



High performance. Delivered.

An overview of supply chain concepts and examples from the development sector

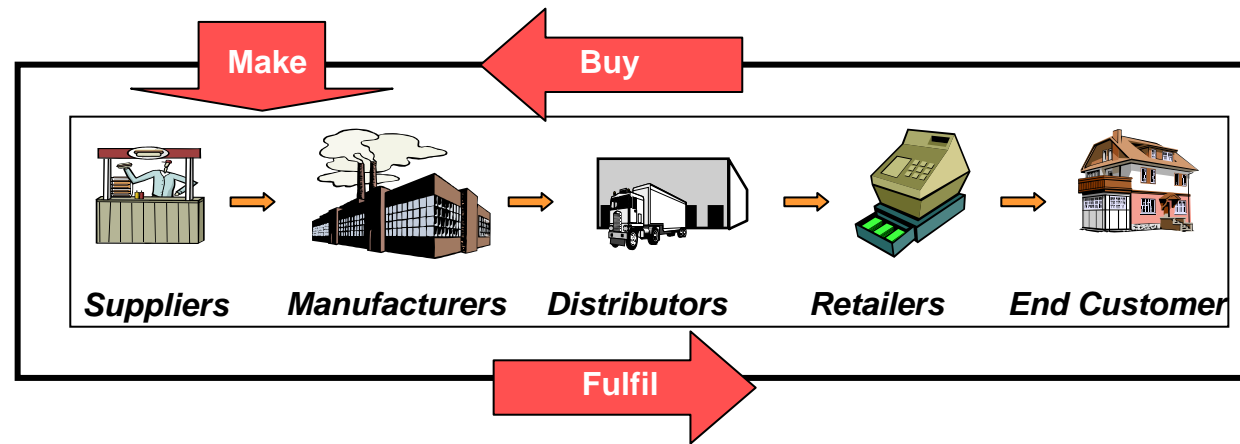
Agenda

- **What is Supply Chain Management?**
- **Example of supply chain linkages**
- **Example from the coffee industry**

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Supply Chain Management encompasses a number of key activities



- **Buy** - purchasing of goods and services required to make your product
- **Make** – producing your finished product
- **Fulfil** – ensuring your customer receives your product

At every stage of the Supply Chain, goods are **made** (or provided) by a Stakeholder; this involves items being **bought** from the previous Stakeholder, and orders being **fulfilled** to the next Stakeholder

Global supply chain trends

The supply chain as a competitive differentiator

- Low cost alone is not a competitive differentiator or long term growth strategy
- For example Seven Eleven Japan and Dell



The outsourcing phenomenon

- Niche providers can thrive from delivering a specialised service more efficiently, or cost effectively, than their individual customers can provide internally.
- For example Exel Logistics and Accenture Procurement Services



Collaboration and integration

- Companies are increasingly collaborating on three levels, transactional, tactical information sharing and strategic
- For example AZ Electronic Materials and Ford Motor Company



Supply chain management has a major impact on business performance:

- Accounting for as much as seventy percent of operating costs
- Typically comprising at least half of all assets
- 80% of Fortune 1000 companies said supply chain initiatives were able to cut cost costs, improve efficiencies, enhance customer service and revenues, or improve competitiveness

Source: Accenture research

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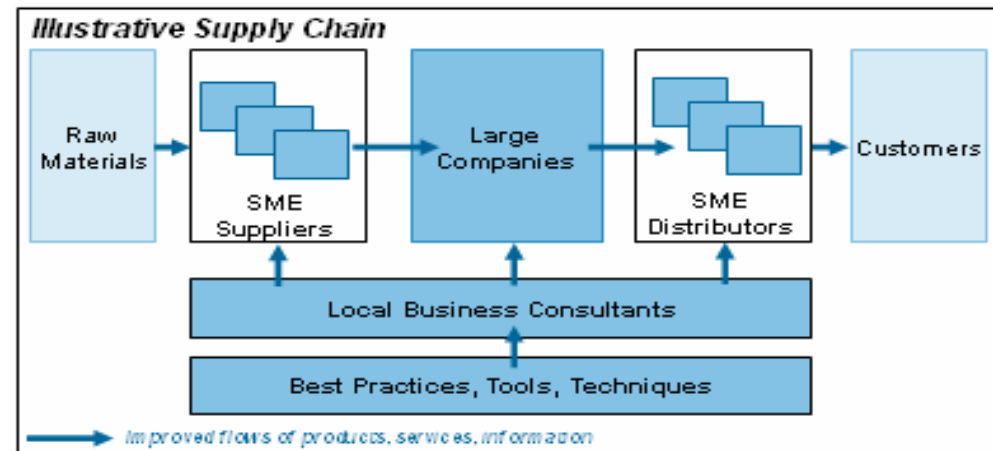
Supply Chain Linkages approach addresses the barriers to sectoral development across the value chain, working with clients to:

