

# Emerging Challenges in Supply Chain Management

Supply Chain Conclave2014

Sep14

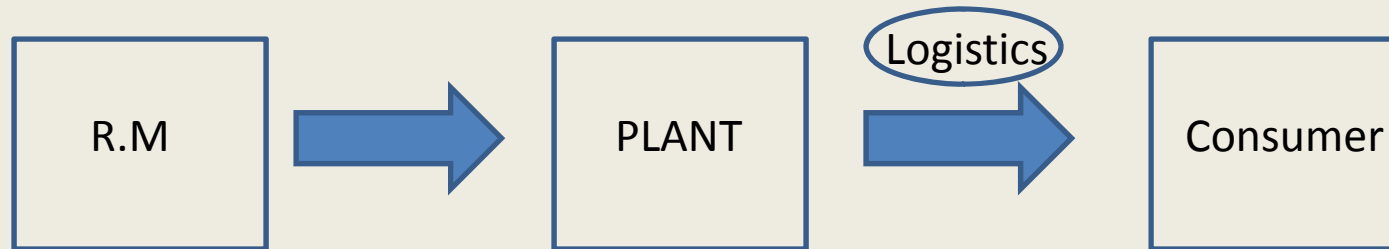
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S. Chari: Hyderabad

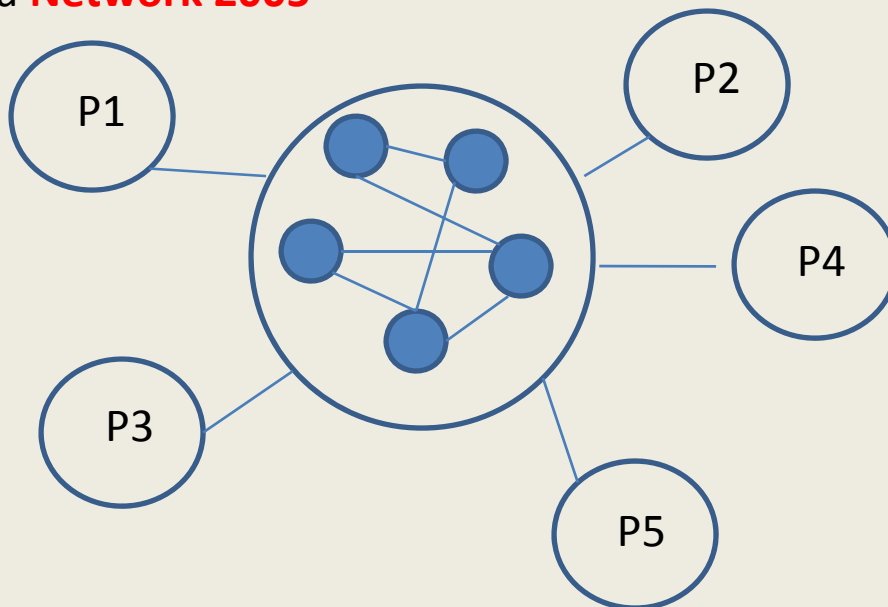


# The Concept

From a **Chain ( 1990)**

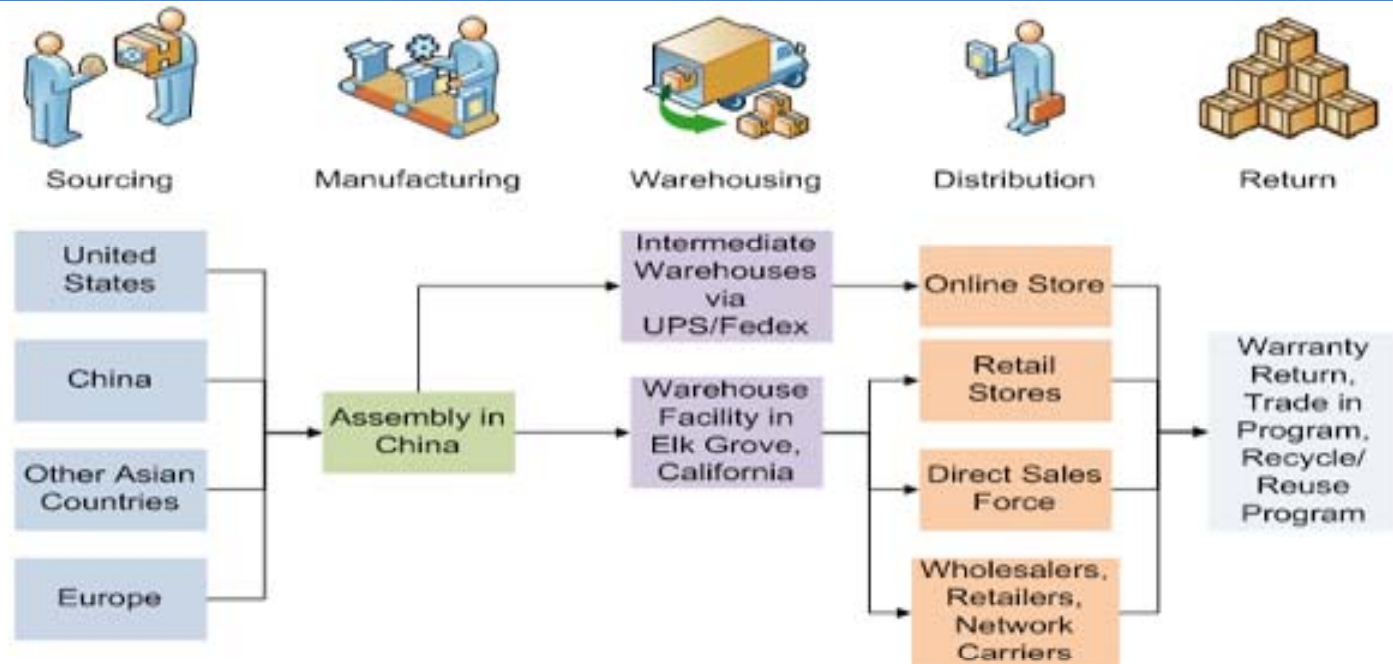


To a **Network 2005**



Management of a **Network** of relationships , **within** an Organization and **between** Organizations that facilitate the forward and reverse flow of materials , services and finances.  
The Objective is to maximize customer satisfaction and **profitability**.

# A Product or a Supply Chain ..?\*



\*Internet

Companies no longer compete as entities but as supply chains!

# What is in it for me?

Growing Corporations worldwide are tweaking the manner of managing businesses.

How do these changes and trends affect me as a player in the packaging space?

Most of the players in this sector are in the SME space and the focus is on the SME domain.

# The Paradigm Shift

2000

Customer Service
Incremental changes
Functional Focus
Absolute Value
Forecasting
Training

2014

CRM
Transformation
Teams
Relative Value
Endcasting
Talent Management

