

# Thriving in a connected age: 4 strategies to digitise the supply chain

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What is a supply chain?

Impact of digitisation

4 strategies



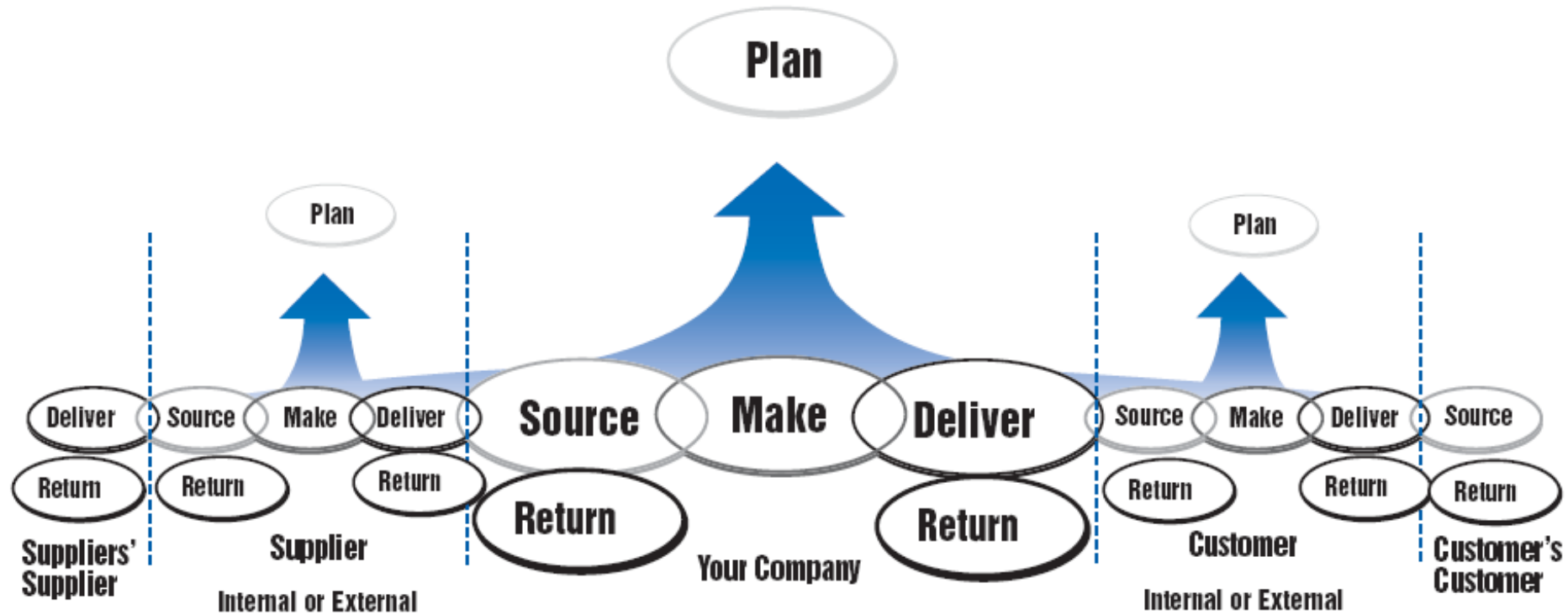
**What is a  
supply  
chain?**



# Term supply chain was first used in 1982...

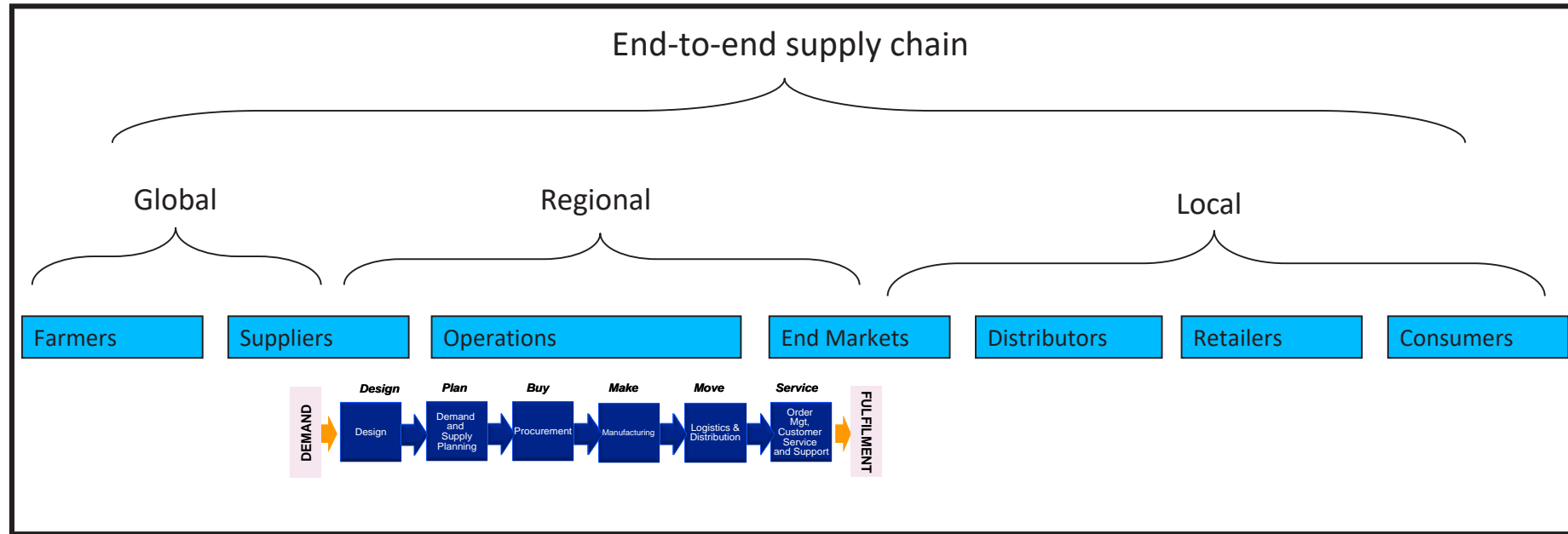
	Supply Chain	Value Chain
Originator	Oliver and Weber	Porter
Organisation	Booz Allen Hamilton	Harvard University
Year	1982	1985
Focus	Strategic	Strategic
Internal perspective	Holistic	Holistic
Internal scope	Brings together under one strategy the functional areas of planning, purchasing, manufacturing, distribution and sales	Activities that are performed to design, market, deliver and support a product
External perspective		Value chain of an individual firm is part of a broader value system of suppliers, channels and buyers

