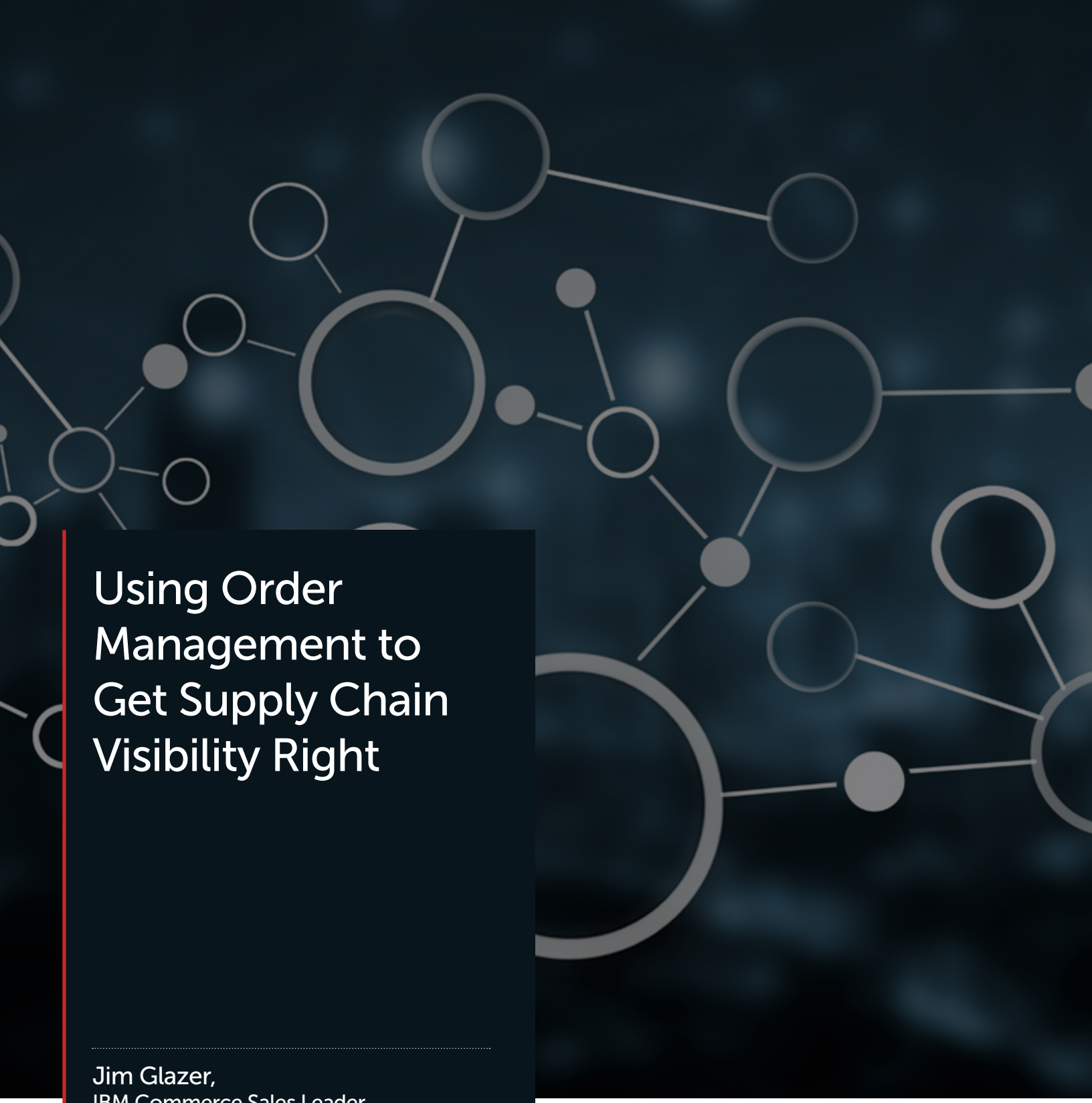


Using Order Management to Get Supply Chain Visibility Right

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Supply chain managers are constantly bombarded with offers of technology that will transform supply chain efficiency, trim order cycles and eradicate stock-outs, but they rarely focus on order management solutions. That's a shame, because the right order management tools can give supply chain executives incredible control and agility over order fulfillment – the ultimate goal of supply chain excellence.

