An overview of supply chain concepts and examples from the development sector
Agenda

• What is Supply Chain Management?
• Example of supply chain linkages
• Example from the coffee industry
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Supply Chain Management encompasses a number of key activities

- **Buy** - purchasing of goods and services required to make your product
- **Make** – producing your finished product
- **Fulfil** – ensuring your customer receives your product

At every stage of the Supply Chain, goods are made (or provided) by a Stakeholder; this involves items being bought from the previous Stakeholder, and orders being fulfilled to the next Stakeholder
Global supply chain trends

The supply chain as a competitive differentiator
- Low cost alone is not a competitive differentiator or long term growth strategy
- For example Seven Eleven Japan and Dell

The outsourcing phenomenon
- Niche providers can thrive from delivering a specialised service more efficiently, or cost effectively, than their individual customers can provide internally.
- For example Exel Logistics and Accenture Procurement Services

Collaboration and integration
- Companies are increasingly collaborating on three levels, transactional, tactical information sharing and strategic
- For example AZ Electronic Materials and Ford Motor Company
Supply chain management has a major impact on business performance:

- Accounting for as much as seventy percent of operating costs
- Typically comprising at least half of all assets
- 80% of Fortune 1000 companies said supply chain initiatives were able to cut cost costs, improve efficiencies, enhance customer service and revenues, or improve competitiveness

Source: Accenture research
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Supply Chain Linkages approach addresses the barriers to sectoral development across the value chain, working with clients to:

**Identify large companies** willing to invest in their local suppliers to boost their own competitiveness

**Build the capacity of SMEs** to meet market demands for service quality and efficiency

**Partner with local consultants** to increase the depth and long term sustainability of the local business development services (BDS) market

**Transfer knowledge of best practices from the private sector** through providing training programs and tools adapted to the local context
Key Benefits of Supply Chain Linkages:

Wadi:
- Increase ability to scale business
- Provide consistent supply channels
- Improve consistency of product quality to uphold Wadi brand name
- Greater involvement with farms in growing process

Small Farmer:
- Reduced risk of production
- Relatively fixed income
- Ability to focus on core competency
- Access to high quality feeds and vet services
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Why Coffee?

• Aceh produces some of the world’s finest Arabica coffees…
  – “A complex fruitiness anchored by musty notes that read persuasively as sweet earth
    immediately identify this coffee as a traditional style Sumatra. The fruit reads most clearly
    as chocolate in the aroma, with tickles of raisin, citrus, perhaps papaya. In the cup sweet
    and bracingly earthy with a tart twist that suggests pineapple or grapefruit. Medium body.
    Rounds from short finish to long in a sweet, gently rich trajectory.”¹

• The market for specialty coffees continues to grow rapidly…
  – “specialty coffee has become one of the fastest growing food service markets in the world,
    netting an estimated $9.6 billion in the U.S. alone in 2004”²

• Organic coffee commanding a premium price continues to grow in popularity…
  – A Stanford University Study has found that 66% of consumers are willing to pay more for a
    company’s products and services if they believe the company is environmentally and
    socially responsible”³

1. www.coffeereview.com, Cupping Notes for an Aceh coffee
2. www.scaa.org, What is Specialty Coffee?
3. www.equator.ca, Coffee industry overview
The Supply Chain for Exporting Arabica Coffee from Aceh

- The supply chain consists of the economic actors who own the product as it moves from the farmer to the end customer.
- Improving the flow of products and information through the supply chain will enable goods to be delivered to the customer at lower cost, meaning improved profits to the actors in the chain.

Coffee

Farmers → Local Collectors → Traders → Exporting companies

Information

Money

- Right product
- Right quantity
- Right quality
Supply Chain Thinking

Traditional thinking:
Stimulate supply by focusing on agricultural productivity (e.g., new crop varieties and better crop management)

...However...
There is little point in pushing for higher yielding technologies or techniques when markets do not exist for the increased outputs, or when productivity saturates the market and depresses farm gate prices.

Supply chain thinking:
Align efforts to stimulate supply with improvements along the supply chain to meet the requirements of the market

...This means...
Providing better visibility of market requirements back up the supply chain and removing any obstacles to delivering the right product in the right quantity at the right quality.
Achieving Supply Chain efficiency requires an Enabling Environment that support the smooth flow of goods and information.

The Enabling Environment

Factors that impact the commercial environment in which the supply chain operates:

- Conflict
- Technology
- Consumer trends
- Tax
- Trade regulations
- Infrastructure

Roles in the supply chain:

- Farmers
- Local Collectors
- Traders
- Exporting companies
The Forum and working group

- The Forum involved **participants from all steps of the supply chain**

- A working group has been formed to develop action plans and oversee specific initiatives relevant to **improving farmer livelihoods** and **promoting growth of the industry** as a whole

- The Forum will provide **overall coordination** and a way of sharing information between the working group and with other stakeholders

- The Forum will **facilitate linkages with potential investors** from NGOs, donor organisations and the private sector
Thank You
Multi-enterprise collaborations

The Supply Chain Continuum

Scope of Impact

With Vendors, Partners, Customers
Between Business Streams
Within Business Streams

Increasing Capabilities, Increasing Benefits

Type of Relationship

Integration
Collaboration
Synchronization

Step 1: Integrate functions of the existing supply chain
Step 2: Improve collaboration and control with vendors, customers
Step 3: Synchronize the supply chain across players into one virtual enterprise

Traditional
Integrated
Collaborative
Synchronized
First step: Assess your supply chain performance

- **Industry Trends**
  - What affects you?

- **Supply Chain Capabilities**
  - What capabilities must I have?

- **Key Performance Indicators**
  - How do I know how well I am doing?

- **Business Impacts**
  - How will the trends affect your business?

- **Value Propositions**
  - How much is changing worth?

- **Leading Practices**
  - What are the leaders doing?

✅ Understand your current capabilities, set performance-level targets and identify improvement opportunities.

✅ Focus on finding value opportunities **across** operations.
Total Cost of Ownership: Are you seeing the full picture?

- Purchase Cost
  - Specifications
  - Acquisition cost
  - Ownership costs
  - Transportation costs
  - Maintenance costs
  - Obsolescence costs
  - Inventory costs

Perceived opportunities
Effective opportunities