

Lisa Anderson's Profit Through People® Newsletter



Enabling Scalable, Profitable Growth No 195, April 2024

As our inaugural newsletter from LMA Consulting's founding in 2005, Profit through People remains our flagship brand because although most clients call us because of our manufacturing, supply chain and technology expertise, the 80/20 of success goes straight to people!

Lisa's Note

Happy Spring!

I cannot believe how much time has flown by in a blink of an eye. It has been a whirlwind with clients, a trip to AZ to see my family, tax prep organization (for the professionals) although I have quite a few to do in addition to my business and personal taxes, and a few events for ASCM-IE

(Association for Supply Chain Management) and ProVisors (group of trusted advisors).

I am on my way to meet a group of global consultants to talk strategy and then travel a bit around Italy. I'm looking forward to working on my business instead of being immersed in my business (as clients have been struggling with resources, and so it has been quite consuming). Certainly, I'm also looking forward to seeing several cities I've never seen before including Lake Como. I've always wanted to see it, and so let's hope it lives up to the expectations.

From a business standpoint, it has been a successful quarter. We finally emerged successfully from a massively consuming project as the client simply didn't have the resources, tools, or priorities tuned in, and so we had jump in and tap dance to help satisfy customers. On other fronts, we have been helping clients upgrade planning and scheduling processes which improved on-time delivery, lead times, and operational efficiencies and we completed successful **SIOP** (Sales Inventory Operations Planning) projects which improved customer service, supported growth, and delivered EBITDA.

Read more about how to implement SIOP in our recently released book, SIOP (Sales Inventory Operations Planning): Creating Revenue and EBITDA Growth, published on [Amazon](#) (paperback, Kindle) and [iTunes](#). We have a special [free download](#) for our newsletter subscribers. We just ask that you add a review on [Amazon](#) if you gain value from it. I'd love to hear your feedback, and our Amazon ratings would benefit! Additionally, check out our new [supply chain assessment quiz](#) to find out more about your supply chain effectiveness.

Talent remains #1. I listened to an expert on the Millennials and Gen Z generations recently, and it explains much of what clients are experiencing. The lack of decision-making and lack of comfort with ambiguity are throwing clients for a loop. As more and more baby boomers retire and Gen X leaders get frustrated, look for career change or strive for early retirement, it leaves a BIG gap. Pay attention to your talent.

IN THE NEWS



I was thrilled to be on [Bloomberg TV](#) twice to discuss the latest on reshoring and Boeing's latest supply chain issues.

And for the rest:

- Published an article in *Smart Industry*, [Leveraging ERP and Related Technologies For A Diverse Customer Experience](#)
- Spoke on [Manufacturing Matters](#) podcast about Unraveling the Supply Chain in Defense and Munitions and Today's Medical Developments.
- Quoted in SelectHub's articles [Supply Chain Automation is Changing the Landscape](#) and [Manufacturing Trends 2024: Maintaining A Competitive Edge](#)
- Published articles in *Adhesives & Sealants*, [Win win Focus on the Customer and Costs](#) and [Automate, Digitize & Thrive in the Supply Chain](#)
- Published articles in *Brushware Magazine*, [Integrate AI in Manufacturing to Raise the Bar](#) and [Skills Gap for Manufacturing Success](#)
- Quoted in an [NPR article](#), As Houthi attacks on ships escalate, experts look to COVID supply chain lessons. The article was picked up in [Kuow](#) and [Capradio](#)
- Quoted in *El Pais* on [This is how companies deal with the Red Sea crisis: planes, storage, and closest suppliers](#)
- Quoted in [IE Business Daily](#) in an article "IE industrial market to face strong headwinds in 2024"
- Quoted in [Inbound Logistics](#) on 13 Top Benefits of Automating Your Supply Chain
- Quoted in [BBC](#) on Why Firms Are Bringing Their Manufacturing Back Home
- Published press releases on [Supply Chain Optimization](#), [Supply Chain Volatility in the Red Sea](#) and [The Francis Scott Key Bridge Collapse](#).
- Our press releases were picked up by [CSCMP](#) and [Today's Medical Developments](#).

