
Handle With Care | Reflections on Supply Chain Excellence

By Dave Blanchard Editorial Director/Associate Publisher

The best supply chains are those that move a lot of products, whether physical or digital.

For a supply chain author and journalist like me, one event I always look forward to is AMR Research's announcement of the Top Supply Chains of the Year. There's no denying that these rankings are more of a popularity contest than a precise reflection of any given company's extended enterprise. And it's also true that, every year, name-brand high-tech companies dominate the charts, while lesser-known companies don't seem to get their fair share of the votes. However, the rankings themselves are the least important part of the effort.

As AMR states in its analysis report, the goal of the rankings is "to raise awareness of the supply chain discipline and how it impacts business." For far too long, the supply chain has been thought of as a cost center, when in actuality, it should be used as a competitive weapon.

Top 10 Supply Chains of 2010

1. Apple
2. Procter & Gamble
3. Cisco Systems
4. Wal-Mart Stores
5. Dell
6. PepsiCo
7. Samsung
8. IBM
9. Research in Motion
10. Amazon

Source: AMR Research

So, what exactly makes a "top supply chain?" AMR says it's a company that demonstrates demand-driven excellence in three overlapping areas:

- Supply management (manufacturing, logistics and sourcing);
- Demand management (marketing, sales and service);
- Product management (marketing and product development).

By that definition, then, the top supply chain of 2010 probably would be Procter & Gamble, which pretty much invented the concept with its Consumer-Driven Supply

Network. In fact, in the opinion of AMR's analysis, P&G was the best of an impressive bunch. But the final scores point to Apple, not P&G, winning the honor of the top supply chain, as the iPhone innovator handily won the most votes from outside AMR's inner circle.

AMR's methodology breaks down like this: 25% of a company's ranking is based on votes from peer opinion, meaning supply chain practitioners and experts (disclosure: I am one of the voters); 25% on votes from AMR analysts; 25% on return on assets; 15% on inventory turns; and the remaining 10% on revenue growth.

While inventory turns aren't necessarily the be-all and end-all of supply chain management, Apple clearly excels at moving product, as the only other company in the top 25 to out-perform Apple in that area was fast food giant McDonald's, which helped popularize the whole idea of inventory turns decades ago by proudly proclaiming exactly how many hamburgers they've sold (currently well over 200 billion).

I was also happy to see Amazon finally included in the rankings, since I've been advocating their inclusion for a few years now. What I find particularly fascinating about the AMR list of companies is that it opens up for debate the very nature of what a "product" is. Clearly, as an online retailer, Amazon doesn't "make" anything, in the traditional supply chain parlance of "plan, source, make, deliver and return." On the other hand, much of Apple's revenues come from digital products, namely iTunes music and videos as well as the ever-expanding roster of apps for its iPhone and iPad products. I suspect that Amazon's bid for recognition was legitimized by its having an actual physical product of its own, the Kindle device.

Toyota, meanwhile, was the biggest loser in this year's competition, plunging from 10 last year down to 49, proving if nothing else that negative publicity will trip you up every time. Maybe it's time we acknowledged that good brand management is an essential qualification for top supply chains.

If you'd like to learn more about what it takes to become a best-in-class supply chain in the first place, you could do worse than to seek out my latest book, *Supply Chain Management Best Practices, Second Edition*, just published by John Wiley & Sons. You'll not only find case studies on many of the companies included in the AMR rankings, but profiles on some smaller companies as well. (End of shameless plug.)