Identify large companies willing to invest in their local suppliers to boost their own competitiveness

Build the capacity of SMEs to meet market demands for service quality and efficiency

Partner with local consultants to increase the depth and long term sustainability of the local business development services (BDS) market

Transfer knowledge of best practices from the private sector through providing training programs and tools adapted to the local context



Example of WADI



Key Benefits of Supply Chain Linkages:

Wadi:

- Increase ability to scale business
- Provide consistent supply channels
- Improve consistency of product quality to uphold Wadi brand name
- Greater involvement with farms in growing process

Small Farmer:

- Reduced risk of production
- Relatively fixed income
- Ability to focus on core competency
- Access to high quality feeds and vet services

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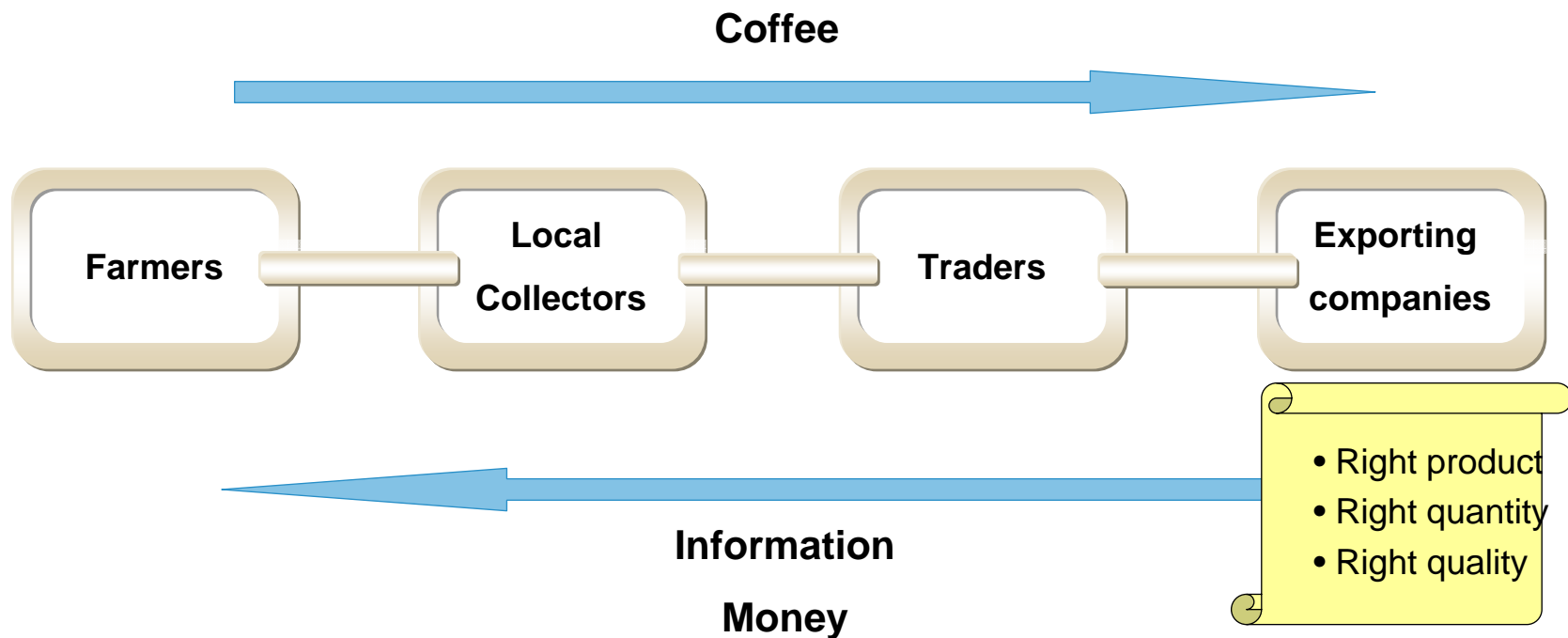
Why Coffee?