Technology's role in improving visibility has been recognized as a crucial factor for many years, now. But, as the pace of international trade relentlessly increases, it's not enough simply to know where containers or trucks are, and to have only a basic idea of what's in them. Well-chosen order management technology offers the opportunity to get visibility into orders as they move through the supply chain, and take steps to improve fulfillment performance.

There's no doubt that the span of supply chain management has widened enormously over the past two decades. It has also become far more challenging. With the growth of omni-channel retail, end-customer expectations for how, when and where they receive their orders is evolving away from the brick & mortar modeling – incorporating in-store pick-up, online sales, and even split orders. B2B fulfillment is typically even more complicated. As every supply chain executive knows, a more complicated supply chain is a more expensive one, if your order management system doesn't provide good visibility to the orders along with accuracy and efficiency for sourcing and promising inventory.

Increasingly, consumers, retailers and manufacturers are making purchasing decisions based on where products are and how soon they can get them. Often, that product will need to be custom-configured to the needs of the buyer. Traditional retailers are finding a rise in total cost-to-serve, eating away at already razor thin margins. In fact, we estimate that the cost to serve omni-channel customers can be three times more, with current legacy systems. Companies also face competition from purely online vendors, such as Amazon, who use rapid fulfillment as a differentiator. In addition, increased online sales volume is straining capacity for modern retailers, who are struggling to find ways to deliver on customer demands while minimizing total cost, especially during peak periods. B2B suppliers face similar, even more time-sensitive delivery demands.

All shippers are under enormous pressure to make and fulfill promises about inventory availability, promised delivery schedules, and real-time visibility of the order activity. They are struggling to do so. In its July 2016 report, *"How Best in Class are Solving the Omni-channel Fulfillment Challenge,"* industry analyst Aberdeen Group found that, while 88% of Best in Class retailers were more likely to feel "very satisfied" that they understand their cost-to-serve omni-channel customers, 40% of those same retailers indicate they are only somewhat confident in having the right technology and skills in place to reduce their cost-to-serve.

Today, smart logistics demands a sophisticated order management technology that empowers enterprises to not only see into the supply chain, but make real-time decisions and



changes while cargo is still *en route*.

IBM Order Management provides order orchestration through a centralized inventory, order promising and fulfillment hub to support omni-channel and all types of fulfillment processes.

First off, we need to be clear about what we call order management from a logistics perspective. If your company has an ERP system, whether SAP or Oracle or Infor, the chances are that one of the modules inside those products is called "order management". We often find customers saying: "We already have that; we don't need it." In these cases, we are careful to say that we know you have an ERP, we understand what it does and we know how much it cost. We will not and do not want to disrupt your ERP; we don't want to change anything, unless you're unhappy with it. All we want to do is improve your order management throughout the entire supply chain, so that you have such agility and visibility into your order cycle that you can monitor the fulfillment of any given order while in transit, and proactively intervene, if needed.

At IBM, we know this need is real. We've talked to many supply chain executives over the years and we know that their concerns span the entire supply chain. Most tell us that from the minute an order is placed until the moment it's in the hands of the customer, that's their domain. If something goes wrong anywhere between those two points, the supply chain manager needs to know. More and more, supply chain is about the ***entire*** fulfillment process, from order, through manufacturing, transport and delivery. Usually, the impact comes at the point of delivery, and by then it's too late. CPG vendors know this only too well; if you're selling to Walmart and your truck is late, depending on your SLA's with Walmart, you may need to pay for the lateness, or even lose the relationship.

Furthermore, we live in the age of synchronized fulfillment, exemplified by modern automobile production. A typical auto manufacturer could have more than 1,200 suppliers delivering parts. If an auto plant is going to be making 100,000 Chevy Cruzes this year, say, they don't want 100,000 Chevy Cruze seats sitting in a warehouse for a year. They need to get the right seat, in the right color, to the right plant, at the right time. Many suppliers even line up components in exactly the order in which they'll be used on the production line. This is the future for all order fulfillment. At the end of the day, the most important piece is genuine visibility you can share with your customer. We call it "keeping the promise". It means a vendor is able to say: "We told you we're going to get this to you and we're going to keep our promise by communicating with you so you can see what is coming and what is going on."

