

SupplyWeaver

Improve your low cost supply chain performance





SupplyWeaver helps leading organisations to achieve sustainable value from their low cost supply chains

SupplyWeaver is a unique and results-focused low cost supply chain consultancy with a track record of helping leading organisations to improve extended supply chain performance. We work for blue chip international organizations to generate sizeable cost savings and to fundamentally improve supply chain performance for the long term. We have a particular strength in working for complex, fragmented low cost supply chains with links to Far East on a global scale.

Our professionals are hands-on practitioners with in-depth understanding of business and culture differences between the East and the West. They work hand in hand with our clients and their suppliers to tackle the whole spectrum of low cost supply chain, and stay with them until results are fully driven home.

We invite you to explore this brochure to learn more, or to contact us directly for a face-to-face discussion.

Working With SupplyWeaver

Our Clients

SupplyWeaver works with leading global organisations across a range of industries. Most of our clients have existing low cost supply chains and local sourcing teams, and are looking to us to help them improve performance, tackle challenges, and raise the profile of low cost procurement within the organisation. Their issues range from supply interruptions, risk mitigation, price increases, thin relationship with suppliers, poor supply chain visibility, to a lack of understanding and trust with suppliers, commercial dispute, and collaboration failure. These challenges are often intensified by the need to address them in complex, international, multi-functional environments.

Customer's Voice

"We were on the verge of holding all of our low cost sourcing activities at a significant cost increase. SupplyWeaver helped us transformed our low cost supply chain from a unreliable, broken status to a high performance resilient network with excellent relationships with suppliers."

VP Supply Chain, A Fortune 500 FMCG Organisation

Customer's Voice

"Price increase was one of the most difficult issues to deal with in our Chinese supply chain. SupplyWeaver's knowledge on tax (VAT rebate), logistics cost, currency, and other local factors enabled us to negotiate back with suppliers. The accumulated savings are in millions."

Procurement Director, A UK Retail Organisation

A selection of our Clients



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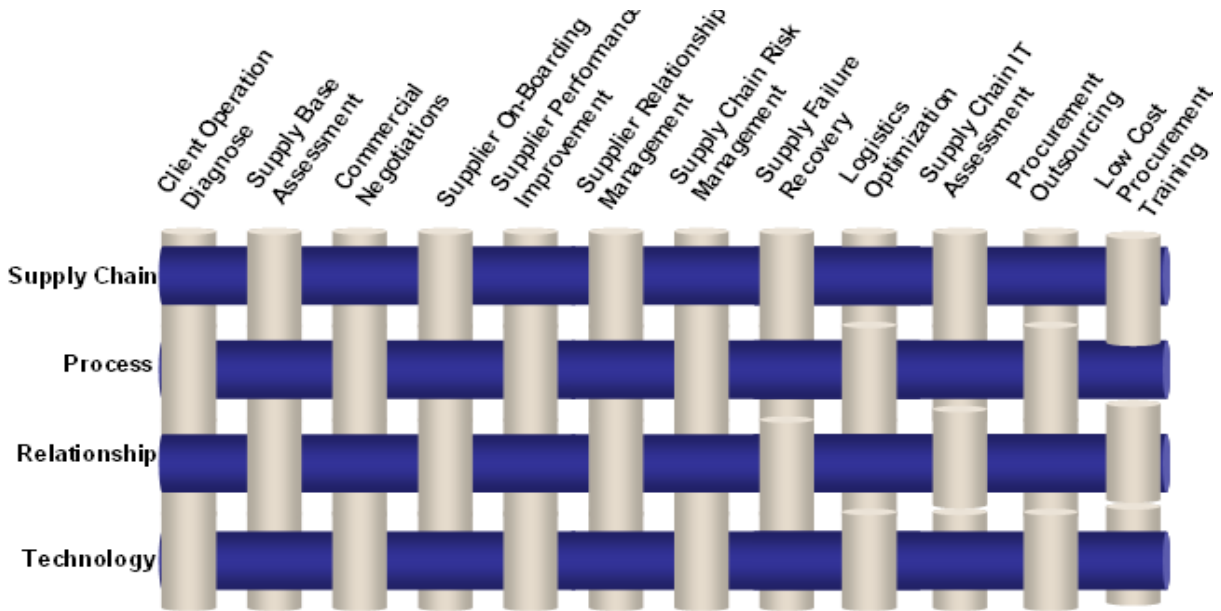


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Our Services

At SupplyWeaver, we provide a range of client-oriented services, all with the same purpose - to help our clients get sustainable value from low cost supply chains. Our innovative approach ensures our services produce unparalleled value to our clients. The flexible arrangement gives our clients a range of options and each service can be tailored to meet client's specific needs.



