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[Case Study] Cisco's Supply Chain Transformation

Cisco has a global supply chain that supports more than 300 product families. The company strives to meet the needs of a wide range of customers, something that's not easy to do when each customer has unique fulfillment needs. Cisco recently made several changes to improve fulfillment processes and increase profits, a total supply chain transformation that will help Cisco remain a leader in the industry.

A Quick Look at Cisco's Supply Chain



Image via [Flickr](#) by Leonardo Rizzi

In general, Cisco operates on a configure-to-order model where customers must make large production orders before product is manufactured. However, Cisco does have a few build-to-stock products for which the company maintains adequate inventory levels to meet the demand for popular items. Before the major supply chain transformation, Cisco had 16 configure-to-order manufacturing facilities and four build-to-order facilities. Additionally, the company operated eight logistics centers with thousands of suppliers and partners.

Cisco Aimed to Increase Supply Chain Scale and Agility



Image via [Flickr](#) by Photographing Travis

For several years, [Cisco has been growing at a steady rate](#) through business acquisition deals. However, this proved to hamper agility because implementing processes that result from business acquisitions can take a long time. Additionally, Cisco had a highly customized supply chain that the company managed in 19 separate databases with more than 30,000 custom data objects. These two problems, along with a lack of industry standard practices, temporarily held Cisco back.

Cisco Simplifies Large-Scale Services

At the beginning of 2012, Cisco's Chief Information Officer, [Rebecca Jacoby](#), suggested that the company only use standardized processes in its supply chain in an effort to simplify large-scale services. Customization would still be available where needed, but Cisco would gain more flexibility with standardization. The company decided to use Oracle R12 out-of-the-box for 95 percent of supply chain operations. This enabled the company to consolidate processes and create a more streamlined fulfillment structure. Cisco also decommissioned its data center in San Jose to simplify and streamline.

Cisco's Transformation Process



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Moving all of Cisco's supply chain processes to Oracle R12 business suite was not an easy feat. Cisco's IT department and stakeholders spent countless hours managing business requirements and capabilities during the transition. They analyzed every function of Oracle to make sure it would support Cisco's existing processes. Then, when they found a satisfactory matchup, they could complete the transition. This was a slow and tedious process because everything from demand and supply planning to scheduling, backlogging, and customer communication had to be managed. However, switching over to Oracle meant that Cisco could take advantage of new business capabilities.

After the switch was complete, Cisco only had 10 to 15 custom applications left and only needed one database. That was a major change from the 19 databases and 2,500 custom application that the company managed previously. This supply chain transformation allowed Cisco to reduce its response time, automate several processes, and improve customer communication. With these changes in place, Cisco should be able to continue to maintain strong partner relationships and keep customers happy.

The Journey to Solar Power and the Electricity Revolution

Environmentalists have been pushing for widespread solar power use for years because it's renewable and clean. Much of the resistance they encounter results from an unwillingness to pay the high initial cost of setting up the solar power infrastructure. Luckily, the cost of solar power won't be a problem forever. Analysts predict that solar power will be the cheapest form of electricity within a few short years, paving the way for solar power to start an electricity revolution.

Solar Power Is Dropping in Price



Image via [Flickr](#) by david.nikonvscanon

A [Bloomberg Business](#) report indicates that solar power costs will continue to fall in a number of markets around the world. Analysts are confident enough to predict that this will happen as soon as 2026, but that means the price of solar energy must still drop by 50 percent. The Bloomberg report states that solar power will eventually be so cheap that fossil fuels will no longer be able to compete.

Solar power currently makes up [less than 1 percent of net electricity generation](#) around the world, but this number is growing fast. In some areas of the world, solar power advancements are already cost-effective. For instance, in Dubai solar power only costs \$.05 per kilowatt. Solar power projects are popping up all over the world, especially in sunny places. Many new solar power farms are under construction in locations like Brazil, India, Uruguay, the U.S., and more.

The Power Production Competition



Image via [Flickr](#) by Walmart Corporate

Coal, which generates 39 percent of power in the nation, is still the front runner for [electricity generation in the U.S.](#) It's followed by natural gas, which generates about 27 percent, and nuclear power, which generates 19 percent. Other renewable energy sources are already ahead of solar power in terms of electricity generation. For instance, geothermal and biomass power represent about 2 percent of the total, and wind power represents 4.4 percent.

Europe is heavily focusing on wind power. Denmark currently generates [140 percent of its electricity](#) from wind turbine farms. While it's likely that solar power will take off soon, wind power also has significant potential. As renewable energy replaces coal and nuclear power sources, solar power and wind power will serve as the major competitors. Some predict that solar will come out on top because the sun is more reliable and predictable than wind.

