

Mashik Conference

Supply Chain: Going beyond cost & service

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Now more than ever, corporations need to rapidly innovate not only to stay ahead but simply to survive

Corporates in the Digital Age



Rapid digital disruption will displace 40% of incumbent companies across 12 industries will be displaced in five years¹



Since 2000, **52% of companies in the Fortune 500** have either gone bankrupt, been acquired or ceased to exist²



Lifetime expectancy of companies on the Fortune 500 list has fallen from 23 years in 1965 to 15 years in 2014^{3,4}



The average age of a company on the S&P 500 was 60 years old in 1960; it will be 12 years old by 2020⁵

^{1.} Digital Vortex: How Digital Disruption is Redefining Industries (Global Center for Digital Business Transformation)

^{2.} Darwinian Digital Disruption: Survival of the Fittest, 2015 (Capgemini Consulting)

^{3.} Based on A.T. Kearney analysis of Fortune 500 data

^{4.} Lifetime expectancy has been derived from the five year moving average of the turnover rate of that year, e.g. a 10% turnover rate implies a 10-year expectancy

The world is evolving

Changing business environment

Customer



- Anything, anytime, anywhere
- Personalization
- Connected consumers

Competition

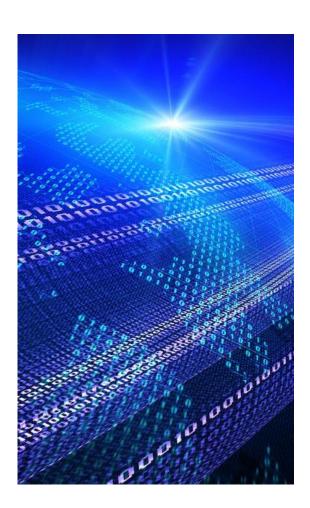


- Faster innovation cycles
- Partnering approaches
- New entrants

Technology

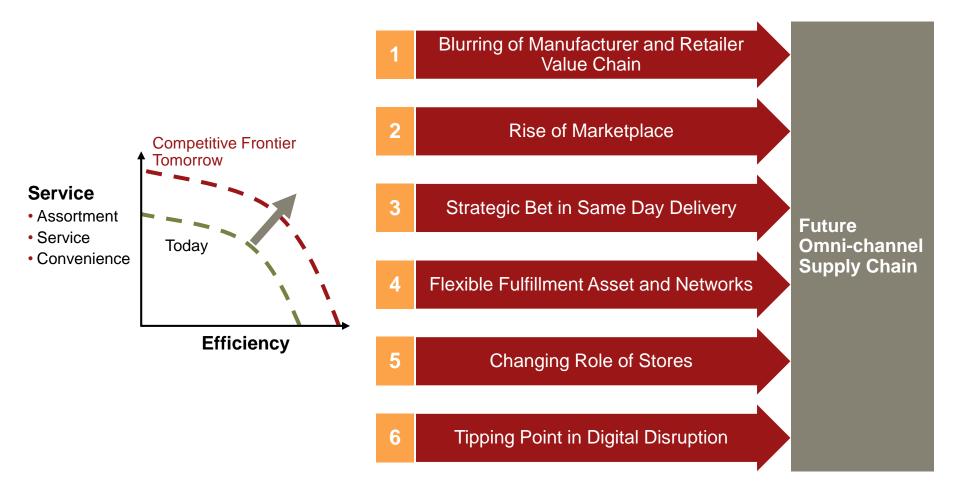


- Cheaper and more application fields
- Increasing data availability
- Exponentially growing computing power & intelligence



Source: A.T. Kearney
A.T. Kearney

Each industry has their own supply chain challenges Example Consumer Goods



Color coding according to business model enabler

Supply chain is the crucial enabler of new business models

Cutting-edge new business models Food Manufacturer Client example **Business** Farm-to-fork Serving **Personalization** omni-channels model transparency enabler **Automatic** Higher **Automated** process Batch Instant OEE packaging End-to-end optimization Supply of one C/O traceability chain / Decentralized Integrated **Automatic** mfg. distribution Rapid **Extended** supply chain planning enabler prototyping enterprise **Additive Machine** Advanced Internet of **Digital** manufacturing learning & Al robotics things technology **Advanced** Internet of enabler Wearables analytics things

Source: A.T. Kearney XX/ID

Personalization

Serving omni-channels

Farm-to-fork transparency

What does this mean for the future supply chain?