Enjoy,
Lisa

P.S. Know anyone who is interested in getting ahead of the rapidly changing global business conditions by creating predictable revenue and proactively planning capacity? Refer them to [us](#).

The **STRONGEST LINK** in Your Supply Chain™



STRATEGY

SIOP / S&OP: Reallocating Manufacturing & Supply Chain Capacity to Mitigate Risk & Ensure Success

The supply chain is in a constant state of disruption. As we discussed on [Supply Chain Chats](#), simple backup plans are no longer enough. In fact, you can look at recent events and determine if a backup is sufficient. Starting with the



pandemic, of course, most if not all companies didn't have a sufficient enough backup plan. On the other hand, those that consistently used their backup source of supply had a more successful conversation than those that just wanted the backup supplier to be there "in case".

A Series of Supply Chain Disruptions Since the Pandemic

Since the pandemic, there has been a series of events in the global supply chain that demonstrate that a backup plan is no longer sufficient. A ship got stuck in the [Suez Canal](#), creating a chokepoint in the global supply chain. The Russia-Ukraine war created supply chain disruptions and inflationary pressures in the energy, food, and commodities sectors. China's zero-COVID policies created further supply chain disruptions as manufacturers shut down and logistics systems were disrupted.

There have been a series of supply chain issues, creating the obvious need to reevaluate sourcing strategies. Let's assume you are a company in the East Coast of the United States. If you produce product in northeast Asia, it is likely you brought your goods through the Panama Canal (40% used this approach). The Panama Canal's capacity has been reduced by around 50% as Panama started experiencing a drought, creating issues with the locks systems. This situation created a supply chain chokepoint and further exacerbated inflationary pressures. Some ships paid a million dollars to get to the front of the line. Bloomberg reported that one ship paid almost \$4 million!

Companies found new routes to avoid these supply chain issues. One of the alternate routes was to go from northeast Asia through the Red Sea and the Suez Canal to the East Coast of the United States. As companies pursued this route, they ran into new challenges. Iran-backed Houthi rebels started attacking ships in the Suez Canal. In fact, they sunk a container ship. This high level of risk caused container shipping companies to divert around the southern tip of Africa which added two weeks to the trip and created inflationary pressures in the global supply chain.

Most recently, the [Francis Scott Key bridge collapse](#) caused the Baltimore port to shut down and impacted the region's supply chain. As more and more disruptions arise, companies are searching for alternatives. Thus, the companies are rerouting from northeast Asia to the West Coast ports, and then transport the product across the U.S. via train or truck. Supply chains continue to evolve.

Current Tensions in the Global Supply Chain

The Israel-Iran war creates additional risk in the Middle East. Iran seized a container ship in the Strait of Hormuz. The Strait of Hormuz connects the Persian Gulf to the Arabian Sea. Over 20 million barrels per day of crude oil pass through this area which is around 20% of the world's oil consumption. The Middle East accounts for 40% of global oil exports. Thus, a chokepoint in the Strait of Hormuz would create havoc in the energy supply chain.

Simultaneously, China is being aggressive in the South China Seas, potentially creating a chokepoint in the global supply chain. China has been doing military drills and being aggressive towards Taiwan. Taiwan produces 90% of the world's advanced computer chips, and so they are of strategic importance. Recently, China has also been threatening the Philippines, causing additional tension in the South China Seas. It has been estimated that up to one third of the global supply shipping passes through the South China Seas. Not a small potential chokepoint!

Mitigating Risk

Companies are starting to catch on to the extreme risk in the global supply chain. If a backup to a backup is no longer sufficient, what will be enough? Additionally, if global conflict is at every corner, is that something we should rely upon in servicing our most important customers? Executives are rethinking the seriousness and likelihood of these risks occurring and are taking preventative actions to mitigate risk.

Perform a [supply chain assessment](#) of your situation. Are you too reliant on China? Do you travel through the South China Seas? Are you dependent on a potential chokepoint in the supply chain? Do you have a backup to your backup? At a minimum, a global dashboard of risks, disruptions, and options has become a necessity to monitor and mitigate risk in the supply chain.

