The Economic Value of Supply Chain Service Management

elementum

Integrating Supply Chain Service Management into your operations provides significant benefits to your business' top line (i.e. revenue) and bottom line (i.e. direct and indirect costs) while also increasing customer satisfaction and market share.

Within the first year, Elementum users have experienced:

- $300M in revenue protected

- 40-50% decrease in day-to-day supply chain exceptions

- 60% reduction in time spent resolving exceptions

CONTENTS

Introduction

Supply Chain Service Management—often referred to as SCSM—is simply how supply chain teams manage processes that occur outside of a transaction system. This includes any process within the end-to-end supply chain that is not entirely contained within a single transaction system. While this sounds easy enough, the increasingly complex and competitive nature of supply chain management requires a modern management system to match. Globalization's creation of a vast supply chain network, reliant upon multiple moving parts, makes it harder than ever to stay up-to-date and informed on every aspect of the process. Meanwhile, customers have come to expect high levels of efficiency, which directly impact a company's bottom line. The combination of more demanding and complex processes, razor-thin timeframes, and slim margins for error are best likened to a gymnast doing a back-handspring on the balancing beam: Even the best in the world will eventually stumble.

As a result, SCSM exists with one defining core principle: that supply chain processes should be delivered as a service, aimed at facilitating a smoother end-to-end experience. Battle-weary supply chain teams may balk at the thought of adopting SCSM. But, by relying upon modern technology and proven change management methodologies, SCSM can save your company invaluable time and money. Apply SCSM towards resolving any of the numerous issues that crop up daily in supply chain including late or delayed shipments, stock transfer orders, supplier non-conformities, service level disruptions, and more. Teams that utilize SCSM can expect to adeptly handle deviations from plan, saving the team time by resolving incidents faster and permanently through process optimization and real-time data insights. With faster, more reliable processes, the company can expect to experience a significant reduction in supply chain disruptions, creating substantial operational benefits, such as protected revenue, preserved customer relationships, and lower costs.

This paper will go over the top and bottom-line benefits of deploying Elementum as an SCSM platform, demonstrate the ease of the onboarding process (as well as the immediate benefits received), and offer a high-level view of the positive changes your company can expect.

Top Line Benefits:

How Swiftly and Efficiently Managing Supply Chain Processes and Exceptions Protects Revenue and Growth

These days, supply chain's increasing complexity and growth is geared almost exclusively towards one factor: delivery speed. 61% of customers want faster deliveries, and 40% of shoppers say that a delivery that takes more than two days would prevent them from making a purchase.[1] In the race to get to customers the fastest, supply chain processes have outstripped the technology that supports them. As a result, most companies are involved in a three-legged race of sorts: striving towards the finish line with inadequate supply chain management tools and practices as their partner. The industry norm, in other words, is an ad hoc approach to supply chain management processes with limited supporting capabilities. Supply Chain Service Management serves to correct this imbalance by providing companies with the right technology and management practices to facilitate swift and efficient supply chain processes. This correction benefits companies in three ways:

1. A single source of truth to centralize all exceptions, so that teams can stop wasting time collecting information and decisions can be made based on real data. Eliminate the email chains and excel files, and make real-time decisions with confidence.

2. An established workflow allows companies to run processes quickly and more efficiently. By ditching the ad hoc routine, companies can begin to fill more orders and satisfy more demand, growing their revenue.

3. An agile approach to supply chain processes allows companies to respond to exceptions in a more nimble, thorough, and conclusive manner. SCSM shifts the focus from firefighting the disruptions inherent to supply chain, to centralizing exception management processes in order to solve problems faster and permanently. This benefit maintains services levels by guaranteeing fulfilled orders and preventing penalties. In the long term, customer satisfaction is preserved which protects both revenue and market share while providing growth opportunities for both.