Innovative Approach

Each of SupplyWeaver's service line is built into our four essential supporting systems which produces an innovative low cost supply chain performance improvement model. It's been tested and proved, and stands out as the most effective methodology

Process: SupplyWeaver always emphasizes process excellence is the foundation of successful low cost supply chains. We focus on analyzing processes at both ends, and developing robust procedures with common ground for each party to reduce dependence on external factors.

Supply Chain: Traditional low cost country sourcing (LCCS) concentrates on "sourcing". We pay full attention to the whole supply chain, balance tradeoffs, and introduce "Total Supply Chain Management (TSCM)". From customer's customer demand, to supplier's supplier inventory, we cut the wastes out of the supply chain and facilitate multi-tier collaborations.

Technology: Supply chains often work best in conjunction with IT systems. The principle to adopt an IT system for low cost supply chain is to increase the visibility of the networks and to improve efficiency. SupplyWeaver treats IT as a key enabler and utilize our expertise to maximize the benefits of IT.

Relationship: Relationship is at the heart of low cost supply chain operation. It is more about interpersonal relationships for mutual business benefits than procedurized Western approaches and associated SRM software. SupplyWeaver's role as a relationship catalyst always brings the best out of low cost supply chains.

Our Engagement Model

When companies hire SupplyWeaver, they know that significant results will follow. Our collaborative and approachable style ensures that the changes delivered are sustainable. In the long run, the true measure of our success lies in the ability to transfer skills and know-how, allowing the client to own, sustain and build upon the results delivered during a project.



SupplyWeaver always starts from the customer end to begin the engagement. We assess and fine tune low cost supply chain strategies, analyze exiting issues and establish operational principles with emphasis on Volume, Variety, and Volatility (3Vs) to ensure the correctness of what flows out

Next step will be working with suppliers. Our assessment is thorough and comprehensive. We evaluate how well suppliers can manage the processes with focus on Capacity, Capability and Compliance (3Cs). Our professionals also verify supplier's strategy and commercial interests.

Follow the work at both ends, SupplyWeaver compares findings, analyze 3Cs in conjunction with 3Vs, and match the strategies. The root cause of existing issues will submerge from the analysis, areas for improvement will be self-evident. Next stage improvement plan can be presented

More intensive work will be carried out by SupplyWeaver to tackle challenges and to improve low cost supply chain performance. Our innovative approach is based on four foundations: Process, Supply Chain, Technology and Relationship.

With the increasing trust and understanding, and management & leadership buy-in from both parties, our work delivers the results and improves low cost supply chain performance.



Customer Operation Diagnose

To tackle supply chain challenges, most companies are focusing on making changes at the supply end. This often gets them into a fire-fighting situation.

SupplyWeaver starts the assessment from customer end, diagnose the healthiness of supply chain and bring in positive changes to customer's strategies and operation.

THE ACTIONS INCLUDE

Checks On Strategy: Do you have the right mix of low cost suppliers, at the right locations, with the right spend/category for each of them? How well are your local and central procurement team and process structured? Are you buying too much or too little from low cost sources? Are you relying too much on agents (or unaware some suppliers are agents)? Etc.

Checks on Operation: Do you have fit for purpose operation procedures for low cost supply chain? Do you analyze 3Vs (Volume, Variety, and Volatility) of your products? Are you giving too much or too little to your suppliers? How clear are your instructions and specifications? How do you manage the risks and do you have a plan B? Etc.

Problem Analysis: For specific problems, we analyze the root causes, present solutions and provide suggestions on how to avoid similar issues in the future

Supply Base Assessment

Traditional supplier assessment's focus on "Can they make it at right price" is becoming inadequate in today's SCM. Promised capacity has disappeared, goods arrived late, disruptions on supply are happening daily

SupplyWeaver's evaluation focuses on "**Can they manage it?**" We also measure commercial arrangements and strategies between two companies to avoid potential issues.