SIOP: A Proactive Approach to Your Supply Chain

By seeing your demand and supply picture in advance with [SIOP](#), you can get in front of your supply chain. Our best, proactive clients are using SIOP to forecast demand (by region, by product line, by market) and evaluate the best supply options for fulfilling that demand. Proactive clients

are pivoting to a regional supply chain by expanding capacity, reshoring, nearshoring, and friendly-shoring techniques.

In addition, clients are evaluating a reallocation of capacity within their supply chain. For example, they could reallocate what they produce in their internal facilities and/or contract manufacturing facilities. A building products manufacturer continually evaluates what to produce in each facility to meet changing customer conditions while minimizing material and freight costs. They also evaluate whether to insource, outsource, change suppliers, or reallocate production among their options. The bottom line is to review the best way to fulfill their demand while maximizing their customer experience to support growth, increase profitability and accelerate working capital.

Depending on these options, the global logistics infrastructure will evolve. For example, as a key client changed from internal operations for a key material to outsourcing to a supplier in India, their logistics needs changed dramatically and their expected inventory levels adjusted for the 13 week increase in lead time. These factors were included in the SIOp process and related metrics.

SIOp: A Look Forward

In our book, "[SIOp \(Sales Inventory Operations Planning\): Creating Predictable Revenue and EBITDA Growth](#)", we discuss how SIOp can support these types of improved results. The key will be aligning your end-to-end supply chain with your changing demand patterns and proactively addressing changing conditions and risks within your supply chain.

[Did you like this article? Continue reading on this topic: Optimizing Business Decision Tradeoffs with SIOp](#)

Bloomberg Interview about Boeing & Supply Chain Issues

TV interview on the latest supply chain issues impacting the globe.



PLANNING

What is Your Demand Plan? Sales Strategies for Success

Sales strategies and customer programs are pivotal to developing a demand plan in support of sales revenue growth goals. [SIOp](#) (Sales Inventory Operations Planning)

will translate these sales forecasts into operations and supply plans for review with cross-functional teams to ensure the sales plans are fulfilled successfully and efficiently.

Top Sales Strategy for Growing Revenue

After spending time with the master of sales, it has become clear that the bottom line to successful sales is simple yet uncommon - provide value. The value based sale is far more successful than sales techniques to convince someone to buy. Isn't it better to provide so much value that customers come to you? Absolutely so!



To focus on providing value, you must understand your customers' needs. What do your customers value? What do they value enough to pay for? It doesn't make sense to add value continuously for features your customers wouldn't be willing to pay for. You are simply giving away value for something that is unappreciated and could be considered waste. On the other hand, you might or might not charge for the features they would be willing to pay for, but at least you know it is worth investing in resources to make them available.

For example, my mechanic goes the extra mile with service. There have been multiple times he has picked up my car with a flat tire or another issue, resolved the issue and then dropped it back off at the house. It is well worth extra cost as these situations always occur during important meetings, yet he doesn't charge extra for this service as he considers us family. I know that if I was in trouble 500 miles away, I could count on him if I needed the help. That provides a sense of relief and comfort, even if I never call. Recently, I was pleasantly surprised by Verizon's customer service as well. I had an issue in Italy, and multiple people stayed on the phone with me for hours to help resolve the problem. One even said, "Don't worry about it. You are part of the Verizon family." I became a fan.

Additional Sales Strategies for Growing Revenue

Certainly, simply providing value might not be enough. There are many ways to grow revenue.

