

Mashik Conference

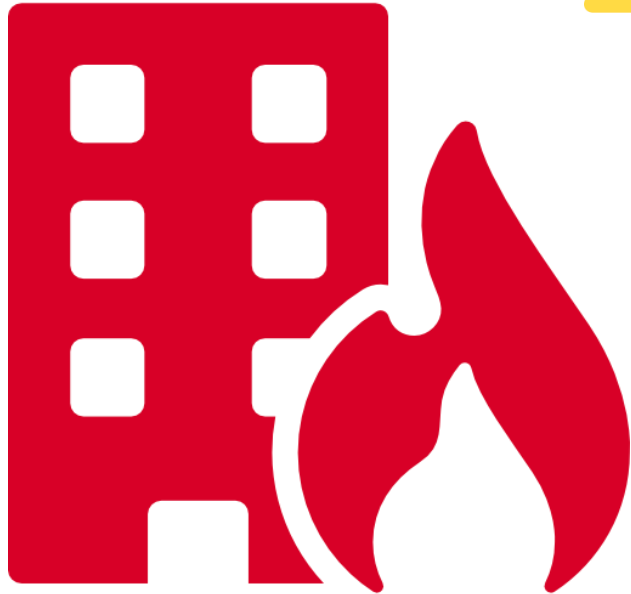
Supply Chain: Going beyond cost & service

Presentation document
28th June 2017

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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 2020**⁵