# Supply chain comprises of 5 core processes...



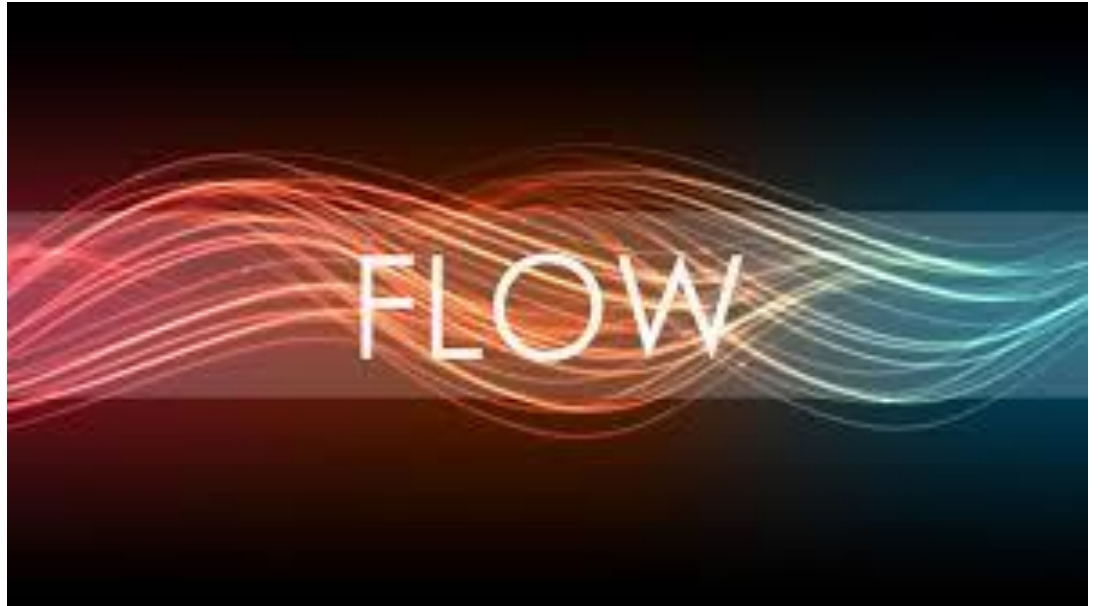


# Reaches beyond the bounds of the firm or country...



*‘Competition is no longer company to company, but supply chain to supply chain’*

## 2 fundamental principles of SCM...



What is the impact of **digitisation** on these fundamental SC principles?

PROFIT



LOSS



RISK







**‘Supply chains  
compete, not  
companies’**



What is the **digital** supply chain?

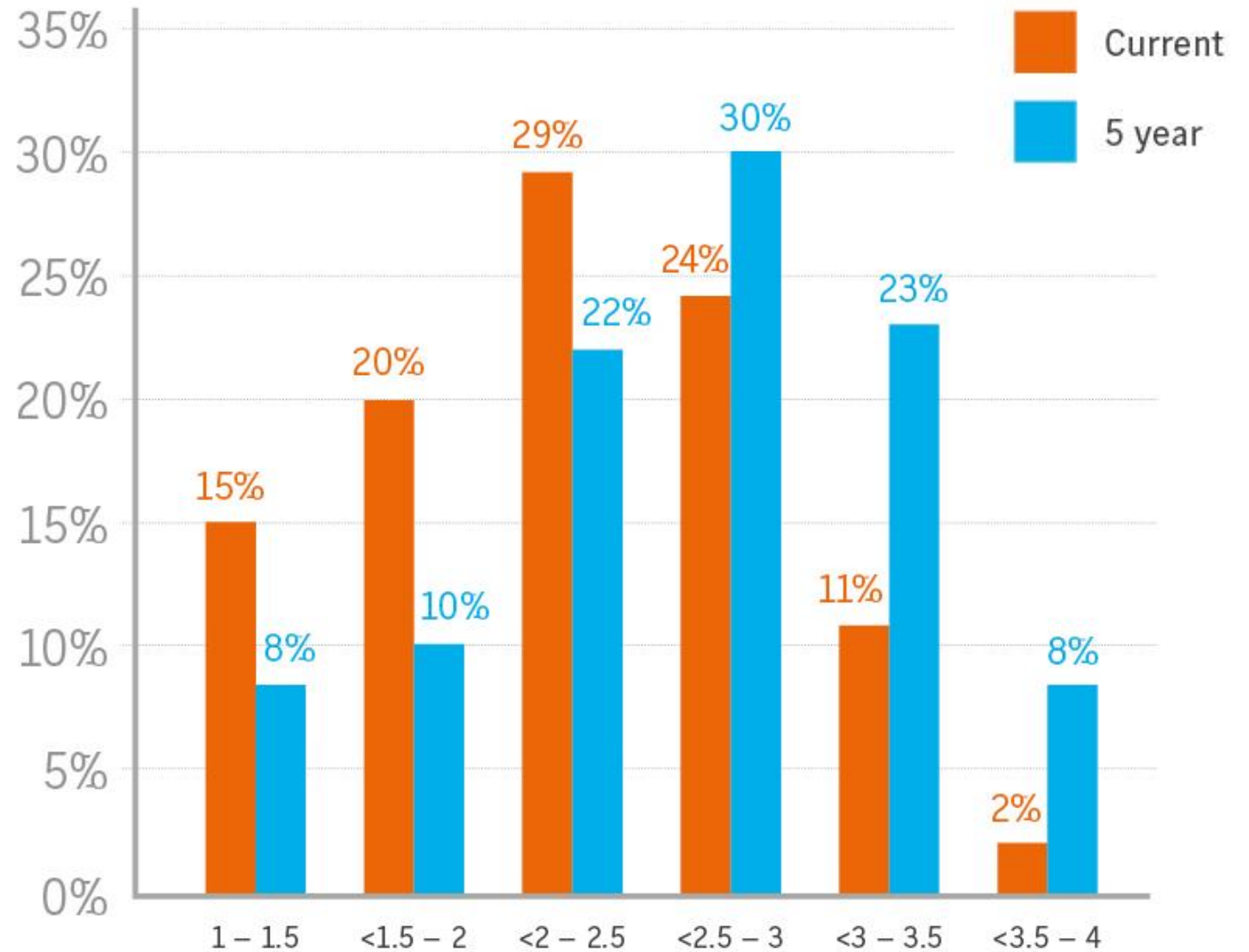
# 4 sub-dimensions with 4 levels of digital readiness...

	Level 1	Level 2	Level 3	Level 4
	Visibility	Predictive	Prescriptive	Self-learning Autonomous
Planning frequency	Ad-hoc	Regular with some unplanned changes appropriate to planning cycle	Regular and appropriate planning cycle, with alerts if business conditions change	Continuous planning with real-time response to a change in business conditions
Strategic objective	E2E Visibility Departmental Reporting	Efficiency Functional optimisation	Dynamic end-to-end supply chain business optimisation	Pro-active end-to-end business optimisation with total ecosystem visibility
Digital technology adoption	Processes supported by basic ERP systems  Manual S&OP and processes supported by general purpose tools	Specialist tools and professional techniques  Some process automation with segmented policy profiling	Incorporates some machine learning and AI connected to Digital Control Tower  Mature IBP and connected professional SC tools	Fully digital process  Extensive use of AI and ML Autonomous where appropriate
Digitally enabled reporting & analysis	Limited analytics  Supported by spreadsheets as required	Analytics tools used for reporting on key metrics, to support cost optimisation	Advanced analytics  Migration from deterministic to probabilistic analytics  Real-time alerts and recommendations that enable dynamic responses	Autonomous adjustment within defined parameters, with real-time escalation where required



