

Supply Chain Megatrends

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**Director, Supply Chain Optimization
Ingram Micro North America**



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Ralph Drayer

**Former Chief Logistics Officer
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The Supply Chain Television Channel

Why Should You Care?

- **Understand Forces Shaping Supply Chain Strategies**
- **Drive Proactive not Reactive Response**
- **Prioritize Opportunities**
- **Help Educate C-Level on Key Supply Chain Drivers**



The Top 10 Supply Chain Megatrends



Megatrend: *Focus on Alignment*

“Can your CEO and board easily draw a line between major supply chain strategies and initiatives and the corporations overall agenda?”



Paul Mathews
Sr. VP,
Supply Chain Transformation
The Limited Brands

Alignment Megatrend

- **Leaders are focusing on alignment:**
 - Within the supply chain organization
 - Between supply and demand
 - Between supply chain and the business/brand
 - Between company and trading partners



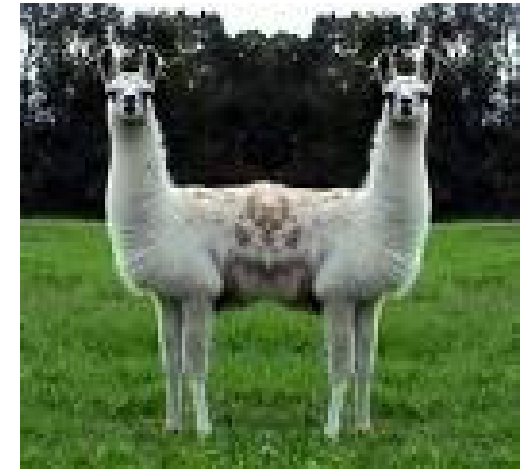
Alignment Megatrend - Strategies

- **Establish “Line of Site” between Company and SCM Metrics**
 - Dashboard and Scorecards
- **Excel at Sales and Operations Planning**
 - Integration of Planning and Execution
- **Consider Service Level Agreements between SCM/Logistics and the Business**



Megatrend: *Push-to-Pull*

- **Becoming More “Demand-Driven”**
- **Pull-based Supply Chain Transformations are Hard**
- **Long Global Supply Chains Add Complications** - Postponement
- **Finally Taming the Bullwhip Effect?**



**Many Supply Chains Experience
“Push me Pull You”
Syndrome**

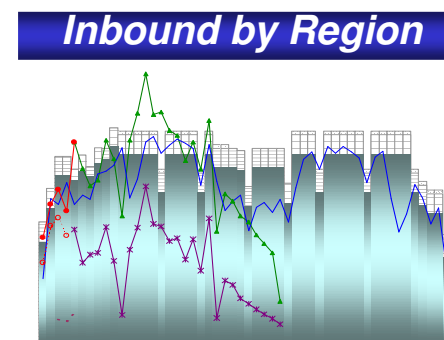
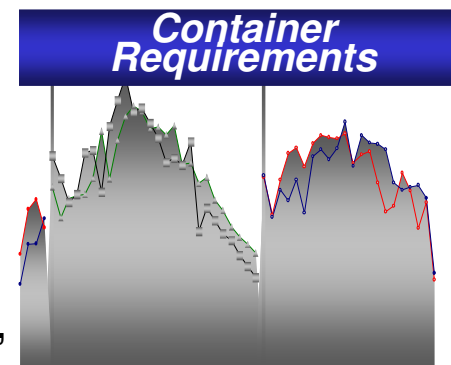
Push to Pull Megatrend – Strategies

- **Clearly articulate philosophy internally**
- **Acquire “POS” data and incorporate into Demand Planning**
- **S&OP and a “Single View of Demand”**
- **Sharing Forecast data broadly: internal and external**
- **More flexible production lines/reduced set up**
- **Postponement**
- **VMI**
- **“Sell-thru” accounting**



Canadian Tire

- Comprehensive Time-Phased Forecasting and Capacity Planning System Linking Business and Logistics
 - 26 week rolling forecast
 - Looks at projected needs for inventory, equipment, resources, people, and budget impact
 - Many units of measure (containers, units, cube, weight, order lines, etc.)
 - Widely shared with suppliers and service providers
- Dynamic Execution Decisions
 - E.g. Supplier direct to store or cross dock
- Look Many Trade-Offs
 - e.g. Putaway and handling efficiency versus picking efficiency, inventory versus transportation