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

5. Don't Get Cozy, Fortune 500: It's Do-Or-Die Time for Digital Disruption (Upstart Business Journal)

The world is evolving

Changing business environment

Customer



- Anything, anytime, anywhere
- Personalization
- Connected consumers

Competition



- Faster innovation cycles
- Partnering approaches
- New entrants

Technology

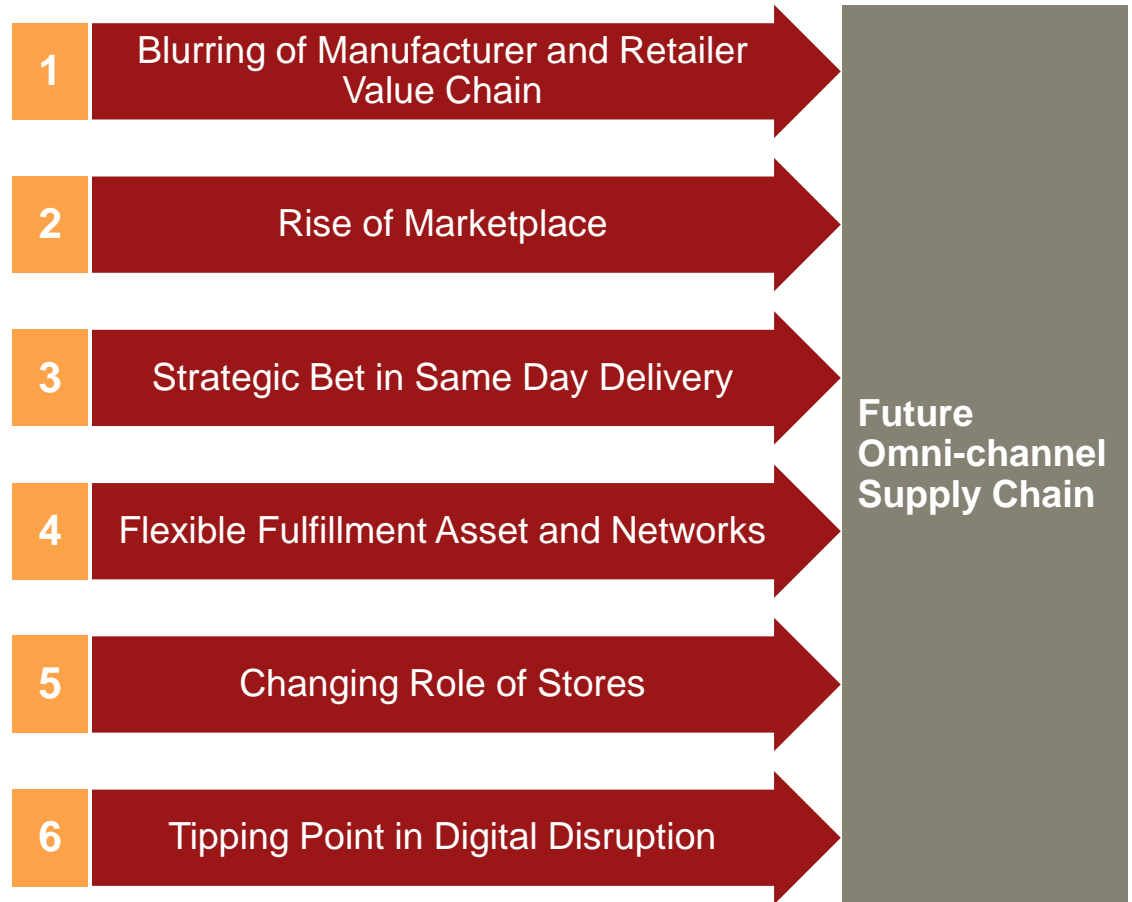
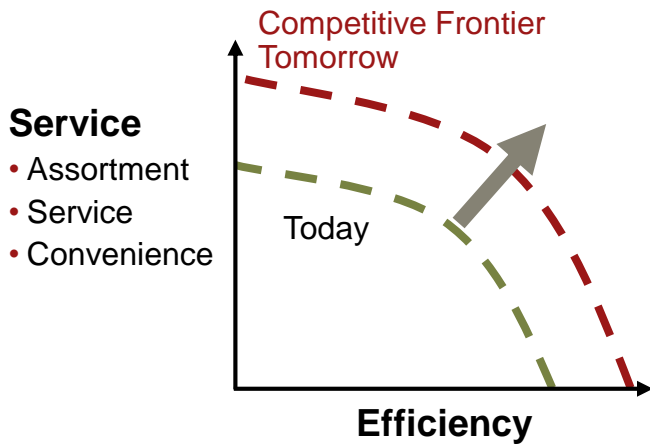


- Cheaper and more application fields
- Increasing data availability
- Exponentially growing computing power & intelligence



