

Supply Chain Management for Efficient Consumer Response Conference

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Valahia University of Targoviste, Romania
SCM 4 ECR

NEW BUSINESS MODEL of SCM for CHIEF EXECUTIVE CUSTOMER

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Agenda

1. Innovation. Value. Customers. Users
2. Evolution of Future (Supply) Value Chain model (2016, 2018, 2020)
3. World Economic Forum model
4. 2022 Model
5. What to do?

1. Innovation. Value. Customers. Users

Strategy innovation

Strategy innovation as the capacity to re-conceive existing **industry models** in ways that create **new value for customers**, wrong-foot competitors and produce new wealth for all stakeholders by devising new products/services, redefining market spaces, or redrawing industry boundaries. **He further already in the 90s mentions the growing importance of business model innovation as source for competitive advantage.**

Hamel

Value Innovation

Value innovation makes the competition irrelevant by offering fundamentally **new and superior buyer value** in existing markets, and by enabling a quantum leap in **buyer value to create new markets**.

Kim and Mauborgne

Strategic innovation is a fundamental **reconceptualisation of what the business** is all about, which, in turn, leads to a dramatically different way of playing the game in an existing business.

Markides

Peter Drucker once stated, the one and only purpose of a **business is to create a customer**. A customer however is created by offering (new) value to him. The value in turn is delivered by the unique configuration of the business model which must, in customers subjective perception.

The three outcomes of strategic innovation

Who is our customer and what does he value?

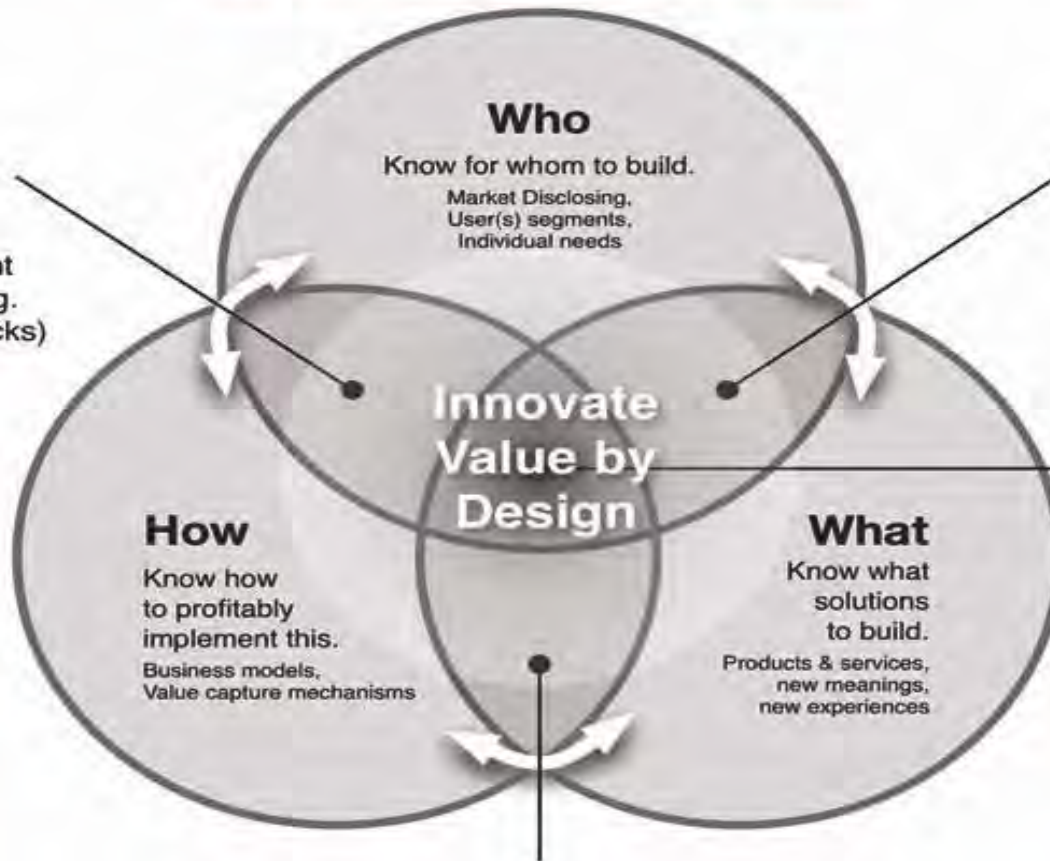
Examples:
Observation and integration of, or adaption to current user practices (e.g. repurposes or hacks)

Examples: Design discourse, design experiments, prototypes

Core principles, practices, processes and tools of higher order design (e.g. heavy collaboration and co-creation, permanent interaction, validity-seeking systems thinking, etc.)

How to create, deliver and capture parts of that value?

What value do we actually deliver, a.k.a. which business are we in?



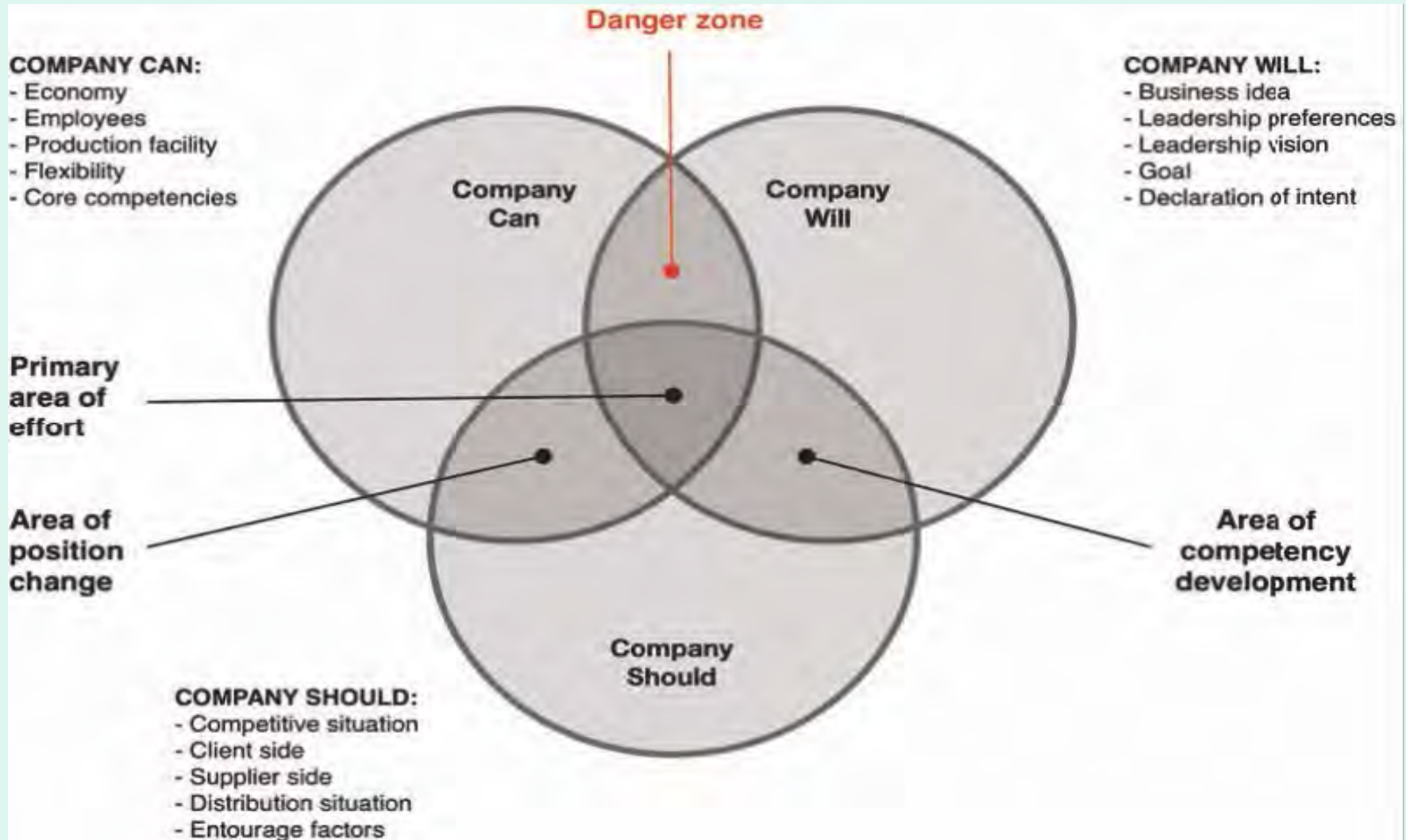
Examples:
Existing tools and approaches for constructing new user/ experience journeys