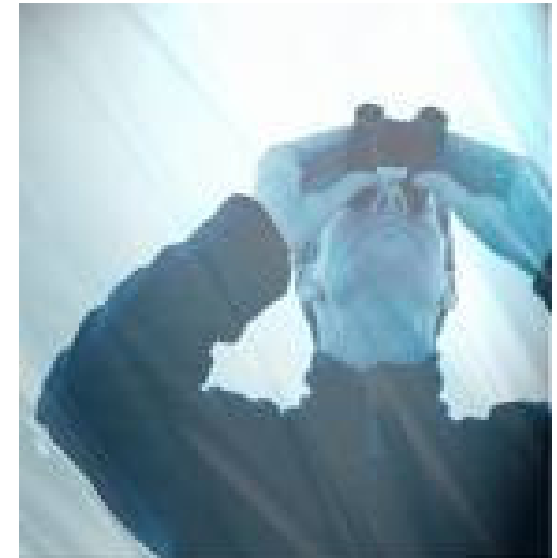
Sept. 28, 2007

**MIT and Novartis in new partnership aimed
at transforming pharmaceutical
manufacturing**

Goals including reacting faster to market demand

Megatrend: *Actionable Visibility*

- From vague concept to top of supply chain strategic agenda in past three years
- Imperative for global supply chain
- Journey not a destination
- **RFID**



***Visibility* Megatrend - Strategies**

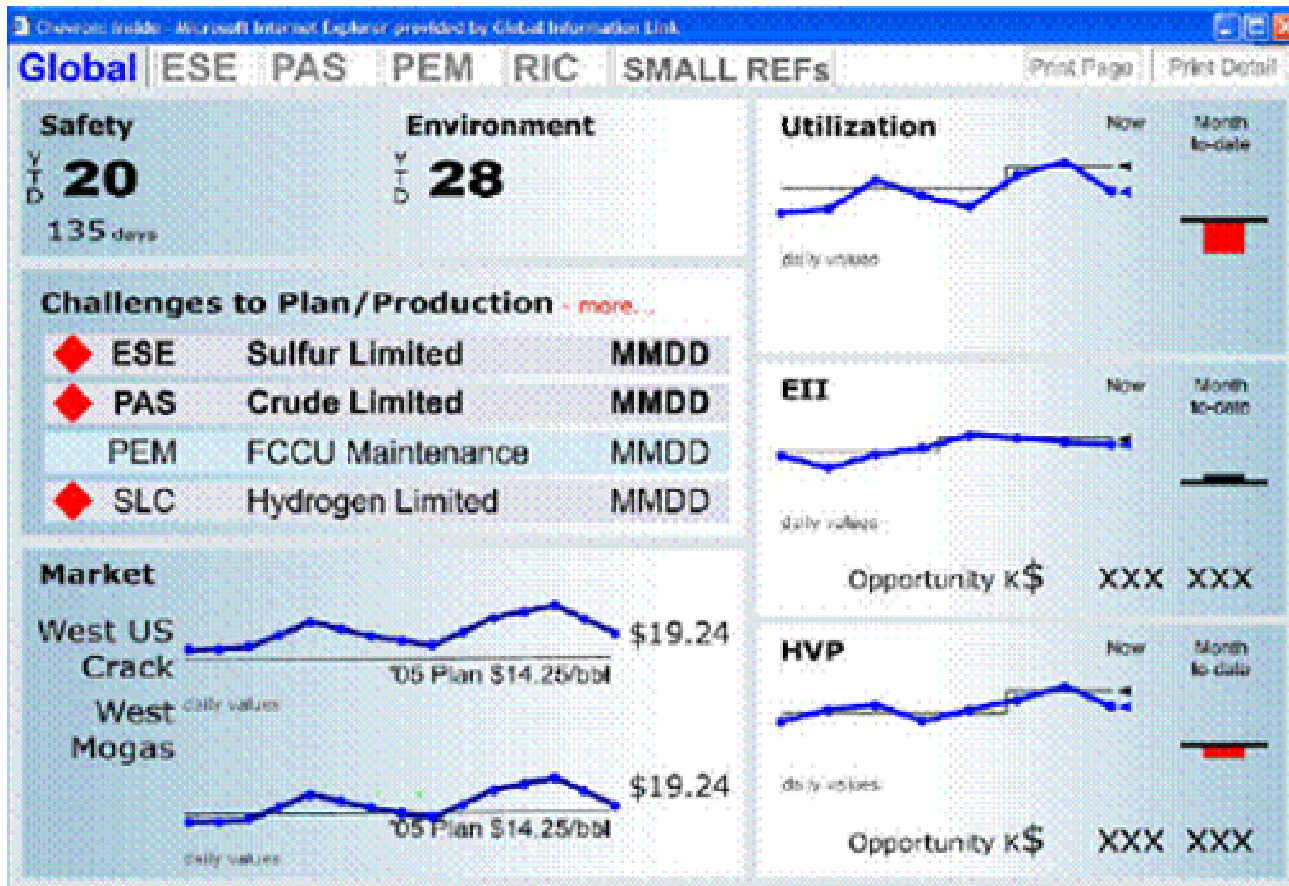
- **Specifically define Visibility goals**
- **E-Visibility for global movements**
 - Exception notification
- **Intelligent alerts**
- **Real-Time Dashboards**



