

# The death of the supply chain

Why consumer-products organizations should reimagine the traditional supply chain as a supply-value network



In today's digital world, the term 'supply chain' is a bit of a misnomer. A chain implies connectivity, rigidity, and linearity, whereas today's landscape prioritizes flexibility, speed, agility, and adaptability.

This disconnect is especially true of consumer-products organizations. The traditional model of delivering large volumes of the same product to retailers and distributors is fast becoming a thing of the past. Modern consumers expect the ability to personalize products and make purchases across a variety of channels. And a vast and varied network of manufacturers, suppliers, third-party sellers, and distribution service providers are now needed to support every aspect of the consumer journey, from production to fulfilment.

Hence, the supply chain is no longer a chain at all, but a networked ecosystem – one that blends multiple channels, interconnected supply systems, and a deep and varied network of partners, all with the purpose of serving consumers when and where they are.

### **The supply-value network: Enabling consumer centricity, agility, and scalability**

Many organizations talk about a consumer-centric supply chain, but few live up to the challenge. In traditional models, the supply chain is usually a one-way, linear path from a large-scale manufacturer to the retailer. The emphasis is on the mass production of goods and the speed at which they can reach shelves. Few, if any, members of the chain have reason to consider the consumer.

On the other hand, in a modern supply-value network, the path to purchase is not a sequential chain, but an interconnected web. The consumers are at the center and every other aspect of the ecosystem is connected to them.

"Businesses must begin this process by tracing the consumer journey," explains Hein Regeer, Principal at Capgemini Invent. "Organizations need to identify the so-called 'moment of truth' – the exact point at which a consumer makes a decision. From a supply chain perspective, we need to facilitate the journey towards that moment by putting the consumer at the center."

In shifting to this new model, businesses must completely rethink how to meet consumer demand within the supply-value network. For example, inventory may not necessarily need to be managed

in traditional warehouses. Instead, organizations may want to diversify their assets so that they can support a variety of sales channels and delivery models. As shopping continues to shift online, many brands will need to prioritize the ability to make very small, but very fast, deliveries. As such, they may invest in non-traditional transportation methods, such as e-vehicle or bike fleets.

"There is no longer a one-size-fits-all approach to supply chain," says Regeer. "There are many different types of consumers to reach and the supply-value network has to mirror that."

At the same time, the organization must balance the need to serve a variety of customers and consumers with optimized business operations. They must ensure the business remains profitable, even as the demand for personalization, speed, and direct access grows.



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**Hein Regeer**

Principal at Capgemini Invent

### **Shifting to an asset-lite model**

Shifting to a supply-value network will also have significant implications for manufacturing. Typical fixed-asset, high-volume production lines do not allow for the flexibility and responsiveness needed in today's landscape.

"Being a giant with large owned assets is no longer the only winning card," says Laurent Perea, VP at Capgemini Invent. "The ability to collaborate and build a resilient network that can quickly adjust to changes becomes the most promising bet."



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**Laurent Perea**

In the modern retail landscape, it's crucial to enable agile manufacturing and offer consumers a variety of ways to customize or personalize their orders – and create a supply-value network that supports those requests at every point in the consumer journey.

To enable this shift, many consumer products organizations will need to convert to an asset-lite manufacturing model. By this we mean that the majority of goods will be produced by third parties and that inventory holdings will be reduced or disaggregated. Operating in this manner will eliminate or reduce overhead costs on everything from real estate and equipment, to labor and utilities.

In addition, organizations will need to reconsider their distribution networks. Large volumes of purchases are poised to move to direct-to-consumer channels, which will require a more flexible and mobile distribution network. Thus, organizations must not only focus on producing large volumes of products, but also on the ability to distribute them with speed and agility across an ever-growing array of channels. In the near future, success won't just be a matter of getting products on shelves – but also on doorsteps and in consumer pickup centers and to marketplaces or third-party sellers.

### **The modern supply-value network: Enabled by data, realized by people**

To enable this next generation supply-value network, organizations must leverage the power of data-enabled insights and technology.

"Data is the most crucial currency within the supply-value network," says Phil Davies, Vice President at Capgemini Invent. "The ability to understand the data and process and react to it – that's a key differentiator and enabler of success."