Source: Author, adapted from Sniukas

Creating the User by Innovating User Value

Value for the customer (VC) is any demand-side, personal perception of advantage arising out of a customer's association with an organization's offering, and can occur as reduction in sacrifice; presence of benefit (perceived as either attributes or outcomes); the resultant of any weighed combination of sacrifice and benefit (determined and expressed either rationally or intuitively); or an aggregation, over time, of any or all of these. (Woodall).

Creating User Value

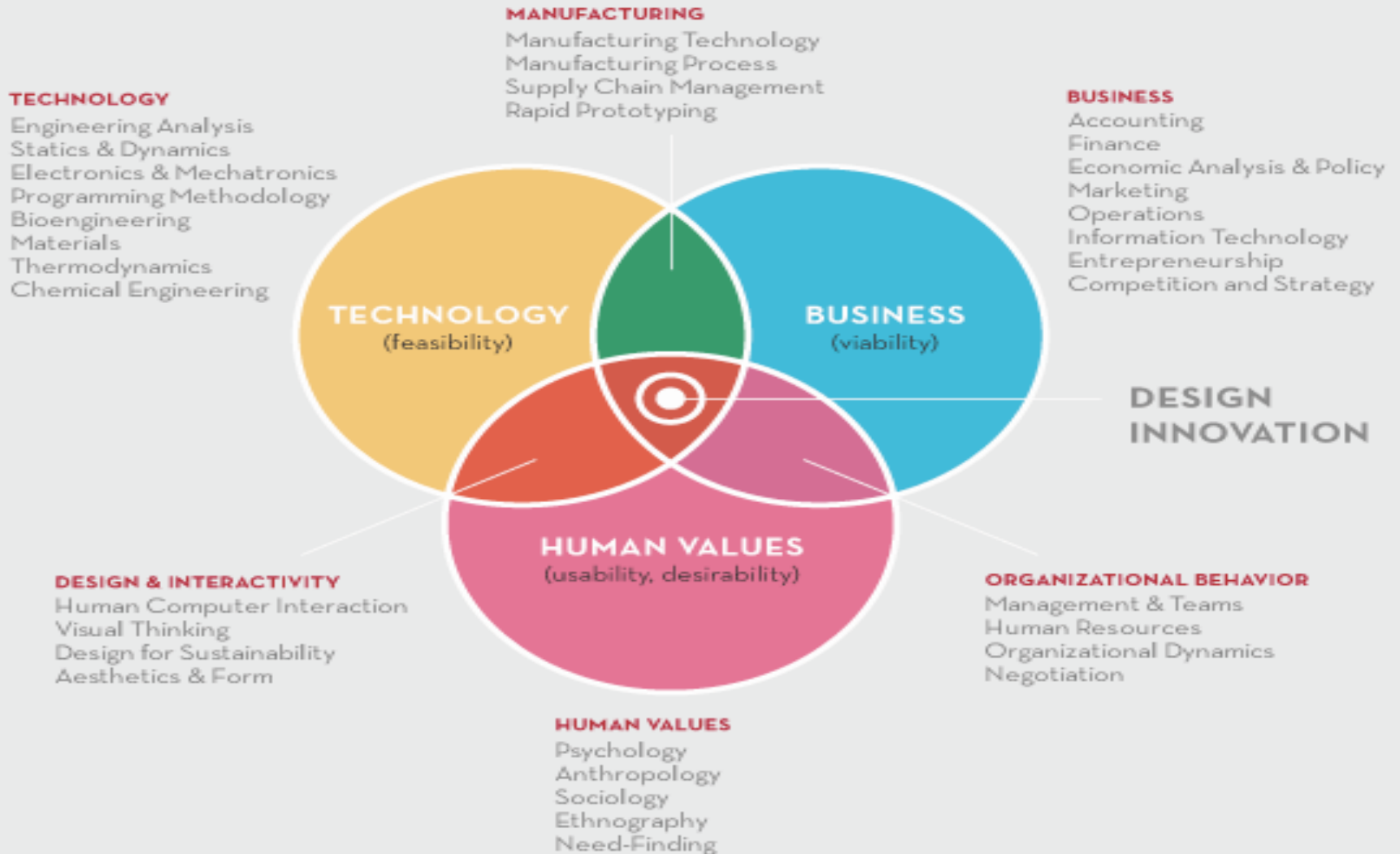


Business Model Management with the hedgehog concept
Source: Adapted after von Rosing and Collins

Grönroos claims that it is not the customer, but the service provider who gains from those interactions: *“The customer as co-producer can influence the firm’s production process [and] the firm gets an opportunity to influence the customer’s usage process. Because usage at the same time is value-creation for the customer, the firm gets an opportunity to take part in his or her value-creating process – as co-creator”* (Ibid).

Grönroos goes even that far that he states “the customer creates value, and the firm facilitates value creation”.

Design Thinking



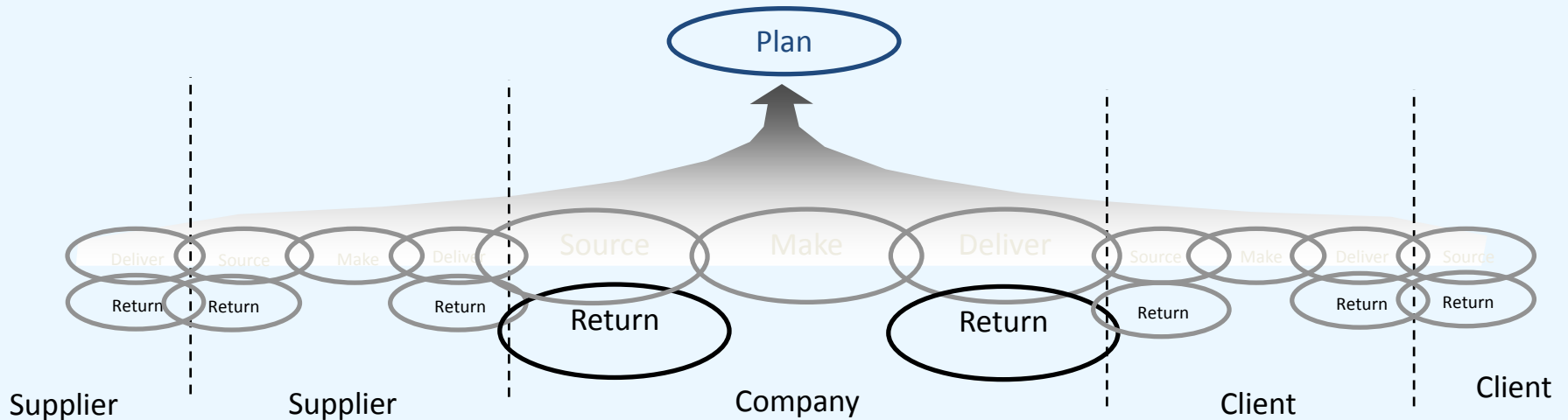
Business Model Innovation as Delivering User Value

Users not Customers !!!