> *Speed of getting products to market will be the differentiator. The ones who win will be the ones who get there quicker. It's not the big who eat the small, it's the fast who eat the slow."* **- Jim Rowan**, **Dyson,** Former CEO

How SCSM Enables Faster and More Efficient Processes

Without SCSM in place, most companies will find that their supply chain stays in a constant cycle of fix-it-and-ship-it, leaving little leeway for growth. Leveraging SCSM irons out the kinks in your supply chain processes, enabling them to become swifter and more efficient. These enhanced processes allow your company to exit the old paradigm of constantly compensating for outdated technologies with laborious efforts, so that your team can satisfy demand and even fulfill more orders for optimized revenue impact.

EXAMPLE:
Fulfilling an Increase in Demand Over Forecast Through a Nimble Response

When COVID-19 hit, home appliance manufacturer Vitamix experienced a massive demand spike from large e-tail customers, alongside constrained production efforts due to delivery delays and socially distanced work environments. During this critical time, Elementum's platform enabled a workflow that:

- Clearly communicated the incidents to all team members

- Assigned accountability to the responsible personnel

- Prioritized the sequence for addressing incidents

- Successfully met increased demand over forecast

A swift and proactive response to the unexpected demand spike allowed Vitamix to meet the increase in demand. When one vendor ordered 38,000 units over plan, Vitamix fulfilled the request in under one month. When another vendor placed an order that was twice the anticipated amount, Vitamix was again able to complete the order within one week. By leveraging Elementum, Vitamix was able to capture sales that would have otherwise been lost, and overall, successfully met a 20% increase in demand over forecast for four months and counting.

EXAMPLE:
Expedited Delivery Times that Maintained Service Levels

Before COVID-19, almond supplier Blue Diamond was prepared to meet a 150% demand over forecast. But when the pandemic increased online sales and stockpiling of inventory, those numbers skyrocketed into the 200-300 percent range. In order to meet these heightened demand requirements, Blue Diamond needed to see every potential problem area in their supply chain and address it. Elementum's streamlined data collection and centralized analytics enabled this exact process. For instance, Blue Diamond was able to see that one of its rail yards treated all deliveries as equal. Blue Diamond approached the rail yard and gained approval to prioritize the delivery of critical shipments over non-critical ones. This simple change resulted in faster delivery times, allowing Blue Diamond to maintain their service levels and meet the demand spike by continuing to deliver products to their customers on time.

How SCSM Quickly and Permanently Resolves Supply Chain Process Exceptions

Without SCSM in place, most companies rely upon an ad hoc response to the constant carousel of exceptions that arise in supply chain. Unfortunately, this paradigm will inevitably impact your company's top line. Addressing exceptions with patchwork solutions often results in tending to the same issue over and over again, with an unclear workflow that creates an unwelcome gap between your customer's demand and your company's ability to respond to it. A well-oiled approach, on the other hand, leads to:

- **Faster Resolution:** A centralized source of truth and clear supply chain workflows allow companies to close the gap on how long it takes to resolve incidents. Faster resolution ensures that customers stay happy, while also preventing further unwelcome disruptions such as stockouts, late shipments, or product non-conformities.

- **More Permanent Resolution:** Elementum's data-driven analytics allow you to identify the root cause of an issue, leading to permanent resolution of a supply chain incident. This thorough approach to addressing supply chain processes improves your overall supply chain service levels, protecting your revenue and also freeing up your company to take on new business.

The difference between applying SCSM to your supply chain exceptions and not using it are essentially black and white. Without SCSM, your company relies upon inefficient processes that, when exceptions arise, handicap your supply chain's ability to turn out orders in a timely manner—which places service levels at risk, incurs penalties, and prompts your customer base to switch to competitors who can respond more swiftly and adequately. Conversely, improving your supply chain processes with an SCSM process will allow your company to maintain service levels, avoid penalties, and potentially even meet increased demand, thus growing revenue.