# The CRM dimension

On time delivery and in-stock availability are givens

Focus on critical customers.

Different supply chains for different customers

Emphasis on “cost to serve” then simple price

The Force of the digital media

What is in it for me ?

Does my organization truly appreciate the difference between customer relationship and customer service?

Can I shift from being in the “order takers “ category to the “demand takers” category?

To be in this category can I address the negative aspects of a supplier-customer relationship?

Am I willing to share risks and rewards?

What is required to build mutual trust?

# From incremental to transformational change

Globalization requires a shift from incremental changes to a “transformational” approach that requires an “Agile” Corporation

An Agile Corporation requires:

**Alertness:** to detect changes

**Accessibility:** to data and Information

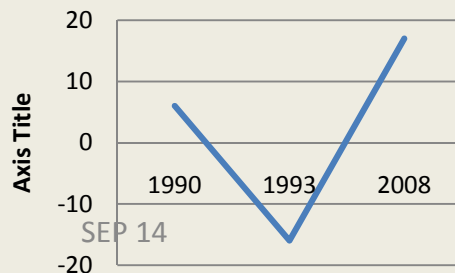
**Decisiveness:** Historical experience does not help

**Swiftness:** the first mover advantage

**Flexibility:** to modify

- Business Analytics and IT are critical
- It is highly management team driven

IBM-Profits in USD B



What is in it for me ?

