



THE WISE PIVOT INTO

SUPPLY CHAIN X.0

 accenture

PAVING THE PATH TO **PROFITABILITY** **IN THE** **DIGITAL** **WORLD**

In today's digital world, it is easier than ever to get the right products to the right places at the right time—but to do so, companies need to deploy the right tools and organize for agility. There are significant opportunities to use disruptive technology, break down process silos and build next-generation supply chain capabilities that create competitive advantage, unlock trapped value and drive customer loyalty. A Supply Chain X.0 strategy can help organizations get there.

The supply chain offers fertile ground for growth in the digital age—but not in its current form. Supply Chain X.0 focuses on making continuous improvements that evolve capabilities and operations to build a supply chain that is fast, responsive, customized, efficient and productive. By digitalizing supply chain and operational capabilities and enabling new digital business models, the company is able to cut new ground and make the wise pivots necessary to ultimately become a fully digital business (see Figure 1).

Abundant data can enhance the people, processes and functions that are part of the supply chain. And leading-edge technologies such as artificial intelligence, robotics, cognitive computing and blockchain—when strategically guided by analytics—can power the supply chain, inform decisions in real time, and unleash newfound productivity and efficiency. But while the opportunity for reshaping the supply chain is grand, there are a few market factors to overcome in the process.

Balancing globalization with localization

Companies must source and sell products all over the world to serve different customer segments. This requires managing through changing geo-political environments. Yet today's supply chains are not set up to manage such complexity.

Customer expectations

Consumers, patients and customers who use products and services want tailored buying experiences with hyper-personalized options available across channels. Products and services must be developed and delivered quickly, and in a sustainable and ethical fashion.

Competitive landscape

The playing field has gotten tougher as digital-born market entrants are better equipped to keep up with the warp speed of change, ever-shifting geopolitical factors and fluctuating supply of resources.

Transforming the supply chain for the future will help businesses manage this escalating complexity and deliver business outcomes like never before.

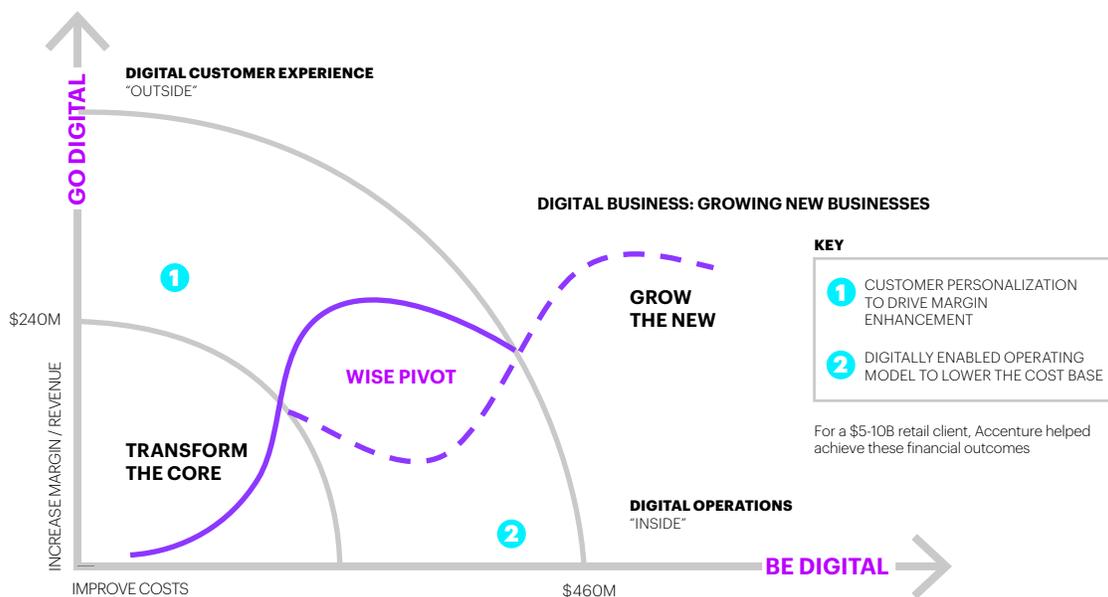


FIGURE 1: MAKING INTENTIONAL PIVOTS TO GO DIGITAL AND BE DIGITAL

Great financial value can be achieved by going digital or being digital; however, to cut new ground and transform to a digital business, companies must advance on both axes. Companies can make "wise pivots" to fuel their transformation: these pivots protect the core business but simultaneously break new ground.

