



CHIEF SUPPLY CHAIN OFFICER 2014 REPORT AND THE CHEMICAL INDUSTRY

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An interview
with:  SCM World

 **Elemica**

Ask the Expert: Kevin O'Marah of SCM World

ELEMICA: Using SCM World's Chief Supply Chain Officer (CSCO) 2014 Report as the framework, what differences do you see in Chemical Industry responses as compared to the other verticals surveyed?

KEVIN: When we wrote the report at the macro level we saw agility come up again and again. There are a few places where the Chemical Industry is significantly different, but at a higher level every industry is being pulled by the same forces, which is really downstream. Trying to be as agile as possible for the customer and still know what you're doing upstream, that's where there is an opportunity for the Chemicals Industry because nobody is more interested in safety, quality & compliance than Chemicals.

Let's look at visibility, which relates back up to agility, and impacts customer service & loyalty. In principle, B2B trade exchanges are all about visibility, and Elemica has that heritage. So for a chemical company, if you want more visibility into your supply chain and tap the benefits of that such as inventory, cost efficiency and accountability... things aren't simply point-to-point. If you're able to use a Supply Chain Operating Network platform for supply chain transactions, execution, integration and coordination, you have better visibility, and that visibility gives you security, safety, and compliance which chemical companies in particular are very concerned about. And ultimately it flows forward to the end customer so that we know where our food, paint, drugs, etc. are coming from.

The idea that this is transaction by transaction and kept by independent records is a bit Stone Age compared to what a platform like a Supply Chain Operating Network provides. Visibility ties back into being more agile to the customer, being more accountable upstream through supply tiers, and a Supply Chain Operating Network is a way of doing this without adding to a company's workload. The key pressure points – down, in terms of agility and variety, and up in terms of accountability – benefit from a visibility enabling platform.



Kevin O'Marah SCM World

ELEMICA: The ability to achieve the full benefit of what you describe is underpinned by real collaboration, and looking at the CSCO Report, 75% of Chemical Industry respondents rank collaboration as a strategy being used moderately to very effectively. Yet, other research you've done has found that the #1 barrier to collaboration is trust. Is it fair to say that with the accountability and visibility that comes from a Supply Chain Operating Network, you take a big step to breaking down that trust barrier?



KEVIN: Absolutely. Trust is the enabler of collaboration, and therefore efficiency. Visibility is essential. You can't get to trust without seeing that your counterparty is behaving in a way that's expected and consistent with shared values. Trust is a key piece of this.

For all Process Industries, not just Chemical, the plant itself usually has so much of an independent supply chain behavior - not by organizational design, it's an engineering fact - and as a result the ability of the customer to trust the brand and whatever kind of agreements that exist is limited because the plant is an entity in and of itself. The behavior of the plants in the chain increases the importance of visibility, accountability, agility and ultimately the trust of the partners.

Processes through a platform like a Supply Chain Operating Network become something that all parties understand which gives otherwise independent assets a bit more of a common passport from the standpoint of doing business. It improves the degree of trust and certainty of commercial relations between chemical companies and their customers. It's a different model from transactional orientation; it's enablement of strategic capability.

ELEMICA: Examining the commercial relationships between chemical companies and their customers, we were delighted to learn from the CSCO Report that the Chemical Industry surpasses CPG, High-Tech and Industrial Industries when ranking Supply Chain's contribution to customer service and loyalty. Your thoughts on this result?

KEVIN: That's interesting, and it goes to agility. Why? Because enhanced customer service, loyalty and retention of those relationships with the key customers downstream is more important to the Chemical Industry than other industries because of the co-dependency, and because they are so reliant of the materials of the chemical suppliers.

With a Supply Chain Operating Network, all the players who comprise the ability to make and deliver chemical product can get to better customer service, and therefore customer loyalty if your visibility downstream includes options on how to give the customers what they want. Because there are various locations, partners and plants, the agility downstream and the ability to give the customer options through a Supply Chain Operating Network enhances customer service & loyalty.





In CPG for example, to the consumer if the product is not in grocery store #1, they'll go to grocery store #2. The consumer is still okay; in High-Tech even more so because customers can go online. But in the deeply dependent world of chemicals, to keep customer service loyalty high when the downstream customers are bouncing around in terms of their requirements, I can either buffer stock - which means too much cost tied up in inventory - or I can leverage a Supply Chain Operating Network to provide alternatives, quickly find a solution, keep the customer happy, keep the customer service high without piling on the cost in terms of inventory. And, I'm helping my company meet its customer expectations. You have to have the control of that operating network to solve the problem.

ELEMICA: Managers of supply chain still rank operating cost reduction high in importance as compared to SVP/EVP/Board Level respondents, who rank agility and speed in meeting individual customers' fulfillment needs highly. Are there concepts that resonate across these supply chain audiences?

KEVIN: The concept of control tower is very appealing. The concept implies accountability, visibility & agility, is a great fit for a relatively inflexible physical reality of process manufacturing. In Chemicals in particular, the assets are heavy, changeover is complicated - usually, though not always. For example bulk, rail or barge - that is not easy to tweak. Arguably the concept of control tower has more relevance in the Chemical sector than High Tech or CPG. The use of a Supply Chain Operating Network can be used to improve the flow of material across the value chain. In chemicals, there's more to be lost in changeover or if inventory piles up and needs to be moved from location to location. So the argument for a control tower is stronger in Chemicals than even High Tech or CPG.

To EVPs or SVPs, the concept of a supply chain ecosystem is like the control tower, but much bigger. There is such interconnectedness of the chemical companies and their customers. For example, feedstock to conversion plant, to multi-plant stop, to the factory that someone downstream will take the materials to convert - it's huge. In the chemical sector, it's a huge footprint, and there's a co-dependency.

In other words, control tower is like seeing real-time shipments as they flow geographically, which is a tangible relationship. An ecosystem is more of an investment that pays off in the long-run.





Global Headquarters | Wayne, Pennsylvania

550 E Swedesford Road
Suite 310
Wayne, PA 19087 USA
Phone: +1 610 786 1200
Fax: +1 610 786 1240

Elemica | Frankfurt, Germany

5th Floor
Herriotsstrasse 1
60528 Frankfurt am Main, Germany
Phone: +49 69 66123 0
Fax: +49 69 66123 200

Elemica | Tokyo, Japan

KY Kojimachi Building 1F
5-4 Kojimachi Chiyoda-ku
Tokyo, Japan 102-0083
Phone: +81 3 3238 5721

Elemica | Atlanta, Georgia

780 Johnson Ferry Road
Suite 400
Atlanta, GA 30342 USA
Phone: +1 678 514 3700

Elemica | London, United Kingdom

180 Piccadilly
London, UK
W1J9HF
Phone: +44 20 7917 2816

Elemica | Singapore

9 Battery Road
#11-01, Straits Trading Building
Singapore 049910
Republic of Singapore
Phone: +65 6597 0964

Elemica | Amsterdam, The Netherlands

Building Officia I
De Boelelaan 7, 7th Floor
1083 HJ Amsterdam, The Netherlands
Phone: +31 20 504 1500
Fax: +31 20 504 1501

Elemica | Seoul, Korea

Floor 10, Jarim Building, Suite #1015
566 Dohwa-dong
Mapo-gu, Seoul 121-815
Korea
Phone: +82 2 561 0825

