



What separates leading manufacturers from laggards?

Building a Market Responsive CompanySM

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What distinguishes leading companies?

What company trait has the most direct correlation to higher profits and share price? Two recent studies found that it's a company's ability to quickly respond to market changes that distinguishes leaders from laggards. Being operationally efficient may positively impact the short term, but it does not lead directly to long-term profitability.

Companies that focus only on efficiency usually are:

- Slower at new product development and unable to fully capitalize on market trends
- Tied to more expensive sourcing options or locked into specific modes of transportation which can be costly as oil prices rise
- Unable to meet inventory demands when market trends and demands change
- Stuck with a static planning process that impedes responsiveness

Today's successful companies must be both operationally excellent and market responsive.

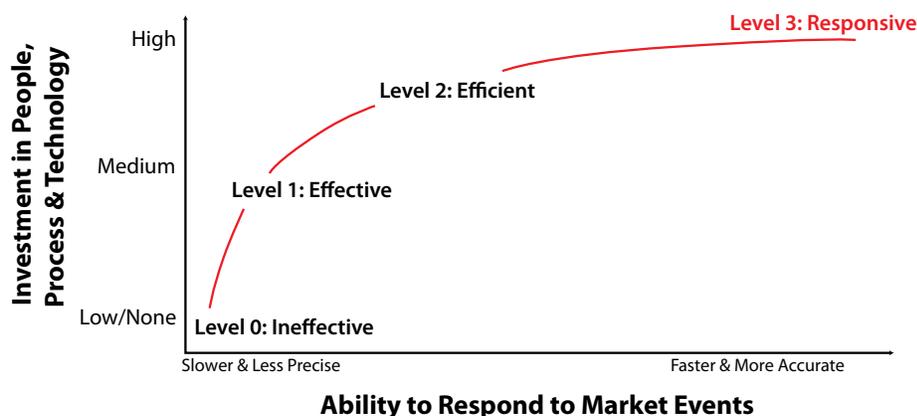
Becoming Market Responsive

Looking beyond cost efficiency is only one aspect of what we at Hitachi Consulting call *Building the Market Responsive CompanySM*. Success also requires bringing greater discipline to things like:

- Sharing information across the extended value chain by connecting customers, manufacturers and suppliers
- Improving focus on demand-shaping activities like segmentation, pricing, promotion and merchandising programs
- Determining more dynamic sourcing strategies, including the impact of transportation lead times and costs

To be responsive, companies must be able to leverage every aspect of operations to act on changes across the value chain. Companies must leverage tangible assets in order to address cost pressures, service issues, requirements changes and unexpected events. They must also be able to leverage intangible assets, such as information, across the value chain.

Market Responsiveness – Maturity Model



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Is your company Market Responsive?

- Do you statistically plan inventory levels of finished good, WIP and raw materials based on demand volatility and seasonality?
- Is your sales and operations planning process robust, strategic, and inclusive of Sales, Marketing, Operations, Purchasing, Finance, Product Development and key suppliers and customers?
- Does your forecasting process rely solely on historical demand or does it assess market stimuli and demand generation activities?
- Are your logistics providers linked electronically with your company?
- Do you have real-time or near real-time visibility of product and materials as they flow throughout your logistics value chain?
- Have you made an integrated investment in supply chain technology or do you rely on manual people and process linkages between systems and key processes?
- Is information shared across the extended value chain by connecting end-customers, manufacturers and suppliers?
- Are your sourcing strategies dynamic and do they consider other factors such as capacity, quality and transportation lead times and costs?

The key to *Building the Market Responsive Company*SM is to regularly take a holistic look at your supply chain strategy; balance your investment in technology, processes and relationships on the market-facing side with a deep understanding of the capabilities and limits on your supply side. Then marry those two with a clear understanding of how to leverage that advantage in your unique operating model.

When you are market responsive, acting on changes becomes an exercise of executing your options, not reactive replanning.

How responsive is your company? For more information on *Building the Market Responsive Company*SM, visit www.MarketResponsiveCompany.com, call us toll-free at 1.877.664.0010, or email us at Info@HitachiConsulting.com.

Recently, Hitachi Consulting successfully worked with two large, national clients to apply the *Market Responsive Company* concept for some impressive results.

Case Study: Large National Printer

A large printing company uses several modes of transportation – truckload, less-than-truckload, parcel and air – depending on the urgency and size of shipment. Some of the modes adopted fuel surcharges more quickly than others. By implementing a sophisticated transportation management system, the printer was able to analyze transportation costs, compare rates, consolidate orders, and make modal decisions much more quickly. By becoming more responsive in its transportation process, the company saved \$2 million in the first year alone.

Case Study: National Industrial Products Manufacturer and Distributor

Because commodities such as lumber have large price swings, there is a risk of being locked into high prices. This national provider of construction materials became more responsive to fluctuations in commodity prices. It implemented a system that follows the commodity exchanges and varies the purchasing rules that guide buying decisions. When the price of lumber rises, buyers purchase railcar quantities (large lot), to take advantage of rates before they rise further. When prices drop, buyers purchase truckload quantities (smaller lot), since the price may go even lower tomorrow.

About Hitachi Consulting

Hitachi Consulting, the global consulting company of Hitachi, LTD, is a recognized leader in helping Global 2000 companies be market responsive. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions that achieve measurable business value and sustainable ROI. Call us toll-free at 1.877.664.0010, or email us at Info@HitachiConsulting.com.