

MANAGING SUPPLY CHAIN CAPACITY RISK Into the Future

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1. Modeling your supply chain
2. Managing supply chain velocity by way of mode shifting.
3. Managing capacity by way of order frequency and size
4. Managing capacity with the use of available technology
5. Questions one should review when evaluating capacity risk within a supply chain
6. Continuous Improvement

Modeling your supply chain

- ▶ An understanding of the entire supply chain allows for both opportunity and strategic implementation of change to directly effect capacity issues..
- ▶ Important questions used to Id bottlenecks in supply chains..
 - 1) Does material availability slow or stop my production of finished goods? If so, where along the chain, or in what commodity group, is this most common?
 - 2) Where are my highest non value-added expenses made in supply chain management? (Remove and or reduce as many of these as possible.)
 - 3) Do issues discovered at the customer fulfillment point of supply chain operations ever make it back to the sourcing and material delivery end of the operation? (Communication through the entire supply chain is key)

By considering answers to these types of questions regarding your supply chain model, you can then focus on root cause and their effects within any link of your model. You will then be able to look for a solution/solutions that address the issue(s).

Managing Supply Chain Velocity

International Inbound Example

► FedEx Trade Networks

- Traditional Ocean 25–28fc lcl25–35
- FedEx International Direct Distribution 19–22
 - (Direct to customer) (Great for Multiple locations)
 - (Ocean Solution)

► FedEx Express (Air) Door to Door

- International Economy Freight 3–5 days
- International Priority Freight 2–3 days
- FedEx International Direct Distribution 2–5 days
 - (Direct to end customer) (Air Solution)
 - (Used for finished goods/avoid warehousing)

Managing Supply Chain Velocity

International Inbound Example

- ▶ **Increase order frequency**
 - Smaller orders to meet sales requirements
 - Reduced safety stock
 - Most efficient but has more risk
 - (Just in Time method)

- ▶ **Warehouse to meet needs**
 - Large orders of inventory of fastest moving items..
 - Enhanced safety stock
 - Less efficient but with less risk
 - (More traditional method)

Managing Supply Chain Capacity

Leveraging Technology

► FedEx Technology

- FedEx Integration
 - Increased processing speed, real time data write back
 - Decreased errors in processing
 - Saves time and money
- FedEx Visibility Tools: Insight & Freight Calendar
 - Real Time visibility to small parcel shipments
 - See inbound even if not billed to your account
 - See real time shipment issues
 - Real Time visibility to LTL shipments
 - See real time status of your ltl shipment
 - See real time shipment issues

Reducing Supply Chain Capacity Risk Considerations..

- ▶ Does my supply chain model allow for....
 - Opportunity for process optimization?
 - Timely inventory replenishment?
 - A faster order to delivery cycle time?
 - A spike or decline in demand for my product?
 - Dual-redundancy of suppliers in the event of a natural disaster?
 - Complete visibility of product within the supply chain?
 - Contingency plans for Critical shipments, recovery and or recall scenarios?

Continuous Improvement

- ▶ As I continue to help customers look at ways of driving down cost, increasing efficiency while limiting risk, it is the knowledge that we gain during this process that will drive our companies future profitability..

▪ *–Mark Spahos*