Source: Accenture

HONING YOUR **COMPETITIVE ADVANTAGE**

Competing in this new world requires more than a supply chain upgrade. Now, more than ever, businesses must rethink operating models, organizations and processes to revolutionize the supply chain, making it more digital, smart, customized, rapid, efficient and responsive. The company's core must be transformed to unlock trapped value. Functional silos should be dismantled. New IT must be embraced before digitally dominant companies gain stronger footing in the industry.

The good news is that these goals are achievable when companies embrace a Supply Chain X.0 strategy. By focusing on continuous improvement, companies will build supply chain capabilities that enable:

End-to-end visibility

By knocking down functional silos that hinder visibility, businesses achieve more accurate supply chain plans, reduce costs and gain the ability to sense and resolve problems quickly to achieve specific business goals.

Quicker response times

Customers want products fast and accurate, and companies can pick up speed on key decisions when information is readily available across the value chain.

[56%]

More than half of supply chain executives surveyed believe stronger alignment of supply chain segments to other functions will further improve end-to-end accountability in the next three years.

Aligned priorities

As the lines between individual functions or silos blur, there is opportunity to establish cross-functional priorities and metrics that support overall business objectives.

Efficient fulfillment

The new supply chain model helps businesses manage the cost and complexity of the new omnichannel world and be ready to deliver individual customized orders, wider product assortment and last-mile delivery options.

Flexible technology

Embracing digital will unlock the handcuffs of legacy technology platforms that are inefficient, rigid and costly to deploy and update.

A Supply Chain X.0 strategy will help businesses get to these outcomes faster and build the competitive advantage needed in the digital era.

FIVE STEPS TO PIVOT TO **SUPPLY CHAIN X.0**

The Supply Chain X.0 strategy provides a vision for how to continuously improve the supply chain to deliver outsized outcomes. When the supply chain becomes a connected, consumer-driven digital supply chain network, it drives customer loyalty, agility, efficiency and improved margins. Here's how to get there.

STEP 1

INCREASE AUTOMATION

The majority of transactional supply chain activity will be automated in the future. Automating transactional execution of functions and the continuous self-learning of cognitive computing allows supply chains to handle more complexity and be more dynamic, flexible, adaptive and efficient.

Analytic modeling can be automated and continuously analyze and convert data into real-time insights that inform supply chain decisions. Operational resources and management can be able to focus on what the engine is solving for and continually adjust according to business goals.

Digital technology platforms can connect social media, sensors and connected devices to deliver real-time data feeds. As exceptions are generated in real time, smart algorithms will categorize, resolve and flag exceptions for the operations team to review, identify root causes and resolve when falling outside of specified targets and tolerances. And, as the nature of the exception or resolution process changes over time, cognitive computing learns and adapts to it.

Introducing the network planner

Integrated end-to-end supply chain capabilities call for someone who will be responsible for overall supply chain performance. This network planner can look across the supply chain to successfully execute processes and make cross-functional decisions. They will also:



Manage financial performance

expectations of the supply chain by collaborating across the organization to align business plans.



Work with functional planners

such as demand and supply planners, to increase the output of each function and collaborate to improve end-to-end processes.



Represent the supply chain outside the company,

collaborating with vendors and customers to align expectations, shape cross-organizational supply chain plans and resolve issues.

STEP 2

PIVOT TO A CROSS-FUNCTIONAL OPERATING MODEL

Companies must employ an integrated model that breaks down silos and connects all functions—from planning to execution. Right now, functions such as demand planning, supply planning, manufacturing, product lifecycle management, transportation management and customer service are often siloed with unlike systems and processes. This current state hinders flexibility and end-to-end visibility.

Competing in the digital era requires structuring processes around the customer outcome or talent skillset needed. Silos must be shattered and capabilities realigned so that the entire value chain works toward shared goals to achieve specific business outcomes (which will continuously vary based on the segment of the business)—whether it's improvements in costs, inventory, quality, customer service or asset utilization.

