availability of information
 - More closely links members of a supply chain
- > Higher levels of competition in domestic and international markets
 - Requires greater quickness, agility, and flexibility
- > Customer expectations and requirements
 - Constantly changing and more demanding
- > Ability of an organization's supply chain to identify and mitigate risk
 - Minimize disruptions
- > Competition is now between supply chains, not just between companies

SCM cont.

AMR Research:

"The biggest issue enterprises face today is intelligent visibility of their supply chains-both upstream and down"

Forrester Research:

"Companies need to sense and proactively respond to unanticipated variations in supply and demand by adopting emerging technologies such as intelligent agents. To boost their operational agility, firms need to transform their static supply chains into adaptive supply networks"

Why Purchasing Is Important?

- > Increasing value and savings
- > Building relationships and driving innovation
- > Improving quality and reputation
- > Reducing time-to-market
- > Managing supplier risk
- > Contributing to competitive advantage

Increasing Value and Savings

- > Suppliers have substantial impact on a firm's total cost
- > Many product features originate from suppliers
- > In manufacturing, purchased content is more than 55% of revenues
- > Avoiding costs through early involvement in product design stage

Building Relationships and Driving Innovation

- > Traditional approach is to bargain hard for price reductions
- > Newer approach is to conduct joint cost reduction with suppliers
- > Both buyer and supplier must benefit
- > Suppliers can contribute innovative ideas



Improving Quality and Reputation

- > Buyer focuses on core competencies and outsources non-core activities and materials
- > Need for ability to track materials back up through supplier's supply chain
- > Supplier quality → product quality
 - Lapses in managing supplier quality can potentially tarnish a buyer's reputation

Reducing Time-to-Market

- > Include suppliers early in product design process to take advantage of their expertise
- > Early supplier involvement can lead to an average of 20% improvement on material costs, material quality, and product development times

Managing Supplier Risk

- > Supplier risk is magnified by sourcing strategies that emphasize global sourcing, single sourcing, and JIT inventory
- > Need to develop business continuity plans to mitigate risks

Contributing to Competitive Advantage

- > Growing recognition of supply management's contribution to firm's profitability
- > More supply managers have earned college degrees
- > Increased number of supply managers with certifications such as CSCMP
- > Talent management
 - Requires constant focus on finding, developing, and promoting individuals making significant contributions
 - Vital to furthering supply management's impact on company strategies and competitiveness

Coffee Break

Confederation Foyer

2:15 p.m. – 2:45 p.m.

Role of Purchasing

What role does purchasing have in your organization?

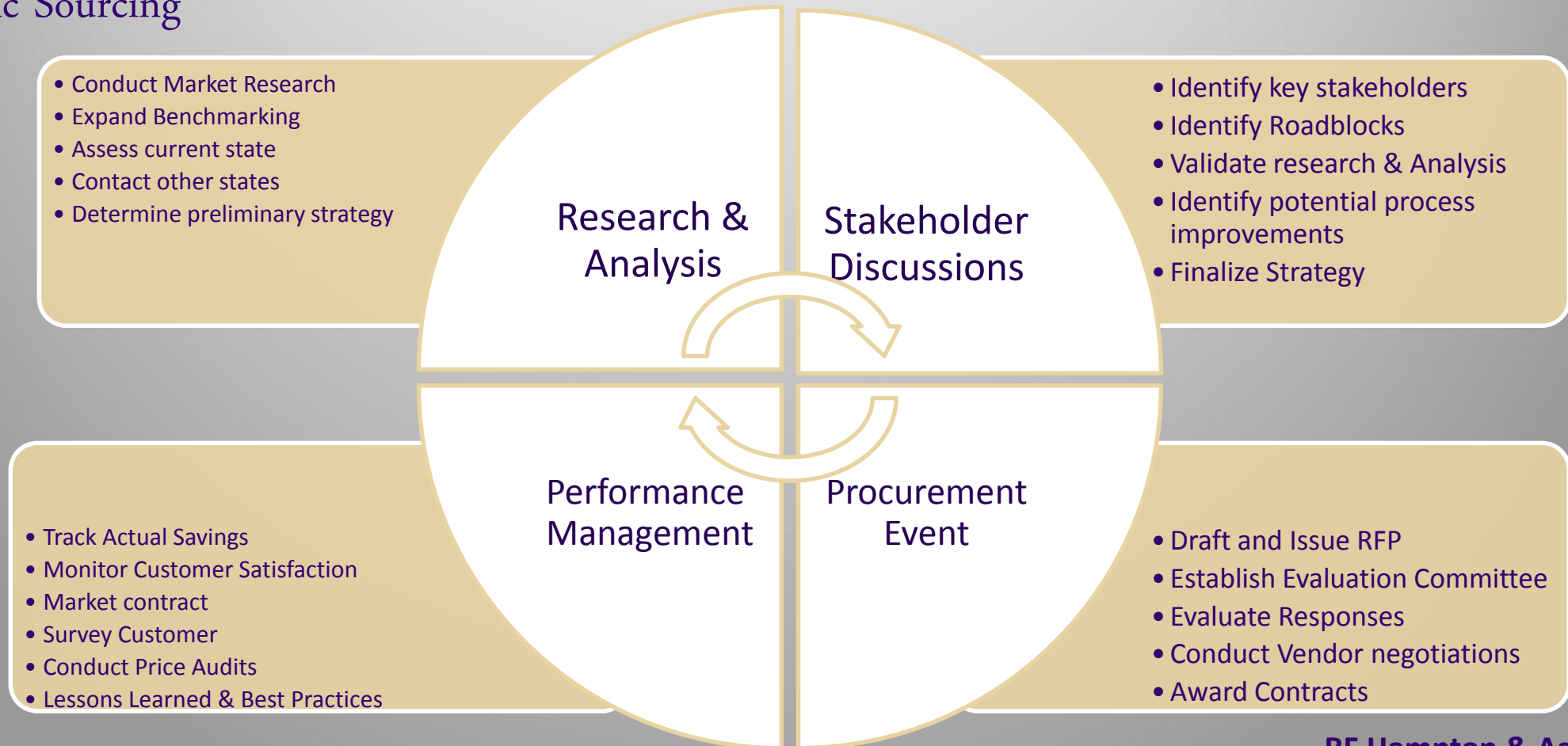
Strategic Sourcing

TCO vs. TCO

Supplier Selection

Role of Purchasing cont.