Each industry has their own supply chain challenges

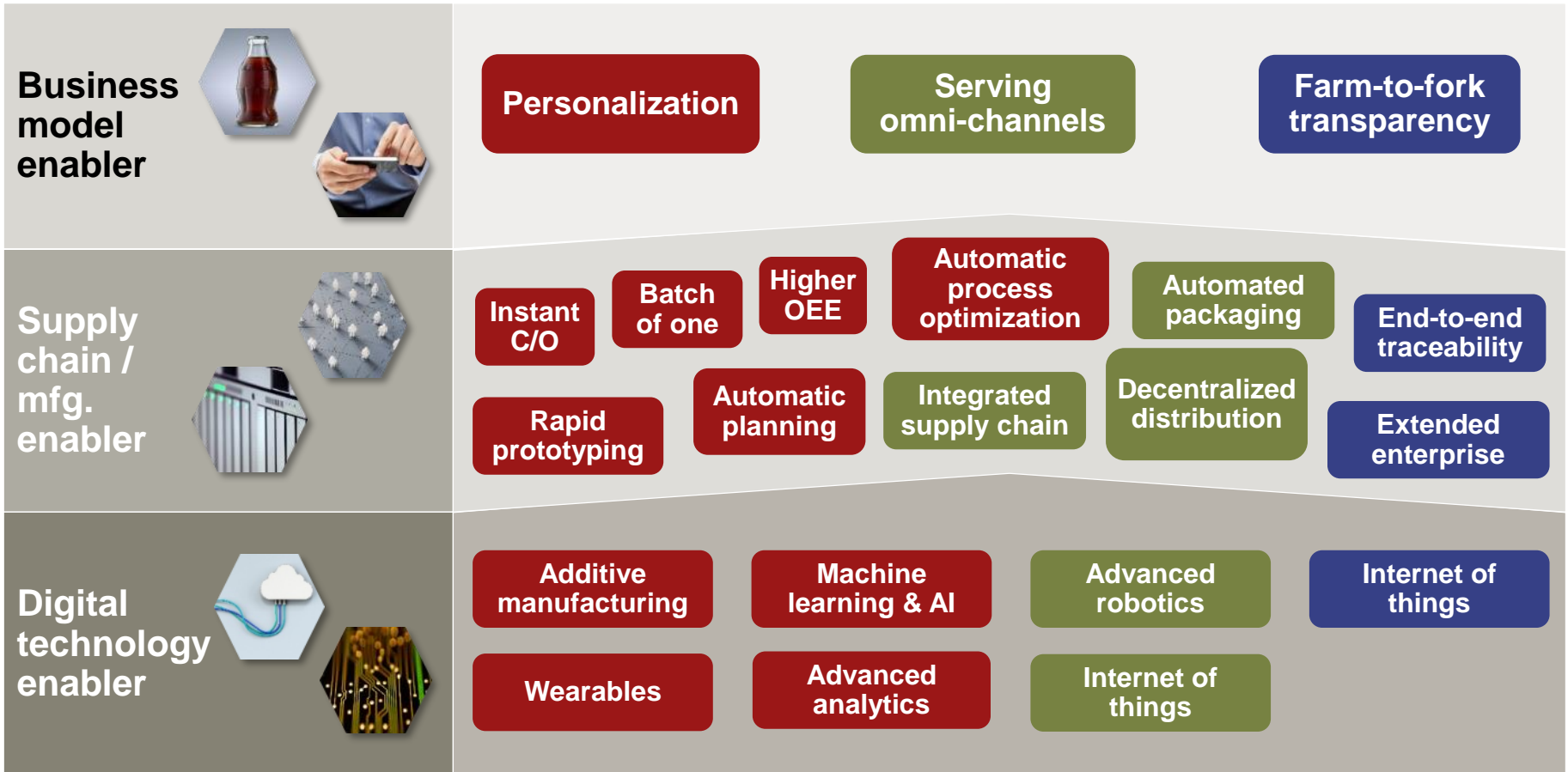
Example Consumer Goods



Supply chain is the crucial enabler of new business models

Cutting-edge new business models

Food Manufacturer Client example



Color coding according to business model enabler ■ 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