EXAMPLE:
Faster Resolution for Fewer Penalties

For the supply chain team at food distributor Ken's Foods, fielding calls from customers was a routine part of the job. But every time a customer question or request arrived, it sent supply chain employees and the sales team on a scavenger hunt of spreadsheets, emails and phone calls in order to find the answer. Multiple parties worked on the same issue, meaning that each incident ate up employee time. Leveraging Elementum and its streamlined processes for addressing customer inquiries, Ken's Food was able to reduce its average response time from 2-3 days down to 2-4 hours. This drastic cutdown ensured that customers received a prompt response, maintaining service levels that avoided penalties. Salespeople, meanwhile, were released from the back-and-forth dialogue on customer service issues, granting them the freedom to focus more on closing new accounts.

Ken's Foods was also able to leverage Elementum to gather immediate data on every stage of customer delivery. This ability allowed them to respond proactively to exceptions such as a damaged shipment or delayed unit, resolving the issue before it reached the customer. By anticipating customer needs before the customers knew them, Ken's Foods raised its customer satisfaction ratings.

> *For our customers, the end goal is that you just have product there on time, in full. So, we can't wait for a performance scorecard for last quarter. We want to have the data in real-time so we can stay ahead of it. And that's what Elementum brought to the table for us."* **- Cari Talbot, Senior Director of Supply Chain at Ken's Foods**

EXAMPLE:
Permanent Resolution for Maintaining Service Levels

Blue Diamond applied CAPA in Elementum's incident management platform in order to establish a clear workflow for reporting and recording incidents, identifying trends, and determining their root causes in order to resolve them for good. Within the first four months of using Elementum, Blue Diamond identified 275 incidents. These numbers proved out to senior management what employees knew firsthand: that issues proliferated without clear insight on their cause or clear communication to handle them. Once Blue Diamond began using the platform, Elementum's simplified data collection and centralized data analytics allowed them to spot gaps in their supply chain and address them permanently. For instance, the platform identified a trend of recurring incidents at a specific warehouse. Blue Diamond was able to address the issue at that location and resolve the problem for good. This change allowed Blue Diamond to keep up with its orders, meeting its customers' expectations.

EXAMPLE:
Growing Revenue and Market Share Through Satisfied Customers

As a leading cement maker, GCC knew that its success depended largely on high customer satisfaction levels. And yet, several industry variables placed very tight constraints on its supply chain processes, while unexpected disruptions threatened to overturn without warning. These external factors, combined with complicated supply chain processes, placed GCC's customer satisfaction at risk, alongside its revenue and market share. GCC onboarded Elementum to help resolve exceptions quickly and thoroughly. Within a few months, the number of outstanding incidents dropped from 120 to around 70. Meanwhile, increased transparency and communication helped resolve 74% of exceptions before they reached the customer. Elementum not only helped GCC maintain customer satisfaction—thereby protecting $300M in revenue—but it opened the company up to further revenue benefits by adopting Service Management in other parts of the business.

How SCSM Empowers Brand Loyalty and Customer Satisfaction

If supply chain's most competitive metric is speed, then companies with agile supply chains are better positioned to respond to changes in supply and demand. This, in turn, allows them to increase customer satisfaction by getting the right products to customers with consistently high service levels. Elementum supports companies striving for accurate and on-time deliveries by addressing delays and resolving them before they can affect delivery rates and, by extension, customer satisfaction.