Working Together to Create Sustainable
Value for Consumers Better, Faster and at
Less Cost

2. Evolution of Future (Supply) Value Chain models

SCOR Model



Intern or Extern

Intern or Extern



Basic Approach Construction

Processes

Measurement

Best Practice

Technology

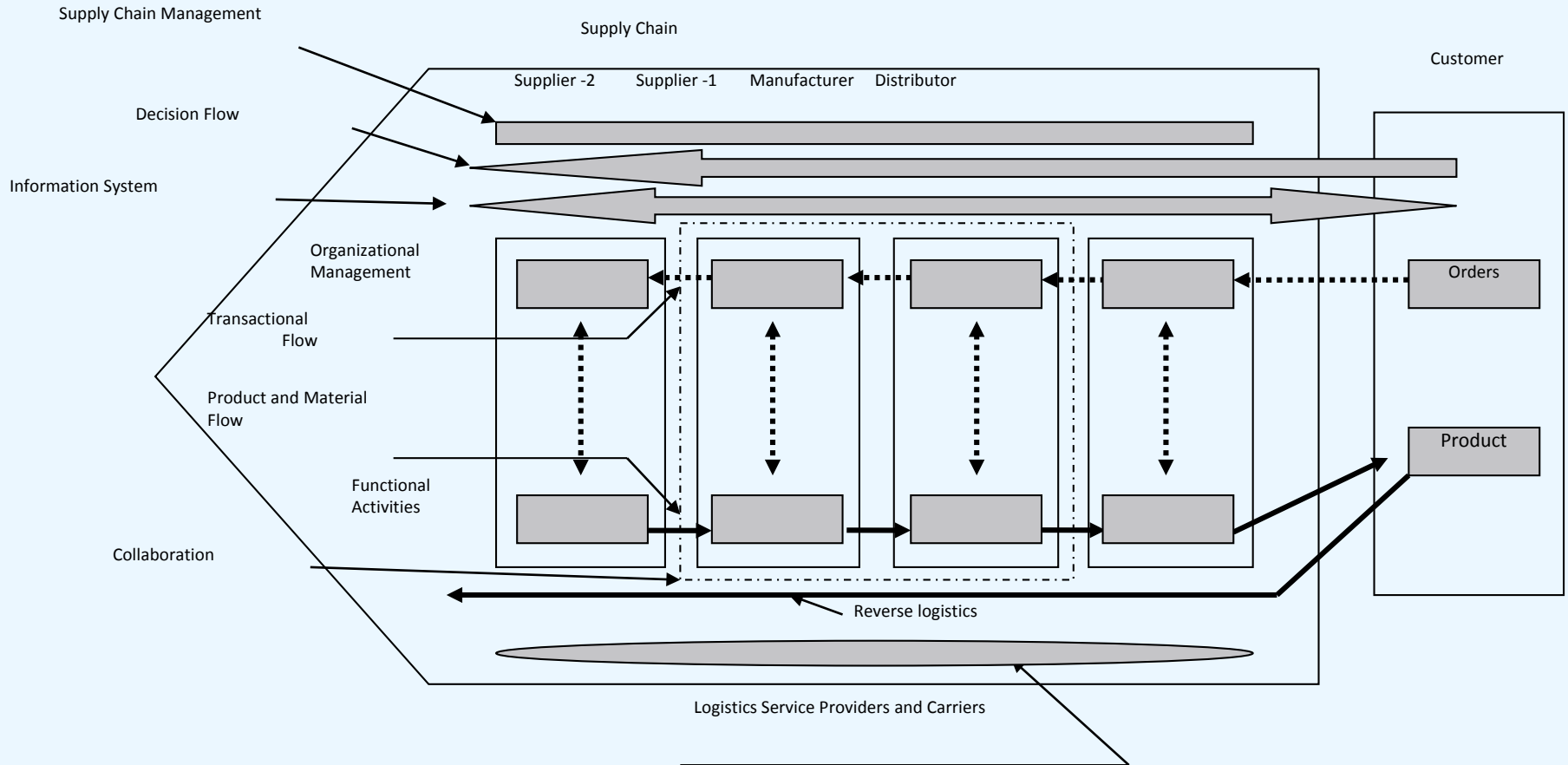
Supply Chain Management (SCM)

Supply chain management is the integration of business processes from end user through original suppliers that provides products, services and information that add value for customers and other stakeholders.

The supply chain begins with the customer

It moves through five successive stages: distribution, final manufacturing/ assembly, first tier suppliers, second tier suppliers to basic (raw) materials.

