



MANAGING SUPPLY CHAIN RISK THROUGH STRATEGIC OUTSOURCING



Do you trust your supply chain is working for you instead of against you?

Your supply chain has never been more at risk due to health and safety issues, trade conflict, extreme weather, social unrest, and other disruptions. Outsourcing supply chain functions can reduce risk and save costs, but avoiding pitfalls can be challenging. An experienced



advisor can guide you through these very complex decisions.

In this edition of *Executive Issues & Insights*, we explore key insights on managing supply chain risk

through strategic outsourcing drawn from the extensive C-suite and board experiences of the NextLevel team.

NEXLEVEL CASE STUDY

Multinational Technology Company Uses Strategic Outsourcing to Improve Customer Satisfaction and Reduce Costs

A global technology manufacturer and distributor was struggling with an increasingly fragmented supply chain that hampered efforts to leverage economies of scale and standardize processes across three independently operating international geographic regions. Leadership did not have clear visibility into total cost to serve, nor an understanding of customer satisfaction levels. In a major change, the company decided to outsource all labor management, ERP, transportation management, order management, assembly, and reverse-logistics functions to a third-party logistics (3PL) corporation with the scale and capability to consolidate, transform, and operate all global supply chain functions.

The 3PL firm's project owner and general manager, now a NextLevel Partner, quickly mobilized the company's experts across *(more)*

NEXLEVEL INSIGHTS

Recognize when your supply chain is suboptimal

Your supply chain has never been more critical than it is right now. If you are paying a lot for expedited freight and other premium transportation, experiencing stockouts, back orders, or inventory that doesn't move, and your customers aren't getting orders when they want, your supply chain is working against you. Supply chain challenges are complex and often interconnected. If you are spending time and resources outside your core competencies trying to solve them, it's a sign you should consider outsourcing with the help of a competent guide.

Understand the risk of delaying supply chain transformation

In the past you might have had the luxury of waiting for a good time to make changes in your supply chain, and your only cost would have been perhaps six months of potential savings from the delay. Now you are competing with every other company looking for supply chain solutions. Delaying could cost you access to critical suppliers and logistics resources, jeopardizing your company's very viability. The ability to transform your supply chain quickly might be your most important strategic advantage.

Identify the best opportunities for supply chain outsourcing

Ask yourself what your top three supply chain challenges are; when you look at the root causes of these challenges, you may find your most likely candidates for outsourcing. But it can be hard to imagine having someone else take over functions that you are used to doing in-house. This is when having an outside perspective helps provide an objective and thorough analysis of all options, so you know you're making an informed and data-driven decision. *(more)*



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financial analysis, industrial engineering, supply chain design, transportation management, human resources, and information management, and tasked the team to design, build, and operate three major logistics centers, one for each region. Utilizing 3PL subcontractors, the team created 17 just-in-time fulfillment centers adjacent to the customer's manufacturing locations, with the capability to fulfill all component orders within two hours of order placement. In addition, the 3PL firm provided financial, HR, IT, and ERP integration services for the entire global supply chain. The 3PL firm also consolidated all transportation activities into a single RFP, leveraging procurement scale to reduce the number of carriers, drive costs downward, and improve service levels.

All outsourced supply chain operations across the three regions were fully operational within six months. Within 12 months, transportation expense had been cut by 18 percent and direct labor and occupancy expense was reduced by 28 percent. Multinational customers enjoyed consistent service, reduced order management cycle times, shortened delivery windows, fewer stockouts, and better visibility into all facets of their vendors' supply chains.

“GLOBAL DEMANDS OVER RECENT YEARS HAVE CAUSED SUPPLY CHAINS TO EVOLVE MORE THAN ALMOST ANY OTHER ASPECT OF DOING BUSINESS.”

Managing supply chain risk should be one of your company's top priorities.

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Select the right outsourcing partners or third-party logistics manager

The process of qualifying your outsourcing partners or 3PL management provider should be rigorous. Anyone accepting the responsibility should have extensive experience, long-term financial strength, a sustainability strategy, and risk mitigation policies. An executive with experience putting together major RFPs can guide a thorough vetting process, helping you screen, survey, and select the right candidate you can trust to mitigate risks and lower costs. An experienced guide can also help write the contract to ensure accountability mechanisms and performance metrics are built in and frequently reviewed, and that the appropriate objectives are incentivized.

Provide your outsourcing partners with all relevant information

The more fully you can scope the work you expect your outsourcing partners to perform, the better your price will be and the fewer disruptions you'll get. Make sure you have thoroughly outlined all the relevant information they will need and understand how frequently they will need it updated. Spending time to think this through with the aid of an experienced advisor will make for better communication and a more seamless outsourcing experience.

KEYS TO MANAGING SUPPLY CHAIN RISK THROUGH STRATEGIC OUTSOURCING

- **Your core competencies:** Are you focusing on them or spending too many valuable resources addressing supply chain challenges?
- **Your time frame:** What is the opportunity cost of delaying a supply chain transformation?
- **Your outsourcing opportunities:** Have you identified the best candidates based on a data-driven analysis?
- **Your outsourcing partners:** Have you thoroughly vetted them to ensure a solid long-term solution?
- **Your project scope:** Have you provided a detailed description to your outsourcing partner for the smoothest transition?

More Information

To learn more about how NextLevel can help you manage supply chain risk through strategic outsourcing, call us at (800) 833-NEXT or email info@nlbev.com.