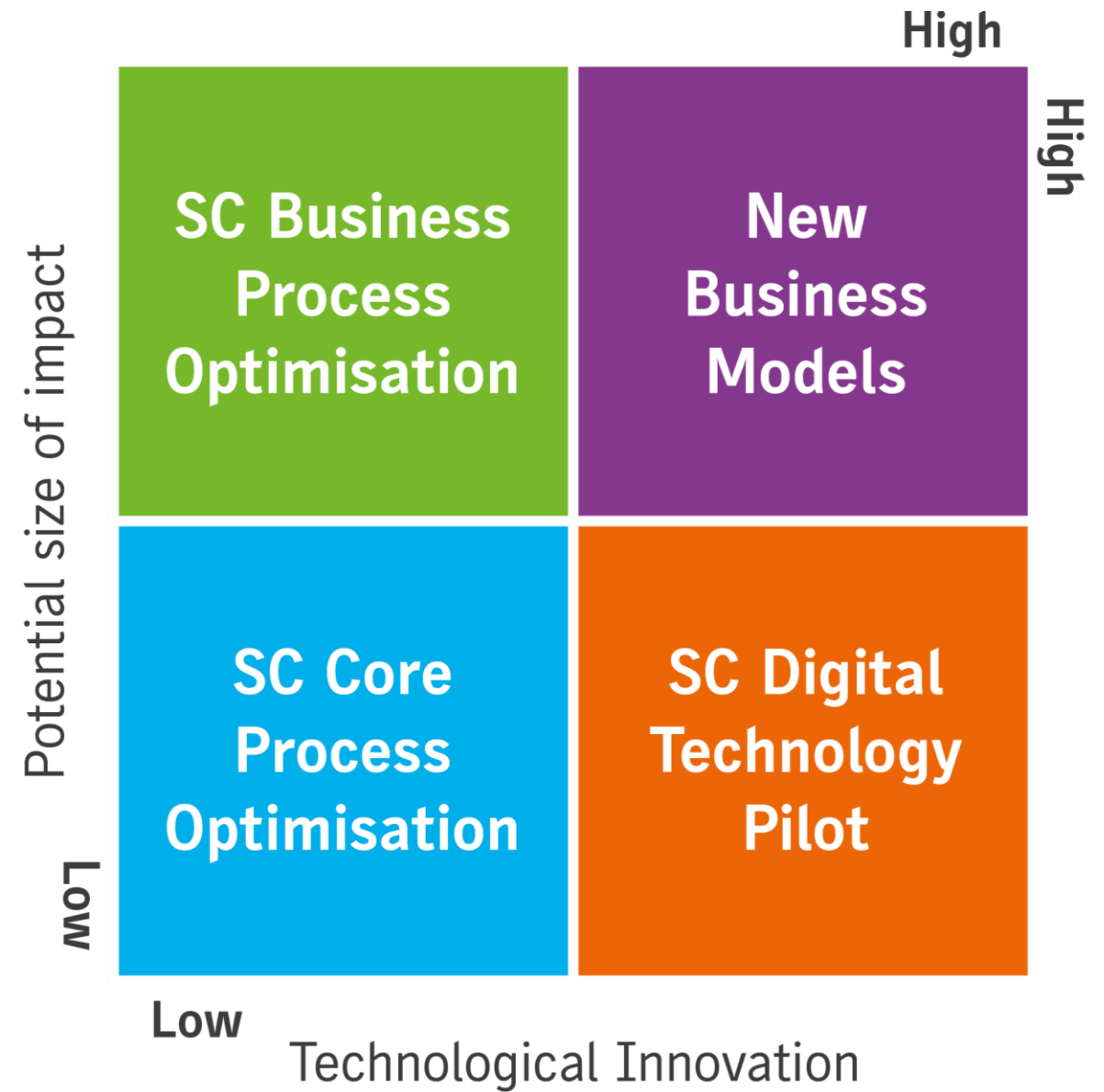
# Only 13% companies currently at level 3 readiness

> Level 3 digital readiness predicted to more than double to 31% by 2023

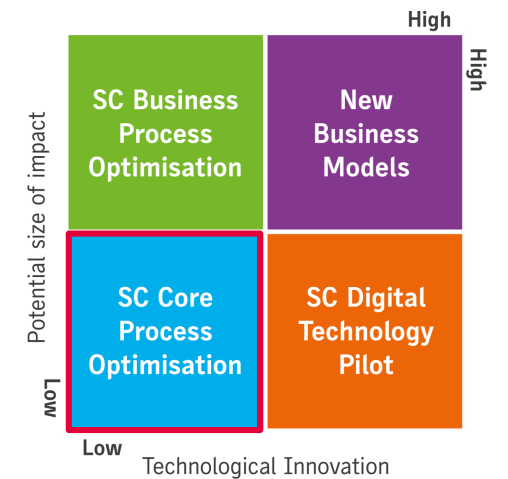




# 4 strategies to digitise supply chains...



# 1. SC core process optimisation



# Competing through process excellence...

## YOUNGER FAMILIES



**WOOLWORTHS**

- > Explosive growth
- > Very largest brand 80.7bn

## STRIVING FAMILIES



**Littlewoods** Ireland

- > Heritage propositions
- > Limited growth online

## MATURE 50+



- > Huge market potential
- > Double digit growth

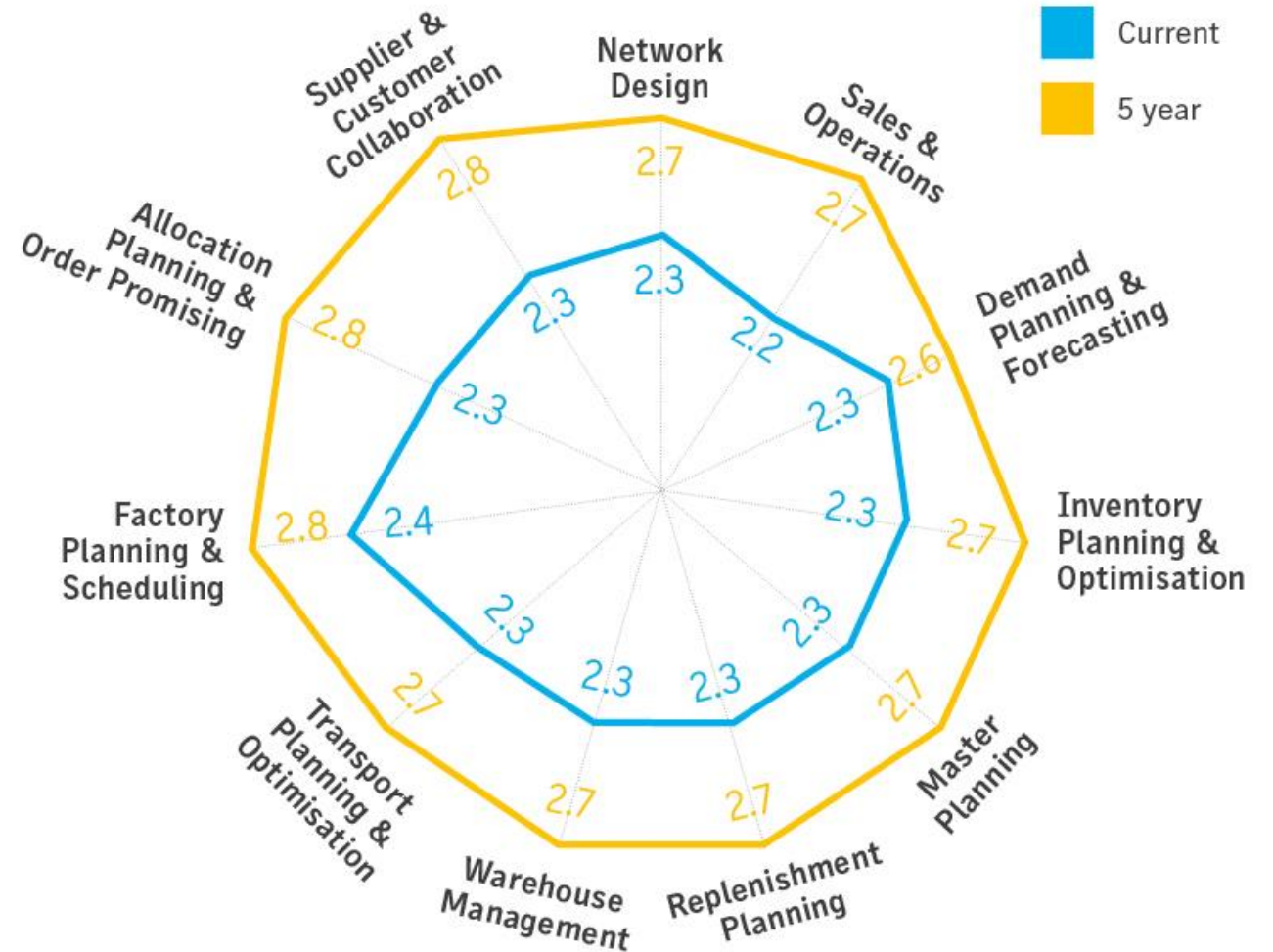
**Shop Direct to stop Littlewoods catalogue after 80 years**  
Littlewoods to stop printing catalogue and focus on websites due to internet shopping revolution