EXAMPLE:
How Modern Processes Saved a Company's Reputation and Customer Loyalty

As a luxury lifestyle brand, McGee & Co. know that a high-end delivery experience is as important to preserving customer satisfaction as the products themselves. However, McGee relied upon emails and spreadsheets to keep track of customer service issues. With this system in place, important details slipped through the cracks. This gap in managing supply chain exceptions placed the customer relationship seriously at risk when two separate high-end items kept arriving damaged: a lamp, and a piece of furniture. Jessica Mecham, a claims and home delivery supervisor at McGee & Co., reported how customers who ordered the furniture were even receiving damaged replacements—a serious error when considering that 79% of customers will not repeat a purchase from a retailer if even the first delivery is damaged.[2] In both instances, Elementum's platform enabled McGee & Co. to pinpoint the exact problem. In the case of the lamp, the platform's incident reporting feature revealed that packaging was referenced as the root cause for damage across 30+ orders. By working with the drop-ship vendor to improve the packing material, McGee & Co. permanently resolved the issue. With the piece of furniture, Elementum's trend analytics established a particular line haul carrier as having a higher than average number of damaged items across deliveries. McGee & Co. replaced this carrier with a partner more experienced in high-end delivery. By identifying

[2] Carollo, Rachel. "Consumers Want Faster Delivery and They're Willing to Pay For It." Dropoff, 8 Feb 2021, https://www.dropoff.com/blog/retail-delivery-consumer-survey-shoptalk-2018/

trends and assigning accountability to the responsible parties, Elementum was able to help McGee & Co. resolve a 35% increase in damaged shipments, decreasing it to 5 to 7 percent. When 98.1% of consumers say that shipping impacts brand loyalty,[3] it's evident that this change not only maintained service levels—it preserved McGee & Co.'s customer satisfaction by guaranteeing their customers received a delivery experience that matched the caliber of their brand, thus preserving their reputation and increasing customer satisfaction.

How SCSM Analytics Course Correct to Maintain Operational Agility

Elementum's platform applies agile processes towards disruptions in real time, allowing its users to proactively respond to the fluctuations that are part of supply chain's fundamental makeup.

EXAMPLE:
Collaborating on Problems in Real Time From Anywhere

Leading technology company Dyson used Elementum's platform to address changes in their supply chain as they occurred. "We're solving these problems before they become problems," said former CEO Jim Rowan. If an issue arose with one supplier, for instance, Rowan could use Elementum's mobile-friendly platform to immediately identify the issue, switch carriers, and keep the conversation going on other issues as well. "Elementum gives us this end-to-end supply chain visibility that helps us make senior level and executive decisions," said Rowan, and it also "provides that framework that allows us to do analysis on a much deeper level."

Bottom-Line Benefits: Direct and Indirect Costs

Supply chain teams that lack modern technology and management practices will inevitably find their bottom lines affected: either through indirect costs such as productivity and employee burnout; or direct costs such as holding fees, expediting expenses, rework penalties, or redelivery costs. Implementing an SCSM platform enables supply chain processes to run more smoothly and efficiently while also handling exceptions with minimal disruption. As a result, adopting SCSM can give your team members time back in their workday, enhance company culture, and streamline workflow overall. SCSM can also save your company money by diagnosing incidents and providing a blueprint for corrective actions that address problems before they move further down the supply chain and incur financial loss.

EXAMPLE:
Reducing Indirect Costs with SCSM

Home appliance manufacturer Vitamix relied mostly on spreadsheets, emails, and meetings for organizing their supply chain processes. This fragmented system meant that when a part shortage occurred, no one across their eight supply chain functions knew what went wrong, or who was responsible for the oversight. This confusion led to a constant chase of whodunit and even finger-pointing. When Vitamix onboarded Elementum, users could log an incident the moment it occurred, as well as assign accountability to the person responsible for handling it. This increased peer-to-peer accountability and streamlined communication eliminated at least 10 hours a month in meetings, while allowing Vitamix to strategize during their S&OE meetings for long-term solutions to improving their supply chain.

A lot of our planning wasn't going as planned. We were spending too much time in our S&OE meetings talking about issues within the next one to two months. One of the things that drew us to Elementum was that it offered an outlet for resolution of issues in the short term, so we could have more strategic conversations in our planning meetings."