The Real Question

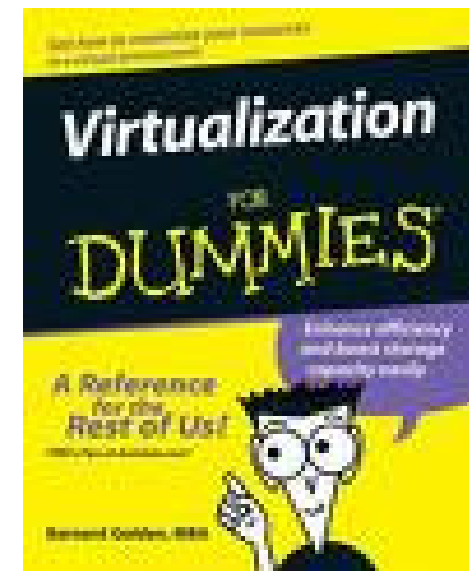
**What Do You Do with Multi-Level,
Real-Time Information?**

What Information to Managers and Execs Really Need to Make Better Decisions?



Megatrend: *Virtualization*

- Beyond just outsourcing/offshoring
- Asset reduction
- Move from fixed to variable cost
- Reduction in corporate “value add”
 - In the teens (%) for many companies



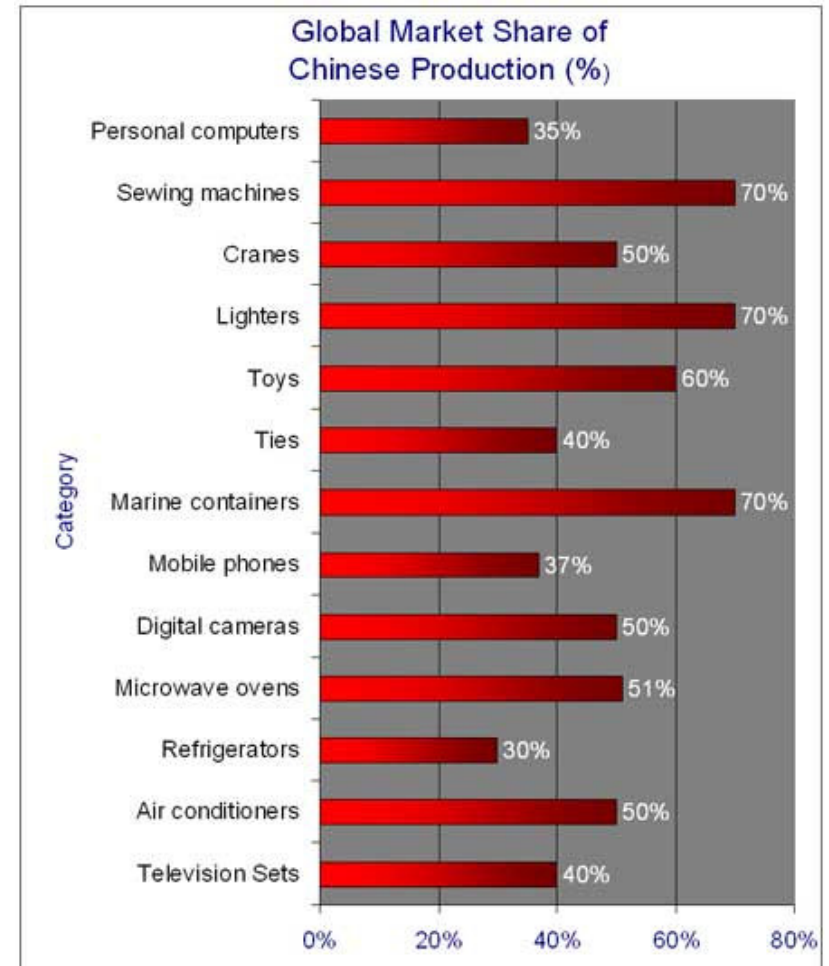
Virtualization Megatrend – Strategies

- **Risk often not being fully considered**
 - Supply Chain competencies
 - Intellectual property
- **Visibility drives management**
 - Cisco: 30 people for almost totally outsourced supply chain
 - Multi-level visibility



Megatrend: *China*

- Beware the Chinese “Dragons”
- “Cost Innovation” as competitive weapon
 - CIMC in containers
- Rapidly moving upstream in almost every product category
- Western companies making it easy
- Locking up Commodities

