



# Modern Supply Chain Design

Coping with changing environments,  
rising complexities and surging risks

# Here with you today



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# Macro trends shaping supply chains

Corporate supply chains have started responding to six major macro trends, affecting both supply and demand side dynamics across industries

## Urban & aging society

- **68%** of world's population will live in cities by 2050 (+13% vs. today)
- Share of population aged **65+** will grow by **7%** until 2050

## Protectionism

- **Global export restrictions** jumped from below 50 in 2019 to **above 250 in 2020**
- **Global direct investments declined** by more than **25%** since 2017

## Instant, customized & digital consumption

- More than **40%** of consumers would pay extra for **same day delivery**
- **87%** of shoppers begin product searches on **digital channels**

## Increasing disruptions and volatility

- Companies are expected to **lose >40% of a year's profit every decade on average**
- Market imbalance in Covid aftermath (e.g. **rates +50-400%**, transit times +50%)

## Sustainability

- **85%** have shifted towards **more sustainable purchase behavior** in the **past 5 years**
- **Two-thirds** of consumers would **pay an extra 10% or more** for **sustainable products**

## Shifting power towards East

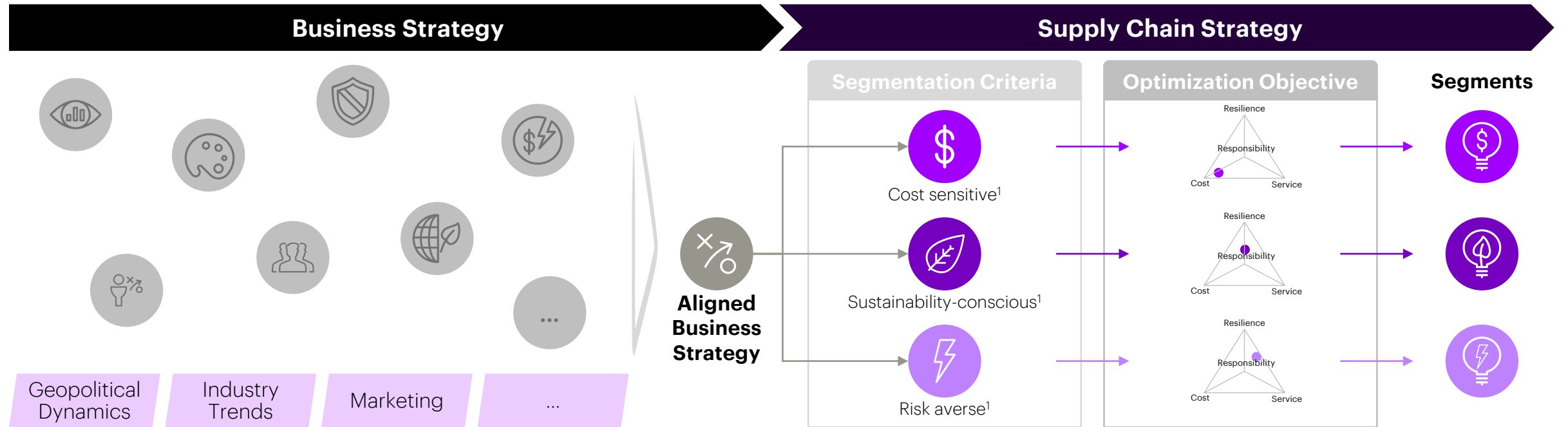
- **Asia** will nearly double its **share of global GDP** up to **52%** by 2050
- **Focus shift** from export to **domestic markets** (60% of total trade in 2019 stayed in region)





# Supply chain design framework (I/II)

Managers must consider holistic trade-offs within a pyramid of cost, service, resilience, and responsibility – we have developed a supply chain design framework to guide crucial strategic and design decisions using an iterative model