In order to keep those promises, you need multiple order management elements that work seamlessly together – including distribution, global inventory visibility, WMS, reverse logistics management, store or service center capability management, Call Centers and field sales management. Modern technology allows all these functions to be easily accessible from anywhere through one application via a Web browser. All the user needs is a URL and they're in the system.

IBM's Order Management system is built on an industry-



leading technology platform initially developed by a logistics management technology pioneer, Yantra, which started in 1995 and has continued to incorporate new features based on best practices and input from customers. We've built the solution to be available in the Cloud; so that all the technological aspects are handled by us (80% or more of our customers go for this option). You don't need the source code and you don't need to rely on an already over-stretched IT department to install and maintain it; all changes and customization of the system's capabilities are made via Application Program Interfaces (APIs) -- a set of routines, protocols, and tools for building software applications that specify how software components interact with one another, and are designed to be incredibly easy and intuitive to use. Our Order Management technology offers close to 1,500 APIs, which allow for an enormous range of easy-to-implement options.

The IBM Order Management solution therefore allows you to set up your own alerts, exceptions and milestones, and to send them out to whomever you want in whatever form you choose – pager, email, text and so on. You can set your own supply chain process modeling tools for your own fulfillment process steps exactly as you wish. In the old days, a traditional order management solution would, at best, have the capacity to track creating the order, shipping the order, and a delivery notice. Supply chain managers today need so much more – at least six or seven steps, including order, picking, packing, leaving the dock, progress in transit and proof of delivery. Many customers now want more visibility and tracking of other steps and statuses in fulfillment and inventory movement, such as automated Purchase Order generation for drop shipping, and tracking inbound supply via purchase orders created in the purchasing system and monitored in IBM Order Management. Others also want updates on the manufacturing process, or returns, exchanges and any other order type. It makes sense to give the shipper the ability to monitor whatever the customer is looking for, resulting in complete visibility for everything that's going to make a difference to eventual fulfillment.

You can get going on improved visibility quickly. Most customers are getting initial live value in less than six months, implementing in planned, independent business releases instead of all at once. The customer will receive additional value through each of the releases. As the implementation continues to move forward, there will also be value through new capabilities and strategies. This technology allows you do to do things you may not have imagined before; making improvements in supply chain efficiency that simply weren't previously possible.

Many businesses are finding that extending supply chain visibility into order management visibility can greatly improve the supply chain and benefit the bottom line. For example, many fashion retailers have their items manufactured off-shore. Recognizing the flow of product from off-shore to the retailer can be very complicated and can benefit from having visibility into the goods while in transit, all the way to warehouse or store. As an added benefit, the retailer's manufacturer could pre-distribute the packaged, boxed or palletized items, arranging them in the shipping container in such a way that, upon landing, the container is opened and distributed directly



to the requisite DC's, stores or customers. This is a far better option than shipping the entire container to a single warehouse for distribution. It both shortens the order cycle and delivers significant transportation cost reduction.

In another scenario, one of our customers was able to take advantage of online sales for the first time after adopting our Order Management technology. The company, which makes components for motion control systems and other manufactured products, had kept its online presence to a minimum – their website only had a collection of collateral information, product diagrams and other informational documents for their customers. We helped them get a better view into how inventory was moving to their distributors. Once they got order management up and running, they saw an opportunity to use it to create an online sales business in an innovative way. Now, they can take orders through their eCommerce site. They have multiple plants and warehouses in constant communication with a sales center in Illinois, which uses IBM Order Management to orchestrate fulfillment and delivery of the individual order line items to the appropriate location for fulfillment, based on configured rules demanded by the end customer.

The new generation of order management allows you to evaluate and analyze fulfillment costs, capacity and margin results, down to individual SKUs and node levels. You can also easily run different simulations, and create new sourcing scenarios to meet customer demands. The technology empowers cross-functional teams to execute sustainable, efficient fulfillment processes -- all without requiring IT involvement.