**Catalogue circulation**  
Peak: 25 million  
2010: 5 million  
2015: 300,000

*“This is a big step in Shop Direct’s transformation and, importantly, it’s one that’s been led by our customers. They’ve embraced online at a phenomenal pace – this is where they’re browsing and where they’re buying”*

***Alex Baldock, CE, Shop Direct (May 2015)***

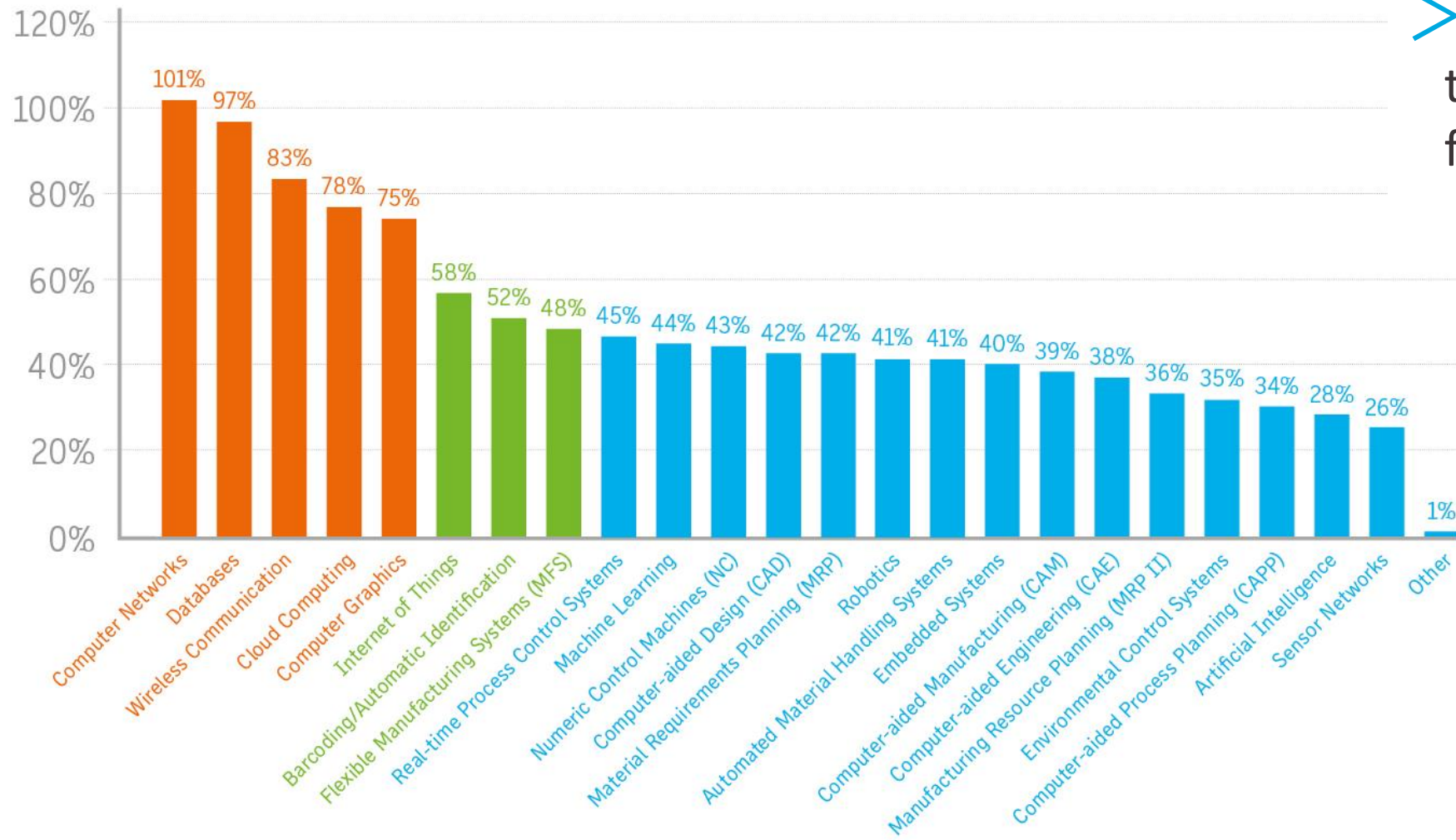
# Translates into a series of operational processes...