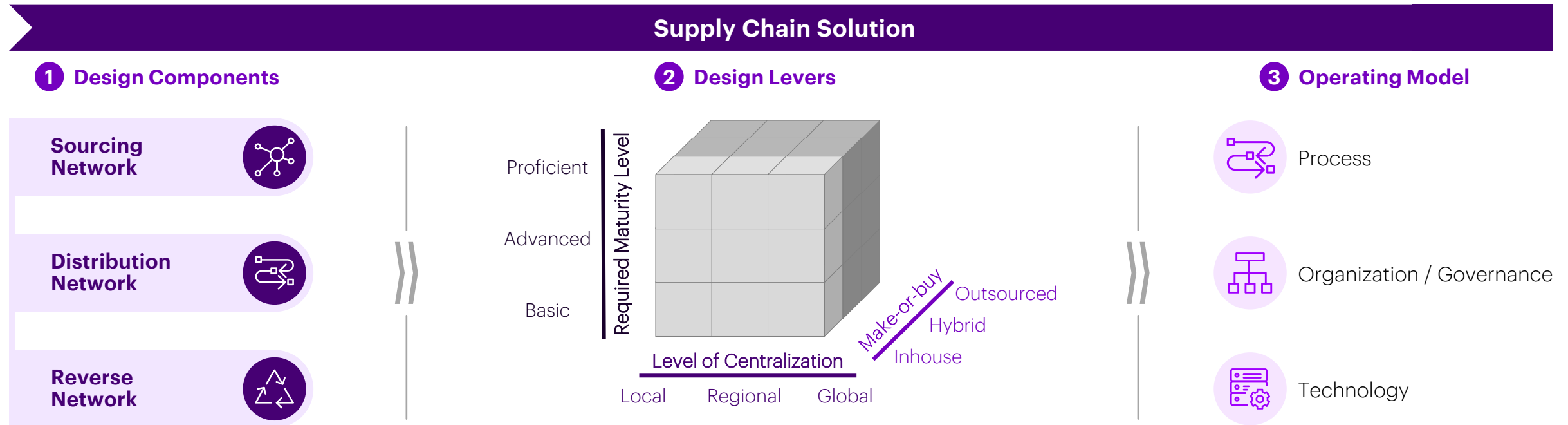
- A combination of internal and external drivers determine the organization's strategic priorities and thereby, its high-level business strategies
- External drivers include geopolitical dynamics and industry or consumer trends, or more generally, different kinds of macro trends
- Internal drivers like company values and norms, often shaped by historic growth play an important role in shaping business strategies

- Supply chain is expected to contribute to the business strategy - As a first step, a segmentation of the value chain is required
- Segmentation characteristics are depending on industry and business model (e.g demand volatility, customer requirements, product complexity)
- Optimization objective will shift from classic continuum of cost and service to a pyramid of cost, service, resilience and responsibility



# Supply chain design framework (II/II)

To create a flexible supply chain, a thorough design per segment has to be conducted, focusing on the strategic setup of sourcing network, distribution network, and reverse network before the to-be operating model is defined



- To optimize the performance, for each identified supply chain segment and its respective optimization objective(s), **sourcing approach, distribution and reverse network** need to-be determined (Design Components)
- As part of that, the three key design components need to-be defined in terms of **required maturity level, desired level of centralization and make-or-buy** (Design Levers)
- After the strategic setup is established using the design levers, the design components can be further refined and developed by focusing on the dimensions of **process, governance, and technology** (Operating Model)

# Supply chain toolbox (I/II)

Future supply chains are forced to operate under increased uncertainty & societal responsibility, reconsidering or redesigning key elements is crucial to shape the right foundation for efficient and responsible operations

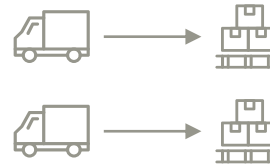
## Dimension

## From ...

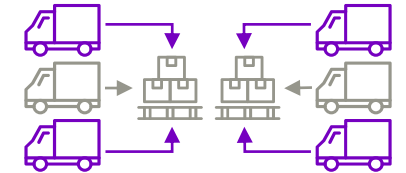
## To ...