Nations Turn to Solar Power



Image via [Flickr](#) by theglobalpanorama

Solar power remains easier to implement than wind power because solar conduits can be placed anywhere while wind turbines require more specific conditions. Right now, [Germany leads the way in solar power generation](#) with 35.5 GW, followed by China (18.3), Italy (17.6), and Japan (13.6). The U.S. comes in as number four, but with only 12 GWs. Spain, France, Australia, Belgium, and the United Kingdom are also making strides to implement more solar power infrastructure.

Solar cells already cover many buildings and automobiles, a look that could hint at the future of cities around the world. Solar power is renewable, reliable, and dropping in price, making it a promising power option that will help the U.S. and the world improve the environment and continue to function sustainably.

[Case Study] Amazon Prime Tries New Logistics Approach

Amazon is a master at adapting. That's why the company has been so successful in the ecommerce industry. Amazon frequently assesses its customers' needs and then implements solutions before competitors even see a new trend, as evident with the introduction of Amazon Prime and a push for Sunday delivery. Now Amazon Prime is trying a new logistics approach that will force retailers to change the way they approach delivery to better meet customer needs.

Situation: Amazon Strives for Same-Day and Same-Hour Delivery



Image via [Flickr](#) by Aurelijus Valeiša

Amazon CEO Jeff Bezos described his vision of [delivering packages in as little as 60 minutes](#) with the use of drones. At the time, many ridiculed his ideas for being too futuristic. However, Amazon still aims to get packages out to customers as quickly as technology allows. As a result, Amazon is challenging the logistics industry to move quickly and keep up with the demand of customers.

The reason that people still opt to go to a store to purchase a product instead of buying it online and having it shipped is because they want instant gratification. Amazon wants to make this possible with delivery that's so fast customers won't think twice about buying something online.

Approach: Amazon's New Patent for Anticipatory Shipping



Image via [Flickr](#) by Galeria de > Bee, like bees! <3

Amazon filed a patent in 2012 that outlined the company's plans to speed up delivery with a concept known as anticipatory shipping. The patent indicated that items would be packaged together for eventual shipment. Then they would be shipped to a geographical destination, and the final delivery destination would be determined when the package was already in transit. This would allow packages to arrive to customers the same day an order was placed, sometimes within as little as one hour. In some cases, items could arrive to customers before they placed an order. The patent was approved in December 2013.

Impact and Advantage of Anticipatory Shipping



Image via [Flickr](#) by Mike Licht, NotionsCapital.com

[Anticipatory shipping](#) relies heavily on predictive analysis and big data. Amazon aims to know what customers want before they make a purchase. Amazon will do this by analyzing search data, wish lists, the amount of time spent on a specific product page, and customers' previous purchase history. Then Amazon will ship items to a geographic hub where the company thinks the products will sell well.

The idea of demand forecasting is not new. However, Amazon's patent is different because it uses current customer data and algorithms to make predictions. It's unclear whether Amazon would actually ship products to customers without an order, but that seems to be a possible direction. In that case, customers could then try out the product and decide whether to keep it or not.

Amazon has already invested heavily in warehouses and logistics capabilities. Anticipatory shipping would be a way for Amazon to better take advantage of investments. There are very few online merchants that could pull off an operation as impressive as anticipatory shipping, and Amazon believes this move will keep the company at the top. Amazon will likely test anticipatory shipping in specific markets soon.

4 Companies That Know How to Manage a Healthcare Supply Chain

The healthcare industry faces numerous unique supply chain challenges. Hospitals and other medical facilities need the supplies they order in a timely manner because delays can mean the difference between life and death. For instance, if a hospital ER department does not have enough saline bags, a patient could die of dehydration. Healthcare supply chains also have to manage refrigeration for some medications and other supplies, and any non-routine order must be expedited. Here are four healthcare supply chains that are doing things right.

Cardinal Health



Image via [Flickr](#) by Nick Saltmarsh

Cardinal Health manufactures, wholesales, distributes, and retails pharmaceutical goods. The company has branched out into home healthcare with the integration of AssuraMed and increased its influence in the medical devices field with the acquisition of AccessClosure. Gartner ranks Cardinal Health as the [number one healthcare supply chain company](#). One of the reasons this company does so well is that it uses lean six sigma standards in all processes and operations. Cardinal Health wants to achieve collaborative healthcare with all of its suppliers as well as continually work to streamline its supply chain.

Mayo Foundation

The Mayo Foundation has excellent supply chain leadership, and the company prides itself on retaining and developing talent. The company has a strategic plan to control patient costs and balance high quality healthcare at the same time. One thing that sets the Mayo Foundation apart is that its supply chain is committed to education and aims to change market dynamics. The [Mayo Foundation has a logistics program](#) where other suppliers can go to learn industry best practices and get tools to improve.