What organization transformation has occurred over the last three years?

How much of new technology been introduced in the business?

Besides office automation how much of IT is prevalent in the market end of the business?



# From functional silos to Teams

Volatility is the norm

The shift  
from

Sales+ distribution

to ..

Sales+distribution +Finance+Aftersales++ etc

Requires functional integration

This in turn requires

- Cross function participation
- Shared information and IT
- Appreciation of total cost concept

What is in it for me ?

Is there a strong integrated cross function “culture” within the Company? For instance does the Production have as much knowledge of the customer as Marketing?

How closely are logistics and production integrated- or are they operating under silos?

# From Absolute Value to Relative Value

A

95% on time (**Marketing**)  
95% complete (**Production**)  
95% damage free (**Quality**)  
95% Invoicing (**Accounts**)

There is a critical need to review the existing metrics of performance

Translates to **81% level** of performance !

A metric must

- Ensure cross functional accountability
- Have driver based metrics
- Have appropriate goals
- Be easy to implement

A customer satisfaction survey by an independent agency can be quite revealing !

What is in it for me ?

Are there metrics in place?

Are these metrics focusing on aspects that **drives** the business?

How “easy” is it to manipulate data?

# Metrics \*

## Strategic Objectives

Grow market share and revenue

Profitable growth and efficient use of Capital

Be Employer of Choice

## Outcome Metrics

Market share

Revenue

Operating margin

Cash flow

Return on invested capital

Employee engagement

## Drivers

- ▶ Competitor pricing
- ▶ Brand preference and product quality scores
- ▶ Advertising and promotion levels

- ▶ Gross customer adds
- ▶ Churn
- ▶ % New Product
- ▶ Rate
- ▶ List price list
- ▶ Discounts

- ▶ Gross margin % revenue
- ▶ Operating costs per sale
- ▶ Install cost per sales
- ▶ SGA % revenue
- ▶ Product margin
- ▶ Efficiency drivers

- ▶ Working capital change
- ▶ Capital expenditures

- ▶ Return on net tangible assets
- ▶ Capital project ongoing results vs. plan

- ▶ Diversity
- ▶ Retention of top talent
- ▶ Employee satisfaction

\* Ernst & Young

# From in Forecasting to Endcasting

The focus on existing customers in an intermediate chain limits the environment scan. There should be a move from Forecasting to end casting.

This in turn requires more rigor in the forecasting process with information from multiple sources besides the existing customer.

The forecasting period is longer than a year. It has to account for trends is in turn requires more rigor in the forecasting process with information from multiple sources besides the existing customer.

What is in it for me ?

Has endcasting carried out in the Company?

Does the Firm have the requisite skill sets for such skills either outsourced or in-house?

Is the linkage with existing customers adequate and Trustworthy to elicit data on end usage?

# Talent Management

From function focus to Organization focus training inputs

From a logistics expert to a business manager

Skill requirements

Global orientation

Team player

Analytics savvy

Leadership skills

What is in it for me ?

Are the present skill sets in tune with the changing dynamics

If not is a skill enhancement programme in place?

# To summarize....

Has the DNA of ...

Customer relationship ( not customer service)

A periodic review of internal systems and the external environment

Rapid transformation capability

Periodically reviewing metrics

Going beyond the immediate customer to the end user

Been imbibed in the system ....?

LAST SLIDE

# Some words I came across for the first time yesterday\*

Programmatic Buying

Extreme Personalization

Impressions

Intelligence broker

Third party Data

Saleable segments

Web Beacons

E-tags

Piggybacking

\* Economist Sep13-19 2014

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