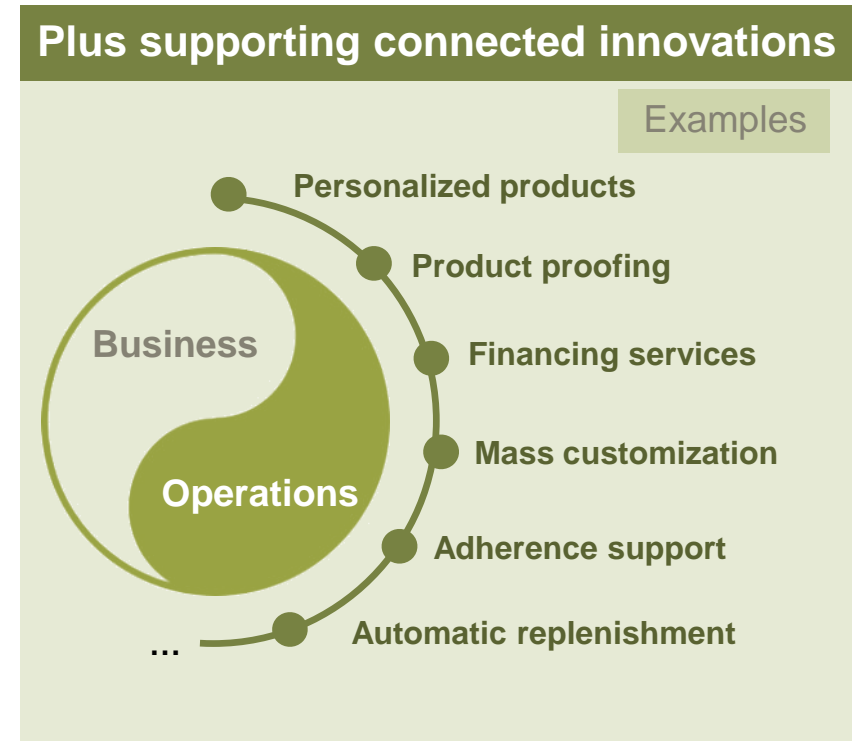
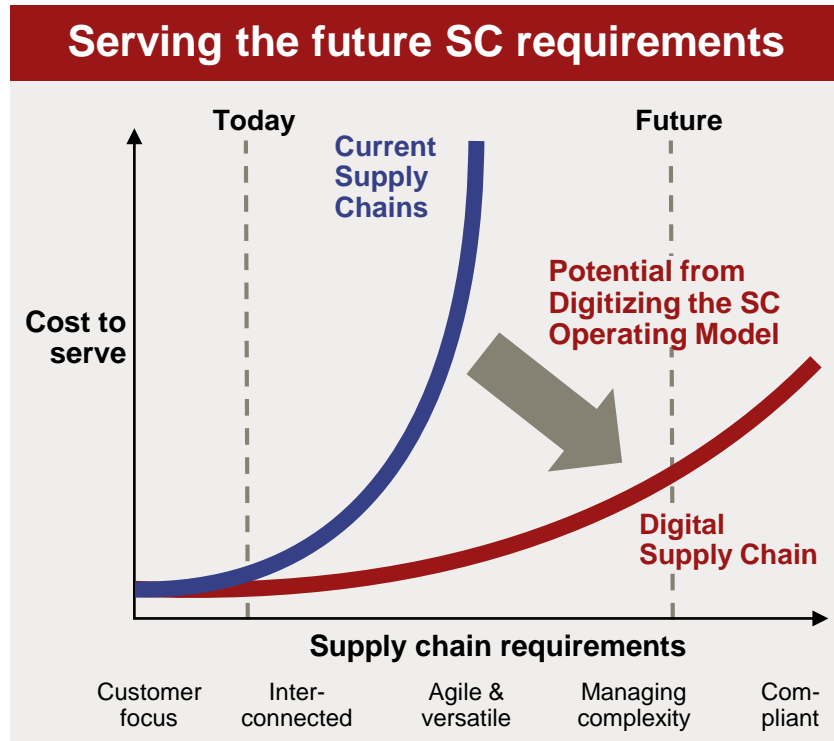
Considered a strategic capability