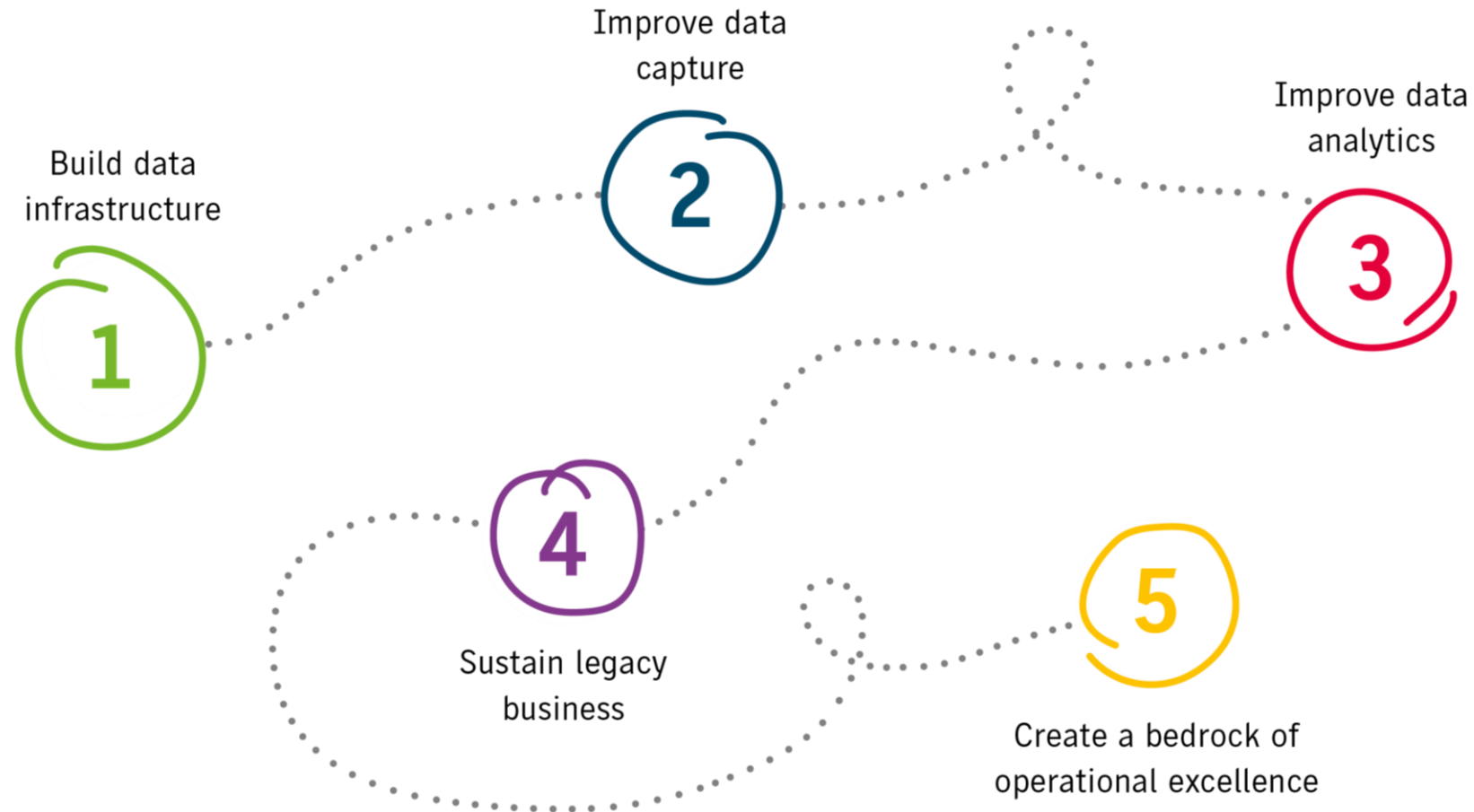
# Most companies are currently only leveraging their data infrastructure...



➤ Starting to embark on the collection of data from new sources

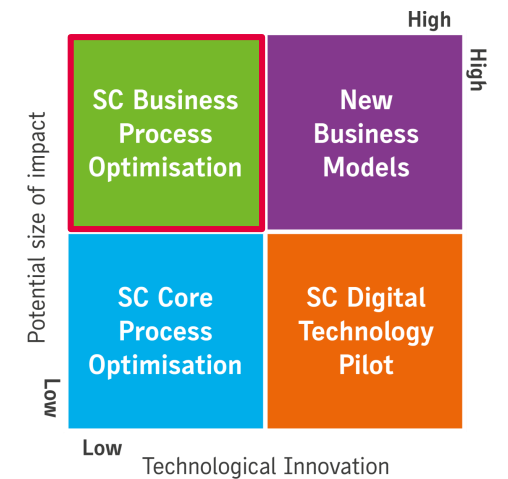
■ Data infrastructure  
■ New data sources

# 5 steps to SC core process optimisation...





## 2. SC business process optimisation





# 3 core business processes

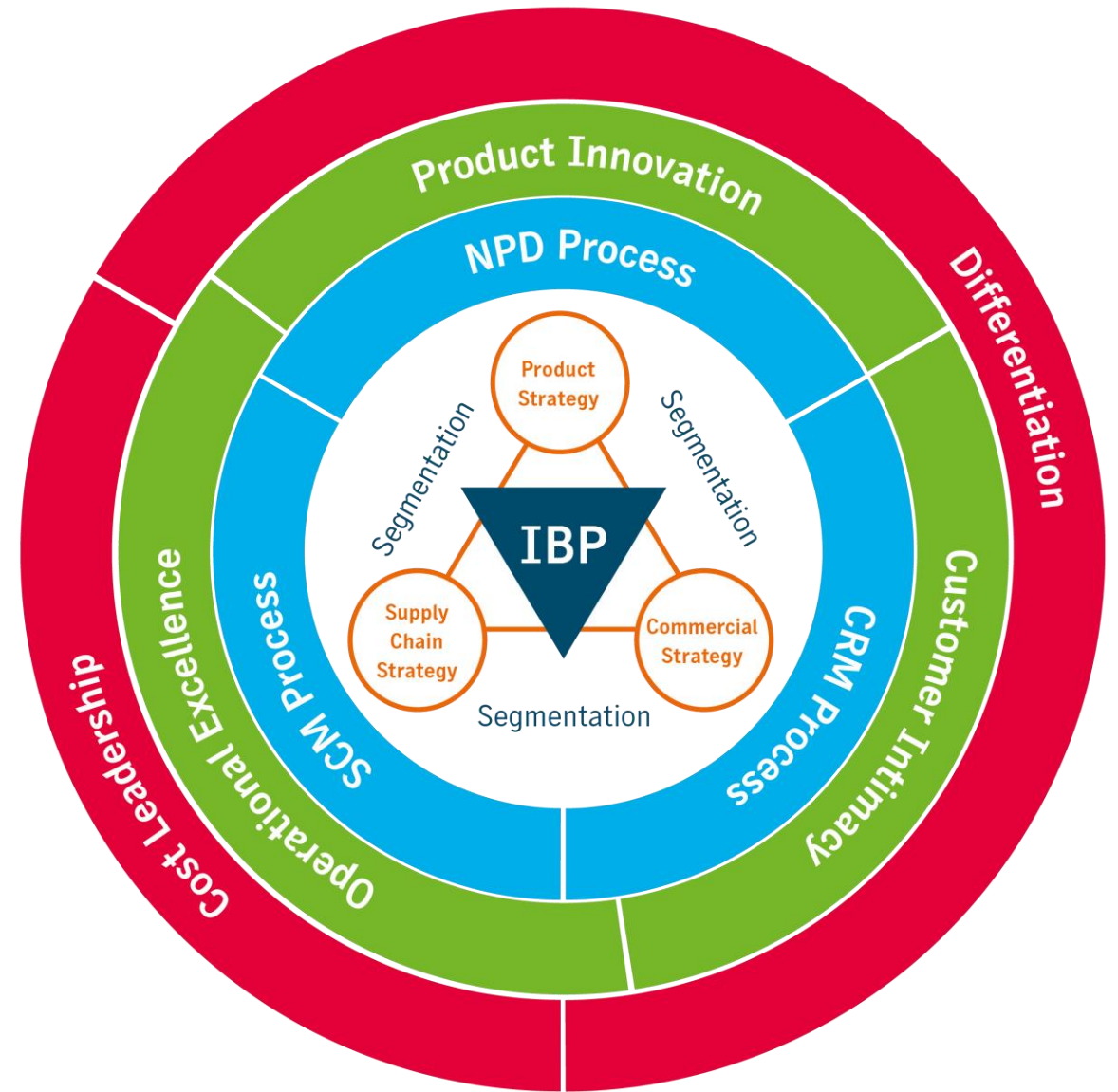
Product Development Management Process	Supply Chain Management Process	Customer Relationship Management Process
<ul style="list-style-type: none"> <li>● Ascertaining new customer needs</li> <li>● Designing tentative new product solutions</li> <li>● Developing new solution prototypes</li> <li>● Identifying and managing internal functional/departmental relationships</li> <li>● Developing and sustaining networks of linkages with external organisations</li> <li>● Coordinating product design activities to speed up business processes</li> </ul>	<ul style="list-style-type: none"> <li>● Selecting and qualifying desired suppliers</li> <li>● Establishing and managing in-bound logistics</li> <li>● Designing and managing internal logistics</li> <li>● Establishing and managing out-bound logistics</li> <li>● Designing work flow in product/solution assembly</li> <li>● Running batch manufacturing</li> <li>● Acquiring, installing and maintaining process technology</li> <li>● Order processing, pricing, billing, rebates, and terms</li> <li>● Managing (multiple) channels</li> <li>● Managing customer services such as installation and maintenance to enable product use</li> </ul>	<ul style="list-style-type: none"> <li>● Identifying potential new customers</li> <li>● Determining the needs of existing and potential new customers</li> <li>● Learning about product usage &amp; application</li> <li>● Developing brand and positioning strategies</li> <li>● Developing/executing a &amp; p progs</li> <li>● Developing/executing service programmes</li> <li>● Developing/executing sales programmes</li> <li>● Acquiring/leveraging information technology/system for customer contact</li> <li>● Managing customer site visit teams</li> <li>● Enhancing trust and customer loyalty</li> <li>● Cross-selling and upselling of product service offerings</li> </ul>