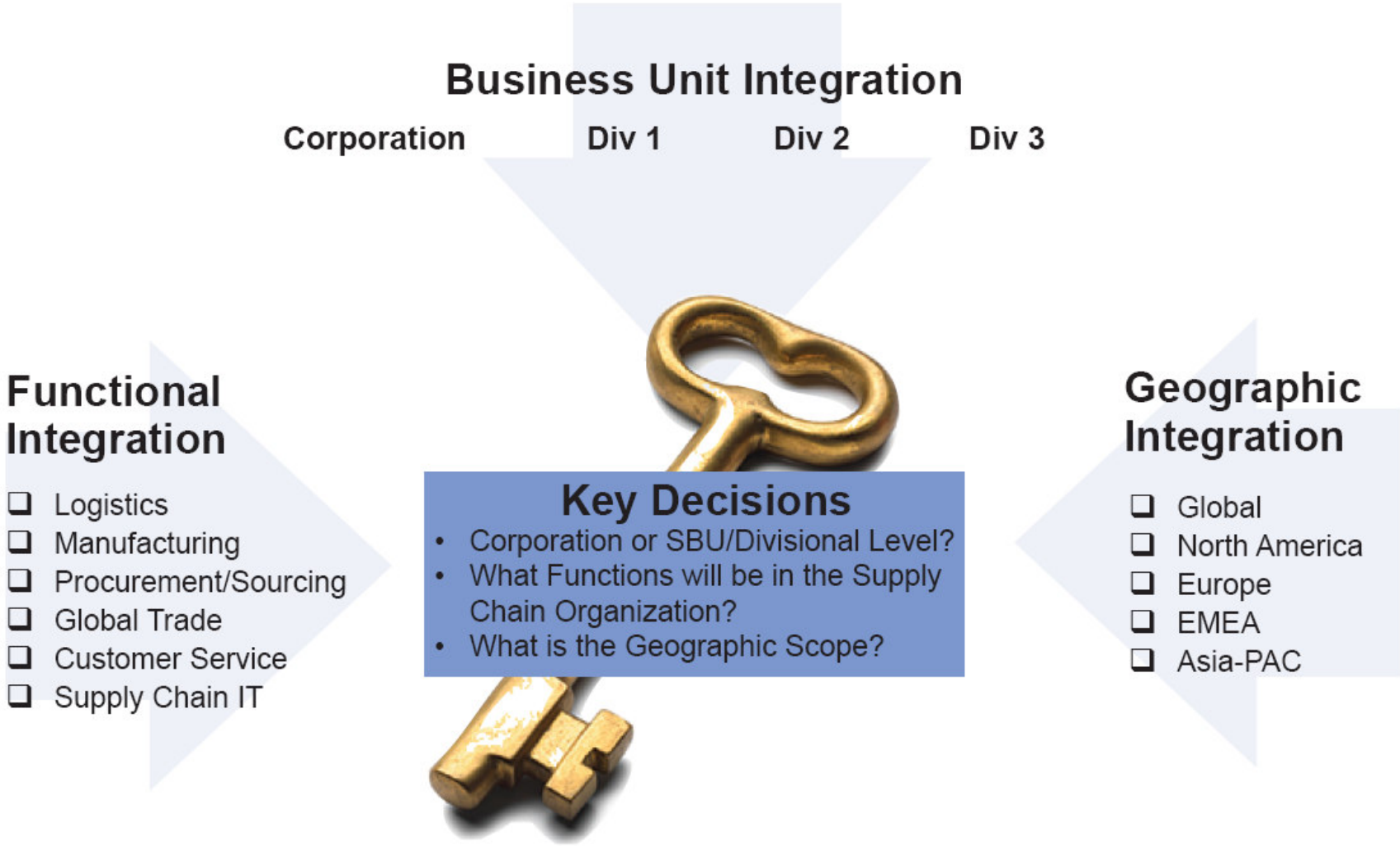


Megatrend: *The Integrated Supply Chain*

- Increasing number of companies centralizing SCM functions
 - Supply Chain Management
 - CSCOs
 - Transportation
 - Procurement
- Manage trade-offs/holistic strategies
- Can you ever go back?
- What are the limits?