THE ACTIONS INCLUDE

Capability Evaluation: Analyze supplier's ability on material and production planning, inventory management, change management, shop-floor control, supply chain IT utilization, quality control, handling of bottlenecks, etc.

Capacity Analysis: Supplier's ability to handle 3Vs (Volume, Variety, and Volatility), the existing capacity utilization, and the potentials for further development.

Compliance Assessment: Focus on ethical issues, conformance with customer's specific requirements and local rules.

Strategy Review: Measure strategic match between two companies, analyze risks, assess supplier's commercial interests, development plan and growth potential.



Commercial Negotiations

In low cost countries, prices and deals are often negotiable. The first quotation is just a starting point in most cases. However, many Western buyers are using target costing. As long as it is x% cheaper compared to current price, offer will be accepted.

In addition, customers are facing regular price increase requests from suppliers because of the rising costs of raw materials, currency exchange and VAT rebate rate changes, inflation, etc. Many buyers find it is hard to negotiate back with suppliers and have to accept price hikes.

SupplyWeaver will advise you on commercial negotiations with low cost suppliers and help you to understand the cost increase factors mentioned above.

THE ACTIONS INCLUDE

Develop Negotiation Tactics: Advice on what should be negotiated, to what extent can you negotiate and how to get the best possible results.

Cost Analysis: Analyze the quoted price increase elements, reveal the real impact on cost, and establish how to minimize the increases.

Price Mechanism Development: Establish price mechanisms with suppliers' acceptance to help you manage price movements.

Supplier On-Boarding

By definition your supplier is not fully aligned to your supply chain. Fixing a problem after it occurs is exponentially more costly. From sample producing process to first order delivery, activities need vigilant management and established guidelines to ensure the new suppliers can become long term partners.

SupplyWeaver will hand hold your suppliers through the first few order cycles to ensure a smooth on-boarding process.

THE ACTIONS INCLUDE

Order Rationalization: Feed your supplier based on our judgment of their capacity and capability. Carefully consider 3Vs (volume, variety and volatility), often variety and volatility will cause problems

Develop SOP (standard operational procedures) with suppliers, give suppliers clear instructions on what to do under each scenario and how to manage changes.

Visibility Improvement: Work with suppliers intensively during the initial cycles and give you visibility of what is happening on the shop floor

Training: Provide training at both ends to eliminate gaps, match the requirements and enable a mutual understanding.



Supplier Performance Improvement

Supplier performance improvement is a key process to establish a reliable supply network. It involves embracing supplier expertise and aligning it to the buying organization's business need, and, where appropriate, vice versa.

SupplyWeaver will design performance improve program for each supplier and involve client at each and very step.

THE ACTIONS INCLUDE

Establish Measurement: Tailored performance measurement program for suppliers to stimulate continuous improvement, two-way feedback system leads to actionable plans.

Change Management: Set improvement targets, train suppliers on advanced SCM techniques, and work with suppliers to implement changes. Introduce incentive schemes.

Cost Reduction: Work with you and suppliers to identify opportunities, such as, collaborative forecasting, better utilization of resources, value engineering, VMI, packaging optimization, and sharing supply chain information, etc.

Business Alignment: Improve mutual understanding and create desire to achieve the objectives for joint benefits.

Supplier Relationship Management

Supplier relationship management is becoming increasingly important in SCM. Many leading companies have realized that it is worthwhile investing to make sure these relationships are managed effectively and efficiently.

As an independent third party with profound understanding of the West and the East culture and business principles, **SupplyWeaver** act as a catalyst to build relationships between you and your suppliers.

THE ACTIONS INCLUDE

Guanxi Guidelines: Define your Guangxi strategy and provide advices on how to build excellent relationships with low cost suppliers. What are the DOs and DONOTs with them.

Objective Establishment: We help you and suppliers to find common ground to start the relationship, set up mutual goals for supply chain excellence, and work out plan to achieve them.

Gap Bridging: Reduced understanding and trust gaps between you and your suppliers for a long term relationship.