# 5 characteristics of business processes

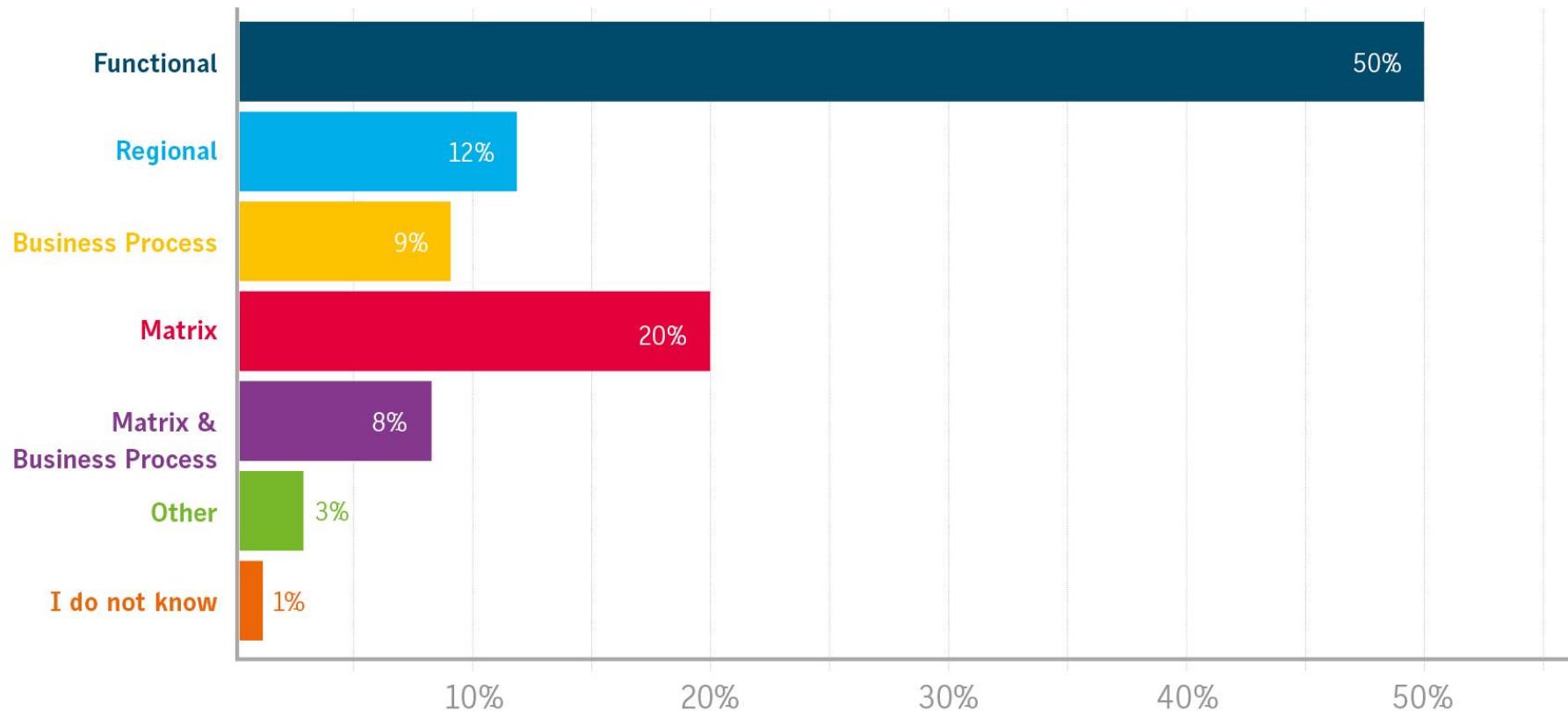
1. Have customers for whom they create value
2. Typically cross functional boundaries
3. Draw upon functional resources
4. Are team-based
5. Have strategic goals



**A business process orientation is fundamental to maintaining strategic alignment...**



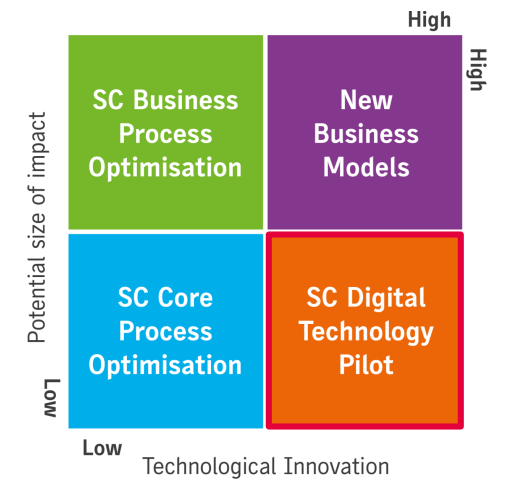
# Functional and regional organisational structures inhibit end to end SC thinking...



> Only 17% respondents had a business process orientation as part of their organisational design