- **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

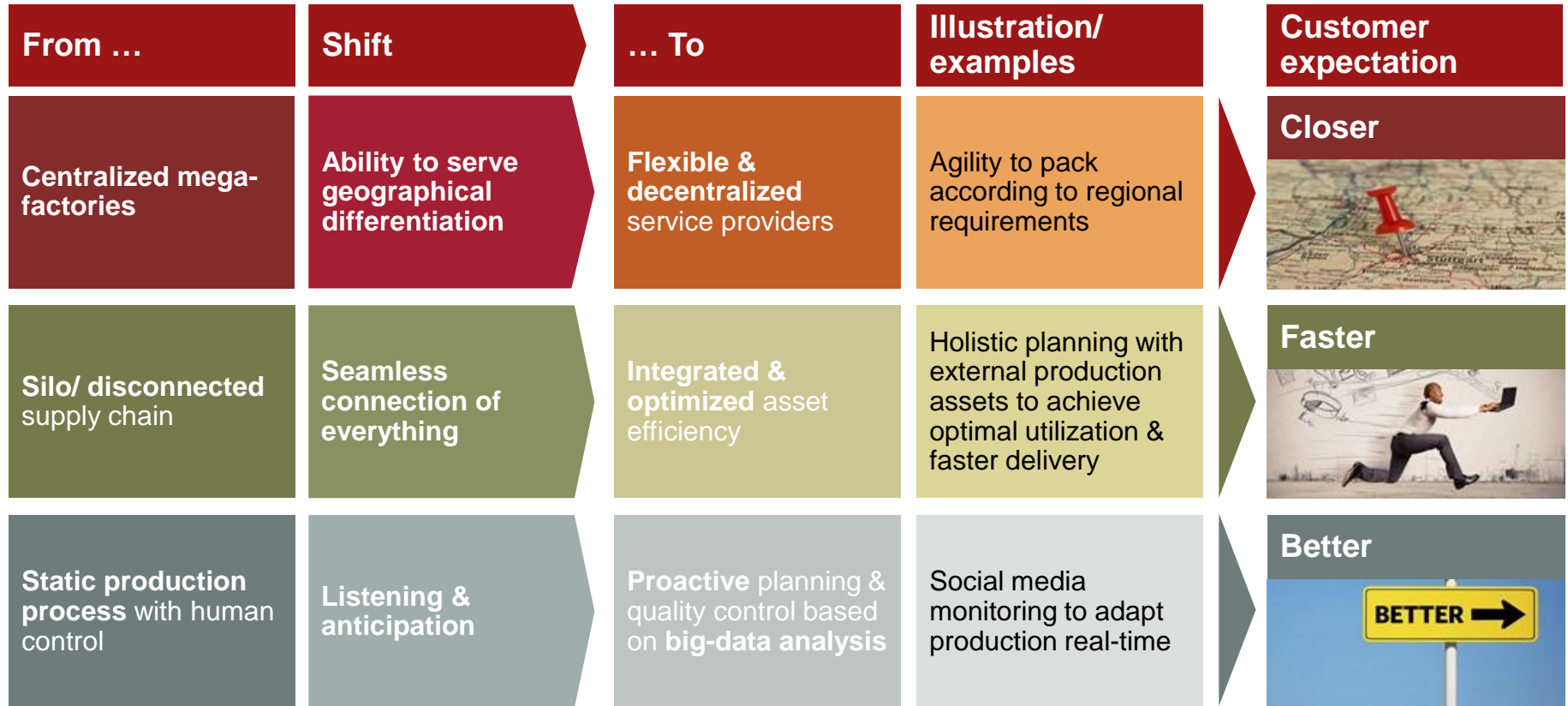
To serve the new reality at competitive cost, Supply Chain operating models need to really embrace digital