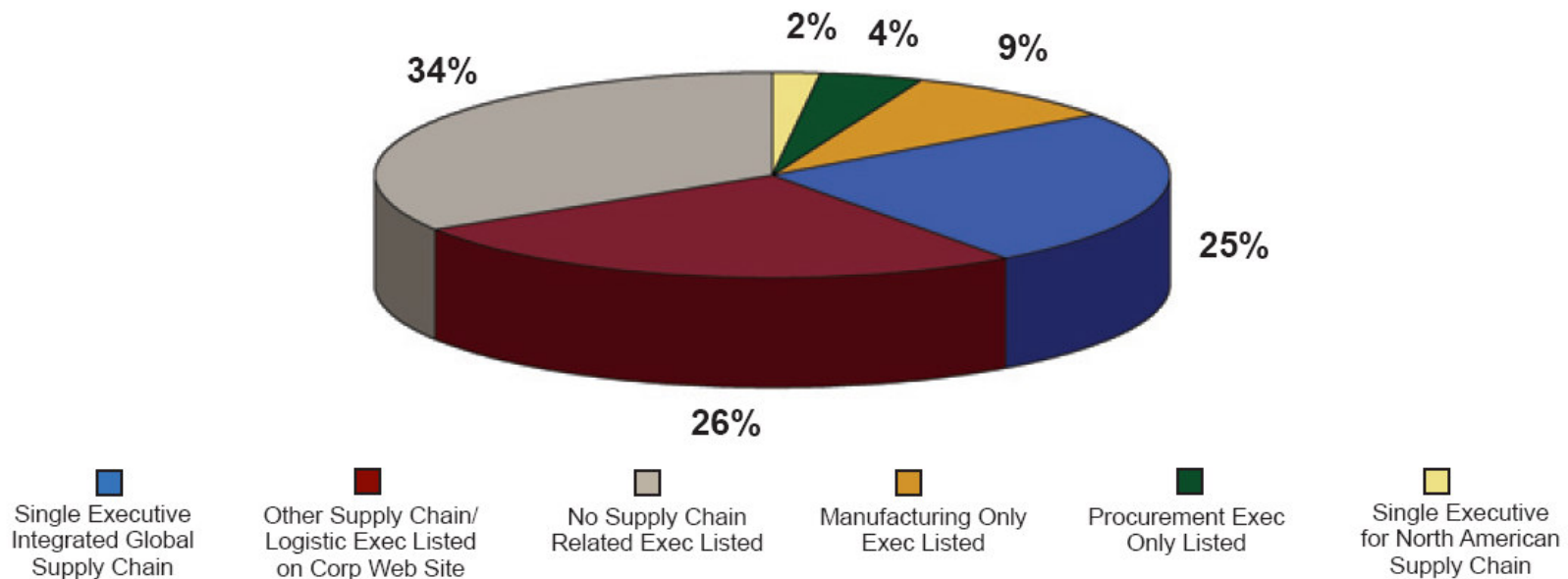
Complex Decisions



CSCO Insights Research

CHIEF SUPPLY CHAIN OFFICERS RISING

Senior Supply Chain Executives/Structure Fortune 100+



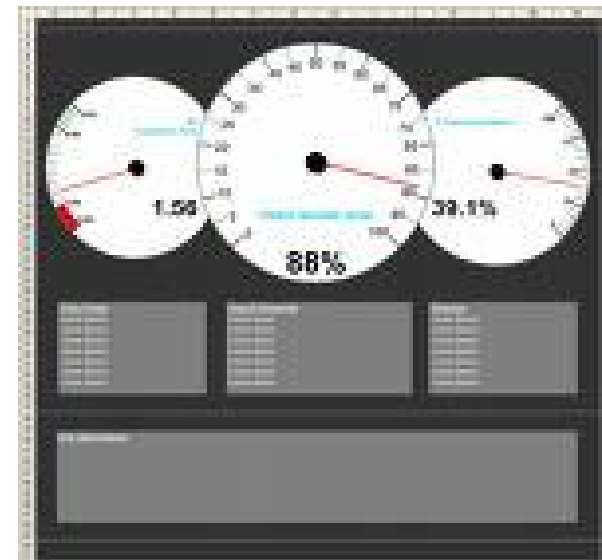
“We make sure everyone in the supply chain knows you need to “look left” and you need to “look right” in terms of how what you are doing impacts the upstream and downstream supply chain.”