Strategic Sourcing



Role of Purchasing cont.

TCO vs. TCO

What is TCO?

- > Total Cost of Ownership
- > Total Cost of Operations

Role of Purchasing cont.

Total Cost of Operations

Key Elements of TCO

Cost Elements vs. Cost Drivers

Benefits of TCO

Steps to Conduct a TCO Evaluation

Role of Purchasing cont.

Supplier Selection

- > Manufacturer vs. distributor
- > Local, national, or international suppliers
- > Large vs. small suppliers
- > Multiple vs. single vs. sole sourcing

Role of Purchasing cont.

Supplier Categories

- > Preferred supplier
- > Certified supplier
- > Partnered supplier
- > Disqualified supplier

Role of Purchasing cont.

Supplier Criteria

- > Primary criteria
 - Cost or price, quality, and delivery
- > Management capability
- > Employee capabilities
- > Cost structure
- > Total quality performance, systems, and philosophy
- > Process and technological capability

Role of Purchasing cont.

Supplier Criteria cont.

- > Sustainability and environmental compliance
- > Financial stability
- > Scheduling and control systems
- > E-commerce capability
- > Supplier's sourcing strategies, policies, and techniques
- > Longer-term relationship potential

Challenges of Planning and Inventory

- > Demand Planning
- > Forecasting/Accuracy
- > Inventory Management
- > Inventory Costs
- > Approaches to Managing Inventory

Logistics

Value-Added Roles of Logistics

What is Logistics?

Principle types of economic utility add value to a product or service.

Form Utility

Place Utility

Quantity Utility

Possession Utility

Time Utility

Basic goals of managing exchange rate risk

- To allocate the risk of short term fluctuations in rates (this includes the effect of exchange rate fluctuations on payables and receivables).
- To achieve price stability over a reasonable time period.
- To understand the level of exposure so that strategic decisions can be made regarding location strategy and corporate risk management.

Currency Fluctuation Risks cont.

- > Mitigation:
 - Hedging
 - Contractual Language
 - > The functional currency
 - > The exposure
 - > Boundaries for fluctuation
 - > The timeframe

Global Trade Agreements

FTAs in Force

- Korea - January 1, 2015
- Honduras - October 1, 2014
- Panama - April 1, 2013
- Jordan - October 1, 2012
- Colombia - August 15, 2011
- Peru - August 1, 2009
- European Free Trade Association - July 1, 2009
- Costa Rica - November 1, 2002
- Chile - July 5, 1997
- Israel - January 1, 1997
- North American Free Trade Agreement (NAFTA) - January 1, 1994

U.S. Free Trade Agreement (CUSFTA) - January 1, 1989 (superseded by NAFTA, which includes Mexico)

FTAs Concluded

- European Union: Comprehensive Economic and Trade Agreement (CETA) - August 5, 2014
- Trans-Pacific Partnership - October 5, 2015
- Ukraine - July 11, 2016

Global Trade Agreements

Ongoing FTA Negotiations

- Caribbean Community (CARICOM)
- Canada-Guatemala, Nicaragua and El Salvador
- Dominican Republic
- India
- Japan
- Morocco
- Singapore
- Modernization of the Canada-Costa Rica Free Trade Agreement

Exploratory Discussions

- MERCOSUR Exploratory Trade Discussions
- Turkey Exploratory Trade Discussions
- Exploratory Discussions for a Philippines Free Trade Discussions
- Exploratory Discussions for a Thailand Free Trade Agreement

Emerging Markets



Purchasing and Supply Strategy Trends

- > Expanding the mission, goals, and performance expectations
- > Developing category strategies will become broader and more complex
- > Supplier management across the extended supply chain
- > Designing and operating multiple customer-focused supply networks
- > Leveraging e-system technology enablers takes on additional focus
- > Collaborating internally and externally will grow in strategic importance
- > Attracting, developing, and retaining supply management talent will become a key differentiator for success
- > Managing and enabling the future supply management organization and measurement systems

Purchasing and Supply Strategy Trends

High-impact sourcing and supply chain strategies:

- > Continuous outsourcing/insourcing analyses and rebalancing
- > Greater focus on risk management
- > Enhancing supply chain integration and collaboration with strategic suppliers
- > More integrated with other functional areas
- > Enhancing the quality, number, and execution of written purchase category and supplier strategies with a focus on value
- > Enhancing global sourcing and supply strategies to maximize competitiveness
- > Requiring suppliers to take a greater cost management role

Purchasing and Supply Strategy Trends

High-impact sourcing and supply chain strategies:

- > Providing common customer-focused measurements and metrics
- > Developing an extensive e-sourcing and supply applications portfolio
- > Supply taking a lead role in sustainability and innovation with suppliers
- > Talent strategies focused on identifying, hiring, and developing highly talented, flexible, and globally oriented personnel

Questions?