Dispute Settlement & Relationship Maintenance: Settle any dispute during the relationship, and maintain the relationship constantly



Low Cost Supply Chain Risk Management

While the benefits of Low Cost Supply Chain are apparent, companies are able to reduce the cost of goods, and free-up resources to focus on core value-adding activities. However, these benefits are often accompanied by greater supply chain complexity and exposure to new risks.

SupplyWeaver has developed an integrated set of diagnostic tools and related services that help clients identify, prioritize and address supply chain risk.

THE ACTIONS INCLUDE

Risk Assessment: Analyze and provide a list of risk elements of your supply chain, evaluate their potential impact. Using established and tested risk quantification tools to assess the likelihood of their occurrence.

Risk Management: Design an appropriate risk-control framework which covers effective risk management, internal/external environment, business objectives, event identification, risk assessment, risk response, control activities, communications and monitoring procedures.

Risk Mitigation: Ensuring the proper implementation and continued application of an effective risk-control framework – procedures, training, monitoring and reporting.

Supply Failure Recovery

When things went wrong with low cost supply chains, it can lead to catastrophic consequences: stock-outs with soaring air freight bills, complains from customers on quality, damaged corporation image from supply chain ethical compliance failure.....

SupplyWeaver has helped companies to overcome the supply chain melt down, and recovered the broken supply chains.

THE ACTIONS INCLUDE

Full Analysis: Detailed problem root cause analysis with the involvement of both ends, address the key issues, and establish recovery strategy.

Recovery Plan: Prioritize the issues, re-assign excess work based on the supplier capability and capacity, and implement changes.

Emergency Processes: Set up processes to deal with the most imminent business requirements. Get the situation stabilized before further improvement.

Supply Base Rationization: Re-assess the supply base structure, add or reduce suppliers according to the operation needs, and form a right mix of suppliers for a healthy supply chain.



Logistics Optimization

Logistics expense is a big part of total supply chain cost. Many organizations spent millions annually on sea and air freight, a small percentage saving on logistics will have a big impact on bottom lines.

SupplyWeaver's rich experience of international logistics operation can assist you to identify opportunities to generate savings.

THE ACTIONS INCLUDE

Service Provider Selection : Assisted by our local and global knowledge, we can help you to evaluate service providers for logistics operation needs.

3PL Consolidation : Consolidated service providers will enable you to have better bargaining power and leverage over logistics service providers.

Cost Effective Incoterm: We can evaluate and advice the most cost effective Incoterm(s), and assist you to transit from one term to another.

Packaging Improvement: Optimizing product packaging to reduce transportation cost by having higher container utilization rates.

Supply Chain IT Assessment

Supply chains often work best in conjunction with IT systems. The key to adopt an IT system for low cost supply chain is to increase the visibility of the networks and improve efficiency. Given the use of IT systems involves a multitude of business activities from suppliers to customers, things can go wrong.

SupplyWeaver has worked with both software vendors and industry users, and gained substantial knowledge of how to best utilize IT tools to improve supply chain performance.

THE ACTIONS INCLUDE

Vendor Profile Analysis: We help you to target shortlisted software vendors for your specific business needs, and provide detailed information on each of them for comparison.

Software Assessment: Fully address the Pros and Cons of each software, and guide you through the whole selection process.

Implementation Assistance: Help you to find right partner for software implementation, and provide advices on the change of business processes.

Supplier Training: We can train your supplier in low cost countries on the software for the acceptance and better utilization.



Procurement Outsourcing

With the increased focus on cost and compliance, the procurement function has been elevated to a strategic component of value creation and a rich source of competitive advantage. To achieve this, rather than creating a world class procurement capability in-house, many companies have simply outsourced it

SupplyWeaver helped our clients to handle Non-core/In-direct procurement activities with significant savings delivered. Outsourcing the procurement function to us does not necessarily mean a complete transfer of control but more likely the utilization of expertise from SupplyWeaver.

We offer a unique set of procurement outsourcing capabilities to help organisations gain maximum control over spend and achieve deep sourcing savings.

Our service enables organisations to increase control, generate savings and reduce risk.

SupplyWeaver has a particular strength of handling procurement of marketing materials, such as: corporation brochures and catalogs.