- Aceh produces some of the world's finest Arabica coffees...
 - *“A complex fruitiness anchored by musty notes that read persuasively as sweet earth immediately identify this coffee as a traditional style Sumatra. The fruit reads most clearly as chocolate in the aroma, with tickles of raisin, citrus, perhaps papaya. In the cup sweet and bracingly earthy with a tart twist that suggests pineapple or grapefruit. Medium body. Rounds from short finish to long in a sweet, gently rich trajectory.”*¹
- The market for specialty coffees continues to grow rapidly...
 - *“specialty coffee has become one of the fastest growing food service markets in the world, netting an estimated \$9.6 billion in the U.S. alone in 2004”*²
- Organic coffee commanding a premium price continues to grow in popularity...
 - *A Stanford University Study has found that 66% of consumers are willing to pay more for a company's products and services if they believe the company is environmentally and socially responsible”*³

1. www.coffeereview.com, Cupping Notes for an Aceh coffee
2. www.scaa.org, What is Specialty Coffee?
3. www.equator.ca, Coffee industry overview

The Supply Chain for Exporting Arabica Coffee from Aceh

- The supply chain consists of the economic actors who own the product as it moves from the farmer to the end customer
- Improving the flow of products and information through the supply chain will enable goods to be delivered to the customer at lower cost, meaning improved profits to the actors in the chain



Supply Chain Thinking

Traditional thinking:

Stimulate supply by focusing on agricultural productivity (eg new crop varieties and better crop management)

...However...

There is little point in pushing for higher yielding technologies or techniques when markets do not exist for the increased outputs, or when productivity saturates the market and depresses farm gate prices



Supply chain thinking:

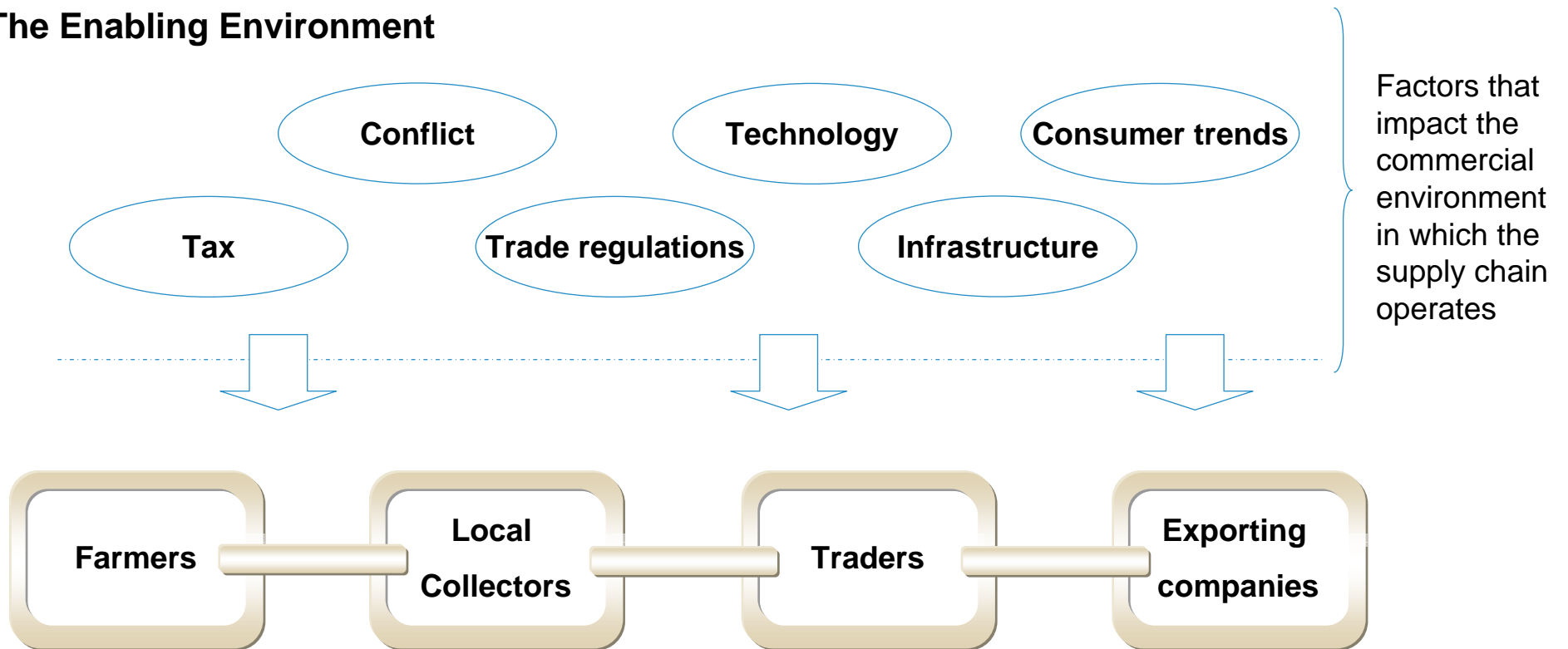
Align efforts to stimulate supply with improvements along the supply chain to meet the requirements of the market

...This means...