Supply Chain Management Framework

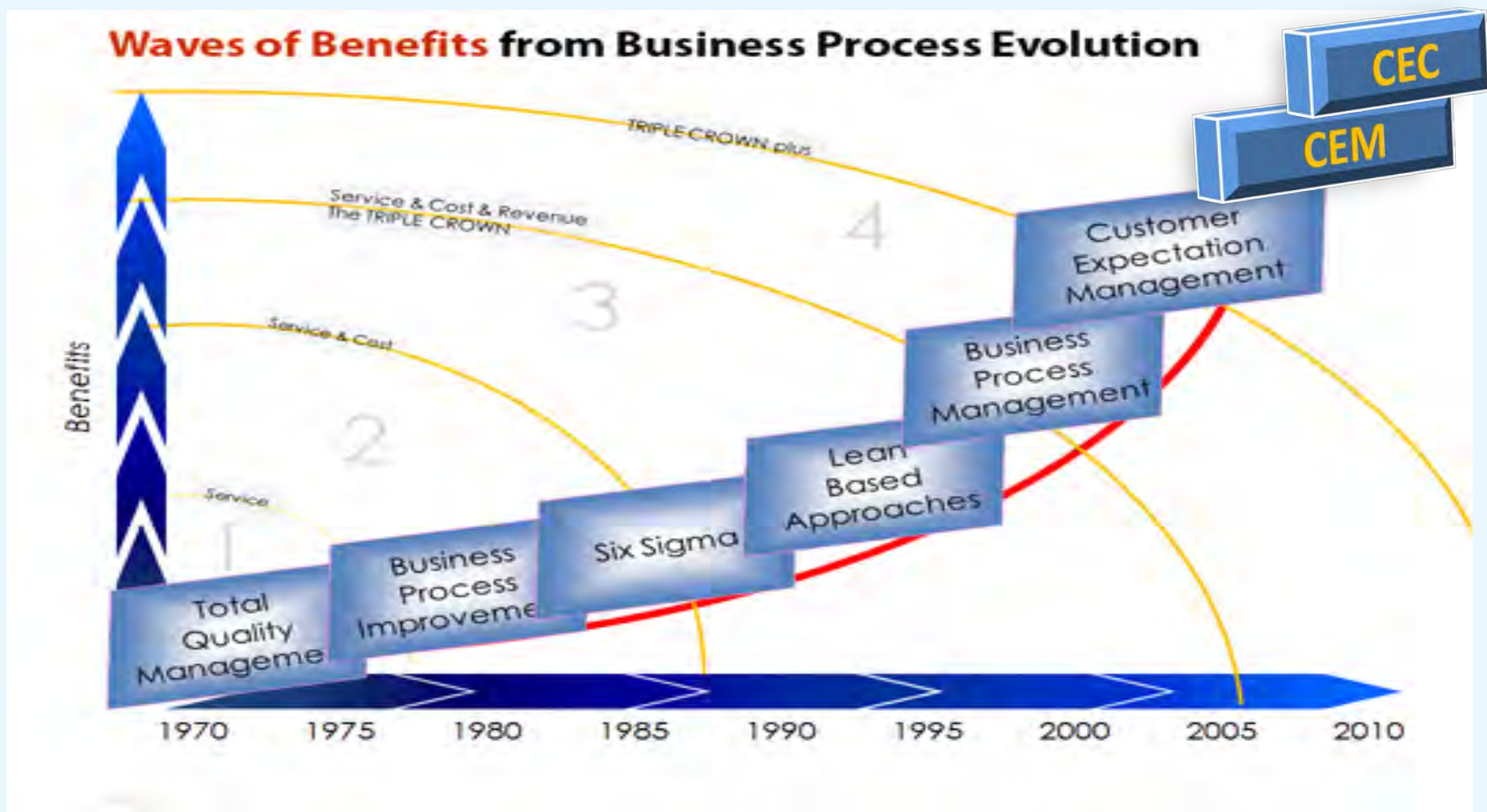


Source: Managing the Global Supply Chain Management, Copenhagen Business School

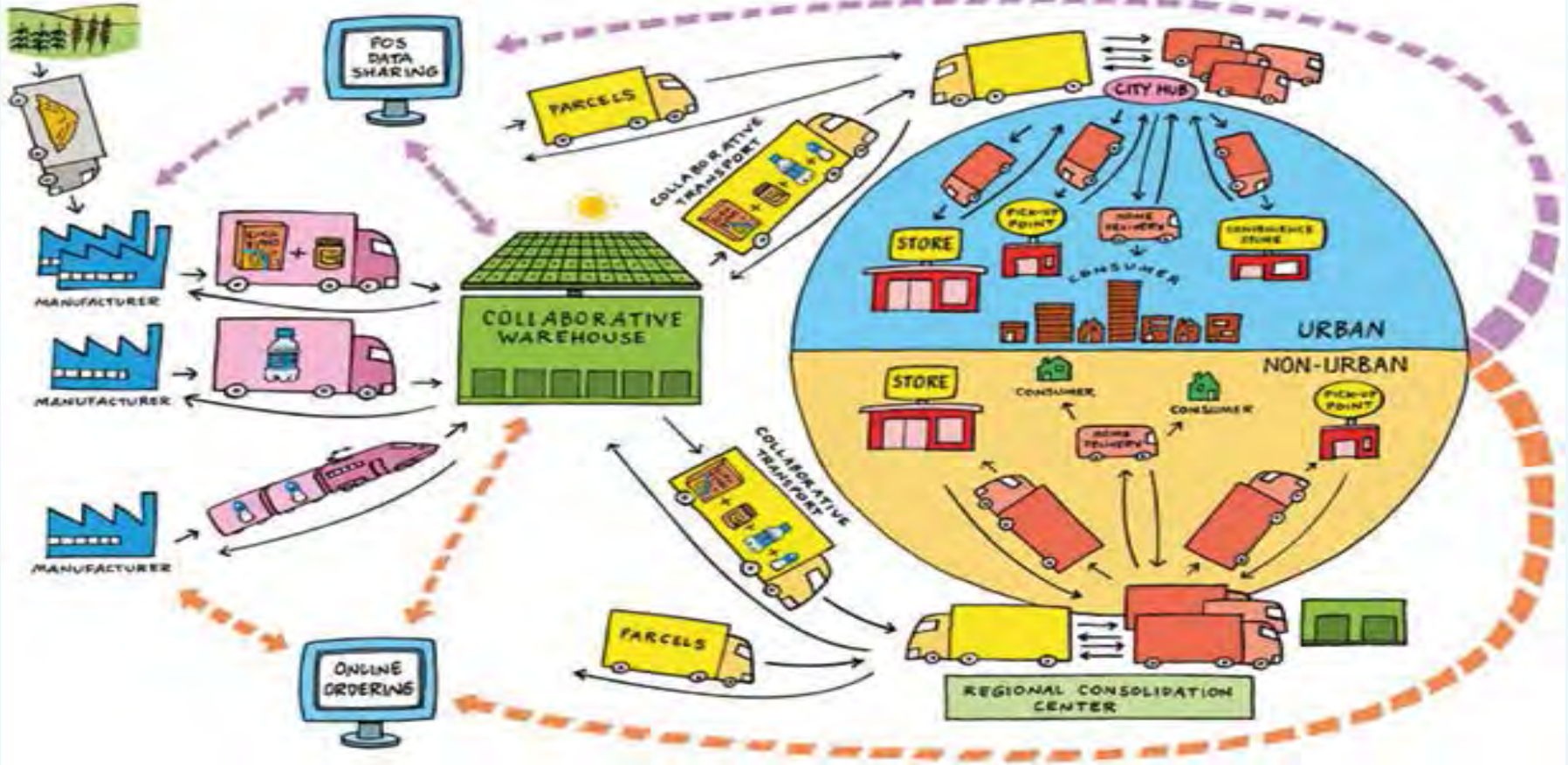
The Customer Orientation

These definition assume that the supply chain anticipates customer demand and customers receive products from off the self. The direction of physical flow in Porter's value chain is clearly pointed toward the customer. This is a *push* orientation, product and materials move toward the final market, driven by forecast demand. A more recent view, one that we adopt here, is that customers initiate supply chain decisions, configuring products and initiating orders that *pull* products through the chain. The supply chain originates with the customer, and decisions flow backward through the supply, even influencing the choice of supply chain members.