Increasing complexity and volatility

- Mass customization have led to exploding portfolios
- Individualization has lead to erratic consumer behaviors
- E-commerce creates multiple routes and channels
- Global supplier base: stability, risks, borders back?
- E-innovation has lead to shorter lifecycles
- Disintegration of value chain caused by digitization

More and higher requirements

- More aggressive on cost
- More aggressive on service levels
- Focus on total transparency
- Higher demands on adaptability and agility
- Lower tolerance for (and higher consequences for) SC failure
- Sustainability (both environmental and socially) became a must

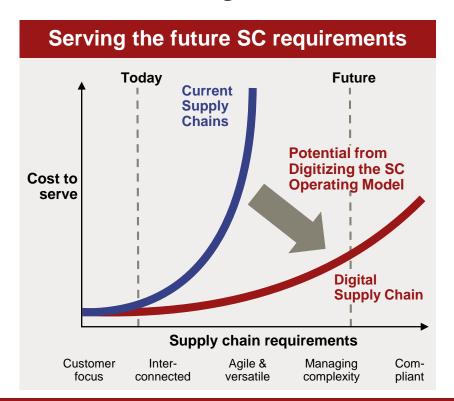
Considered a strategic capability

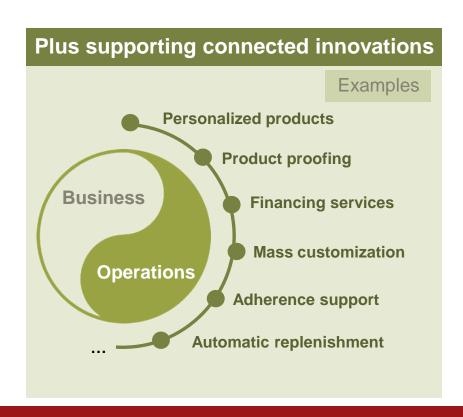
- Last mile delivery becomes a key differentiator
- · Aiming for less fixed assets
- Tapping into multiple networks of suppliers and partners
- First time right: No time and/or money to make up for mistakes
- Minimize working capital levels
- Refined interfaces with the powerful suppliers and customers

B2B can learn from the latest development in consumer goods retail

To serve the new reality at competitive cost, Supply Chain operating models need to really embrace digital

What it means: Digitalize or break

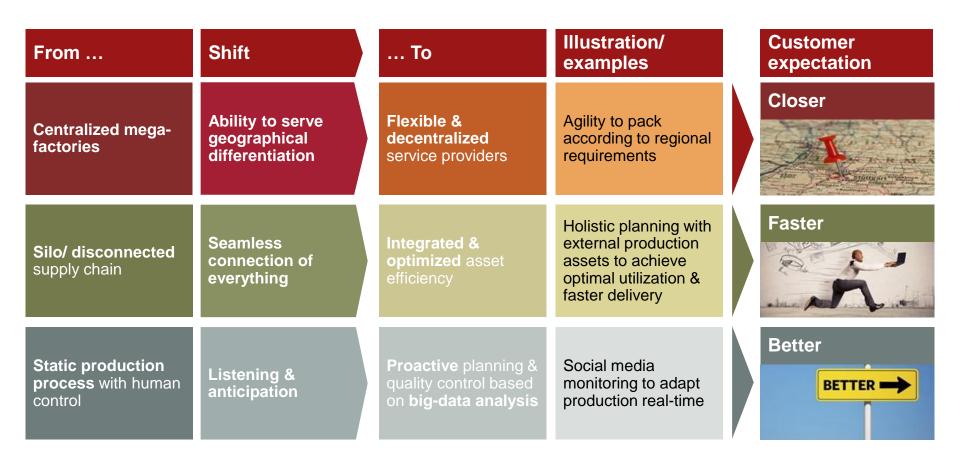




Digitalization can help manage complexity and drive down cost curves while enabling connected inventions connecting customers with the chain

Source: A.T. Kearney XX/ID

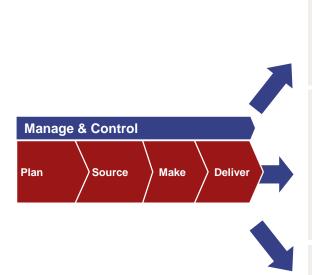
Digital enables the Supply Chain to become closer, faster, and simply better