### Sourcing Approach

**Limited sourcing flexibility driven by cost-focused optimization** objectives (E.g., scale effects), often via **single sourcing** approaches.



Higher **volatility** of **supply** and growing frequency of **disruptions** should result in **stronger focus on multi-sourcing approaches**.



### Supply Chain Optimization

**Cost and service** are currently the key dimensions for supply chain related decisions.



Future SC strategies should include **resilience and responsibility** as key optimization dimensions.

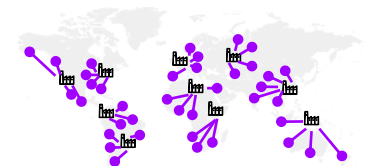


### Supply Network Structure

**Primarily global-for-global** produced in Asia shipped to small number of entry points and subsequent **triangular distribution** across continents.



Increased **shift towards local-for-local** networks (incl. manufacturing) to **increase supply chain resilience** and **reduce exposure to global disruptions**.



### Supply Chain Organization

**Fragmented and local** supply chain **responsibility across** business units & **functions**.



**Integrated and more centralized** supply chain **responsibility across** business units & **functions**.



# Supply chain toolbox (II/II)

This also implies shifts for certain foundational operating model elements like functional management, reporting structures or technology foundation

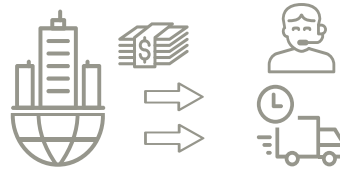
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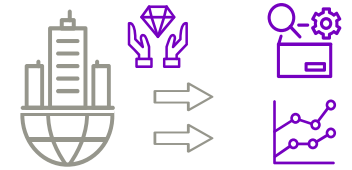
## To ...

### Partnerships / Externalization of Work

Focus on **outsourcing of transactional activities** at **lowest possible cost**.

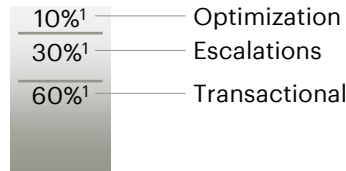


Focus on **partnerships for collaboration of higher value / sophisticated activities**.

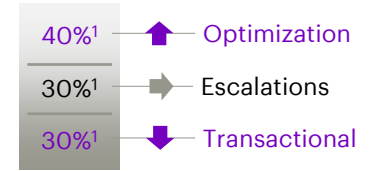


### Type of work – Automation

A majority of the current supply chain workforce has a clear **focus on transactional tasks**, with **only a fraction focusing on optimization**.

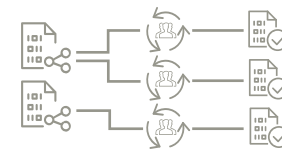


Future supply chains will gain in complexity and thus require a workforce which is **stronger focused on optimization** as opposed to transactional tasks.

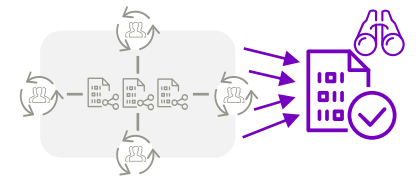


### Data & Technology

Basic requirements are present in most organizations, but **limited visibility & data silos hinder cross-functional planning & optimization**.

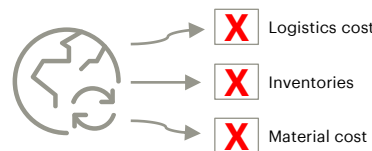


Full exploitation of **data wealth** and affordable **IT solutions** to **establish visibility & plan and optimize across multiple supply chain echelons**.



### KPI Redefinition

Based on the current focus on **cost optimization and lean operations**, **current KPIs are not fit** to account for the current **global challenges**.



Organizations need to **assess** how **macro-economic trends** impact their supply chain and **redefine their metrics and KPIs** based on these insights.



<sup>1</sup> Approximate percentage of overall supply chain workforce focusing on transactional tasks, escalations or optimization based on Accenture research

**Thank you**

**accenture**