Sal Calta

IBM

Megatrend: *Performance Management*

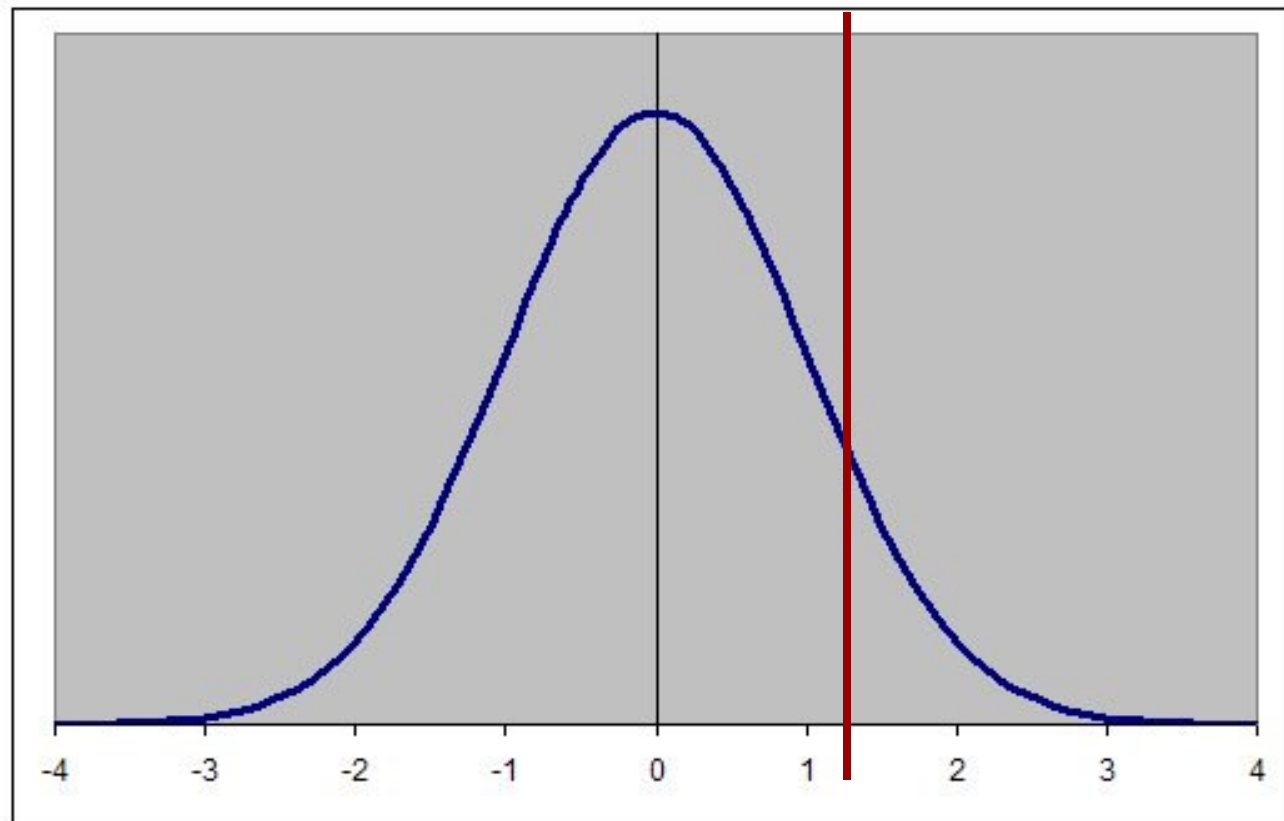
- Metric increasingly drive the supply chain
- Linkage of corporate metrics to supply chain metrics
- Scorecards and dashboards
 - Real-time performance management is coming
- Critical for virtual supply chain
- People side of the triangle