89%

of supply chain executives report that customers see their current operating models as too complex, and for half of them, “decision-making speed” and “flexibility to respond” are key sources of that complexity.

STEP 3

TRANSITION TO CROSS-FUNCTIONAL ANALYTICAL SKILLS

Supply chain skills today are specific to a function, which does not enable an understanding of cross-functional, end-to-end dependencies or the financial and operational impacts of decisions. Effective operational decision making will come when businesses transition to more analytical skills that can make sense of the vast amount of data generated and translate that data into meaningful insights.

Today's data explosion presents many exciting business opportunities to gain deeper insights into market trends and digital consumer behaviors. For instance, prescriptive and predictive analytics enable scenario modeling. Supply chain network planners (see sidebar) can use insights gathered to adapt plans and address issues as they occur, such as taking corrective action on missed supplier shipments or evaluating promotional campaigns against performance measurement scorecards.

Supply chain executives believe digital capabilities are relevant for the vast majority across all functions:

- Supplier analytics **44%**
- Digital supply network **44%**
- Interconnected service supply chain **43%**
- Inventory analytics, advanced inventory optimization **42%**
- Supply chain analytics **42%**

85%

of supply chain executives report already considering outsourcing portions of their supply chain. “Logistics and distribution” (52%) and “supply chain analytics” (49%) are the areas considered most.

STEP 4

BUILD ECOSYSTEM PARTNERSHIPS

On the Supply Chain X.0 journey, in-house capabilities will move to a network of partnerships. Collaborating within and outside the organization allows the business to work with the broader ecosystem to leverage capabilities and make decisions that resolve problems faster, seize growth opportunities and enhance the customer value proposition. Current collaboration within and outside the organization is sometimes haphazard. This approach makes it difficult to share information quickly, make decisions in real time and execute.

The new supply chain also enables collaboration on social platforms. Users will interact with colleagues and ecosystem players to share qualitative information and up-to-the-minute quantitative data from supply chain systems. Sharing, discussing, reviewing and approving scenarios as they occur speeds execution. Sales and operations planning processes become continuous and in real time.

STEP 5

SOLVE FOR THE INDIVIDUAL

Companies must shift from solving for volume to solving for individual customers. In fact, 98 percent of organizations find segmentation relevant to the redesign of their supply chain operating model.¹ The current one-size-fits-all approach has limited segmentation to address unique customer, market, product or channel requirements.

The supply chain of the future is not built for high volume and few SKUs. It is structured to serve the unique needs of each customer, patient or consumer. A majority (97 percent) of supply chain executives surveyed are planning on modifying their supply chain operating model toward more granular segments, and nine in 10 expect to benefit—more than half (52 percent) believe this shift will enable higher customer satisfaction and higher degrees of flexibility and agility (48 percent).²

Precise segments will identify needs for customer personalization by channel, service level and even market area. This enhanced, more granular segmentation enables improved inventory placement to enable improved sales in an optimized cost structure.

DIGITAL DELIVERS DIFFERENTIATION

In Supply Chain X.0, digital technology serves as an operating system where apps can be created and deployed in a “plug and play” fashion to support the known—and future unknown—needs of the business.

Digital capabilities and technology platforms underpin the supply chain of the future, enabling end-to-end visibility, access to vast amounts of structured and unstructured data, ability to analyze this data, support automated planning and fulfillment, foster internal and external collaboration and provide real-time connectivity to the internet of things. Cloud-based platforms have the scale and connectivity to support data from exponential sources. Integrated control towers will offer visibility across the supply chain. And applications with in-memory technology will enable complex analytics at speed.

ACHIEVING SUPPLY CHAIN X.0

Those who continue to design, source, make, plan, deliver and service products in the same way will stay in the same place—behind the competition. The Supply Chain X.0 strategy guides businesses on how to continuously improve to achieve new levels of efficiency, agility, customer loyalty and profit.

Businesses that make the wise pivot to urgently embrace digital technology and develop new operating models will be strongly positioned to meet the demands of customers, patients and consumers to grow profitably for the long term.

FOR MORE INFORMATION

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REFERENCES

¹ Accenture Supply Chain Operating Model Survey

² IBID