

# Squeezing in profit through supply chain

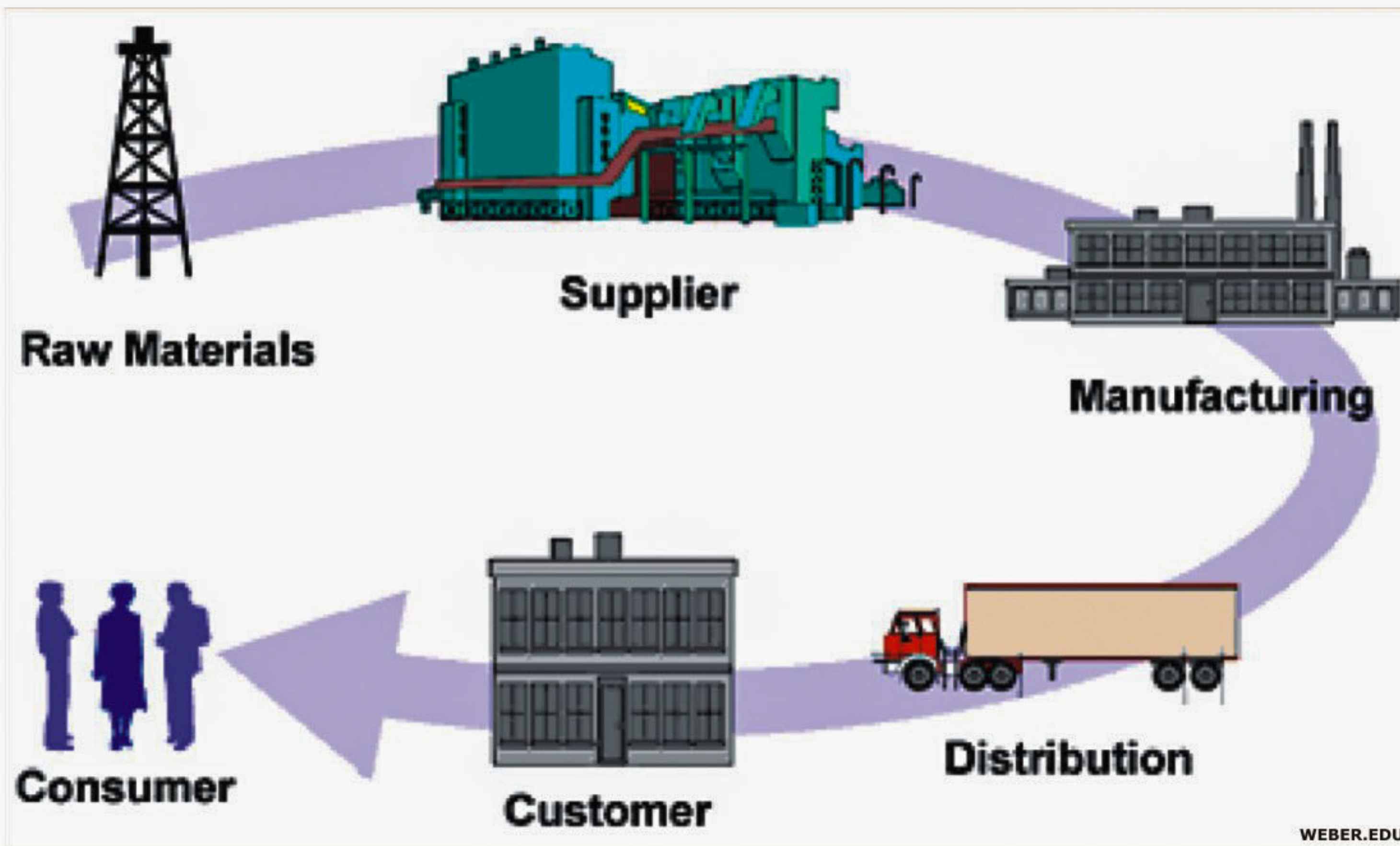
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In today's fiercely competitive and transparent world, a company wanting to make reasonable profits needs to look at all aspects of its business to squeeze in margins. The upper and lower price band of a product is more or less determined by the market's willingness to pay and our competitors' game plan.

So how do we survive? A company can either take the route of being a cost or a brand player. If the strategy is to drive costs down, the business will look at all avenues of its cost base to make reductions and become the lowest cost and price player. On the other hand, if the strategy is to build the brand, the additional brand-building marketing costs would need to be absorbed. As such, the price cannot be the lowest in the market. And of course, if you are a brilliant strategist like Apple's Steve Jobs, you can make wholesome margins on iconic brands beyond the dreams of the average.