Approaches for Improving Business Performance



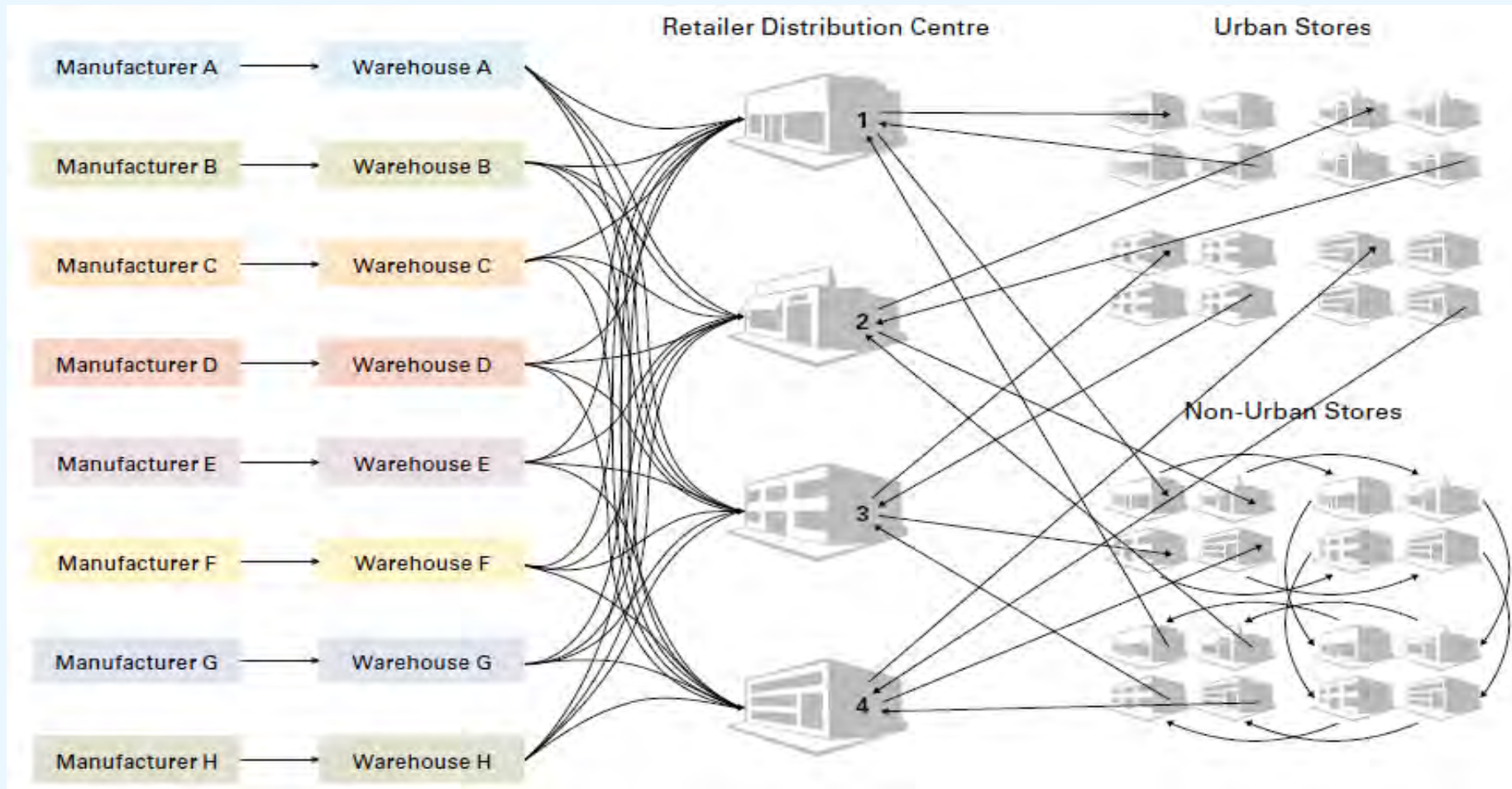
The 2016 Supply Chain



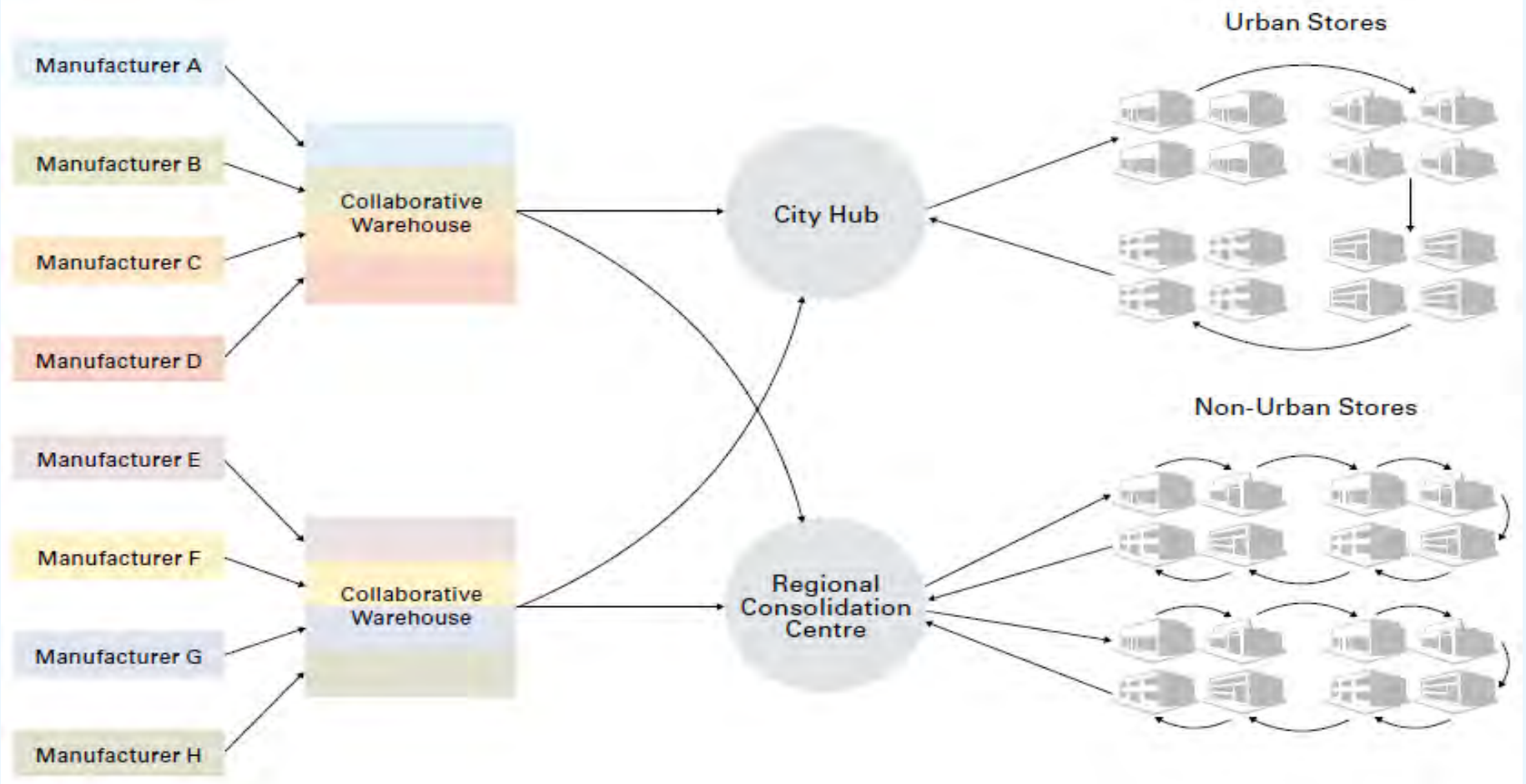
Source 2016 Future SC GCI



As-Is situation



To-Be Situation Integrated Model

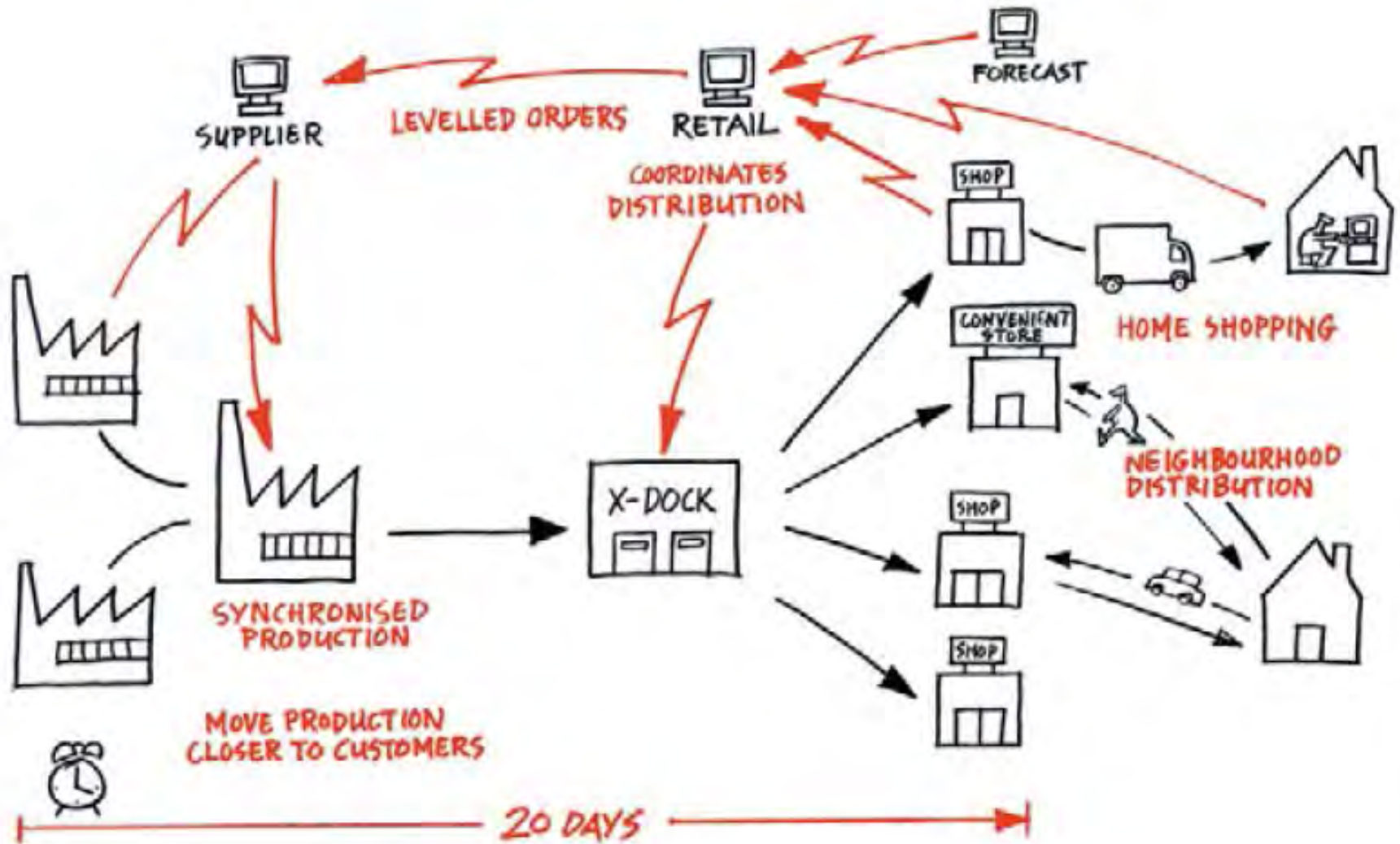


2016

FUTURE SUPPLY CHAIN



