



Actionable data

Actionable data opens the door to new profits by providing the information you need to fully evaluate an individual supplier's impact on your bottom line, says Thomas R. Cutler

Dashboards that illustrate real-time shop floor, plant, or warehouse production and product movement sound good. Graphs and charts that pictographically represent what is happening as it is happening also sound informative, interesting, and theoretically helpful. All these data mean nothing if they are not actionable.

As a new way to speed continuous improvement efforts, actionable data will optimally catch problems before defective, damaged, or faulty materials or ingredients are worked into finished goods. Actionable data in practice should minimize manufacturing costs while maximizing finished goods quality and profitability. Gary Nowacki, CEO of TraceGains, recently addressed the premise of actionable data: "Connecting the supply chain 'dots' from raw materials to finished goods ensures supplier compliance and measures supplier impact, and when leveraged correctly results in new profits."

Supplier impact is quickly becoming a game changer to measuring true supplier performance. Suppliers can now be evaluated on more than simply price and on-time delivery; impact on profitability, finished goods quality, and even customer satisfaction can now be evaluated according to individual suppliers. Other data allow for a clearer evaluation of true costs for ingredients based on yield or waste.

Leveraging value chain intelligence

Existing tools and methodologies rarely provide data on how a supplier or supplied ingredient affects quality and profitability. "The rules are being rewritten for evaluating vendor relationships," commented Nowacki. "For the first time, good and bad product outcomes can be traced to specific ingredients and their suppliers, as can customer and consumer feedback."

This new technological approach creates an automatic firewall for measuring ingredient quality and compliance with critical business rules, and leverages traceability to help learn how each ingredient affects the bottom line on a per-shipment basis. Measuring and managing supplier impact ensures that allowances, discounts, and returns are kept to a minimum.

Further, continuous monitoring enables companies to rank-order suppliers by commodity via a supplier quality index for yield, cost, and customer experience.

Removing errant supplies from the supply chain will limit ingredient variability and produce a better-performing, higher-quality, and more profitable finished good, with lower manufacturing costs. TraceGains' CEO suggested, "only with a minute-by-minute audit of compliance with critical business rules for suppliers, co-packers, and contract manufacturers can companies catch problems in their supply chain before they make their way into finished goods and on to the customer."

Automatic notifications and risk assessment in a dashboard format, which continuously score suppliers based on performance while generating exception alerts for non-compliance, drives actionable data. This allows companies to:

- Eliminate the need for manual COA review, and achieve 100 percent visibility on all incoming receipts without additional staff.

- Reject non-compliant ingredients before they reach the manufacturer.

- Receive automatic alerts for non-compliant COAs, missing information, or any other supplier non-compliance.

Finding new profits

Typically the rationale for this technology-driven exercise is to improve profits. The result from actionable data is a 1 to 4 percent reduction in cost of goods manufactured (COGM) by identifying sources of variability and reducing them. The typical cost of goods sold (COGS) components include distribution, ingredients, and, of course, manufacturing. According to Nowacki, "Manufacturing and ingredient costs represent major cost reduction opportunities and are operational targets for variability reduction."

The current PLM cycle takes too long to realize new profits. To counteract this reality, true product improvement has to occur at every stage in the process:

- Product inception/R&D
- Ingredient sourcing
- Supplier feedback
- Packaging & positioning
- Production
- Product rollout
- Customer feedback

Only when the PLM process is linked across the supply chain can profitability become improved. When a supplier provides material or ingredients, there must be automatic pre-delivery authentication; when product is received, automatic receiving lab authentication is needed.

Understanding the causes for product variability is the first step to reducing manufacturing costs and can be achieved by finding those attributes that are costing or saving money. The ability to leverage data to maximize profits is the only valid actionable data rationale. Nowacki insists, "Powerful solutions to analyze these links and show patterns increase the use of profit-enhancing inputs and elimination of profit leakages." The data must be connected from primary inputs and various suppliers to final finished goods outputs.

Customers and consumers provide direct feedback on specific products and specific product lots which allows for improved linking with the brand positioning.



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This information is tied to the specific upstream suppliers who provided the ingredients for the product critiqued by the consumer; these outcomes can then be added to the supplier benchmark and feedback system.

Evaluating suppliers

Actionable data results when companies are able to visually identify the ingredient or supplier that causes a product or brand problem. Now companies can provide feedback to the supplier about how they “stack up” on

key attributes, providing insight about how improvement can and must take place.

“Only when there is a comparison among various suppliers based on key attributes, beyond just logistics and price, can a company provide benchmarking back to its suppliers to improve inbound materials,” commented Nowacki. These actionable data permit the reward, discipline, and coaching of suppliers for the attributes that really matter. ●

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