Consumer products organizations have long relied on biographical and transactional data to help segment



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Vice President at Capgemini Invent

consumers and predict demand. However, advances in intelligent automation, the collective term for data-enabled tools such as artificial intelligence (AI), machine learning (ML), and robotics, also allows organizations to incorporate contextual data, which includes any combination of external factors that may inadvertently affect sales, such as weather, traffic, holidays, or tourism.

For example, construction or roadwork may create a dip in store traffic, which may cause perishable goods to expire; excessive heat forecasts may prompt people to switch to prepared meals or cold entrees, as opposed to foods that require heating or cooking. With these insights, the business can reroute inventory, offer new promotions, or change manufacturing plans.

That said, today's supply chains are largely analogue, which means that even when consumer products organizations have near real-time insights to work with, applying them often requires manual human intervention. In a data-driven world, this is unacceptable. Every aspect of the supply-value network must be integrated and a great deal of the insights-based decisioning can be automated. Doing so can improve overall speed and effectiveness, while also driving down costs and reducing errors.

Developing this capability depends on the ability of the organization to bring data to the center of each business function. Companies must be more deliberate in organizing the business in a way that embraces data-enabled technology. For example, if a consumer wants to customize a product, the organization will need to have the ability to service that preference across the supply chain. This is a completely new way of working and can be executed only if the organization thinks about data and technology holistically.

Finally, while technology is a critical underpinning of supply chain modernization, we cannot underestimate the human element of transformation. Shifting to a supply-value network model requires the organization to change its skills, culture, and mindset. These elements are, at best, underestimated if not outright overlooked.

"The reality is that most consumer companies are accepting the need to do this," says Davies. "It's not a choice. It's the only way they will survive and maintain a competitive advantage. People are as much a part of that equation as the technology itself."

## Our solution

While organizations traditionally looked for end-to-end visibility in the supply chain, today's environment requires a 360-degree view across the supply-value network. We offer consumer-products organizations the following capabilities to help enable the modern supply chain:

- 1. Strategy and operating model.** For many consumer-products organizations, putting the consumer at the center of the digitally enabled supply network will require a complete overhaul in both the business strategy and operating model. Further, organizations will need to assess how this new way of working will impact other aspects of the business, as well as their relationships with every member of the supply-value network.
- 2. Connected autonomous planning.** Organizations should consider moving to an environment where planning of manufacturing, transport, procurement, and virtually every other aspect of the supply-value network is completed in a touchless, autonomous way. This system, which is enabled by data-driven intelligent-automation applications, helps optimize each function across the ecosystem. While humans maintain oversight of this system, tedious and recurring tasks are handled entirely by machines, which frees the workforce to focus on higher-value tasks, such as customer service or sales.
- 3. Connected manufacturing.** In today's digital world, organizations must ensure that they have near real-time visibility into production lines and every element related to them are enabled through the cloud. Working this way will help unlock operational efficiencies, such as maintenance timing or workforce planning, as well as the ability to cut costs through more precise demand forecasting or inventory awareness capabilities.
- 4. Connected control tower.** The most crucial aspect of modernizing the supply chain is enabling a 360-degree view of the supply-value network, including internal operations and external variables. This forward-looking function is both predictive and proactive – helping the organization anticipate issues and opportunities, while also generating ways to respond to them.

## Our approach: design, implement, operate

We support organizations in their shift to a supply-value network in three ways:

### Design

Adapting the traditional supply chain to be a supply-value network

Ensuring 360-degree visibility across the network

Determining how changes within the supply-value network will impact other aspects of the business

