Supply Chain Management is a Leadership Responsibility
Distinctive approaches to innovation, collaboration, and talent

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The Treacherous Global Landscape

- Intensifying Competition and Rising Customer Expectations
- Increased Global Complexity
- Changing Regulatory Requirements
Breaking the Efficient Frontier

Source: Deloitte's 2014 Global Supply Chain Survey

Leaders  Followers

Well Above Peers

Service

Well Below Peers

Inventory Turns

Well Below Peers  Inventory Turns  Well Above Peers

31%  49%  8%  12%
Supply Chain Excellence = Financial Excellence

Supply Chain Followers

- Well Below Peers: 10%
- Revenue Growth: 52%
- Operating Margin: 38%
- Well Above Peers: 98%

Supply Chain Leaders

- Well Below Peers: 2%
- Revenue Growth: 52%
- Operating Margin: 98%
- Well Above Peers: 10%
Top Supply Chain Objectives

1. Reduce cost
2. Minimize inventory
3. Meet established service levels
4. Reliable product quality
5. Reliable supply of raw materials
6. Flexibility
7. Integration
8. Innovation
9. Growth
Supply chain leaders are more likely to concentrate on integrating, innovating and growing

Supply Chain Objectives

Integration
- 92% of leaders focus on integration
- 64% of followers focus on integration
- 28% gap between leaders and followers

Innovation
- 96% of leaders focus on innovation
- 65% of followers focus on innovation
- 31% gap between leaders and followers

Growth
- 98% of leaders focus on growth
- 73% of followers focus on growth
- 25% gap between leaders and followers

Source: Deloitte’s 2014 Global Supply Chain Survey
Pillars of a Sustainable Competitive Advantage

Corporate strategy

Senior supply chain leadership

Integration

Customer alignment / segmentation
Integrated business planning
Supplier collaboration

Innovation

Multiple types
Disruptive technologies
Analytical tools

Talent
Supply Chain as a Strategic Function

Senior Leadership

- More often headed by EVP/SVP
- 56%
- 33%

Strategic Alignment

- More likely to align with corporate strategy
- Corporate strategy
- 69%
- 36%

End-to-End Span of Control

- Most followers owned 3 or less
- Roughly half of leaders owned all 6

Source: Deloitte’s 2014 Global Supply Chain Survey
Supply chain leaders are more likely to concentrate on integration.

Supply Chain Challenges

- **Integrating with Customers**
  - 69% leaders, 41% followers
  - 27% gap between leaders and followers

- **Integrating with Sales and Marketing**
  - 67% leaders, 44% followers
  - 23% gap between leaders and followers

- **Integrating with Suppliers**
  - 90% leaders, 64% followers
  - 26% gap between leaders and followers

Source: Deloitte’s 2014 Global Supply Chain Survey
Directly Integrating with Customers

Methods of Integration

- Forecasting: 76%
- Data visibility (production, shipments, capacity): 70%
- Risk sharing: 57%
- Risk sharing: 27%

Source: Deloitte’s 2014 Global Supply Chain Survey
Indirectly Integrating with Customers

Methods of Service Level Differentiation (SC Leaders)

- **Product flow path** 79%
- **Stocking strategy** 74%
- **Service levels** 72%
- **Delivery mode** 87%
- **Production strategy** 79%
- **Procurement strategy** 83%

Source: Deloitte’s 2014 Global Supply Chain Survey

Customers, products, channels

Segmentation logic
Integrating with other functions to develop more profitable and integrated business plans

Cross-Functional Integration

- Finance: 75%
- Sales & marketing: 71%

Integrated Business Planning

- Corporate Plan
- Financial Plan
- Sales & Marketing Plan
- Supply Chain Plan

Source: Deloitte’s 2014 Global Supply Chain Survey
Reliance on third-party suppliers as a virtual extension of a supply chain

Coordination with Third-Party Providers

- **Forecasting**: 88%
  - 53%

- **Risk sharing**: 73%
  - 41%

- **Visibility to third-party production, production capacity, or in-transit shipments**: 70%
  - 51%

Resilient supply chain framework

- **Governance**
- **Flexibility**
- **Visibility**
- **Collaboration**
- **Control**

...supported by a clearly defined governance structure

Source: Deloitte's 2014 Global Supply Chain Survey
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Talent
Evolution of the bookstore: 1994
Innovation is not invention

**Network**
Connections with others to create value

**Process**
Signature or superior methods for doing your work

**Product System**
Complementary products and services

**Channel**
How your offerings are delivered to customers and users

**Customer Engagement**
Distinctive interactions you foster

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**Profit Model**
The way in which you make money

**Structure**
Alignment of your talent and assets

**Product Performance**
Distinguishing features and functionality

**Service**
Support and enhancements that surround your offerings

**Brand**
Representation of your offerings and business
More Innovation Types = Superior Financial Returns

5-Year Indexed Stock Price Returns of the Top Innovators vs. S&P 500

- 5+ Types of Innovation
  - 45 companies
- 3–4 Types of Innovation
  - 59 companies
- 1–2 Types of Innovation
  - 34 companies
- S&P 500
Supply Chain Leaders have a mandate to fuel growth through innovation

Supply chain objectives identified as extremely or very important

- **Enabling growth**
  - Leaders: 98%
  - Followers: 73%

- **Innovation**
  - Leaders: 96%
  - Followers: 65%

Source: Deloitte's 2014 Global Supply Chain Survey
Potentially disruptive technologies offer platform for innovation

Emerging Technologies in Supply Chain

3D Printing

Advanced Analytics
How will 3D Printing impact your industry?

“[3D Printing] is growing rapidly in ways that promise to replace the almost 100-year-old mass-production model that defined the industrial revolution.”

- Greg Emerson, The Street, October 14, 2010

Source: Deloitte’s 2014 Global Supply Chain Survey
3D Printing a catalyst for transformative innovation

Process
Reduced inventory and transportation

Channel
Move toward e-Commerce

Network
Manufacturing partnering with retailers

Product Performance
Highly customized and personalized

Customer Engagement
Directly engages customer
Analytics as a tool for innovation and integration

Extensive Use of Analytics
Percentage Responding “Use Extensively”

- Optimization software: 75%
  - 34%
- Supply chain visualization software: 67%
  - 28%
- Mobile technologies: 75%
  - 30%
- RFID tags: 65%
  - 27%

Analytics Applications

- Operational
  - Dynamic Re-routing
- Tactical
  - Source Switching
- Strategic
  - Product Complexity Reduction

Source: Deloitte’s 2014 Global Supply Chain Survey
Operational Analytics – Dynamic Re-Routing
Operational Analytics – Dynamic Re-Routing

Where it should be

Where it is

DELAY
Tactical Analytics – Source Switching
Tactical Analytics – Source Switching
Analytics a powerful tool for transformative innovation

**TEN TYPES OF INNOVATION**

**Network**
Collaboration with Channel Partners

**Service**
Enables guarantees on delivery or service times

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**Profit Model**
Deeper understanding of cost structure and drivers

**Process**
Improved speed of decision-making and profitable trade-offs

**Customer Engagement**
Tailored offerings based on customer insights
What will it take to stay on top?

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