

How ‘first-mile’ Flaws Hinder Last-mile Success

By: JP Morris, Editor

Businesses want and need to deliver for their customers, and that’s often done by putting a ton of thought and effort into the last mile of the process to ensure success and customer satisfaction. But, while getting products and services to customers is vital, it’s not the first step.

For that, we need to focus on the first mile – that time in any company’s supply chain process where you can set a solid foundation to work with suppliers, engage services and order direct materials. The first mile is just as important as the last mile for meeting customer commitments, and it’s even more important when it comes to maximizing margin, managing inventory and recognizing revenue.

To succeed, you’ll need to improve your processes by implementing a digital transformation. That involves more than using digital forms instead of paper. To truly transform, real-time data and visibility need to be at the heart of how your company runs. Problems in the first mile need a modern solution.

First-mile flaws should be addressed before causing more and more problems along the way. These flaws exist because there’s often no easy way for buyers and suppliers to hold each other accountable, ERP data from suppliers and other outside sources can’t always be trusted, and order fulfillment has poor visibility.

Take the purchase order, for example. A single PO acknowledgment faces four opportunities to fail in just the first mile alone. Either the buyer forgets to send the acknowledgment or the supplier doesn’t acknowledge it themselves, and even then, if the supplier does receive or acknowledge the PO, it often doesn’t get sent back to the buyer. Ultimately, the ERP system does not get updated. Let’s say an organization has around 1,000 POs a year. This equates to 4,000 opportunities for costly, ERP-corrosive failure in the first mile of the supply chain.

All of these problem areas are caused by manual processes, which can lead to wasted time, eroded margins and missed opportunities. These first-mile issues then carry over into each subsequent stage in the process, which is why it’s important to update your processes and get the first mile right.

Don't let problems snowball

Let's look at some of the issues faced in the first mile so that early problems there don't ripple across all phases of your business:

- ERP data often can't be trusted because much of it comes from outside sources, like customers and suppliers. More uncertainty comes from tracking supplier performance manually, because there is no data-driven way to distinguish your best suppliers from your worst.
- Blind spots are created when a PO leaves the ERP because buyers use emails, phone calls and spreadsheets to track changes that happen throughout a PO's lifecycle. Those aren't searchable or even represented in the ERP.
- Real-time demand data is not visible to suppliers, which makes it hard to hold them accountable to lead times, due dates, pricing or quantity of shipments. When buyers and suppliers make changes to any and all of these things, those changes are rarely updated correctly in the manufacturer's ERP/MRP system. This means planning and production teams operate on inaccurate, out-of-date data – increasing the likelihood of costly mistakes and missed ship dates. This alone should make any organization want to prioritize automating their first mile in their digital transformation programs.
- Poor visibility means sales orders often aren't fulfilled on time. These late orders lead to expedite fees, overtime and penalties – all of which erode margin.
- Data errors mean other teams across the business also fly blind: Operations/production teams don't know if they'll have the raw materials they need to complete orders on time; sales and service teams don't know if they'll meet customer commitments; finance teams don't know when they'll recognize revenue.
- Procurement teams can't see or trust lead times or delivery dates so manufacturers overbuy "safety stock." This ties up cash and creates waste – waste for the company and the planet.
- The inability to match POs with invoices and receipts means manufacturers often overpay for raw materials. (Some customers claim overpayments can be as high as 30%.)

The benefits of digitally transforming your first mile

Once you've implemented digital transformation solutions to replace manual operations, the benefits will streamline your business.

Many IT and procurement teams have done just that. Faced with increased purchase prices, late and incomplete deliveries, outdated manual processes and too many late customer shipments, these teams have decided to digitize their process using software that's proven to effectively replace manual processes.

First-mile upgrades can:

- **Increase On-time Deliveries.** Automating supplier collaboration will improve on-time delivery of raw materials an average of 35%, allowing you to reduce safety stock and increase inventory turns.
- **Prevent Overpayments.** Ensuring that every supplier invoice you pay has correct pricing will prevent your finance teams from overpaying for your raw materials. Savings in this area can be as high as 20%.
- **Reduce Inventory Costs.** As on-time deliveries increase, procurement teams can stop buying so much safety stock, which means faster inventory turns and more efficient use of capital.
- **Meet Demand.** If you increase your organization's ability to ship to customers on time, you can reduce expedite fees, overtime and penalties.

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- **Boost ERP ROI.** By improving accuracy and trust in your ERP/MRP data, you can extend the ROI on your current ERP.
- **Save Time.** Imagine if your procurement, operations and finance teams could get 25% of their time back. You can if you automate manual tasks. Then you can have your personnel working on strategic goals, like finding ways to improve lead times, pricing and quality, as well as finding new strategic partners.
- **Gain Insight.** Improved visibility to manage exceptions quickly and improve analytics will increase accountability with your supplier partners and buyer teams.

Falling through the cracks

Employees know about the weaknesses in the first mile and spend a lot of time creating workarounds and patches to try to prevent things from falling through the cracks. But those manual safeguards simply don't work – leaving organizations to constantly battle first-mile errors and mistakes. The burden of these problems should not fall on employees. It's inefficient to deploy people in this way when technology can solve the problems.

In the next article in this series, we'll look at three tips that companies can follow to improve their first mile.

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