Another middle of the road strategy is a combination of both, a relentless pursuit of cost minimising and building brands through reliable product offerings. This is where the Japanese have excelled.

I was fortunate enough to visit a Toyota manufacturing plant in Japan to see first-hand, the excellence of Japanese car manufacturing. The plant was producing a car a minute. As we walked through the especially designed gallery for visitors, it was an amazing sight to see. Each car was a different model in terms of colour, model,



options and extras. We saw the magic of an integrated supply chain that brought in thousands of parts together, just in time, to deliver the end result, a car designed as ordered by the customer.

So what is a supply chain? To put in simple terms, it is a process by which we make products reach our customers and in exchange, receive money.

Any organisation has a supply chain function, although it may not be quite as labelled. I have come across companies where, for example, inventory or stores report to the finance division, while actual sales transactions are being done by sales personnel. Bits and pieces

of supply chain activities are done by various functions.

What we need now is to have a supply chain function, which actually is a custodian of the company's inventory assets. We need to clearly differentiate between demand creation by sales and marketing, and actual demand fulfillment by the supply chain. Therefore, the supply chain has to procure raw materials, pass it through manufacturing to produce what customers want, and create a distribution flow by which the product reaches its customers.

Having an integrated supply chain process is the area of opportunity for organisations

to save on costs and thereby, increase its profitability.

How does the supply chain process work? It begins with customers. The sales and marketing team is responsible for demand forecasting and generating the demand, creating orders for products that need to be supplied. This is fed to supply chain, which plans on the procurement of goods. Depending on the nature of the business, it may need to pass through a manufacturing process, which is also a supply chain function. The goods are then stored in warehouses, moved to distribution points, either own or through channels, and then sold to customers. The procure-

ment and hand-over of goods in the process, until it reaches the customers, is a supply chain function.

Demand forecasts lead to procurement planning. An efficient and effective procurement function within a supply chain ensures that goods are bought at most competitive prices. This is the first step in bringing profits into the company. A skillful negotiator can substantially save at the point of purchase.

If there is manufacturing involved, production nearer to sales can squeeze working capital costs. Within the manufacturing area, there are a host of opportunities to build up effi-

ciency, quality that can minimise costs, and further improve the cost structure of the end product.

As the product passes from manufacturing to distribution, we need to move inventories fast to minimise inventory holding costs. On top of it, inventories mean warehousing and transportation, which are again costs. How best to meet customer demand in a smooth and efficient manner at the best possible cost is where we need a supply chain wizard to work-through the areas of storage and transportation.

The supply chain needs to design touch points, which are customer friendly in terms of paperwork, delivery and care. This is where customers have physical contact with our products and our people. This experience is what is called the 'moment of truth', whether the customer will buy and come back again and again or turn his back, never to return.

A well-established supply chain functions smoothly with a robust information system. The web of interconnectedness in today's world can ensure the seamless supply of a product to the full satisfaction of the customer, as I saw at the Toyota plant.

The supply chain is certainly Toyota's major competitive advantage, which has helped it to be a top global car company. If we are to learn lessons from the masters, this is one -- build up a professional supply chain function in your business to be a leading edge company.

The writer is the managing director of Syngenta Bangladesh.

## Belgium's beloved chip stall fights to survive

AFP, Brussels

The warm smell of fries attracted a steady stream of customers to a box-shaped chip stand on a chilly winter afternoon near the famous Atomium monument in Brussels.

Belgians are willing to wait in long lines at their favourite outdoor chip shacks, but the rickety stall at the foot of the 102-metre-tall (334 feet) steel landmark is an increasingly rare sight in the country famous for its crispy fries.

Fewer than 1,500 are scattered around the country today, after thousands were driven out in the past two decades by stringent European health rules and aesthetics-conscious municipalities which see the greasy stalls as eyesores.

At a time of political uncertainty, with a feud between Flemish and French-speaking parties raising fears of a breakup of Belgium, some Belgians have used online petitions and pressure on town halls to defend this symbol of national identity, what francophones call "Belgitude".

"The chip stall is a mini-Belgium, the mirror image of Belgians," said Bernard Lefevre, president of the National Union of Chip-makers, who has fought to convince town halls about the importance of keeping this institution alive.

