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How to ensure efficiency in your SME's supply chain

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Learn why an interconnected network of processes is crucial in ensuring your products are manufactured and delivered to your target market on time.

Supply chain represents an integral part of any business, from sourcing raw materials and manufacturing goods, to warehousing and delivering the final product to consumers. Behind every successful organisation is an optimised supply chain management (SCM) system that helps entrepreneurs run their businesses more efficiently.

For small and medium enterprises (SMEs), SCM has proven to be a highly useful tool in enhancing their competitive advantage. Given the abundance of supply chain solutions that are agile, flexible and tailored to business size and operation, SMEs are able to obtain a platform that is a precise fit with their business model.

SCM's benefits include:

- improved forecasting, planning and scheduling;
- reduced inventory costs;
- improved quality of products and services;
- support in marketing strategies, which ultimately leads to increase in demand and sales.

Enhancing your business' supply chain performance is crucial in today's competitive environment. By analysing the SCM trends, designs and implications to your organisation, you can focus on developing a sustainable and innovative venture.

SUPPLY CHAIN VS. PROCUREMENT

In its recent study, Connected and autonomous supply chain ecosystems 2025, PricewaterhouseCoopers (PwC) underscored the need for companies to transform their supply chains so they can succeed in an evolving and increasingly digital marketplace.

PwC argued that developing advanced supply chain capabilities makes strong economic sense and gives companies the agility needed to respond to disruptions. This theory was tested in 2020 when the COVID-19 pandemic and the subsequent lockdowns led to “unexpected increase or drop-offs in demand as well as supply shortages” worldwide.

Supply chain and procurement are terms often used interchangeably, but while related, they are distinct from one another.

PROCUREMENT

The Chartered Institute of Procurement & Supply (CIPS), a global organisation representing purchasing and supply chain professionals, defined procurement as “the business management function that ensures identification, sourcing, access and management of the external resources that an organisation needs or may need to fulfil its strategic objectives”.

Procurify, a spend management software, went a step further by explaining in a blog post the anatomy of the procurement process , which involves a variety of tasks, such as developing standards of quality, financing purchases, negotiating prices, buying the actual goods, inventory, and even disposing waste products such as packaging. Procurement ends when you’re in possession of the goods. “To make a profit, the cost of procuring your goods must be less than the amount you can sell the goods for, minus whatever costs are associated with processing and selling them,” the company wrote.

SUPPLY CHAIN

According to the APICS Supply Chain Council, a non-profit organisation, supply chain “encompasses every effort involved in producing and delivering a final product, from the supplier's supplier to the customer's customer”. It comprises four basic processes: planning, sourcing, making, and delivering.

In a broader sense, supply chain includes anything and everything related to “managing supply and demand, sourcing raw materials and parts, manufacturing and assembly, warehousing and inventory tracking, order entry and order management, distribution across all channels, and delivery to the customer".

It consists of a chain of suppliers that eventually lead to the point of sale (end-users), such as the producers of raw materials, manufacturers, logistics companies, warehouse operators, stock room employees and in-house staff such as the service crew in a restaurant or the cashier at the supermarket register, Procurify added.

“Procurement refers to the process to getting the goods you need, while supply chain is the infrastructure needed to get you those goods,” the software company explained.

INVENTORY MANAGEMENT

For SMEs to be able to deploy an efficient supply chain management (SCM) solution, a working knowledge of inventory management is essential. Inventory management is basically the process of efficiently keeping track of the products that go in and out of your warehouse. By following an effective inventory management strategy, you can ensure your inventory is always sufficient – neither too high nor too low, which can put your business at risk.

A good inventory management system requires the right amount of product (volume), at the right price (pricing), at the right time (timing) and in the right place (location). This is especially important for SME owners since aside from managing inventory levels, you also need to exercise control in the costs associated with inventory, such as taxes from the cumulative value of the inventory and storage or warehousing costs.

How to manage inventory

Inventory management is critical to supply chain management. Without a clear strategy, you can end up spending your money on excess inventory or missing sales opportunities due to products that are out of stock. Depending on your business' scale of production and demand fulfilment, inventory management simply calls for an efficient matching of customer demand to your carrying costs (the cost of holding your products in stock).

Here are some practical ways to help you manage your inventory:

1. **Use the EOQ model** – Economic Order Quantity (EOQ) is a classic scheduling model that helps businesses determine the most efficient order size to minimise inventory costs. You can use this website to calculate your EOQ. With this model, you can strike a balance between inventory holding cost (storage fees or storage investment) and order cost (ancillary expenses such as shipment and delivery, which could add up for smaller and frequent order cycles).

2. **Break down your inventory** – Management consultancy firm Bain & Company suggests breaking down your operating inventory into three major categories: safety, replenishment, and excess of obsolete stock. This helps you determine the safety level of stock, in case manufacturing or distribution-related problems arise; pinpoint the products that need replenishing within a certain period; and avoid backlog of excess inventory.

3. **Assign a dedicated staff** – Having a personnel who has an extensive inventory control background will help you manage every product that enters and leaves your warehouse. He or she can also flag any discrepancies in your inventory stock management.

4. **Store your stocks properly** – Implement a system that prevents your staff from committing order picking errors. Products with similar packaging can be confusing and when it comes to picking and packing those items for shipment, you want to make sure that the right product gets to the right customer. Sending the wrong item will not only be a customer-service nightmare, but it could also hurt your brand.