Low Cost Procurement Training

We deliver training sessions which enable our clients to have a better understanding of low cost supply chains. The valuable experience and knowledge that our consultants bring to the training room help them to comprehend the most important issues of low cost supply chain. Topics often cover:

- Which part of my supply chain should go to low cost sources? Where are the best locations?
- Which tier of suppliers should I choose, what is the right mix?
- Supplier evaluations beyond quality and price, how to have a comprehensive assessment?
- How to negotiate with low cost suppliers?
- Scheduling and operation management with suppliers, how to develop standard operation procedures (SOP)?
- New product introduction to low cost sources, what do I need to know?
- How to build Guanxi (relationship) with Chinese suppliers?
- What should I do when things went wrong?
- What local rules and regulations should I be aware of?
- Where to apply IT systems to improve low cost supply chain performance?



CAST STUDY: PROCUREMENT AND SUPPLY BASE DIAGNOSE

The Client: A UN Relief Organisation

Executive Summary: SupplyWeaver worked with this UN Relief Organisation to review existing organisation procurement processes and policies, and carried out assessment on a group of low cost suppliers. This engagement enabled significant organizational changes of procurement practices for low cost supply chains and developed performance improvement initiatives.

Business Challenge: The fundamental issue facing this organisation is a basic misalignment between the demonstrated capabilities of the supply base, and the requirements of the current organizational procedure and policies. This leads to problems such as:

- Inconsistency of the product quality
- Unreliable delivery performance
- Unstable prices
- High risk of supply instability
- Supplier compliance failure

How SupplyWeaver Helped: SupplyWeaver was invited to review of existing operation and procurement procedures and assess current and future needs, constraints, objectives, and opportunities. Supported by validated data, a detailed gap and root cause analysis was presented to the stakeholders with specific tactics on each identified issue. Critical fit for purpose procurement procedures were established based on our findings and analysis. Follow redesigned operational procedures, SupplyWeaver provided tailored training sessions for procurement staff in Denmark and local sourcing offices.

The next phase of this project involved intense on-site assessment across a wide range of low cost suppliers. Suppliers were measured and marked against pre-set criteria, areas cover

- Operational competence
- Capacity & capability
- Quality control system
- Ethical compliance
- Business credibility
- Value-adding to the organisation

Performance Improved: Under the new procurement procedures and the improvement initiatives, the procurement activities became more efficient with a more reliable low cost supply chain. This reflects on:

- Effective supplier selection process
- Reduced reliance on agents
- Outsourcing non-core activities
- Unqualified suppliers were removed
- Price mechanism introduction
- Establishment of supplier KPIs



CASE STUDY: SUPPLY FAILURE RECOVERY

The Client: A Major UK Distributor

Executive Summary: SupplyWeaver helped this UK consumer product distributor to recover from a low cost supply chain melt down. We developed emergency action plans, re-assigned excessive work, refined operational procedures and brought in competent suppliers. The saving on air freight alone was over **\$1M**.

Business Challenge: The client had a disastrous supply failure from several major Far East suppliers. Most products need to be air freighted to Europe to fill the increasing stock-outs and to meet customer demands.

- 30% stock-out rate
- 44% supplier on time delivery
- Huge air freight bills
- Broken relationships
- Supplier were in average 72 days behind schedule

How SupplyWeaver Helped: Started from the client end, SupplyWeaver developed detailed supply chain disaster recovery plan which includes:

1. Prioritizing all overdues, and give clear instructions to suppliers where they should be focused
2. Re-structuring the schedule format and operational processes
3. Development of an exit road map from the worst performing supplier
4. Timetable for new supplier qualification and on-boarding
5. Selectively transfer some products to backup suppliers

Next step was to work with suppliers to address key issues in establishing a stable supply chain.

1. Analyze suppliers' real capacities with considerations of their ability to handle variety, volume, and volatility.
2. A throughout review on supplier management ability and develop standard operation procedures (SOP)
3. Re-evaluate the standard leadtimes for all key products and speed up the product flow in the supply chain.
4. Establishment the proper use of forecasting among suppliers and build effective communication channels.
5. Product re-sourcing. Fully qualified suppliers, hand-held them on board and negotiate the best deals.
6. Develop Long term relationship with suppliers for the client.