They are called "fritkot" in Flanders and "baraque a frite" in Wallonia, but they look the same everywhere: rectangular stalls serving large portions of fries stuffed in a tight paper cone for just 2.20 euros (\$3).

Tatiana Henry, a Belgian student who lives with her Peruvian boyfriend in California, brought him to the Atomium chip stand to give him an authentic taste of her home country.

"I love it. It's basically Belgian," Henry said.

"You don't find this in America," said her boyfriend, Neil

Vilchez, who followed the local custom by dipping his fries in mayonnaise, the sauce of choice this side of the world.

-- "Belgian" fries, not "French fries" --

Boasting that they invented chips, Belgians are quick to correct Americans who call them "French fries".

"When American tourists order from us, we tell them, 'they're not French fries! They're Belgian fries,'" said Josiane Devlaeminck, 60, who works at the Atomium fritkot.

There is an art to making and serving Belgian fries.

An authentic chip stall will cut fresh potatoes by hand into precise slices, fry them once in beef fat at 140 degrees C (284 degrees

F), and a second time at 160 degrees, giving them a crunchy outerlayer with a soft and moist burst of flavour inside.

Like an origami expert, the chip-maker then tightly folds several pieces of paper into a cone to serve the goods.

Belgian lore has it that fries were invented in the 18th century by river fishermen who decided to slice potatoes and fry them up when they were unable to fish in the winter.

It was American, Canadian and British soldiers stationed near the Yser river during World War I who began to call them "French fries" because the people in the area spoke French.

The first chip stalls began to appear in the mid-19th century,

Lefevre said, noting that this ironically coincided with the birth of Belgium as a nation in 1830.

Fritkots were originally caravans that would move around the country, stopping at fairs. Today the wheels are gone and they are permanently parked in front of churches, on sidewalks or in town squares.

People consider them part of Belgian life and charm, a place to mingle and discuss sports and politics.

"It's a place to meet people. We see Flemings, Walloons, everybody gathers at the chip stand," said Mustapha Lahmidi, a 55-year-old buying chips for his wife at a "baraque a frites" on a sidewalk in the capital's Saint-

Gilles neighbourhood.

But many municipalities see them as a blight in historic town squares.

An online petition and Facebook campaign helped Thierry Van Geyt, the owner of a popular "baraque a frite" at Flagey Square, keep his lease but he was forced to build a new stall in order to stay in business.

"It's true that my old fritkot was not very pleasing to the eye," said the 49-year-old former hair dresser and equestrian instructor, who built a slick new stall to replace his graffiti-strewn shack.

"The health controls are demanding," he said. "It's as if everything must resemble McDonald's."



AFP

Josiane Devlaeminck serves Belgian fries to customers at the Atomium "fritkot", the Flemish word for a fries stand, in Brussels.

## Resetting Egypt's economy

MOHAMED A EL-ERIAN

While Egyptians are yet to specify the final destination for their revolution and only they can, and should do so, there is little doubt in my mind that the country is now on a new, bold and uncertain road toward greater democracy and individual freedoms. The next few days and weeks will be critical in determining the journey for a country that is central to the stability of the Middle East.

Undoubtedly, domestic political developments hold the key to what will happen. Egyptians need to converge on a common understanding and vision of "managed change". And this vision must satisfy the millions of Egyptians from all ages, religions and walks of life that unite in Tahrir (Liberation) Square and elsewhere to better influence and improve their destiny.

Yes, street and state politics are the undeniable drivers today. This will involve both upheavals and compromises. Yet economics and finance will also play a crucial role, especially when it comes to the urgent recovery of an economy that has experienced one of the most dramatic "sudden stops" in recent history. In the process, this will also define how Egypt's friends and allies can come off the sidelines and help the country's unprecedented transformation.

For two weeks, economic activity was at a virtual standstill. Supplies dwindled. Banks and many shops closed. ATMs ran out of cash. Schools and offices were shut. Domestic and international trade was disrupted. Tourism evaporated.

Egypt's economy will need to restart and reset. Three factors stand out in a process that is critical for the longer-term well-being of the country, including the millions of Egyptians that are protesting for greater freedoms.

First, Egypt's banking system must resume normal operations in an orderly fashion. A very good start was made on Sunday to bring part of the system back on line, and important challenges remain.

The central bank has no choice but to flood the financial system with both domestic and dollar liquidity. And both the central bank and the commercial banks must continue to avoid the temptation to overly curtail deposit withdrawals lest that, in itself, fuel a deposit run.