# Digital Supply Chains: Accelerating Global Innovation

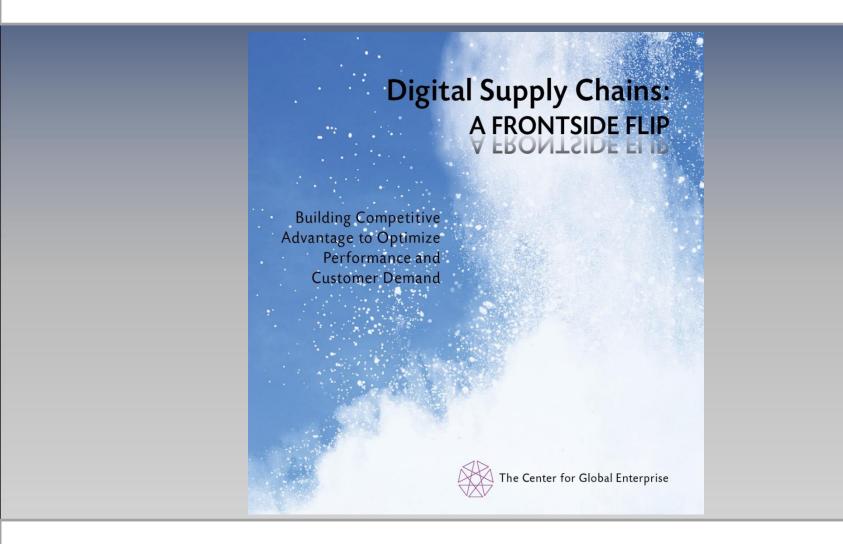
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President, Center for Global Enterprise

Shanghai, China July 13, 2017



## Digital Supply Chains: "A Frontside Flip"





## The Global Digital Supply Chain Community

"Representing over \$1 Trillion USD in Revenue and over 3 Million Employees"





























































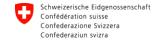








































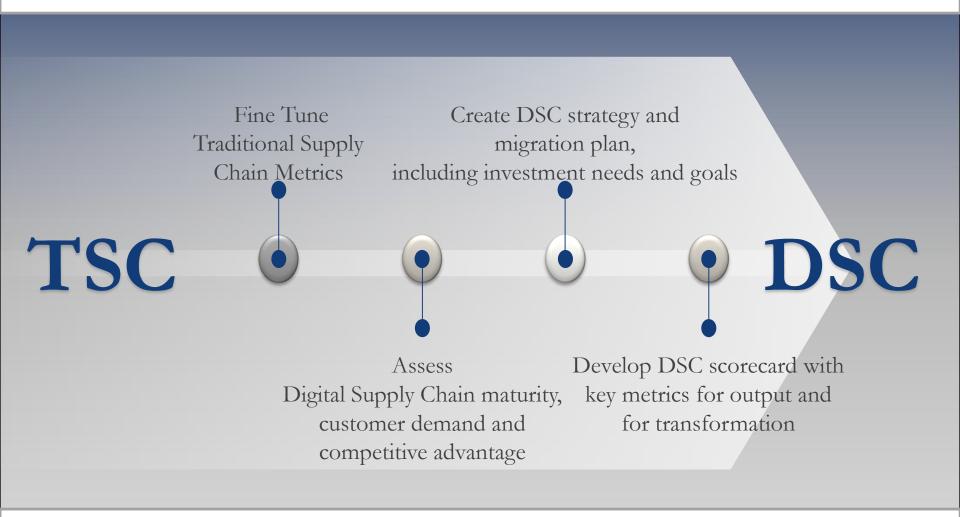
### The Core Process

- Digital Supply Chains will transform companies
- NEW focus on the "demand stack" with 10% revenue growth possible
  - Revenue generation and growth
  - "Frontside flip" analogy captures essence of change
- Up to 20% cost down in procurement costs
- Research content supported by quotes from 24 companies that operate global supply chains
- Great interest in DSCI in recent months
  - Media
  - Website