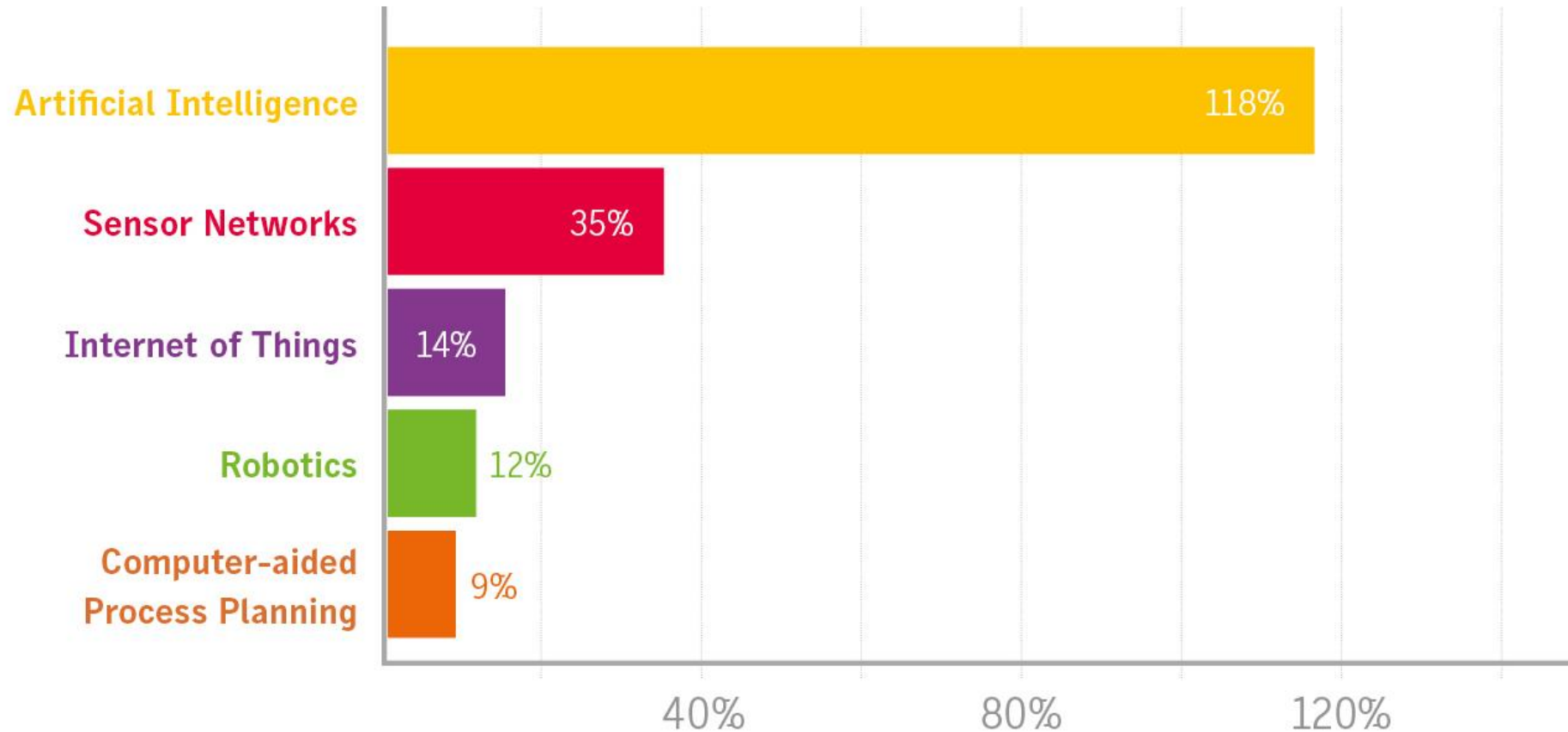


### 3. SC digital technology pilot

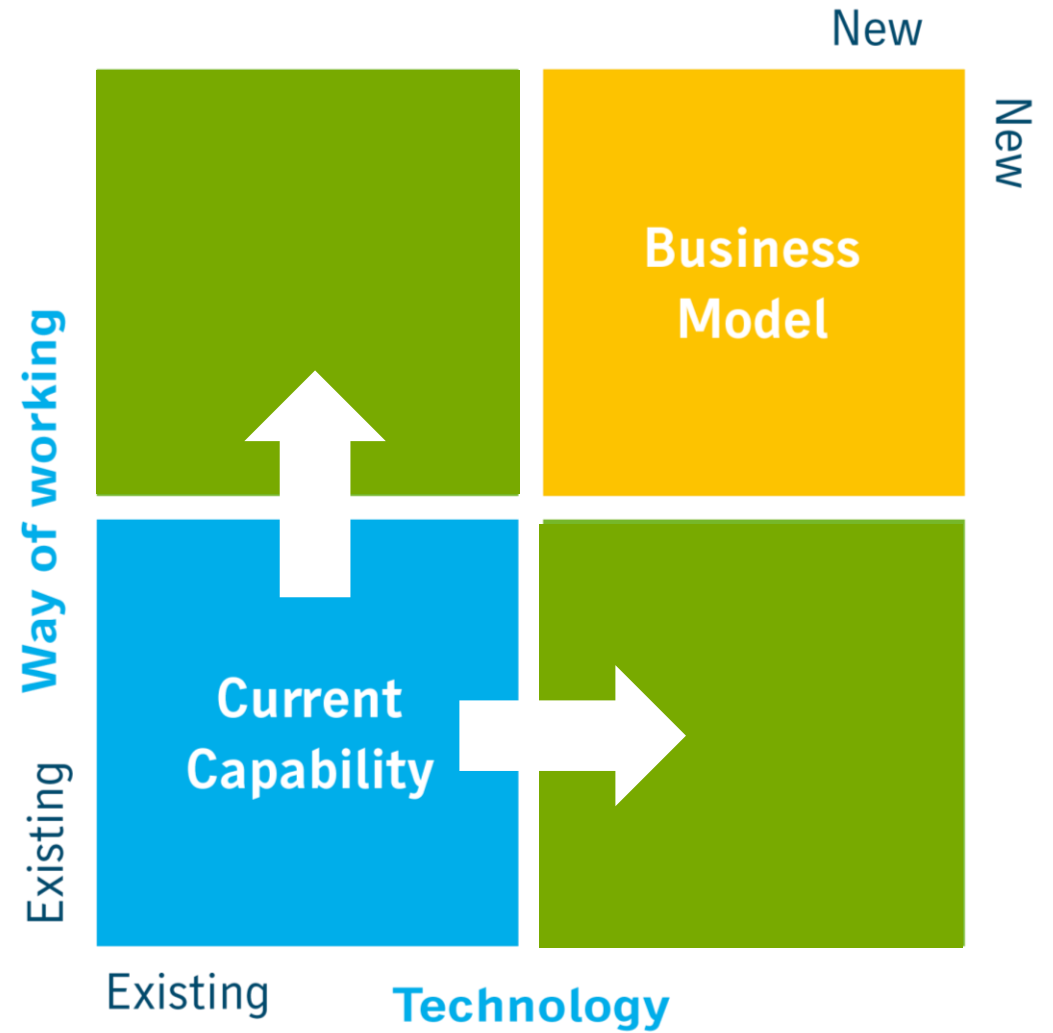




# Rate of AI adoption set to double in next 5 years...

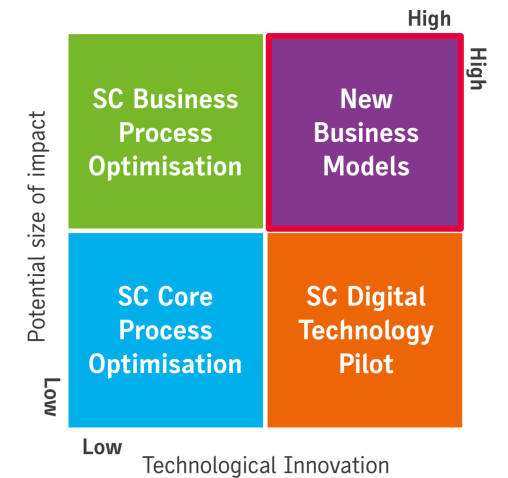


# New technology adoption can be de-risked...

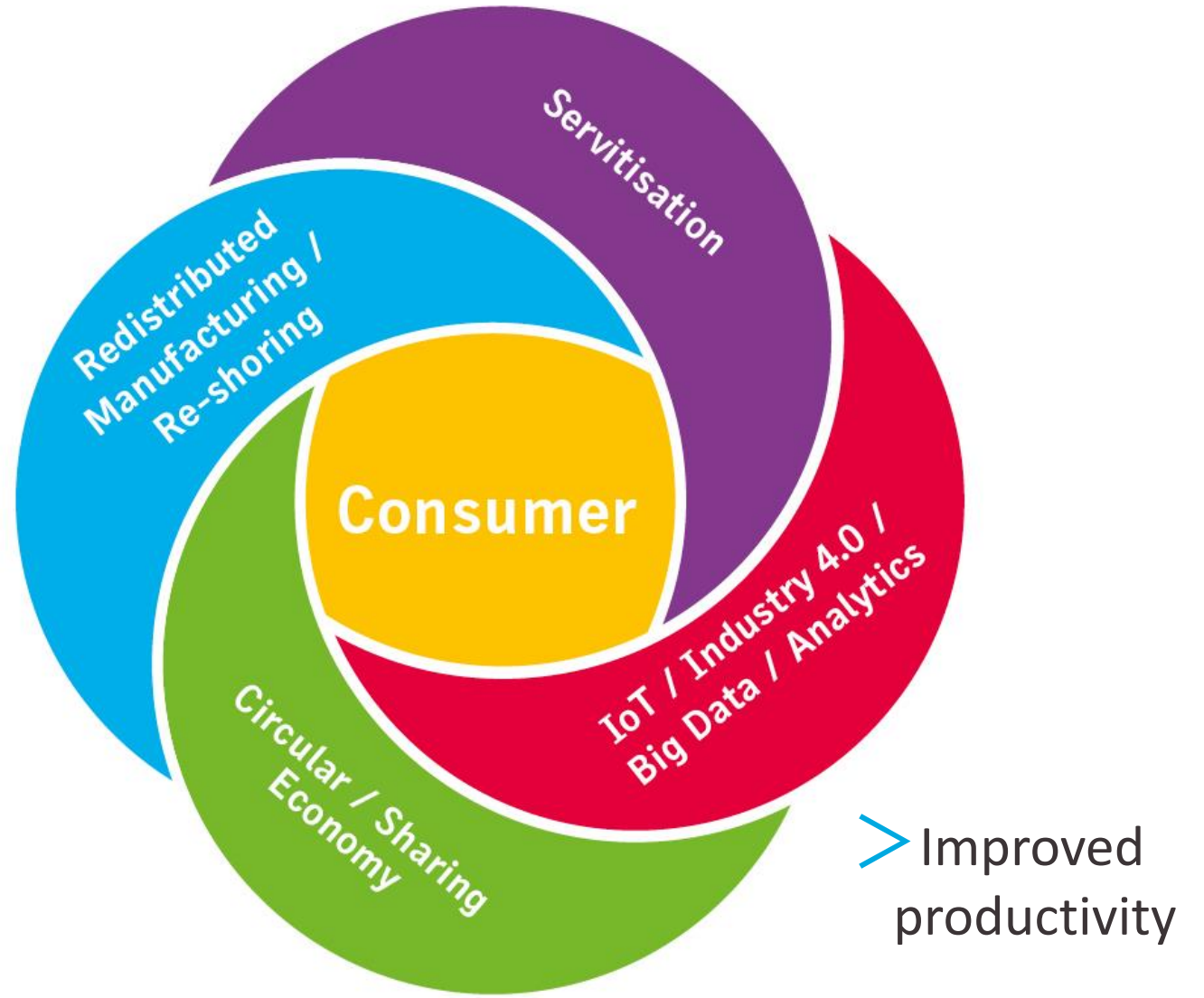




## 4. New business models



**Underpinned by  
more substantial  