- Yvonne Pozderac, Demand Analyst at Vitamix

[3] "Last Mile Delivery: What Shoppers Want and How to #SaveRetail." Convey, 8 Feb 2021, https://www.getconvey.com/resource/research-last-mile-delivery-save-retail/

Time Saved for a More Efficient and Proactive Workplace

Most supply chain professionals can identify with the following pattern: dealing with a supply chain disruption that requires immediate attention, which usually entails looping in several team members and entering a laborious back-and-forth process in order to solve it. Supply chain professionals inhabit this firefighting mode almost constantly, thereby delaying their ability to make more strategic and impactful business changes due to a lack of time, energy, and support. An SCSM platform helps supply chain teams reclaim their schedules by eliminating unnecessary meetings and redundant communications, assigning accountability to the responsible people so that all team members can focus on their proper tasks, and creating a culture of clear communication, strategy, and discipline instead of chaos, ad hoc solutions, and errors. All of these improvements translate into significant productivity gains for the business. Now, your company can run the same operations with better performance and lower resourcing requirements, and your team members can spend their time working on the things that really matter.

Elementum users have found:

- **Significant decreases in time spent in meetings:** Using an SCSM platform eliminates time spent in meetings meant to firefight pressing issues. Instead of looking for information and planning next steps, all of the information is centrally located with priorities, due dates, and owners. The focus of meetings also shifts from problems that require immediate addressal to more strategic conversations about enhancing the supply chain in general.

- **Fewer people are involved in issues:** With streamlined communication and a centralized task management system, supply chain teams no longer need to include everyone on a single incident. Instead, the platform allows users to assign tasks, empowering the responsible parties to deal with the issue and freeing up the time of other team members to focus on other priorities.

- **A more streamlined supply chain team:** A clear work cadence means that supply chain teams can reduce the number of people necessary to manage day-to-day processes, while giving time and energy back to those who no longer need to be pulled in.

- **A culture of accountability and responsiveness:** With transparent, structured processes, the adoption of SCSM creates a company-wide proactive culture that encourages employees to identify exceptions, provides them with a clear framework for addressing recurring issues, and fulfills their days with a more strategic and less stressful approach.

Examples of the bottom lines benefits of these improved processes include:

- Vitamix relied upon Elementum's all-in-one platform to establish a clear workflow between its departments, which eliminated meetings, saved hours of time, and also protected $50M of revenue for high-impact incidents in just under four months.

- Blue Diamond protected $250K in its first CAPA alone by relying on Elementum to grant the data-driven insights necessary for taking corrective action.

- GCC leveraged Elementum to reduce the average incident resolution time from 30 days to about 14 days, giving employees back valuable time in their days. The platform also reduced the number of incidents by 42 percent—a change that further freed up the time of supply chain personnel.

Reducing Direct Costs with SCSM

From the expense of reshipping an item, to replacing a damaged one, to dealing with the fees of expedited deliveries and supplier non-conformances, running a supply chain without an SCSM platform will undoubtedly have negative impacts on your bottom line. Elementum users are able to reduce their direct costs by (1) running more reliable processes with better overall performance, and (2) formalizing processes for incident management such that any exception or disruption can be managed with the least amount of incremental expense. These abilities save companies hundreds of thousands, millions, or even tens of millions of dollars on a range of issues including: saved warehouse space from reduced stockpiling of inventory, identifying and improving poor packaging to reduce the delivery of damaged goods, noticing difficulties with certain partners or providers and making changes accordingly, and expanding receiving docks to eliminate late fees.

EXAMPLE:
Saving on Shipping and Damage Costs

When McGees & Co. began leveraging Elementum's value-at-risk feature, they were able to log updates on customer orders every time new information arrived. In one month alone, this visibility into their delivery issues helped them save over $120K in shipping and damage costs.