Evolving Value Chain of 2016



The Value Chain in 2016

Company Cultural and Behavioural Changes

- Shared services
- Shared information/collaboration

Integrated Logistics/ Home Fulfilment

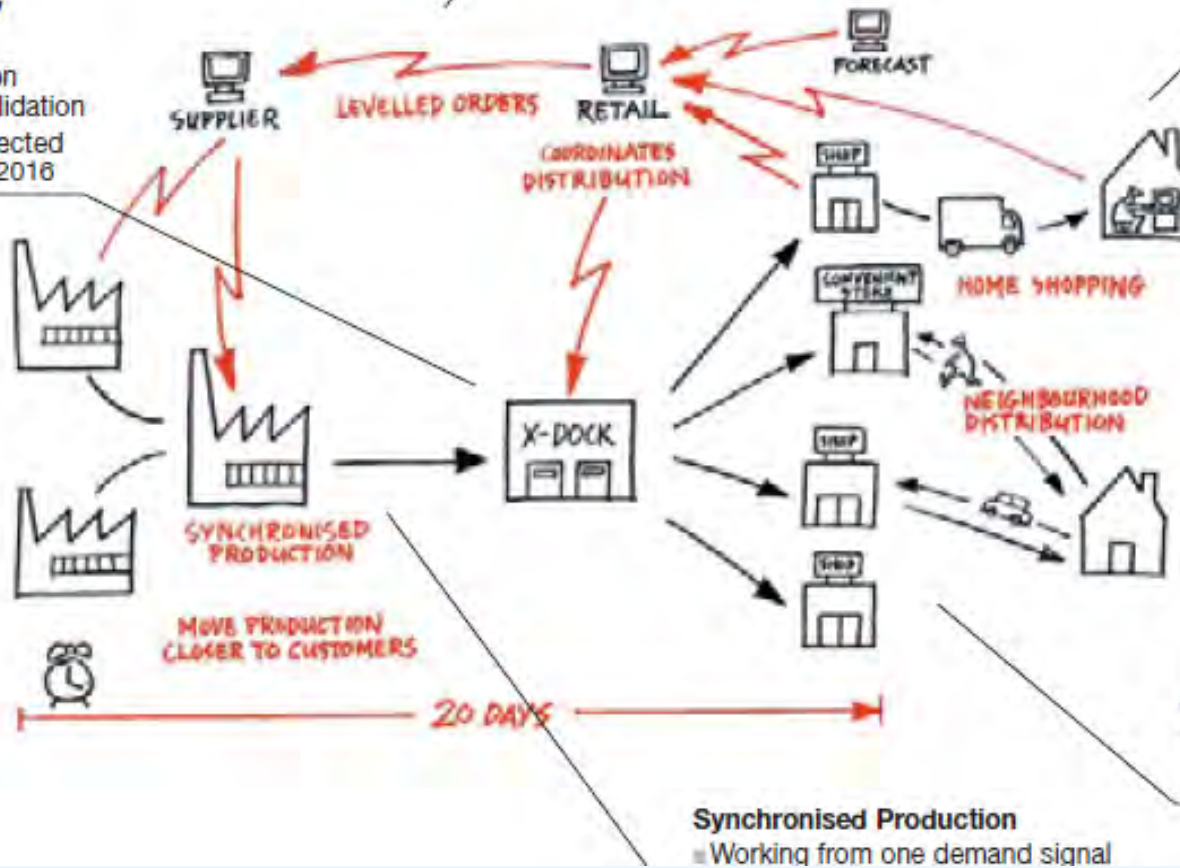
- More collaboration on transport and consolidation
- Home fulfilment expected to reach 20-25% in 2016

