



# THE OUTSIDE-IN SUPPLY CHAIN

As seen in:

TRANSPORTATION  
& LOGISTICS INTERNATIONAL

[www.elemica.com](http://www.elemica.com)

© 2015 Elemica, Inc.

# Operate Your Supply Chains to **Respond** Directly to External Market Drivers

As supply chains extend globally, they become more complex. The flow of supplies, finished goods, and information are widely distributed, presenting significant challenges across a manufacturer's entire supply chain network of customers, suppliers, and logistics providers. For success, companies need to gain visibility into this complex supply chain network to collectively sense and properly respond to changes in supply and demand.

Mergers & acquisitions activity, increased competition, wider fluctuations in the availability and costs of raw materials, reduced demand and supply predictability, and dispersed assets further add to the broad array of challenges manufacturers face when planning their operations. As a consequence, volatility is increasing, while predictability is decreasing.

Rapid responses and clear visibility into the supply chain are required to avoid costly mistakes. For example excess raw material stocks held at a time of falling raw material prices incur huge losses, putting a manufacturer at a disadvantage relative to better-prepared competitors. Alternatively, too low a raw material stock, at a time of increasing demand can leave supply shortages, causing an inability to manufacture sufficient product and losing customer demand to competitors who had better insight into changes in the supply and demand balance.

"A 'Come As You Are' approach is key to unlocking 'outside-in' supply chain performance. When companies are able to automate and enable business processes across a critical mass of their trading partners, regardless of their individual requirements, business is transformed."

Rich Katz, CTO  
Elemica

"Instead of companies creating hundreds or thousands of one-to-one connections with their trading partners, they make a single connection to the business network, where their trading partners and thousands of other companies are also connected, and they use the SaaS applications that reside on the network to communicate, collaborate, and execute business processes in more efficient, scalable, and innovative ways.

Adrian Gonzalez, President  
Adelanta SCM

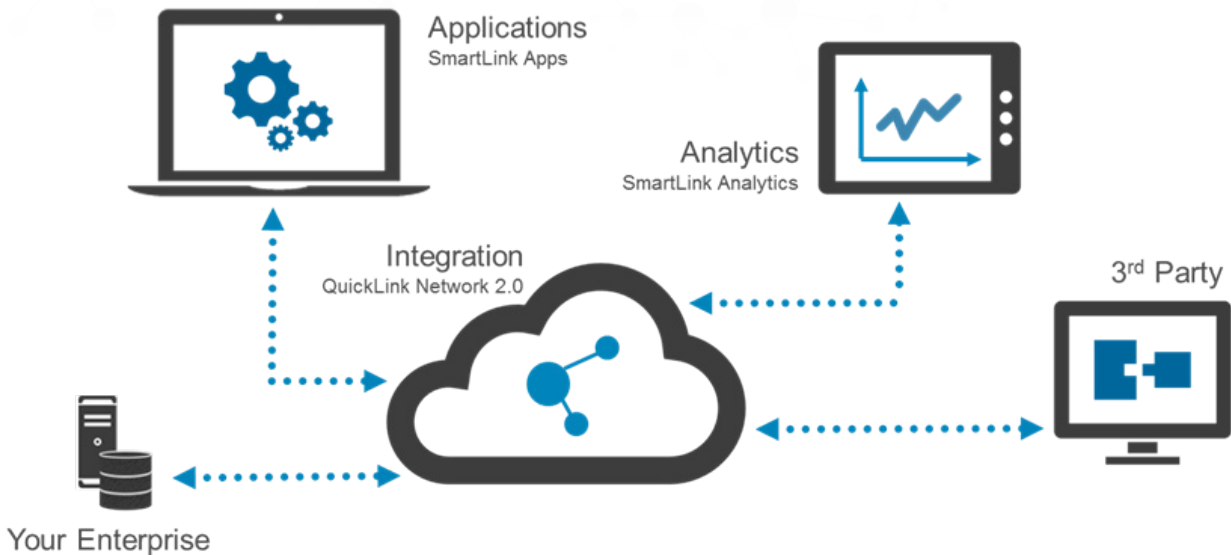


In order to improve efficiency, manufacturers have invested heavily in internal process standardization and company-wide ERP systems. The scale and internal efficiency of these investments have driven savings through simplification and centralization, while enabling increased control over a company's internal operations. Internal integration of different units and functions is a corporate requirement to simplify and reduce costs. Most companies still have significant opportunities for additional efficiency gains, through further standardization and are continuing to drive as few as possible variations of their internal processes on a 'single global instance' of their global ERP.

