1st Newsletter

CROSS-INNO-CUT
Cross border implementation of innovative cost cutting technologies

Contents

In this news letter the 1st Thematic area the "Cost Reduction supply chain" is presented

CROSS-INNO-CUT

CROSS BORDER IMPLEMENTATION OF INNOVATIVE COST CUTTING TECHNOLOGIES

Editorial

1ˢᵗ Newsletter

The **Cross-Inno-Cut** team welcomes you to an information campaign that beside the mass communication activities includes regular updates through newsletters. The updates will inform you about the achievements of the projects and provide you with information that could be useful in achieving competitive advantage through cost reduction innovative techniques for SMEs.

The main activities of the project are:

- To introduce the areas and diagnostics tools for cost reduction.
- To provide cost reduction auditing activities in 100 SMEs in the targeted areas in Greece and Bulgaria.
- To provide action planning activities in 30 SMEs.
- To pilot apply cost reduction actions in 10 SMEs.

Federation of Industries of Northern Greece

Aristotle University of Thessaloniki
URENIO Research Unit

South-West University "Neofit Rilski"

Industries Association of Eastern Macedonia

Federation of Industries of Rhodopi

Industrial Association of Petritch

Union of Industry and Manufacture of Xanthi

Industrial Association Karjali

Federation of Industries of Evros

CROSS-INNO-CUT

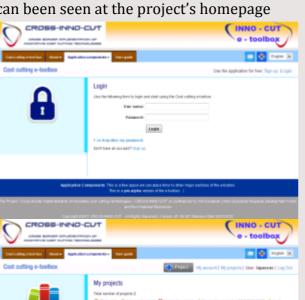**CROSS BORDER IMPLEMENTATION OF INNOVATIVE COST CUTTING TECHNOLOGIES**

Information events

A series of workshops for awareness raising purpose have covered a wide dissemination area, informing SMEs about the benefits in participating on the project. The events have taken place on Alexandoupoli, Kartjali, Petrich and Thessaloniki.

The events were organized with the support of local partners, and have taken the form of a workshop. In total XX SMEs have participated in the events. The events have attracted the interest of local and national mass media. Two more events are scheduled to be taken place in Blagoegrav and Kavala in March.

Cost reduction toolbox

URENIO research unit with the support of all partners lead to the implementation of a digital toolbox that will be used be the auditors to collect and process information data and diagnose high cost areas in SMEs. The toolbox forms the main training topic for the selected auditors. More details can been seen at the project's homepage

The toolbox can be accessed only by the selected auditors. The auditors will use it to entry all the required data from the participating SMEs.

Each auditor can perform more than one audit. The toolbox performs complicated calculations and presents the results in a report which can be downloaded and further commented by the auditor.

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Definition of high cost areas

Cross-Inno-Cut team has finalized the innervation areas for cross cutting activities auditing activities:

General cost reduction areas	Explicit cost reduction innervation areas
Supply chain (supply chain cost)	High cost of tied up capital in inventory High distribution cost High cost of material supply
Sensors for production cost cutting (production cost)	High cost of energy in production High cost from machinery failure
People and processes (management cost)	High cost of processing goods and services High sales cost Low employee efficiency
Green building (fixed asset cost)	High cost of fixed asset energy High cost of water consumption High cost of water/waste treatment
Renewable energy (alternative energy cost saving)	Solar energy Wind energy Biomass energy Geothermal energy
Marketing through social media (marketing cost)	High cost for undefined marketing plan procedures High cost from failures in marketing targets

Tender for the recruitment of auditors

Federation of Industries of Northern Greece and South-West University (Neofit Rilski) will announce a public tender for experts that will perform the audits in SMEs. The tender process aims to attract experienced consultants that could offer added value services to SMEs.

Cost reduction –supply chain

In each newsletter there is a small article concerning high cost areas. **In the current newsletter there is short description of hidden costs related to supply chain. As the project progresses in the forthcoming newsletters there will be illustrations of tools and solutions given to participating SMES.**
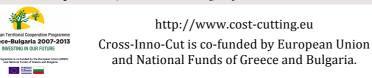
A supply chain may be defined as an integrated process wherein a number of various business entities (i.e., suppliers, manufacturers, distributors, and retailers) work together in an effort to: (1) acquire raw materials, (2) convert these raw materials into specified final products, and (3) deliver these final products to retailers. This chain is traditionally characterized by a forward flow of materials and a backward flow of information. For years, researchers and practitioners have primarily investigated the various processes of the supply chain individually. Recently, however, there has been increasing attention placed on the performance, design, and analysis of the supply chain as a whole. The high cost areas in supply chain are emerging in cash flows due to high tied up capital, to high distribution cost and to high cost for material supply.

Cash flows in a cycle into, around and out of a business. It is the business's life blood and every manager's primary task is to help keep it flowing and to use the cash flow to generate profits. If a business is operating profitably, then it should, in theory, generate cash surpluses. If it doesn't generate surpluses, the business will eventually run out of cash and expire. The faster a business expands, the more cash it will need for working capital and investment. The most inexpensive and best sources of cash exist as working capital right within business. Good management of working capital will generate cash will help improve profits and reduce risks. Bear in mind that the cost of providing credit to customers and holding stocks can represent a substantial proportion of a firm's total profits.

The key issue for a business is to identify the fast and slow stock movers with the objectives of establishing optimum stock levels for each category and, thereby, minimize the cash tied up in stocks. Factors to be considered when determining optimum stock levels include:

- What are the projected sales of each product?
- How widely available are raw materials, components etc.?
- How long does it take for delivery by suppliers?

Another high cost issue is the consistency suppliers deliver raw materials to production facilities on time and in good condition. By reducing the number of suppliers and by carrying out a company-wide analysis of raw and in-process inventories, new ordering and stocking processes were introduced. The implementation of Economic Order Quantity (EOQ), supplier partnerships, and Just-in-Time (JIT) deliveries led to improved supplier lead

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times and reduced raw material inventory. Key barriers to cost reduction are:

- An excessive number of product lines resulting in a crippling level of finished goods inventory and high logistics costs
- Too many suppliers and inadequate materials management processes leading to high costs, excessive inventory, and poor delivery
- Inadequate forecasting and scheduling resulting in poor delivery to customers and low quality
- Extended and inconsistent fulfillment lead-times, which meant the company was unable to move production planning from being forecast driven to demand driven.

The term supply management describes the methods and processes of modern corporate or institutional buying. This may be for the purchasing of supplies for internal use referred to as indirect goods and services, purchasing raw materials for the consumption during the manufacturing process, or for the purchasing of goods for inventory to be resold as products in the distribution and retail process. The supply management function of an organization is responsible for various aspects of these acquisitions:

- Working with business leaders who have identified a business need or requirement to identify, source, contract, and procure the needed good or service from qualified suppliers
- Managing supplier performance
- Implementing technologies, processes, policies, and procedures to support the purchasing process (Supplier Relationship Management).
- The supplier relationship management process: a process for providing the structure for how relationships with suppliers will be developed and maintained.
- Economic theories of supply and demand

Supply management is generally regarded as a systematic business process that includes more functions than traditional buying, such as coordinating inbound and internal pre-production logistics and managing inventory.

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