

Katzscan Newsletter

Supply Chain Operations & Technologies ~ Vendor Compliance
Good Governance ~ Fraud-Fighter ~ Turnaround Help



After I had finished speaking about supply chain vendor compliance and the two key technologies involved -- barcode labeling and Electronic Data Interchange (EDI) -- an attendee raised his hand and wanted to share with the rest of the audience his own experiences about vendor compliance.



The gentleman was the owner of a company that manufactured special electronic components. He had resisted implementing EDI for years despite requests from one of his largest and most important customers. He finally relented and agreed to become EDI-capable with this customer. He informed the group that it wasn't the gut-wrenching experience he thought it would be and to his surprise his business with that customer increased by over 30% after implementing EDI. Well -- we were all quite impressed with that statistic. The company owner then stated that he knows his competitor's business decreased by over 30% with that customer during the same time period. Again -- we were all wowed by the statistic but were collectively curious as to how he could know his competitor lost such a hefty amount of business which it would seem was transferred to his company by the shared customer. "That's easy", the company owner said "because we're the only two companies around that supply the particular electronic component the customer is buying."

What the above story shows is the misconception that there is no relationship between sales and supply chain disruptive behavior. In tough economic times customers have less and less tolerance for disruptive suppliers because each disruption adds costs. As such, customer organizations are demanding more and more that suppliers take steps to ease their financial burdens through supply chain efficiencies. Pushing the customer's problems on the supplier network may seem unfair to the untrained eye but it is exactly through better supply chain collaboration that business grows and becomes consistent, enabling suppliers to weather tough economic times even better.

Suppliers may not understand the "big deal" about their customers sending paper purchase orders, processing paper invoices, or creating paper checks, but all this paperwork must be handled by a person rather than by computer and thus represents unnecessary costs to the customer organization. Add the desire to be more cost-conscious with the movement towards "green" and reducing paper the disruptive supplier gives the perception of being even more problematic to deal with. Suppliers who provide commodity goods are even more at risk and vulnerable to losing business to competitors who implement the necessary supply chain technologies and more closely electronically interweave their business relationships with those of their customers.

There's still a lot of resistance out there by supplier organizations to implementing such tried-and-true technologies like barcode scanning and EDI despite having customers demand their use. Some supplier companies would rather take the financial penalties for non-compliance rather than implement the solution: a very poor risk management strategy. Adding insult to injury is the failure of management at the supplier organization to understand that they can derive internal benefits and cost-savings from implementing these technologies: it just takes a little bit of vision and dedication to be better. If you're going to print barcode labels for a customer why not use them for internal scanning for inventory control and pick-and-pack verification? EDI is a great way to reduce if not fully

eliminate data entry costs & errors and shorten the payment cycle from customers.

If your organization -- or one that you know of -- is a supplier of goods in any number of different verticals (retail, automotive, healthcare, marine, pharmaceutical, publishing, electronics, etc.) and is struggling to grow existing customer relationships and add new customers, it might be because of resistant attitudes and disruptive behaviors. Before more competitors take a bite out of your business, give me a call and ask for help.

Thanks.

Norman

Norman Katz, CFE, CFS

Katzscan Inc. - www.katzscan.com

Do you know of a company, *maybe your own*, suffering from disconnected dots?

www.disconnecteddots.com

Let's link! www.linkedin.com/in/katzscan

(The opinions expressed herein are those of Katzscan Inc. and are not intended as legal advice.)

Copyright © 2010 -- Katzscan Inc.