Information Sharing

- Open platforms for distributed data-sharing models

Shopper Dialogue

- A new interface with the consumer





SUCCEEDING IN A VOLATILE MARKET

2018
THE FUTURE VALUE CHAIN



New ways of working together – Eliminate Supply Chain Disruptions, Enable Growth





New Ways of Working Together

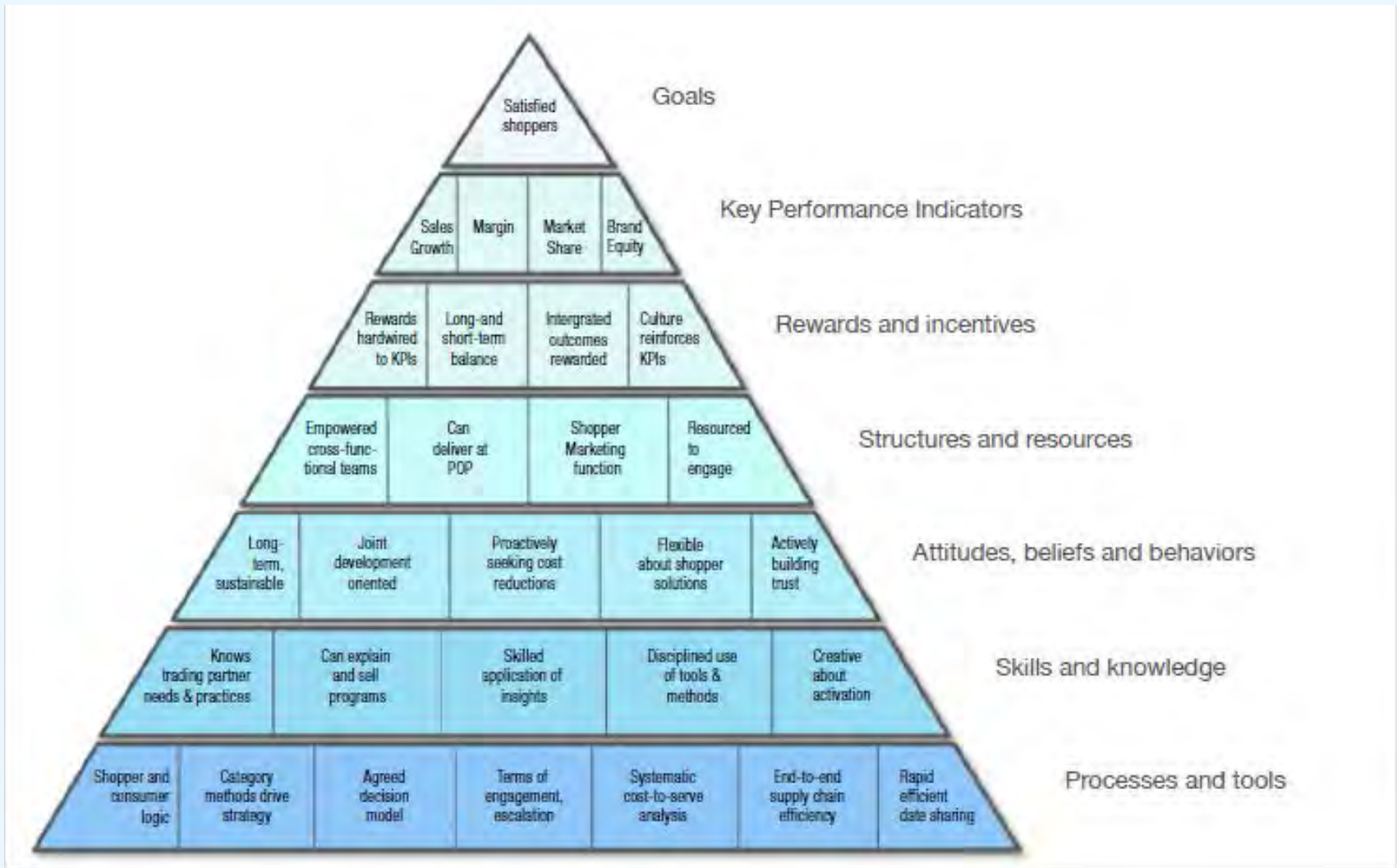
*Preparing Our People
for the New World*



Childs Davidson
Limited



The new capability model



Global Commerce Initiative
Information Sharing Report



New Ways of Working Together

Eliminate supply chain disruptions, enable growth

Industry Track (Collaborate)



Source: GCI – New Ways of Working Together

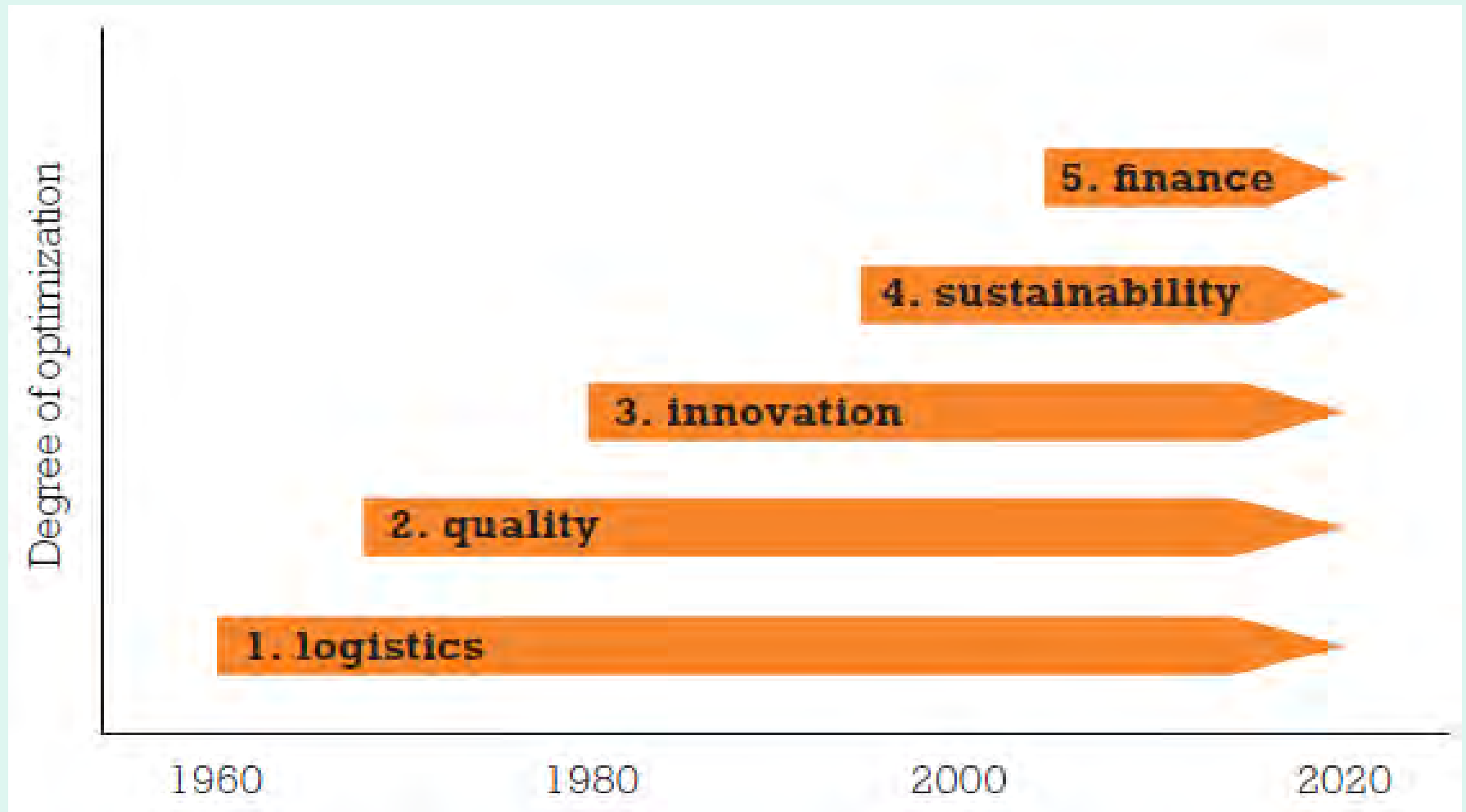


?