EXAMPLE:
Reduced Chargebacks and Penalties

Ken's Foods leveraged Elementum to enable more efficient supply chain processes and identify trouble areas in their supply chain. These capabilities reduced chargebacks and penalties, saving them an estimated hundreds of thousands of dollars during the first year alone. Ken's Foods was even able to identify and resolve a recurring chargeback that occurred in error—a fee that they would have continued paying had it not been for Elementum's ability to help manage shipping and delivery incidents.

Why Invest Now?

The stakes for supply chain management continue to rise, as more companies realize the need for faster and more agile supply chains. Expectations from customers and end-consumers are higher than ever. You're only as good as your last delivery. As a result, it's no wonder that penalties and chargebacks continue to increase. What once were a means to encourage partners to perform better, penalties have now become a new profit center for retailers big and small. As if things weren't challenging enough, the world itself has become even more complicated— whether due to natural disasters, pandemics, trade wars, or political unrest—making on-time, in-full deliveries as challenging as ever. These competing factors are creating an environment where reliability (consistently executing against plan), agility (responding quickly to changes in plan), and productivity (maintaining extremely high service levels at extremely low cost) are actually competitive advantages. The benefits of implementing an SCSM platform like Elementum can be both profound and long lasting:

- An easy onboarding experience and intuitive platform that allows users to immediately begin upgrading their supply chain to be more dynamic and responsive.

- A quick economic and organizational turnaround. Users begin seeing benefits with Elementum within a matter of days, and they can expect to yield a full return on their initial investment in a few months, if not less.

- A culture of efficiency and effectiveness that improves the quality of your supply chain, your workplace, and each team member's experience with their job.

- The ability to optimize over time, as your supply chain matures and the product becomes institutionalized.

- A bank of data that can help create predictability for future issues, as well as provide a blueprint for resolutions. Having visibility into supply chain trends can provide your team with insights into leading indicators when similar issues arise.

Start Receiving Benefits Now with a Quick Return on Investment

Companies embroiled in constant supply chain firefighting are unfortunately accustomed to spending too much time on reacting and resolving problems to get any time to focus on strategy. They're often too overwhelmed— both financially and energetically—to consider the benefits of implementing a new solution (and the learning curve involved) as worthwhile. However, with an easy onboarding process, Elementum's customers across the board report seeing results almost immediately. Users can expect:

- **Quick speed to implementation:** Elementum is easy to set up and start using. Users are up and running within a couple of weeks, saving their company the need to engage IT.

- **An intuitive and mobile friendly platform:** Anyone in your supply chain can easily log into Elementum to connect with their team members or partners to view a centralized source of truth, as well as to assign tasks that streamline communication. Elementum is also mobile-friendly, allowing supply chain personnel to engage in real time from any location.

- **A break-even on your investment within just a few months:** The financial benefits of leveraging Elementum prove themselves within a few months, if not shorter. Maintaining service levels ensures that orders are fulfilled, while also allowing companies to fulfill greater demand. Preserved customer satisfaction and brand loyalty protects revenue while also opening up the possibility for new business. Reduced costs such as chargebacks, penalties, and damaged shipments will serve your company's bottom line, while revenue and market share growth enable top line benefits.

- **Highly Scalable Financial Benefits:** While the financial benefits of implementing Elementum prove themselves within a few months, they accrue over time as well. Blue Diamond, for instance, experienced $250K in revenue protection during their first CAPA alone. The company will continue to gain similar benefits as they continue to expand the use of CAPA to other areas of their supply chain. GCC found $300M of revenue protected within a few months of using Elementum; and will be able to expand its financial benefits as the platform continues to power continuous learning across processes. McGee & Co. saved $120K in just one month on shipping costs—money they can reinvest in their business towards even better outcomes.

To get these significant, measurable improvements in your supply chain, it's critical to start tracking and measuring as soon as possible. Elementum offers free trials that allow your supply chain to test drive its product and start immediately experiencing the benefits. The average Elementum customer is able to be up and running within a matter of weeks. Email us at info@elementum.com to get started.

Learn more at www.Elementum.com