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

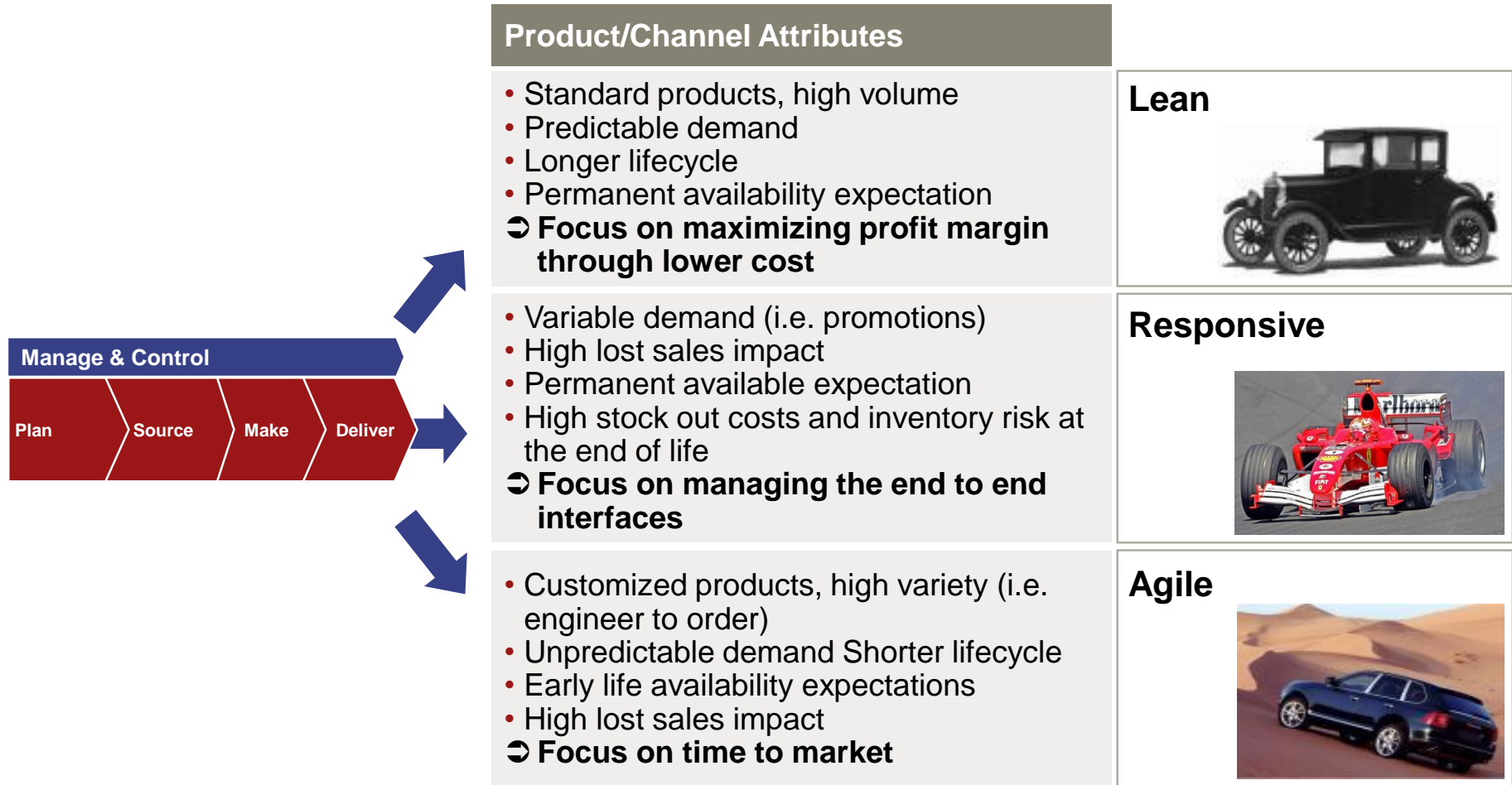
Digital enables the Supply Chain to become closer, faster, and simply better



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

	Focus	Enablers	Drivers	Result
Legacy	<ul style="list-style-type: none"> • Cost • Customer Service • Capital 	<ul style="list-style-type: none"> • ERP • Silo organizations • Limited data 	<ul style="list-style-type: none"> • Scale • Labor arbitrage • Marketing Push • Manual control 	<ul style="list-style-type: none"> • Monthly S&OP • Weekly MPS • Mega factories/DC • Large EOQ's • SC Towers • Long life cycles • One size fits all
Future	<ul style="list-style-type: none"> • Hyper C,C,C • Responsiveness • Agility/Flexibility • Sustainability 	<ul style="list-style-type: none"> • Advanced analytics • Big data • IoT • Machine learning • AI/AR • 3 D printing • Cloud 	<ul style="list-style-type: none"> • N=1 • Value • Dark factories • Consumer Pull • Machine control 	<ul style="list-style-type: none"> • 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