- **Pricing:** Raise prices. It is often more feasible than you think to raise prices. If you are providing value and serving customers, it is likely you can raise prices. At times, it is imperative to raise prices; otherwise, customers might think they "get what they pay for", and perception follows.
- **Size of the sale:** What can you do to increase the size of the sale in a way that provides additional value to your customer? Pay attention to what your customer says and what they might need that they haven't realized yet or asked for.
- **Product testing:** Clients feel better after trialing or testing a product before having to commit to the product. For example, an industrial equipment manufacturer was able to trial a robot before committing to the full purchase. That helped them prove the process out and gain the funding to purchase.
- **Cross selling:** Aren't we all annoyed yet happy when Amazon says, "If you bought this, would you also like this complimentary product?" Again, providing value by suggesting what might be overlooked can be helpful for your customer.
- **Referrals:** Whether a product or service, if you are a fan, you are likely to refer to your friends and colleagues. What can you do to ramp up your referrals?
- **New markets:** A common strategy to expand sales is to expand to new markets. Get to know the new market and tailor your value to fit the market.
- **New & upgraded products & services:** New product development provides a look to the future with new features, functionality, and applications for products and services.
- **Promotions:** Typically significant in consumer products, promotions can entice customers to try new products and services.
- **Becoming a partner:** Some companies become so valuable that customers wouldn't consider changing. For example, they might manage inventory, collaborate on logistics and freight, and find other ways to provide indispensable value so that the customer considers the supplier a partner and naturally expands business with them.
- **M&A:** Mergers and acquisitions can quickly expand growth. Make sure it is complimentary and $1+1 = 21$.
- And the list goes on....

There are countless strategies to grow revenue. Which is most relevant in your situation?

Creating the Demand Plan

As you undoubtedly pursue multiple strategies to grow revenue, it is critical that you stay aligned with the rest of your organization (Operations, Finance, Supply Chain, Engineering, etc.). Thus, focus efforts on creating a demand plan (sales forecast). There are several insights on best practices for creating demand plans in our article, "[Upgrading Demand Planning Processes & Software to Navigate Economic Challenges](#)". A few of the most critical are uncommon common sense:

- **Rolling 12 month forecast:** In most industries, a rolling 12 month forecast is sufficient and keeps you ahead of what's to come.
- **Key changes:** In some situations, rapid growth and growth plans by product line matter, in others, growth by key customer is where to focus, and in others, there is growth by region, new products or another factor.
- **Weekly / monthly cadence:** Whether focusing on weekly exceptions or monthly trends, a consistent focus is always important.

Incorporate your demand plan into a SIOB process. To learn more, read our book, [SIOB: Creating Predictable Revenue and EBITDA Growth](#).

The Bottom Line

Have you taken a step back to see if your sales strategies and plans make sense? Use uncommon common sense, and it will spur your company forward. If you aren't growing, you are declining. Thus, all successful companies will be interested in growth. As you determine strategies to grow, align these plans with the rest of your organization (and your end-to-end supply chain). If you are interested in talking about implementing a demand planning and sales forecasting process to support sales success, [contact us](#).

[Did you like this article? Continue reading on this topic: Creating Predictable Revenue with Demand Planning Best Practices](#)

Clients Experience in Working With LMA

Our client Armacell talks about their experience in working together from the CEO, General Manager of Operations, Integrated Business Planning (Supply Chain), and Sales point-of-view



ERP & RELATED TECHNOLOGIES
Industrial Robotics for Manufacturing & Supply Chain Success

There are around 3 million industrial robots in use worldwide, and the market is expected to grow to \$45 billion by 2028. At a minimum, robots can perform routine tasks with consistent quality. At a maximum, robots will be a strategic advantage to your business. It is no wonder clients are implementing them at a fast pace and investing widely.



The Robot Advantage

Robots can provide many advantages for manufacturers. The United States is rapidly approaching "peak 65" as younger baby boomers turn 65 this year. As this largest wave of retirements in U.S. history occurs, manufacturers and distributors are struggling to find the talent to meet customer needs. The situation doesn't look positive as according to a Deloitte analysis, one third of manufacturing workers are over 55 years old.

Yet, a manufacturing resurgence is underway as companies look for ways to mitigate risk and serve customers by reshoring and expanding regional manufacturing. According to the National Association of Manufacturers, 2.1 million manufacturing jobs could go unfilled by 2030. Thus, a critical advantage is that robots can supplement the manufacturing workforce.

In addition to enabling growth, robots increase productivity and efficiency. This will lead to improved margins and can increase production output, thus fostering sales growth with high customer service levels. Although counter intuitive, robots can improve flexibility as they can be retooled, repositioned, and reconfigured to support changes in product mix. Robots will also increase quality and safety as they take on tough tasks such as heavy lifting.