### Implement

Helping the organization implement the changes identified in the Design phase

Supporting cultural and workforce transformation

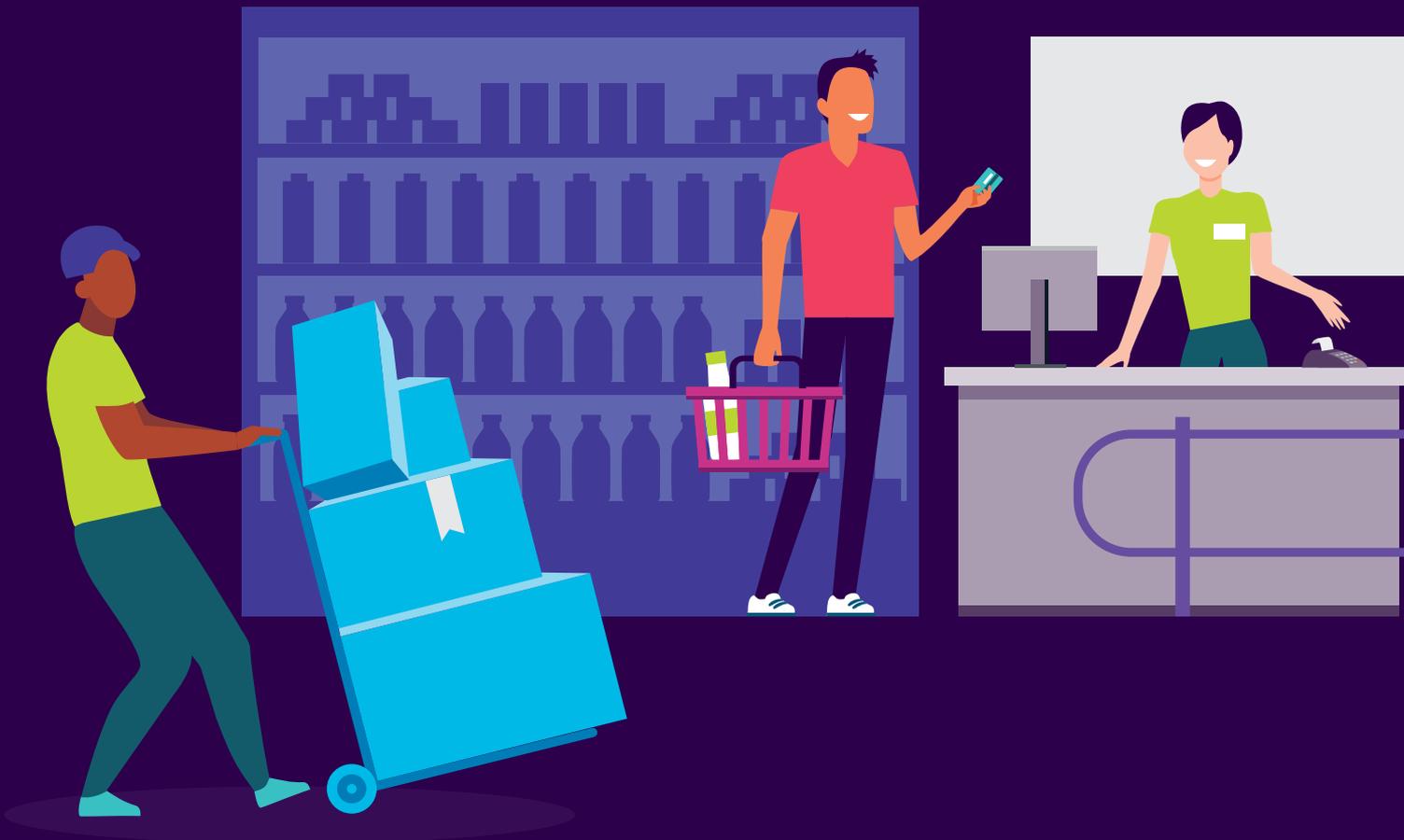
### Operate

Operating one or more parts of the solution as an outsourced partner

## Conclusion

As consumer-products organizations reinvent the traditional supply chain as a networked ecosystem, it is worth remembering what an ecosystem is. As in nature, the supply-value network is complex and connected; responsive and adaptive; evolving and ongoing. It is also potentially fragile – requiring a delicate balance between serving the needs of the consumer, engaging the right third-parties to deliver, and maintaining profitability.

For this reason, the modern consumer products company is much more than its core business. It is an orchestrator, overseeing multiple channels, interconnected supply systems, and a deep and varied network of partners. In embracing this new role, organizations might come to think of the creation of a supply-value network not as the end of the supply chain, but its latest evolution.





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