

DISPATCH



Monthly Newsletter of the West Jersey Chapter

The West Jersey Chapter of APICS is a 501(c) 3 non-profit organization dedicated to the continuing education of supply chain management professionals.

Editor – Dan Moore

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November 2008

APICS Professional Development Meeting November 20, 2008

Indirect Materials ... The Last Bastion of Uncontrolled Expense

"Releasing value from indirect material stores operations"

Companies concentrate on improving costs for production materials in order to be competitive and increase market share overseas. Outsourcing has provided substantial cost reductions for those companies that are able to obtain parts offshore.

For those companies where offshore opportunities are not comprehensive, desirable and/or viable, cost reductions must come from other areas of opportunity.

The operation of indirect material storerooms represents a cost that is not recovered in the manufacturing process. There are five duplications of cost in the indirect supply chain – one of which is the consuming company's own storeroom. Companies that manufacture should not distribute indirect materials; it is not their core competency, ergo, it should be outsourced to an expert to release optimum value.

This session would help delegates to recognize the cost recovery opportunity and the necessary steps for success.

5:30 – 6:00 pm	Networking
6:00 – 6:30 pm	President's Welcome
6:30 – 7:30 pm	Keynote Presentation
7:30 – 9:00 pm	Dinner

Program Cost: \$35 pre-register, \$40 at the door

Non-member \$40 pre-register \$45 at the door

To Register: <http://www.apics-westjersey.org/Events.htm>

Location: Hanover Manor, 16 Eagle Rock Ave, East Hanover, NJ 07936

About the speakers:

Ken Wellington is the past President of the ISM Philadelphia Chapter and past President of the APICS Chapter of Birmingham AL. He has written many articles on the supply chain and has spoken to various organizations over the years about changes in purchasing and material management. Ken has worked as an adjunct professor at University of Alabama, Western Michigan, University of Syracuse, and Delaware College teaching business courses in Purchasing & Materials Management.

George Krauter has presented seminars on MRO distribution cost recovery at Duke University, M.I.T., The Conference Board, as well as in Oslo, Norway, Abudabi, Mexico, Canada, and across the United States. He is recognized as the authority on innovative methods that define and eliminate duplications in the traditional supply chain for non-capital expense materials. George has been published in Modern Distribution Management and in a series of articles in Purchasing Magazine.

PRESIDENT'S MESSAGE

*Dan Moore
President*



I can't begin to tell you how excited I am! What am I so excited about? Well, this fall the chapter expanded its membership to over 300 members. We've been seeing more and more people coming to the PDMs each month and we have seen many of our members get certified in CPIM or CSCP. It's just so great to be part of such a vibrant group!

We conducted the October meeting in a format that we haven't done in some time, a roundtable discussion on contract manufacturing. The panel featured speakers from Novartis, Mars, Bayer Healthcare, and BASF. They led a very interesting discussion that sparked a huge amount of audience interaction. Sitting there listening, I thought to myself that this is what APICS is all about, bringing people together to learn and share their experiences. I hope that everyone continues to walk away from our meetings with at least one new idea to help them with their daily jobs.

I would also like everyone to mark their calendars for the West Jersey **APICS Holiday Party!** It will be a great opportunity to reconnect with friends that we haven't seen in awhile. In keeping with a lively holiday spirit, we will be entertained with the comedy of Joe Moffa. From what I hear he is very, very funny! The party will be held on **Tuesday, December 9th** at the Hanover Manor. We will also have prizes to give away.

The chapter expects to offer two CPIM classes beginning in January. As soon as the schedule is set, we will notify all our members.

This month we have an interesting PDM topic looking at the cost of Indirect Materials. Our speakers will discuss how to recognize the opportunity for cost recovery and how to set and achieve your cost reduction goals.

Hope to see you all at our PDM on November 20th!

Very Best Regards,

Dan Moore

President

EDUCATION NEWS

More Pins Awarded at October PDM

This has been such a terrific year with so many of our members receiving certification in CPIM and CSCP. We were very proud to award one CPIM pin and two CSCP pins at the October PDM. Congratulations to all the recipients for their hard work and passing the exam(s)!

Both of these certifications are a true asset for anyone to have. They prove to the world that you are truly a professional in your field. We at West Jersey will not stop until every one of our members is certified! We will be offering the next round of exam classes soon!



Receiving CSCP pins from Ralph Fariello, VP of Education, are Erica Breiterman and Miguel Cortina.



Ralph Fariello awards the CPIM pin to Jim Finley at the October PDM.