Providing better visibility of market requirements back up the supply chain and removing any obstacles to delivering the right product in the right quantity at the right quality

Achieving Supply Chain efficiency requires an Enabling Environment that support the smooth flow of goods and information

The Enabling Environment



The Forum and working group

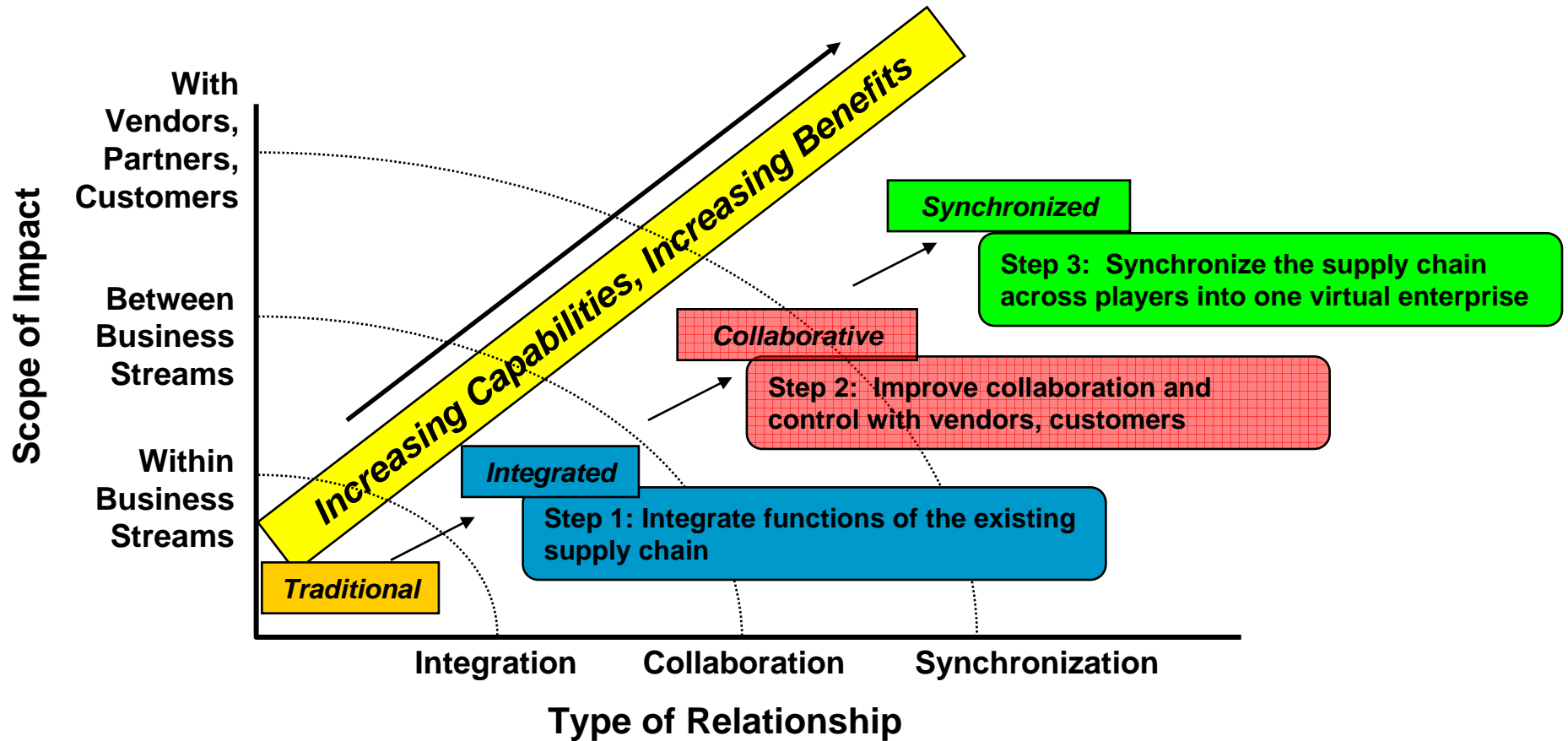
- The Forum involved **participants from all steps of the supply chain**
- A working group has been formed to develop action plans and oversee specific initiatives relevant to **improving farmer livelihoods** and **promoting growth of the industry** as a whole
- The Forum will provide **overall coordination** and a way of sharing information between the working group and with other stakeholders
- The Forum will **facilitate linkages with potential investors** from NGOs, donor organisations and the private sector



Thank You

Multi-enterprise collaborations

The Supply Chain Continuum



First step: Asses your supply chain performance

Industry
Trends

What affects
you?

Supply Chain
Capabilities

What capabilities
must I have?

Key
Performance
Indicators

How do I know
how well I am
doing?

Business
Impacts

How will the
trends affect your
business?

Value
Propositions

How much is
changing worth?

Leading
Practices

What are the
leaders doing?

- ✓ Understand your current capabilities, set performance-level targets and identify improvement opportunities.
- ✓ Focus on finding value opportunities **across** operations.

Total Cost of Ownership: Are you seeing the full picture?