Performance Improved: Within 6 months of the project kick-off, the supply failure was fully recovered. Low cost supply chain performance has significantly improvement

- Stock-out was reduced to less than 5%
- OTIF improved to 83%
- Saving on air bills was over \$1M
- Solid relationships with suppliers
- Replaced 2 suppliers with 3 new competent partners



CASE STUDY: SUPPLIER ON-BOARDING

The Client: A Global Tobacco Company

Executive Summary: The client wanted SupplyWeaver to work with new suppliers on several alignment issues which caused serious supply disruptions. We assisted the client to decide what volume, and variety of products suppliers can take at each stage. Suppliers were hand-held by our professionals to improve quality control, production planning, and capacity improvement.

Business Challenge: Misalignment between what the clients wanted and suppliers' capability led to severe delays on product delivery, and quality complains. The client had no visibility of what was happening on the shop floor.

1. Critical technical and quality issues were not well understood by supplier
2. Supplier's production capacity was not sufficient to cope with volume from the client
3. A lack of reliable quality control system led to number of quality issues
4. Suppliers had limited planning ability and were unawareness of the priority

How SupplyWeaver Helped: SupplyWeaver initiated supplier on-boarding program. After initial assessment of suppliers' capability and capacity, we advised the client to modify current order schedules, create new plans for the next 6 months, and revise some existing instructions to supplier.

After that, we worked intensively with suppliers on shop floor, identified bottlenecks and root causes of some key problems and provide hands-on assistance for improvement. Actions included:

- Deploy schedule management and advanced planning
- Develop Work Instructions (WI) for critical processes
- Develop new capacity and improve material flow
- Implement a more reliable quality management system

Performance Improved:

1. Much improved the production capacity and efficiencies. Turned the initial poorly setup inefficient one assembly line (produce around 110 units/day) into three more efficient lines with capacity of 680 units/day
2. Established comprehensive quality control processes. Quality issues can be spotted at early stages and fixed more effectively at minimum cost.
3. As a result of clear WI and training of operators, the quality reject rate dropped from 20% to 5%
4. The supplier was 1 month behind schedule at the start. They were able to catch up within 2 months.
5. Better visibility for the client. In the weekly update from SupplyWeaver, the client was given latest project progress report from factory which enabled this client to collaborate and plan more effectively with supplier on various improvement actions.



CASE STUDY: SUPPLY CHAIN COST REDUCTION AND PRICE STABILIZATION

The Client: A EUROPEAN FMCG Company

Executive Summary: The rising cost of low cost supply chain has become a top issue for the client. SupplyWeaver's commercial expertise, in-depth knowledge of tax and local policies enabled a tax efficient low cost supply chain and negotiated back with suppliers with winning results

Business Challenge: The client was facing regular price increase requests from suppliers because of the rising costs of raw materials, currency exchange and VAT rebate rate changes, inflation, etc. They have limited understanding of the real cost impact of these factors, find it is hard to negotiate back with suppliers and have to accept price hikes.

In addition, some components have to be imported from Europe to China for assembly, tax implication is significant without careful planning.

How SupplyWeaver Helped: SupplyWeaver analyzed the cost implication of each element, and its real impact to the total cost of products. Some examples:

Raw materials: Material costs always have fluctuations. When costs are up, suppliers request increases. When costs are down, very few suppliers offer price cuts. A mechanism is needed to control the movement.

Currency: RMB will only rise further against major currencies. Many suppliers asked for same rate for price increases. SupplyWeaver led the negotiation to share the impact. For suppliers who import raw materials from overseas, the currency will only impact labour part of the product. Increase can be cut further.

VAT Rebate: China frequently reduce VAT rebate rates. Supplier typically requested full price increases for rebate cut. The real cost of VAT rebate is far less than quoted. It depends on many factors, such as: does the supplier supply domestic market? do they import raw material? the nature of their businesses, etc.

Component Tax: Import components from Europe, the tax is hugely different for different scenarios. Buying directly from European suppliers, or buying from their Chinese operations; components go directly to factory, or re-routed to Hong Kong or Free Trade Zones. Tax optimization can generate big savings

Performance Improved: SupplyWeaver carried out full analysis on many key factors, and provided solid evidence for the real cost impact which convinced suppliers to accept significantly reduced increases.

- Average increase requests were cut 56%
- Optimized financial and material flows saved \$560k/annual
- Established price mechanism gives the client full control of price movement.

SupplyWeaver

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