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West Jersey Sponsors Student at International Conference & EXPO

Each year the APICS International Conference & Expo showcases the latest best practices in the field of operations management and supply chain management. More than 3,000 professionals from around the world come to participate in educational sessions, presentations from industry leaders, and networking events.

This past September the West Jersey Chapter had the opportunity to send a Supply Chain student, Kyler Way of Penn State University, to the 2008 APICS Conference held in Kansas City, Missouri to participate in the APICS Scholars Education Program.

The program provides students a chance to attend the APICS International Conference & Expo, enabling them to build a network of industry contacts before they've even graduated. It helps accomplished professionals give back to the operations management community and ensures the future of the profession.

Stay tuned for more updates on the 2009 APICS International Conference & Expo, being held in Toronto, Ontario at the Metro Toronto Convention Center, October 4-6, 2009

APICS WestJersey Volunteers at Local FoodBank

On October 11th, several of the West Jersey APICS members took time out of their Saturday to visit the Hillside FoodBank. We were treated to a tour of the Distribution Center as well as a detailed review of the logistics process that delivers 21 million pounds of food annually to people in need throughout the state of New Jersey.



Our group then spent two hours working in the DC, sorting and packing donations. We invite you to join us next summer as we undertake another tour / volunteer effort.

Welcome New Members!

Sandi Basenese	Nicholas Loeffler
Susan Dean	Hernan Ruiz
Jo-Ann Francisco	

How Supply Chain Management Helps Today's Engineer-to-order Companies

By David Bourque

In today's dynamic manufacturing industry, companies are feeling the squeeze of fierce competition, as goods are being produced more cheaply in developing countries. Because of this, global sourcing for parts is a huge factor in cost reduction.

In the project-based nature of the engineer-to-order (ETO) world's manufacturing processes, specific parts are needed at precise times. As well, because ETO manufacturing must meet stringent milestones and deadlines, it is critical that firms obtain parts on time. Otherwise, project costs go up, timelines are extended, and budgets are blown.

How can these manufacturers mitigate the pressures of this competitive landscape? Supply chain management (SCM) can play a vital role in an ETO manufacturing environment, enabling milestones to be met and parts to arrive on time so that production can continue on schedule.

This article details how SCM helps firms that manufacture ETO goods, as well as how SCM

integrates with ETO to improve business processes. The ETO environment is a very detailed type of manufacturing because it involves many changes in the engineering and design of a product throughout its production. In this manufacturing environment, orders are based on contracts as opposed to work orders, which means it is crucial that the manufacturer meets its project deadlines.

ETO enterprise resource planning (ERP) software manages project deadlines and milestones within the manufacturing environment. However, with today's increasing amount of global sourcing, additional functionality is required, and this is where SCM software comes into the picture. Because precise components need to be routed from different sources during the process of designing and manufacturing of the product, suppliers need to be made aware of the product requirements in enough time to be able to deliver these requirements to the client.

How can suppliers be linked into the operations of the manufacturing firm, which can make demands on a whim? The main modules of SCM software include the following:

1. Warehouse management system (WMS)--enables firms to optimize methods of storing and moving inventory through the warehouse.
2. Transportation management system (TMS)--enables transportation firms to manage and optimize any mode of transportation.
3. International trade logistics (ITL)--helps organizations with the logistics of importing and exporting, the finances related to these activities, and collaboration between firms across multiple locations.
4. Supplier relationship management (SRM)--manages the relationships between suppliers, distributors, and manufacturing firms. SRM is one of the key features that enables manufacturing firms to source products quickly.
5. Demand management (DM)--forecasts how much product to move through the supply chain, how much product to produce, and how much product will need to be produced in the future, based on historical data.
6. Supply chain analytics--enables supply chain managers to create work-arounds if problems within the supply chain occur. Supply chain analytics is comprised of supply chain optimization, supply chain event management (SCEM), and production and supply planning.
7. Order management--enables suppliers (or manufacturers) to take an order, search within their inventory to see if the item is available, and ship the item to its final destination.

SCM software integrates into the ETO software infrastructure, enabling manufacturers to source goods from multiple suppliers. Because of the project-based nature of ETO manufacturing, the need for different and multiple components, as the engineering of a product changes, is essential for the manufacturing project to succeed.