Intermountain Healthcare

Intermountain Healthcare is another company that consistently gets recognition for its efforts in supply chain management. The company recently opened a new supply chain center to service all of its hospitals in Utah and the surrounding region. This \$40 million investment has gone a long way in improving supply chain practices. Intermountain Healthcare carefully selects its suppliers to keep costs low, and the company has an intricate network of couriers to deliver goods to hospitals every day.

Owens & Minor

[Owens & Minor](#) uses a revenue enhancement and clinical inventory system to avoid product recalls, overstock, and costly expirations. The company has mastered the art of efficiently moving product from one location to another with speed and accuracy, which is why Owens & Minor ranks among the top leaders in healthcare supply. Owens & Minor analyzes customer needs and makes forecasts to avoid letting items sit unnecessarily on shelves too long, so clients never need to order more than necessary. The company keeps purchase costs low through competitor analysis, and Owens & Minor's integrated technology ensures that the supply chain runs as efficiently as possible.

One thing that all of these companies have in common is a commitment to supply chain consolidation and efficiency. When dealing with so many products and numerous distribution channels, it's important to carefully analyze all costs and look for ways to improve profits. A network of good distributors is important, but so is an internal infrastructure of distribution, acquisition, and problem resolution processes.

The World Bank Reforms Its Procurement Policies

Every year the World Bank loans between \$15 billion and \$20 billion to government contracts around the world. Contractors must go through a bid process to be considered for government contracts, but it lacks transparency and consistency. The World Bank intends to reform its procurement policies in order to cut down on fraud and unfair contracts. The bank is pushing for integrity from contractors and more open communication from countries looking for bids.

Corruption in World Bank Procurement Policies



Image via [Flickr](#) by danielmoyle

Government contracts available through the World Bank reveal extensive corruption, largely due to their anonymity. Currently, contractors do not have to disclose the beneficiaries of awarded government contracts, and they must only disclose the name of the business that places the bid. There is no way of knowing your competition before putting in a bid for a government contract through the World Bank, and only the winning contractor is announced.

[Shruti Shah](#) of Transparency International-USA stated, "We are asking the World Bank to take a leadership role to prevent the corruption and cronyism that exists in government contracting when politically connected officials and companies are able to hide their connections behind the screen of an anonymous company."

World Bank Reform Measures

The World Bank is making significant motions to improve procurement policies that lead to less corruption. Because the new policies require a large-scale change in culture, they generate a lot of resistance. The World Bank recently launched a new online system to help companies with the bid process and to make it more transparent. This system, known as STEP, is a tracking process that helps bidders submit all of the necessary documents to be eligible to win a contract.

The World Bank also recently released a mobile application that provides procurement data from previous bids. World Bank representative [Joao Veiga Malta](#) said, "What we wanted to do was to be able to provide you the procurement information that the bank had with an easy reach so that you did not necessarily need a master's in statistics in order to be able to do an analysis." The app has some shortcomings, but it is still a work in progress.

The World Bank also aims to allow countries more flexibility in choosing their contractors. For instance, the World Bank has proposed a more tailored approach with which countries can choose contractors based on quality and experience, along with cost. Standard procurement procedures do not work well for all countries.

A Cultural Change at the World Bank

The World Bank has received ample support from anti-corruption supporters. [Jeffrey Gutman](#), Senior Fellow for the Global Economy and Development Program, said, "The resultant framework, policy, procedures, and guidelines offer great potential to make public procurement a more effective strategic instrument for achieving quality outcomes while guarding against fiduciary risks by offering a more robust approach and menu of procurement options, consistent with global best practice."

The World Bank hopes that other lenders in the same position will decided to even the playing field for both countries seeking bids and contractors. The corruption must end, but this can only happen with sweeping reforms that change the cultural outlook of proposals and the contractor bid process.

Related Procurement Events

Certified International Procurement Professional (CIPP)

- 23-25 November 2015–Singapore
- 7-9 December 2015-Hong Kong
- 21-23 March 2016-Kuala Lumpur, Malaysia
- 22-24 May 2016-Dubai, UAE
- 25-27 July 2016-London, UK
- 15-17 August 2016-Singapore
- 26-28 September 2016-Jakarta, Indonesia
- 24-26 October 2016-London, UK
- 13-15 November 2016-Dubai, UAE
- 28-30 November 2016-Singapore
- 12-14 December 2016-Hong Kong

Download the full details:

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- 23-26 November 2015- Singapore
- 6-9 December 2015- Dubai
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Certified International Supply Chain Professionals (CISP)

- 16-18 March 2016-Kuala Lumpur, Malaysia
- 20-22 April 2016-Jakarta, Indonesia
- 17-19 May 2016-Dubai, UAE
- 20-22 July 2016-London, UK
- 10-12 August 2016-Singapore
- 21-23 September 2016-Jakarta, Indonesia
- 19-21 October 2016-London, UK
- 23-25 November 2016-Singapore
- 7-9 December 2016-Hong Kong

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