Manufacturers add B2B integration companies, traditional licensed software, or niche application providers working alongside their on-premise ERP systems. These are built out of the standardized internal enterprise processes of procure to pay and order to cash, where their ERP's rigid design functions best. Some refer to this as an inside-out supply chain. However, unique characteristics associated with industrial manufacturing keeps this approach from being a complete solution. They must buy from and sell to nearly every industry in the world, creating special demands on business requirements.

When the standard processes and monolithic ERP systems meet the outside world they stumble on two significant challenges. Firstly, information flows in and out of the company remain overwhelmingly manual. While even the smallest companies are likely to run their operations electronically, the historical complexity of linking these different systems together means that most transactions between companies – orders, invoices, confirmations, status updates – remain paper, fax and phone based. While in a consumer environment, paper based transactions are rapidly declining, in business to business, for example, over 90% of invoices remain paper-based – printed out, dispatched through the traditional postal system to be opened and processed manually by the buyer.

### Elemica's Supply Chain Operating Network Ecosystem



The reality is that manufacturers can't expect all their customers, suppliers and logistics providers to collectively adopt a single process. When companies can operate their supply chains to respond directly to external market drivers this is known as the outside-in supply chain. This enables companies to focus more on sensing, shaping and driving an intelligent response to the environment happening outside their internal control.

The outside-in supply chain is designed with the customer in mind. Instead of focusing inward on the company themselves, outside-in supply chains put the customer first. These supply chains maximize the value of extended supply chain processes with technologies that enable collaboration across multiple networks of corporate stakeholders and supply chain trading partners. This network manages cross-functional processes that integrate and synchronize product, demand, and supply networks to optimize joint value. It leverages an outside-in view based on insights about customer value to deliver a demand response that improves profitability and visibility.

Take for example, The Weather Channel, which shows the weather forecast in every area of the world on a specific day. The Weather Channel knows that people check the weather if they are planning to do something. They utilize collected data to analyze consumer behavior and offer this analysis to advertisers who want to fine-tune their pitches to their target audience. The Weather Channel is able to respond to actual market conditions, and predict consumer behavior.

As companies utilize collected data to analyze consumer behavior, like The Weather Channel, they begin to focus their supply chains on the customer. This type of supply chain allows companies to determine what has changed since the last forecast, where product needs to be now, and how to get it there. Most supply chain analysts believe that to remain competitive, companies must transform their supply chains from being focused inward to focusing on trying to predict demand to customer-driven chains that are organized to respond to demand with lightning speed. This takes communication and collaboration among trading partners, from suppliers through to customers. It takes a completely different supply chain architecture that focuses on sensing, shaping, and driving an intelligent response.

The new outside-in supply chain architecture requires a multi-tier business-to-business network that provides reliable secure connections and communications with all trading partners; suppliers, logistics service providers, and customers. Statistics show that when a trading partner network reaches critical mass, value increases exponentially. Thousands of companies connected seamlessly across an outside-in Supply Chain Operating Network allow participants to better conduct business with each other and leverage their collective activities to achieve operational efficiencies and significant cost savings.





Getting those partners on-boarded is the important first step to establishing meaningful business collaboration. Quick and complexity free onboarding campaigns create critical mass, leading to many more mutually beneficial business relationships and a clear competitive edge for those who take advantage of these new capabilities. Establishing a supplier onboarding methodology enforces consistency and completeness as the same processes and standards are used for all partners. After successfully onboarding, trading partners gain supply chain visibility into processes and can collectively sense and respond to demand and supply challenges.

With an outside-in supply chain network, transaction data is captured across the entire network, creating a critical mass of real-time business information allowing trading partners to better respond to customer demands and drive value out of their supply chain network. Gone are excess material inventories at a time when falling prices can incur huge losses. Eliminated is a shortage of inventories at a time of increased demand that can mean lost sales.

An outside-in supply chain is strategic, focuses on what matters for the customer, and creates a successful and collaborative partnership that adds real value over the long term. If you want to stay competitive and relevant, take the step beyond the traditional enterprise approach to the outside-in supply chain. With this approach, your business will be better able to meet your customers' needs in this competitive world.





**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

