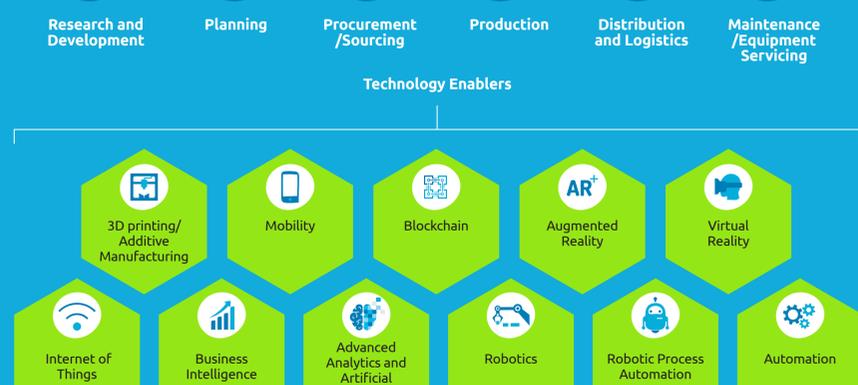


The importance of supply chain digitization

What are digital supply chain initiatives?

Digital supply chain initiatives (see Figure 1) use digital technologies to optimize operations across the entire supply chain by enabling connectivity, data management, insights, and smart automation.

Figure 1: Initiatives for digital supply chain



The strategic importance of supply chain digitization

Despite the complexity, supply chain digitization is at the top of many organizations' list of strategic priorities. One in two organizations say supply chain digitization is one of their top three priorities at an organization level (see Figure 2).

Figure 2: Prioritization of supply chain across sectors and geographies

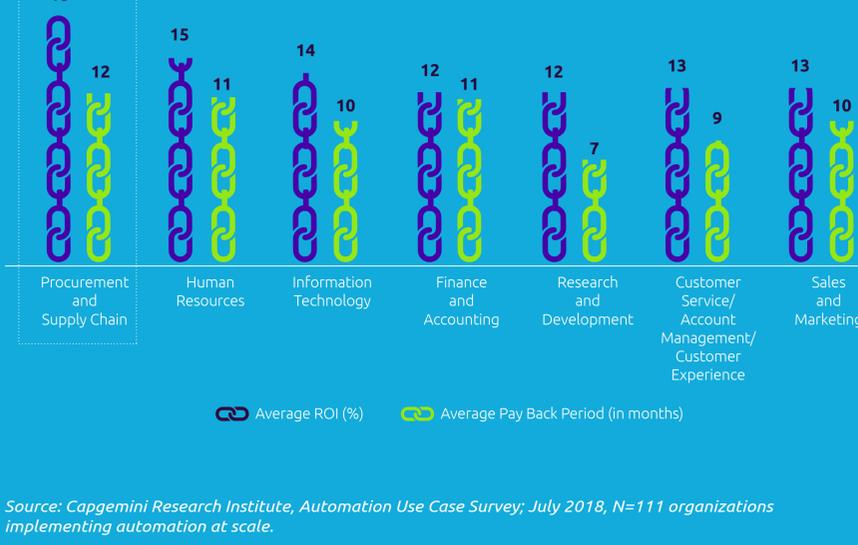
Supply chain digitization is one of the top three organizational priorities - by industry



Supply chain initiatives deliver the highest returns compared to other functions

The size of the prize explains why supply chain is one of the top priorities for organizations. Automation initiatives in procurement and supply chain functions deliver the highest returns compared to other functions (see Figure 3).

Figure 3: Average return on investment and payback period by function for organizations implementing automation at scale



Source: Capgemini Research Institute, Automation Use Case Survey; July 2018, N=111 organizations implementing automation at scale.

What drives investments in supply chain digitization?

For most organizations, saving costs is the main driver for investing in digital supply chain initiatives (see Figure 4). However, supply chains can also help deliver a better customer experience. But with less than two out of five organizations making supply chain investments with the aim of becoming more customer centric, many organizations are failing to seize the opportunity to make their supply chains more consumer driven and agile.

Figure 4: Four out of five organizations report cost saving as the key driver of their supply chain investments



Source: Capgemini Research Institute, Automation Use Case Survey; July 2018, N=111 organizations implementing automation at scale.

Successful organizations "focus" on key initiatives and deploy them at scale

Enthusiasm for digital technologies is resulting in organizations embarking on multiple initiatives simultaneously – with close to 30 projects in ideation, proof of concept (PoC), or pilot stages (see Figure 5). This approach is not ideal. Organizations that are successful start with a large number of ideas and eventually choose a handful that best address their strategic requirements and funnel out the rest.

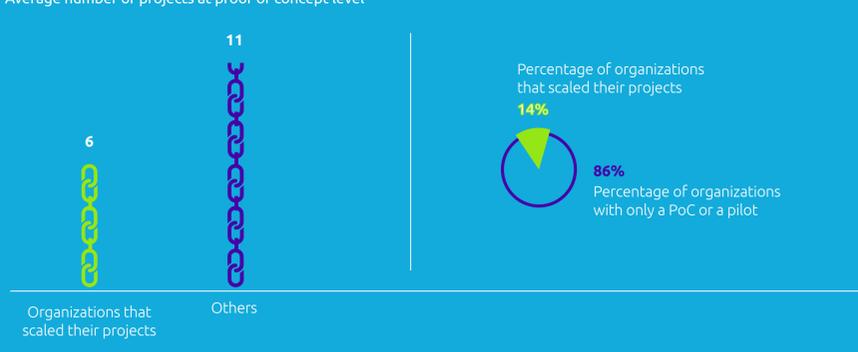
Figure 5: Organizations have close to 30 projects in ideation, PoC, or pilot



Only 14% of organizations are currently able to scale at least one of their supply chain digital initiatives to multi-site deployment or full-scale deployment (see Figure 6). The vast majority – 86% – are stuck at either the PoC or pilot stage. Those organizations that were able to scale up their digital initiatives have, on average, six PoCs running at one time. In contrast, those who fail to scale have, on average, eleven POCs running.

Figure 6: Organizations with PoC or pilot initiatives vs. organizations with implementation at scale

Average number of projects at proof of concept level



How can organizations successfully scale their supply chain initiatives?

To drive value from supply chain digitization, we believe three broad areas are critical, which we characterize as strategize and plan, build, and enable (see Figure 7)

Figure 7: Considerations for digitizing supply chain



Conclusion

With the pace of digital disruption ever increasing, organizations are being forced to constantly reinvent themselves while supply chains have moved from being merely cost centers to being enablers of competitive advantage. Organizations and their leaders today understand the criticality of supply chain digitization, but often lack direction and, as a result, fail to scale up effectively. By stretching themselves too thinly across multiple initiatives, organizations are unable to see programs to completion or gain the benefits of scaled adoption.

Focus is the critical ingredient for achieving success from the next-generation, consumer-driven digital supply chain. Successful organizations will have clear frameworks to identify the right digital initiatives that are aligned with their goals, learn fast from their pilot implementations, and be determined and able to reach scale.

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