The 50% Problem

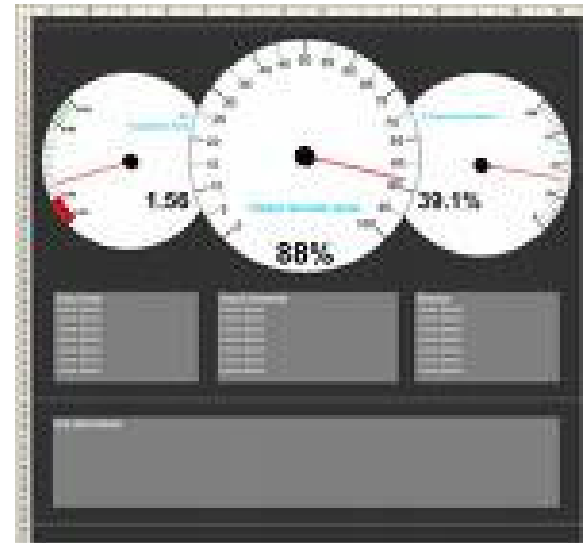
This is the reality:

This is the perception:



Performance Management Megatrend - Strategies

- Corporate “data warehouses” are not enough
 - Supply chain/logistics “data marts”
- “Unifying” metrics
- “Line of site”
- On-line dashboards
- KPIs more clearly defined for each new initiative



Megatrend: *Lean Supply Chains*

- Lean thinking moving from factory to broader supply chain
- Lean/Lean Six Sigma initiatives are sprouting in hundreds of companies
- Project-based training/development
- Relentless cost focus
- Are you on board?



Megatrend: *Risk Management*

- Growing awareness of impact of supply chain disruptions on company and shareholder value
 - Georgia Tech study
- Consultant push
- Long and virtual supply chains
- Top of most CSCO agendas



Risk Management Megatrend - Strategies

- **Formal risk analysis**
 - Scenario planning
 - Insurable and Uninsurable Risk
- **Early efforts at risk “quantification”**
- **Dual/tri-sourcing**
 - Nokia the latest
- **Global standards with local execution**
 - Audits
- **Hire consultants**



Megatrend: *Sensory Networks*

- Build out of infrastructure to monitor assets and execution in near real-time
- RFID, Motes, GPS, Wireless
- Know where everything is, all the time
 - Profound change
- Implications not well understood yet



Others Worth Considering

- **Green Supply Chain**
 - Fad or permanent?
 - Too early say yet
- **Commodity Prices**

Evolution of SCM Leaders

Focus Area	Traditional SCM	Demand Chain	Aligned with Boardroom
Orientation	Cost	Revenue/ Profit	Shareholder Value
Structure	Siloed	Integrated	Chief Supply Chain Officer
Objective	Efficiency	Differentiation	Stock Price
Technology	Point-Focused	Internally Integrated	Extended Supply Chain

Sources Include: Paul Mathews, Limited Brands

Thank You!

Q & A

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