Here's a look at how the seven main SCM modules can be applied to the ETO manufacturing environment:

1. Using warehouse optimization techniques built into the software, the WMS will facilitate the quick movement of goods coming into the manufacturing environment in order to get the goods to the workstations as soon as possible.
2. The TMS will enable ETO manufacturers to obtain the components as quickly as possible by choosing the most appropriate means of transportation. Also, if a transportation route is blocked, the TMS will help drivers find an alternate route, which ensures and improves delivery times, and enables the project costs of the ETO product to fall within a tolerable range.
3. The SRM software will choose the appropriate supplier.
4. Finally, because multiple orders are being delivered to the manufacturer at the same time as engineering changes are happening throughout the design of the good, the order management system will integrate with the ETO software to send out the appropriate orders to each supplier. This helps to ensure that suppliers send the correct components needed for ETO production.

Let's look at an example that illustrates the SCM process involved in ETO environments. Because of the nature of an ETO environment, precise components are needed quickly, thus putting pressure on suppliers to deliver components on time so that the manufacturer can meet its project deadlines.

For example, consider Supplier 1-- a dedicated supplier meaning that it usually provides the components to the manufacturer. Let's say that Supplier 1 falls short on the order, creating a long lead-time for the manufacturer--an unacceptable situation due to project deadlines. Whether the manufacturer obtains only part of the order or none of the order, it will have to choose another supplier, since deadlines need to be strictly adhered to in an ETO manufacturing environment. And let's say another supplier has the component the manufacturer needs and can deliver it in a shorter time frame. In this situation, let's examine how SCM software can allow the manufacturing firm to come out on top:

1. Having an SRM system in place, the manufacturer can see which supplier has what supplies, when they have them, and the lead times required to get the supplies to the manufacturer. The manufacturer can

also see what suppliers have penalties for not delivering on time, and which suppliers can deliver the products to it right now.

2. The SRM software enables the manufacturer to choose the next appropriate vendor when the one it originally ordered components from cannot deliver for whatever reason. If the first chosen supplier defaults on delivering the order, the SRM system will loop back to choose the supplier next in line. Once a supplier delivers the components in time to meet the project deadline, the manufacturer can finally produce the good and deliver it to the final destination.

3. The order management system can leverage the integrated functionality of the SRM system so that even before the order is sent out, the system can search for suppliers that can deliver the goods.

4. The TMS can integrate with the SRM system to ensure delivery of the products falls within acceptable tolerance levels of the project's budget, factoring in the continuing rise in fuel prices. This is done through transportation network optimization.

5. Supply chain analytics enables manufacturers to avoid potential problems in the supply chain, using SCEM. SCEM gives the manufacturer the ability to take into account unforeseen events, and to plan accordingly.

Using this example, the manufacturer is able to see that Supplier 1 has had problems delivering products in the past. Entering the loop, the manufacturer will attempt to find another suitable supplier, taking into account each supplier's pros and cons. Finally, once the product is produced, the manufacturer can use the above functionality to deliver the product to the consumer.

In the SCM marketplace, one finds many tier-one vendors that offer solutions in both the SCM and ETO software markets. Vendors such as Oracle, SAP, Lawson, Infor, Epicor, QAD, and IFS provide both ETO and SCM software. Other vendors, such as i2, HighJump, and RedPrairie, focus solely on SCM, yet these vendors can still help in lean manufacturing or ETO manufacturing environments.

Supply chain vendors that offer solutions integrated with manufacturing capabilities:

Oracle's solution is one of the most robust on the market today. Oracle's range of modules indicates that the vendor is primarily focused on the tier-one manufacturing and supply chain markets. To help firms' supply chains, Oracle provides solutions with the following functionality: advanced procurement, logistics, and transportation. Due to the robustness of the vendor's solutions, it also provides advanced supply chain planning, collaborative planning, DM, inventory

optimization, global procurement, sourcing, and transportation management within its supply chain suite.

SAP's solution is equally as large as Oracle's. SAP offers very robust warehousing, transportation, procurement, and order fulfillment functionality. Within its solution's warehousing functionality, SAP offers cross-docking, geared toward a distribution flow of goods to move throughout the warehouse.

Lawson's solution is vertically focused compared to SAP's and Oracle's. Starting with ERP, Lawson's solution offers a very broad range of manufacturing technology. However, the vendor has entered the supply chain market with extensive supply chain functionality. Two of its main target vertical markets are the health care and the fashion and apparel industries. Lawson's product has integrated analytics built into the application, with an inventory statistics module and an extensive supply chain planning module.

Infor focuses heavily on the pure play distribution (i.e. wholesale distribution) market. Centering on strategic network design, distribution planning, demand planning, radio frequency identification (RFID), event management, and the typical WMS and TMS, Infor has an integrated system to help wholesale distributors meet the ever-changing challenges of the distribution industry.

Epicor aims its solutions at mid-tier distributing companies. The vendor's supply chain solution uses the WMS as the main focus for moving goods through the supply chain, along with an SRM tool that handles both procurement and sourcing functionality.