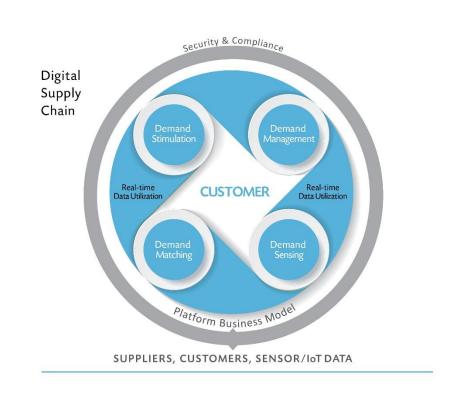
## The Traditional Supply Chain





## Digital Supply Chain Defined

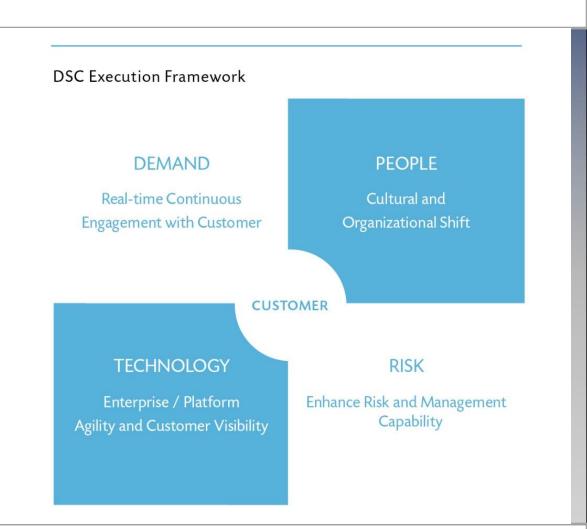
A Digital Supply Chain (DSC) is a customer-centric platform model that captures and maximizes utilization of real-time data coming from a variety of sources. It enables demand stimulation, matching, sensing, and management to optimize performance and minimize risk.





### CEO Mandate: Executing the Digital Supply Chain Framework

- Managing Demand
- Managing People
- Managing Technology
- Managing Risk





## Roadmap for DSC Change

### **Demand** People Organizational Boundaries Capture Data Determine Demand Skills/Leadership Metrics Metrics **Technology** Risk Current Technology DSC Reduces Risk Compatibility with New - Protection **Increasing Cyber Threats** Tech. Metrics Metrics



## Transforming to a DSC

### Traditional Supply Chain Metrics

Categories & Example Metrics

#### Revenue Increase

- · Perfect Order Performance
- · Forecast Accuracy

#### **Reduction of Supply Chain Costs**

- · Supply Chain Management Costs
  - · Transportation Cost
  - Warehousing/Distribution Center Operating Cost
  - Customer Service Operating Cost
  - Direct Purchasing Operating Cost
  - Inventory Holding Cost
  - Manufacturing Operating Cost

### **Working capital Reduction**

- Cash-to-Cash Cycle Time, in days
  Ship to Customer Delivery
  - Days Payables Outstanding (DPO)
  - Inventory Days
  - Days Sales Outstanding (DSO)

#### **Fixed Capital Reduction**

- Future CapEx Spend Avoidance
  - Enhanced Asset Utilization
    Distribution Contact
  - Distribution Centers Transportation Network Strategies
  - Higher Yield in Manufacturing Processes

#### Risk

- Supplier Quality
- Risk Managed and Transparent Value Chain Partners
- IP Protection

### **Digital Supply Chain Transformation Pathways**

### **Process Maturity**

Level 1-2-3 (3 = most mature)

Level 2

Demand

#### Level 1

- We have not started to integrate demand management or stimulation into our supply chain
- Performance metrics specifically include demand stimulation, demand shaping and demand management and we have started implementation
- Our SC program is aligned with the "Frontside Flip." We review performance against DSC metrics and have continual improvement programs

3. The principles of DSC and

its performance metrics

are fully integrated into

compensate people

how we hire, develop and

Level 3

### People

- Our staffing, job performance metrics and leadership development plans do not consider DSC transformation. performance metrics
- DSC and collaboration is integrated in our staffing, job performance metrics and leadership development plans. We have started Implementation
  - Technology
- Our technology implementation plans are not yet specifically linked to our DSC strategy.
- DSC and platform business is central to our technology strategy and we have started implementation.
- We utilize all relevant technology in our customercentric DSC and we have pilots underway to test emerging technology.

### Risk

- We have not started to specifically analyze risk mitigation opportunities and new risks of the DSC.
- Our enterprise risk management 3.
  program specifically covers DSC and we have started implementation.
  - We continually review and mitigate DSC risk and have established areas where we excel at reducing risk to give us a competitive advantage.

### Digital Supply Chain Metrics

Essential Metrics Example

#### Demand

- Percentage Growth in Demand due to DSC
- Revenue Increase from Digital Supply
- Percentage of Perfect Orders from Automation
- Number of Days Latency in Demand Shaping/Management

#### People

- Total DSC People Cost
- Revenue Size of New Business Models Created
- Total FTEs of Data Scientists/ Stewards
- · Percentage Increase in Nerds/Snipers

#### Technology

- · Total DSC Technology Spend
- Percentage of Business Direct Channel
- Percentage of Business Facilitated by 3D/Driverless Cars
- · Percentage of Manual Transaction

#### Risk

- Percentage reduction in value of counterfeit goods
- Reduction in losses by using predictive analytics
- Additional dollar value generated from excelling at addressing a specific risk area
- Time span between publication/creation/availability of critical risk-related data and its inclusion in the risk assessment

Traditional Metrics (as needed)