New business models and new technologies will change the Supply Chain landscape dramatically

	Focus	Enablers	Drivers	Result
Legacy	CostCustomer ServiceCapital	ERPSilo organizationsLimited data	ScaleLabor arbitrageMarketing PushManual control	 Monthly S&OP Weekly MPS Mega factories/DC Large EOQ's SC Towers Long life cycles One size fits all
Future	Hyper C,C,CResponsivenessAgility/FlexibilitySustainability	 Advanced analytics Big data IoT Machine learning AI/AR 3 D printing Cloud 	N=1ValueDark factoriesConsumer PullMachine control	 Real-time (T=1) Decentral Short life cycles Splintered SC Networked

A highly capable supply chain offers differentiating services to meet underlying customer or product requirements



Product/Channel Attributes

- Standard products, high volume
- Predictable demand
- Longer lifecycle
- Permanent availability expectation
- ⇒ Focus on maximizing profit margin through lower cost
- Variable demand (i.e. promotions)
- High lost sales impact
- Permanent available expectation
- High stock out costs and inventory risk at the end of life
- ⇒ Focus on managing the end to end interfaces
- Customized products, high variety (i.e. engineer to order)
- Unpredictable demand Shorter lifecycle
- Early life availability expectations
- High lost sales impact
- **⇒** Focus on time to market



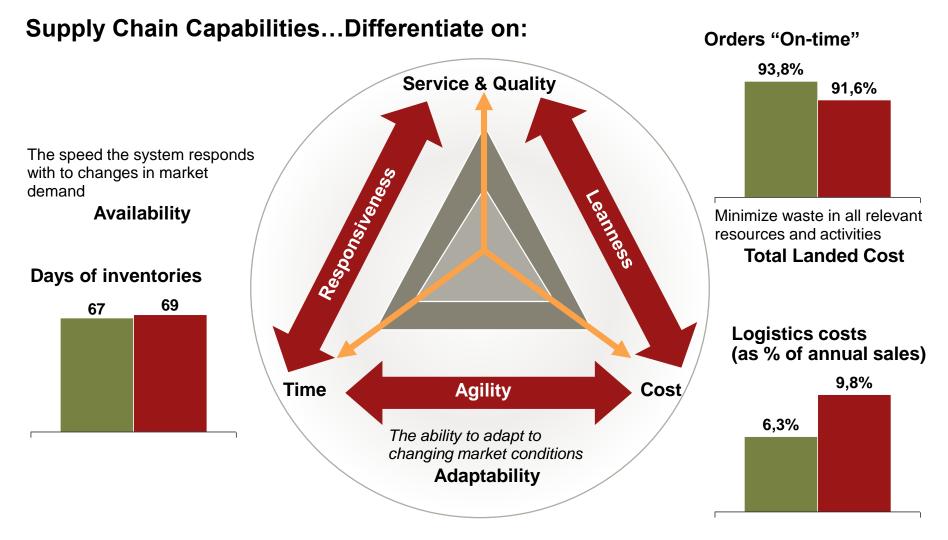
Responsive



Agile



However...highly capable still means juggling between lean, responsive and agile operations



Are you ready for a Supply Chain Transformation?

Supply Chain Transformation Approach

Customer Promise

Long-Term Supply Chain Strategy

S&OP

Long-Term

Potentia

Savings Short-Term

Network



- Develop optimized supply chain models that account for future growth, service requirements, and cost
- Broaden scope to include all warehouse related operations (co-pack, re-pack, kitting, eCommerce)
- Evaluate use of existing DC network, retrofits or Greenfield locations

Logistics & Distribution



- Evaluate shared-DC network model options
- Identify distribution collaboration scenarios
- Determine carrier strategy (asset vs. non-asset based)
- Perform transport modeling to maximize asset utilization
- Perform logistics sourcing to achieve market competitive pricing

Warehouse Operations



- · Determine operating model (insource vs. 3PL; owned vs. leased)
- · Perform 3PL sourcing to achieve market competitive pricing
- Perform DC site visit and identify immediate and longterm improvement opportunities
- Evaluate pallet contracts for optimization potential

Technology



- · Enable integration of WMS and TMS across stakeholder ecosystem
- Identify system requirements and potential providers
- Develop systems road map to ensure ordering, fulfillment and delivery communicate seamlessly

Source: A.T. Kearney

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