QAD has an extensive enterprise solution for the supply chain. Focusing on supply chain planning, electronic data interchange (EDI) e-commerce, supply chain visualization, and TMSs, QAD offers this functionality to enhance visualization (i.e. to know where products are within the supply chain). Also, with the supply chain planning module, supply chain managers can have alternative options if something goes wrong in the supply chain (for example, if a shipment doesn't arrive on time, another supplier can be chosen).

IFS is well suited for idea-to-final production and delivery type of manufacturing environments. Its solution is built with the manufacturer in mind and is suited for complex manufacturing-supply chain environments, as working with many manufacturing suppliers to get the lowest price and the best quality can be a difficult task. IFS also offers project-based functionality, which is very important in ETO manufacturing.

Highjump's supply chain solution focuses on lean manufacturing. With functionality such as supplier enablement, delivery management, and transportation and warehouse management, data is taken from the ERP system to enable efficient movement of

components and goods through the supply chain. This is done through the vendor's manufacturing execution system (MES).

i2 is strictly focused on SCM. With heavy supply chain planning, i2 can help organizations with such functionality as plan management, factory management, channel management, total merchandise management, total inventory management, total supply management, total logistics management, and an i2 operations services. In addition, i2's software is aimed at global supply chains and is able to help organizations in a global supply chain environment.

Last but not least, RedPrairie is an end-to-end supply chain solution vendor, focusing on the value chain of moving products globally, from manufacturer, all the way to retail and the final consumer. Offering extensive functionality in its TMS and WMS solutions, RedPrairie also focuses on supply chain visibility, enabling users to see where goods are and when those goods are to go, using business intelligence (BI) technology.

SCM software enables ETO manufacturers to maximize cost efficiencies and to import components in an efficient manner. Modules such as SRM and SCEM can help ETO manufacturers and supply chain managers take control of the entire value chain from beginning to end--from sourcing, all the way to the final product.

ETO manufacturing places huge demands on a business's resources (i.e. labor, machinery, and software), but SCM software can help manage the efficiency of the outsourcing process. SCM can give an ETO manufacturer not only a competitive edge over other manufacturers, but it can help to improve its internal business processes and to automate many of its tasks. As well, SCM software can integrate the business in ways that are simply not possible when using disparate software solutions.

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The West Jersey Chapter of APICS provides as a service to its members information on new positions. If you are interested in any of these opportunities, please send your resume electronically to the indicated contacts or to Vice President Employment at dwohl@apics-westjersey.org.

To advertise a job opening, please send position overview to Vice President Employment at dwohl@apics-westjersey.org.

HOLIDAY PARTY!

ENJOY PRIZES & HOT BUFFET DINNER



Tuesday, December 9, 2008

Mark your calendars!



The evening's entertainment will be the comedy of Joe Moffa. Joe Moffa is a blue-collar native New York guy. His straight-talking, unique style of comedy is both direct and to the point. Not only will he leave you laughing...it will also make you think. Family life, fatherhood, ex-wives, fat kids, and just stupid day-in and day-out stuff is what you'll get. Laying out a no-nonsense "Hey, you know what I think?" style of delivery, is what his stand up comedy is all about.

2008 Professional Development Meetings

November 20th

Indirect Materials ... The Last Bastion of Uncontrolled Expense
presented by Ken Wellington and George Krauter

December 9th

Holiday Party with Joe Moffa

January 15th

The Role of Strategic Sourcing within a Company *presented by Bob Spitz Manager of Logistics, Novartis Pharmaceuticals*

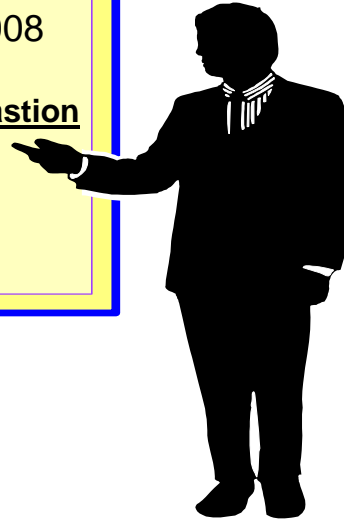


Our Professional Development Meetings are held at the Hanover Manor in East Hanover. Check our web site for more information at www.apics-westjersey.org

Next PDM November 20, 2008

**Indirect Materials ... The Last Bastion
of Uncontrolled Expense**

*COME JOIN US!
NETWORK & LEARN*



The Association for Operations Management



PLATINUM AWARD in APICS CBAR
Program