Industrial Robots at an Industrial Equipment Manufacturer

In an industrial equipment manufacturer, they brought a robot in the facility to pilot. After several months of piloting the process, they determined that although there were advantages, it didn't make financial sense overall. Thus, they decided to return the robot. However, less than six months later, they were struggling to find enough resources to keep up with the sales volume in the welding department, and so they researched robots again.

They brought in a welding robot arm for sheet metal. The robot was transformative. The process went from 13 hours to 20 minutes, and most importantly, quality improved with the consistency of the robot. In addition, they no longer required grinding which allowed them to transition three resources to another department to better support sales growth while improving the margins with the weld process.

Industrial Robots for EDM in Aerospace

An aerospace manufacturer struggled to keep up with customer demand because they had a bottleneck in their EDM shop. The past due backlog was building up, but they could not find the expert skills required to run the area on second and third shift. Therefore, they purchased a robot to support the area. Unfortunately, it wasn't plug and play. However, the leaders found a solution as the first shift expert operator focused on programming, configuring, and customizing the robot to work with their manufacturing process. After he got the process working, they were able to changeover on first shift and run "lights out" on second and third shift.

Overnight, they were able to triple their volume in the EDM manufacturing area. The bottleneck quickly dissipated and moved through the sequential departments. Their past due backlog was shipped, and customer service was restored. Although the reason they implemented the robot was to serve customers, it also improved their margins as less cost went into producing the product.

Weld Robots for Industrial Storage Solutions

An industrial storage manufacturer struggled to keep up with customer demands and last-minute order changes/ additions while focusing on maintaining/ minimizing costs and increasing operational efficiencies. As every manufacturer has struggled in the last few years, they also could not find enough high-skilled resources across their sites. Thus, they purchased robots to replace certified welders. Their resources did not have to be certified to use a robot, and they could run small miscellaneous parts around 30% faster, thereby increasing output and meeting customer needs. It turned into a win-win-win of less welders required (better utilizing the resources in-house), increased output, and consistent quality products.

Robots in Supply Chain

There are many applications for robots in logistics and supply chain. One of the most popular uses of robots is for automated guided vehicles. Product can be transported to the "right" place at the "right" time without being dependent on people. Again, resources can be better utilized to more value-added tasks. In addition, robots are used for product storage such as automated handling equipment that replaces forklifts. To learn more about these types of advanced technologies and how to utilize them to deliver results, watch our interview on [Tech in the Supply Chain](#).

The Bottom Line

Robots should not replace people. The most successful companies are using robots to supplement people. They can deliver significant results to the customer, the bottom line, and with the basics (safety, quality). Boeing has proven the critical importance of maintaining consistent quality. At the least, the best companies are prioritizing quality and building it into the product. Robots can support these objectives.

[Did you like this article? Continue reading on this topic: Post Pandemic: People or Robots?](#)

Listen to a Client Example

Thrilled to share our client's success story related to customer service and sales success with SIOPI internationally from the Sales and customer point-of-view. Our client also discusses how LMA works with client teams to achieve these bottom line results, and more importantly, how we will jump into details and educate the team so that the improvements are sustainable.



Connections

THIS MONTH'S REQUESTS:

- If you have a supply chain or operations position, post it on our Association for Supply Chain Management Chapter (ASCM/ APICS) [website](#).
- Do you know a top notch investment banker with key clients in Southern California area interested in growing his/her business and meeting top-notch trusted advisor colleagues in the Inland Southern CA area? My [ProVisors](#) group has an opening for these professions, and we have lots of referrals for these professions on a regular basis. Please introduce [me](#).
- If you are looking for a highly-skilled Supply Chain Manager with planning, purchasing, and inventory experience, please [contact me](#) for a referral.
- If you are looking for a solid Operations and Supply Chain Leader with the ability to execute, [contact me](#) for a referral.

NOTE: To submit an item for this section, please send me an email with a short description of your needs and an email address. Please note that NOT all requests will be published as it must fit the guidelines and align with the Profit through People brand.

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