and inter-connected  
trends...**



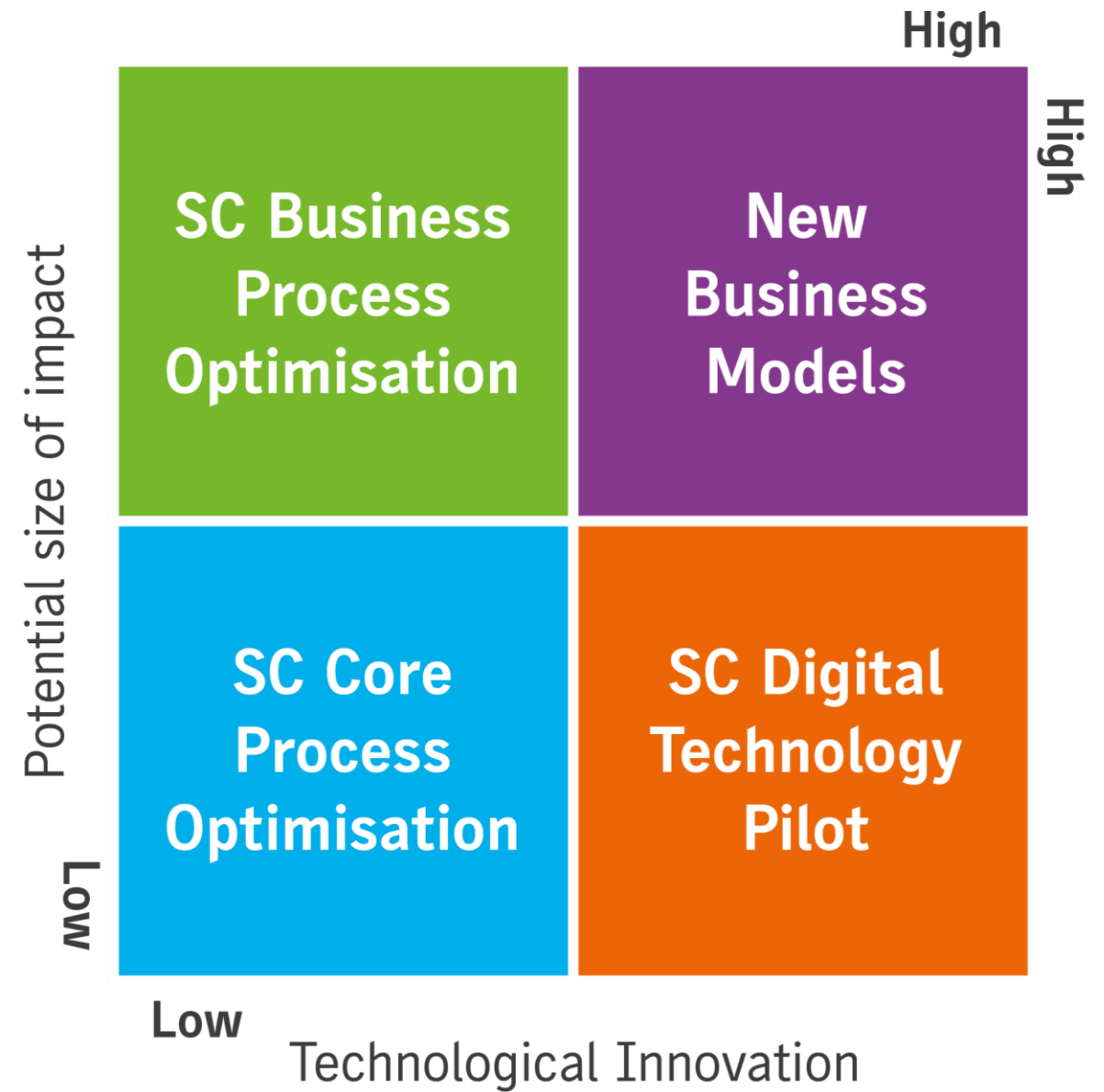








# 4 strategies to digitise the supply chain...



# Keep in touch...

**Next SCIP networking event: Tuesday 10<sup>th</sup> September**

**Beyond the hype: Role of Blockchain in supply chains**

<http://www2.warwick.ac.uk/fac/sci/wmg/research/scip/networking>

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