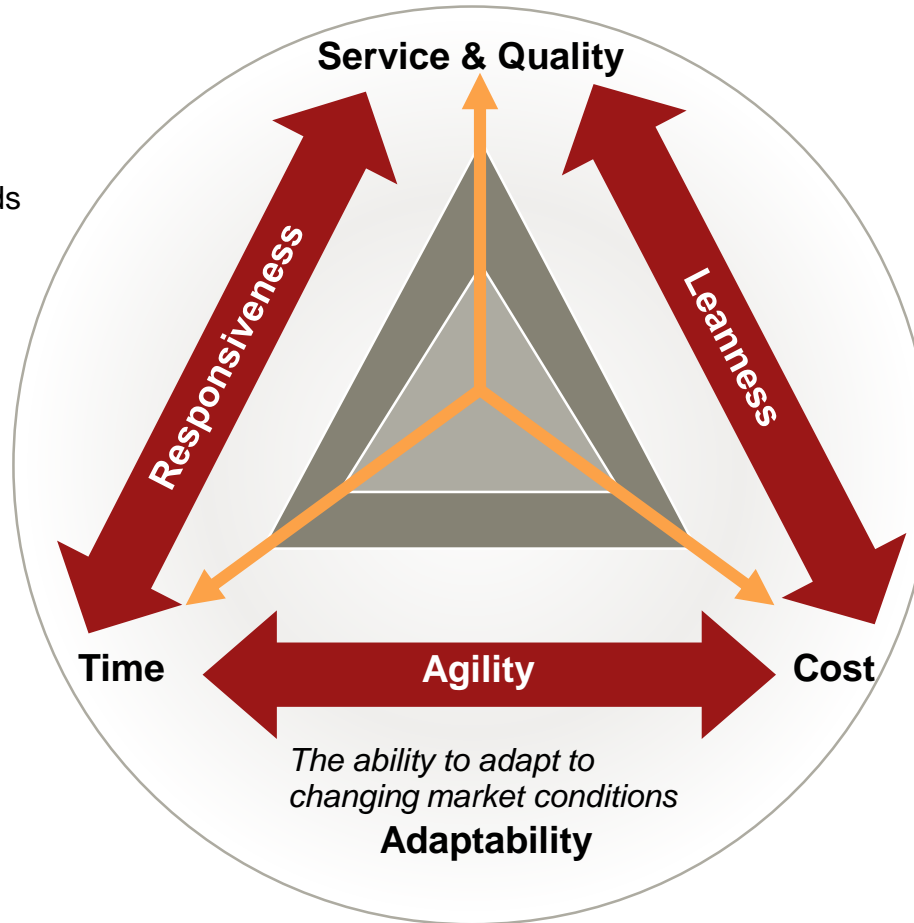
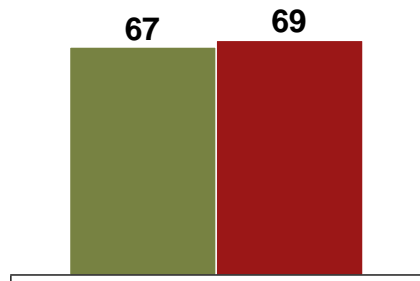
However...highly capable still means juggling between lean, responsive and agile operations

Supply Chain Capabilities...Differentiate on:

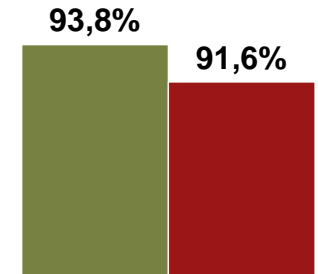
The speed the system responds with to changes in market demand

Availability

Days of inventories



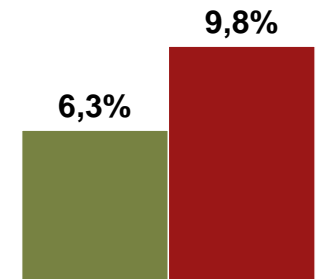
Orders "On-time"



Minimize waste in all relevant resources and activities

Total Landed Cost

Logistics costs (as % of annual sales)



Are you ready for a Supply Chain Transformation?

Supply Chain Transformation Approach



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