

REAL WORLD CASE 3

Brunswick Corporation: Improving Supply-Chain Results

Brunswick is a \$4.3 billion-a-year maker of boats, marine engines, fitness equipment, bowling and billiards equipment, global positioning systems, and even business-integration and content-management software. With so many different product lines, Brunswick is eager to simplify its manufacturing operations. To do so, the company is looking at upgrading and improving its various supply-chain systems. It uses several homemade warehouse-management systems in various parts of the company, as well as i2 Technologies Inc.'s Factory Planner software in its outboard manufacturing plant. Brunswick admits the situation is less than 100 percent efficient—but not unusual. “The vast majority of companies are like us and have a kludge of systems,” says Chris Lemnah, director of strategic sourcing at Brunswick.

Supply chains are, by definition, a kludge of systems, comprising software for manufacturing, warehousing, inventory control, planning, shipping, and logistics. And that's just the internal systems. They also involve intimate relationships with suppliers and partners, and, on the front end, an increasing dependence on the input of customers.

That's why companies are determined to build a better kludge. With off-the-shelf options improving, many see a chance to replace aging homegrown systems that run pieces of their supply chains with state-of-the-art software that incorporates cutting-edge features, such as business analytics, and even integrates with other parts of the IT infrastructure. They're doing so because they see the chance not only to squeeze out costs but also to use efficient and effective supply chains to bump up sales.

Supply-chain software is a well-established market that tops \$5 billion in sales annually—with room to grow, according to current market research. “It's still, believe it or not, immature,” says John Fontanella, an analyst at AMR Research. That's because companies haven't nearly exploited the potential inherent in supply-chain technology. “The majority of companies I talk to still feel that they haven't gotten control over their supply chains,” Fontanella says.

The products are generally of two types: supply-chain execution software, which addresses particular segments along the supply chain, such as warehouse management or transportation management; and supply-chain planning software, which helps companies decide which products to build and when, based on forecasts, orders, capacity, and resources. Together, the two types are sometimes referred to as supply-chain management (SCM) software.

The supply-chain execution market, which incorporates many small and midsize vendors, will grow from \$3.3 billion in 2003 to \$5.2 billion in 2008, according to an ARC Advisory Group study. Contrast that with the supply-chain planning market, represented by just a few high-profile vendors such as i2 Technologies and Manugistics Group Inc., which ARC estimates will grow only from \$1.9 billion to \$2.2 billion in the same time frame.

That's a change, because in the late 1990s, supply-chain planning software was the hot-ticket item. But a few problem cases, such as the public spat between sports-shoe maker Nike Inc. and i2, and a reputation for complexity and long-term payback slowed its momentum. “People bought more of the SCM applications than they should have,” says Steve Banker, an ARC analyst. “There were folks that were burned, promises that weren't kept, and folks that bought a bigger solution than they needed.”

Now most companies are pragmatic when it comes to supply-chain software, looking more for quick fixes and short-term returns. Another factor is that many companies are overdue for supply-chain upgrades. Only about 30 to 35 percent of companies have bought best-of-breed apps for warehousing, even though warehousing software has been around since the early 1990s, AMR Research's Fontanella says.

All supply-chain issues aren't necessarily solved with supply-chain applications. Brunswick is attempting to gain control over the various systems in its supply chain by getting a better grip on the data they generate. The company is using Informatica Corporation's data-integration and business-intelligence tools to improve supply-chain visibility. Brunswick has a data warehouse that holds information such as purchase order, invoice, inventory, customs, freight, and logistics data pulled from a wide range of enterprise systems so it can better manage sourcing and procurement across its supply chain. Now it wants to extend the capability globally and add warranty data into the mix. “We'll be able to focus on where we can get the most bang for the buck,” Lemnah says.

Companies are catching on to the concept that controlling the supply chain can affect both the bottom and top lines. “We've managed to move supply chain from a back-office operation to a frontline, customer-oriented service,” Electronic Arts' West says. “If our supply chain is executing really well, then we can start focusing on ways to help retailers sell. And then we can start looking at optimizing revenue.”

No wonder, then, more companies are moving in the same direction.

Case Study Questions

1. What is the business value of SCM systems for Brunswick?
2. Does the business value of SCM depend upon what type of business a company is in? Explain.
3. How does Brunswick's approach to SCM differ from that of the other companies explored in this chapter? Is one approach superior to all others? Why or why not?

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