5. **Automate** – Manual inventory is susceptible to human error. To minimise this, purchase warehouse management system (WMS) software, which can be customised to your business' specific needs.

Demand Forecasting

An essential component of the inventory management function is demand forecasting. The International Finance Corporation's (IFC) SME Toolkit defines demand forecasting as the "prediction of what will happen to your company's existing product sales". Demand forecasting also requires a multi-functional approach using inputs from all departments of your business – finance, production, sales and marketing. The final demand forecast will be the consensus of all participating departments.

Depending on your business and the nature of your market, you can choose between two known approaches to demand forecasting:

1. **Qualitative approach** – Used when the industry or the business itself has vague or little data to use, such as those involving new products or technologies.
2. **Quantitative approach** – Used in more stable industries, or when there is a readily available market data.

The difference lies mainly in the techniques of forecasting given the market data situation.

QUALITY MANAGEMENT

Perhaps the most touted result of supply chain management as it relates to business sustainability is quality management. The International Organization for Standardization (ISO) puts emphasis on the value of quality management, not just in meeting customer demand, but also in exceeding customer expectations.

ISO defines quality management as "constituting key principles, which are a set of fundamental beliefs, norms, rules and values that are universally accepted as true".

Foremost among these quality management principles is customer focus, which highlights the value in increasing customer satisfaction, improving customer loyalty, enhancing repeat business and organisational reputation leading to expanded customer base.

The six other principles are leadership, people engagement, process approach, improvement, evidence-based decision making, and relationship management. The importance of each principle will vary from business to business and may change over time.

VENDOR MANAGEMENT

Finally, the heart of supply chain is partnership. Less management control and more supply chain partners lead to improved inventory management, product distribution and customer satisfaction.

A good vendor relationship will help yield optimum results, where profitability is concerned. This means improved product quality, greater customer satisfaction, better service and ready support from the vendor should problems arise.

As such, the vendor selection process is crucial for any SMEs. The essential things to consider include:

- analysing your business requirements;
- searching for the most appropriate vendor for the job;
- negotiating a contract;
- nurturing the relationship.

A common mistake that many SMEs make is selecting the right vendor for the wrong reasons, such as number of support staff, portfolio of big clients and order-based discounts packages. Looking at these three crucial factors in vendor selection ensure protection for you and your vendor's business:

- **Expertise** – assess the vendor's real business focus against your business requirements;
- **Contract negotiation** – Study the offers of contracts against limiting or reclusive terms like exclusivity and other trade-offs;
- **Performance** – Evaluate the vendor's reliability in fulfilling orders, shipping times, service quality and support.

A good vendor management practice will drive the most value out of your investments, while strengthening your business' overall performance in the marketplace.

SUPPLY CHAIN MANAGEMENT SOFTWARE

An effective supply chain management (SCM) system can help support your SME's objectives, giving you more room to grow. But as demand for your products increase and your warehouse expands, you'll realise that despite your top-performing employees' best efforts to manage supply chain, technology has to step in.

Among the signs that will help you decide when it's time to obtain an SCM software are:

- Your production batch is getting bigger;
- Your route planner – the person handling the logistics of your goods – is managing several stock keeping units (SKUs), to the point that it is no longer sustainable;
- Your organisation lacks consistent and reliable demand forecast;
- You don't have a long-term inventory planning strategy.

Here are some of the top SCM software vendors in the market:

1. **SAP** – A fully customisable application, the SAP Supply Chain Management (SCM) can help organisations of any size meet increasing customer expectations, run complex supply networks and stay responsive to changing market dynamics. The software features solutions that "cover everything from demand planning to inventory management".

2. **Oracle** – This is a cloud-based suite. The Oracle SCM solutions allow companies to deploy SCM processes in the cloud, giving them the capability to monitor the demand, supply and product pillars of their organisation, anytime, anywhere and using any device. The solutions' core features include product lifecycle management, supply chain planning, procurement, logistics, order management, manufacturing and maintenance management.

3. **Blue Yonder (previously JDA Software)** – Suitable for companies in the manufacturing, retail, service, wholesale distribution, logistics, hospitality, travel and entertainment. Blue Yonder offers many cloud-based solutions to help companies reduce costs, increase profitability and improve collaboration so as to enhance product delivery. Its features include procurement and sourcing, inventory management, order fulfilment, supply chain management, demand planning, workforce management and supplier management.

4. **Manhattan Associates** – The Supply Chain Event Management software of Manhattan Associates allows organisations to monitor supply chain events automatically as they occur on a daily basis. Real-time notifications give users the ability to stay proactive, take the necessary corrective actions to improve inventory control and improve warehouse productivity. This software solves issues related to inventory management, demand forecasting, warehouse management system and logistics.

5. **Epicor** – Available as both an on-premises and cloud-based software, the Epicor SCM offers an extensive range of SCM solutions as part of its end-to-end enterprise resource planning (ERP) solutions. It helps companies improve warehouse efficiency, reduce costs, as well as track inventory movement, picking and shipping processes.

Evolving consumer demand and increasing market competition will continue to put pressure on SMEs, pushing them to become at par with large-scale businesses. Supply chain management will undoubtedly become a crucial component of this growth initiative.