

The Supply Chain: Is Supply Meeting End-to-End Demand?

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Is supply meeting end-to-end demand? Recent studies and industry analysis point to the conclusion that from raw materials to end-user delivery, the supply chain has actually slowed in the last 50 years. And a recent study by the Institute of Supply Management indicates the trend continues. The study shows, for example, a decrease in productivity during the course of just this year, and these statistics seem to substantiate the manufacturing industry buzz that supply chain jams have accentuated the failures of many suppliers during the economic downturn.

These supply chain jams, which are resulting from cutbacks and reduced capacity in intermodal transportation, mean that factories are waiting longer to get the goods they need. And while the story seems to fly in the face of all the advances and productivity enhancements brought about by improved equipment, warehousing efficiencies, and technology, there is some evidence that it takes manufacturers longer to get deliveries, today, than it has at any time since 1960.

Up, Up and Away! Air Transport Stats Show Solid Growth through 2010

As the global economy improves, demand increases. But as demand increases, available capacity diminishes. IATA, for example, reports that the 2010 profit forecast has been upgraded from the earlier projection of losses to a small net profit of USD 2.5 billion for the commercial airline industry (other than Europe). Air travel growth is projected up 7.1% and cargo up 18.5%. Load factors have reached record levels as capacity returns to the market, though at a slower pace than air transport demand. Likewise, in Europe, road freight rates have risen to pre-recession levels in large part because increased demand has resulted in a significant drop in available capacity there.

So, as the global economy returns to (at least) 2008 levels and to sustained profitability, the logistics and transportation sector must, in turn, be agile in providing the capacity to respond to marketplace need to optimize their profitability. The needs are as simple (and complex), today, as they have been for the last 50 years.

Capacity, Capacity, Capacity

Provide capacity for movements of raw materials and goods, efficiently and profitably, and in a timely manner.

Use technology and state-of-the-art efficiencies to get ahead of capacity trends on behalf of the customer.

Finally, ensure your people have the capacity and talent to step up to the challenge.



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