The Consumer Goods Forum has five strategic pillars

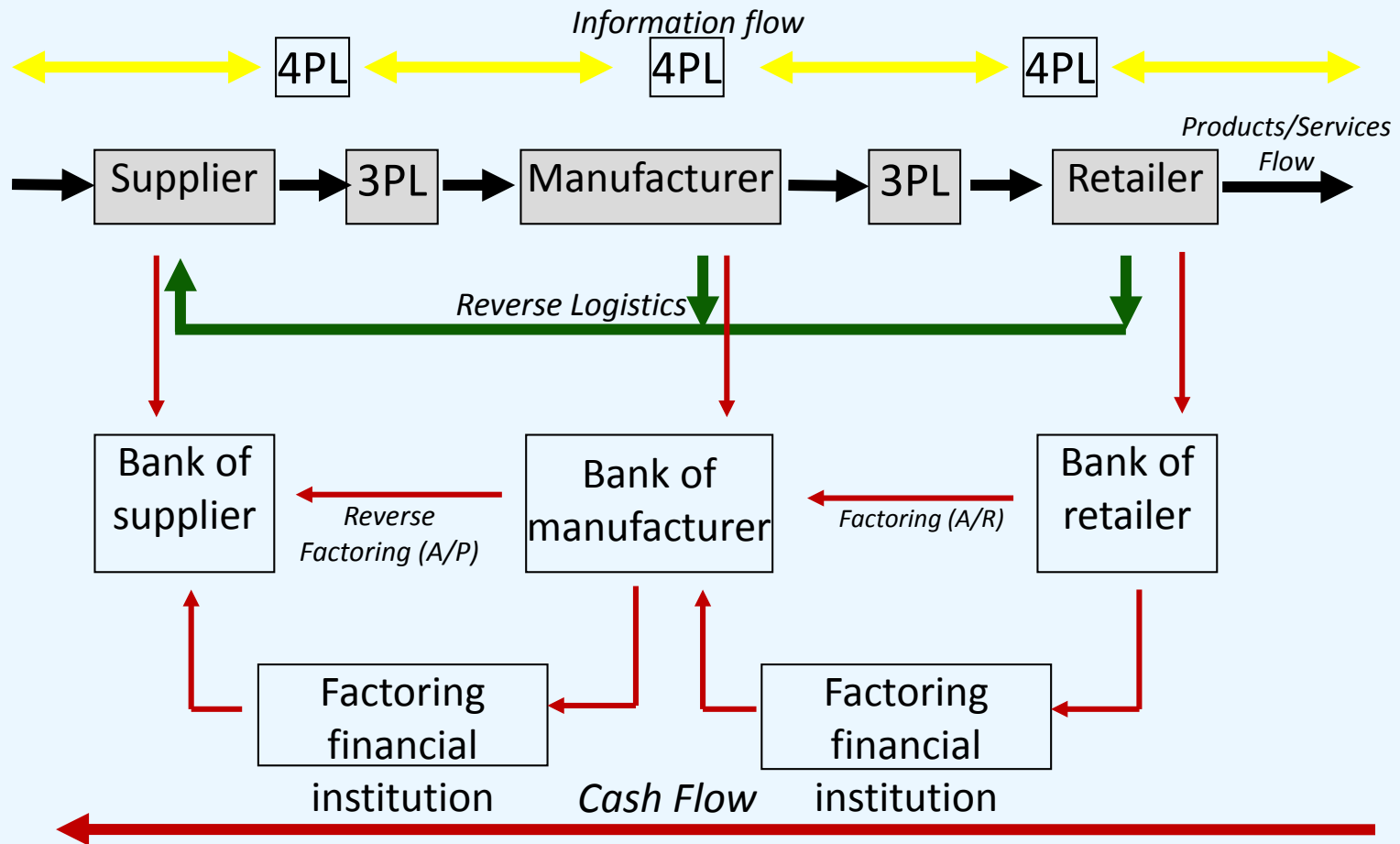


Five phases of supply chain optimization



Source: ING Economics Department

Working All Together (WAT) for Supply Chain Excellence



3. World Economic Forum (2013 and 2014)

Towards the Circular Economy: Accelerating the scale-up across global supply chains

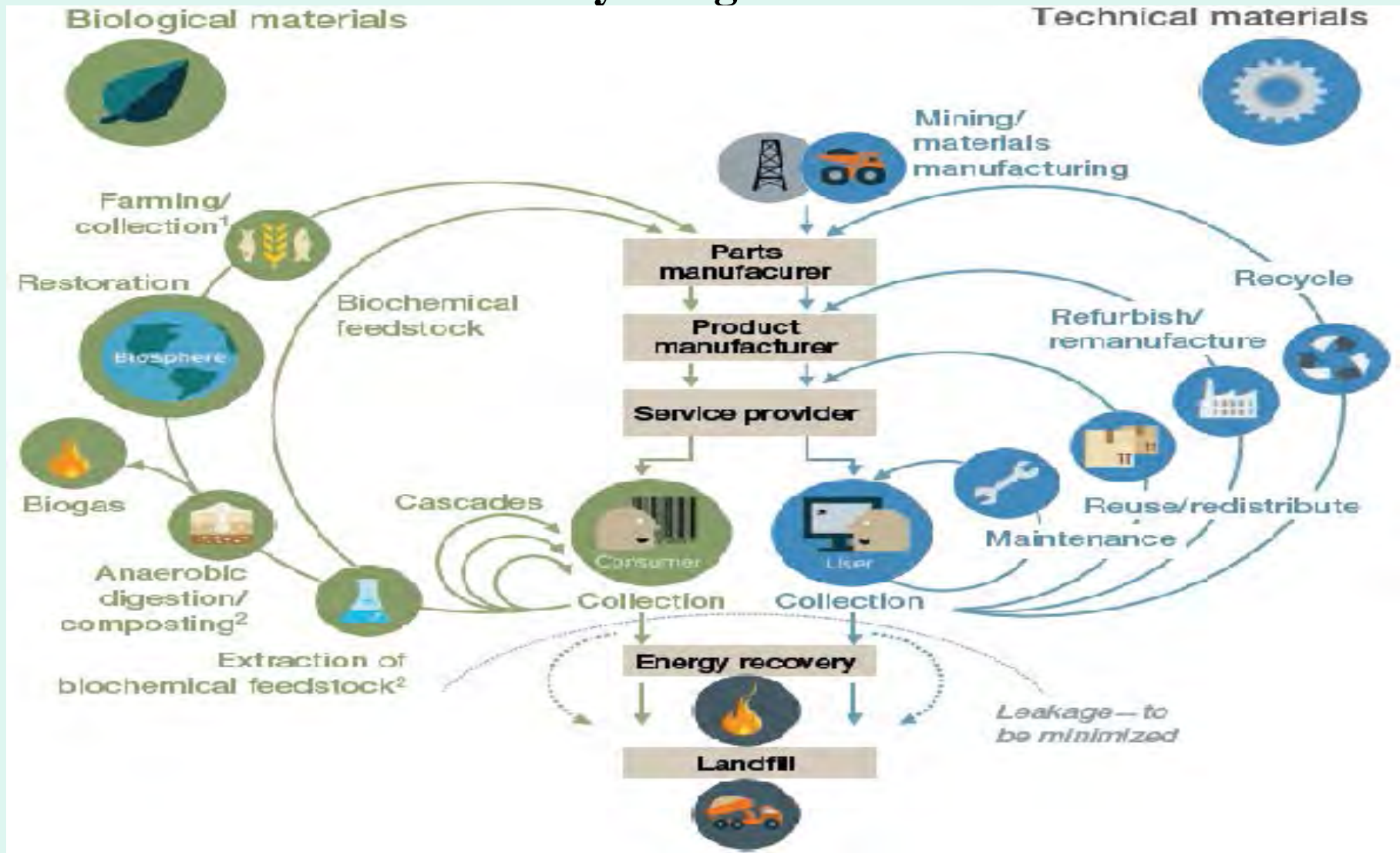
Prepared in collaboration with the Ellen MacArthur Foundation and McKinsey & Company

January 2014



Source: World Economic Forum

The Circular economy – an industrial system that is restorative by design



Source: Towards the Circular Economy: Accelerating the scale-up across global supply chains

WORLD
ECONOMIC
FORUM

COMMITTED TO
IMPROVING THE STATE
OF THE WORLD



Redesigning Business Value:
A Roadmap for Sustainable
Consumption

Source: World Economic Forum

4. 2022 Model



FUTURE VALUE CHAIN

Industry Initiatives Address Challenges of the Digital World and the Fight for Resources

2022

Five megatrends with highest relevance for the consumer goods and retail industry



Source: The Consumer Goods Forum, Roland Berger

5. What to do ?

THE INFLECTION POINT

“A strategic inflection point is a time in the life of a business when its fundamentals are about to change. They are the result of an event which changes the way we think or act”

Andy Grove, Chairman Intel



Initiatives to Drive Change

To begin to address these two megatrends the Emerging Trends/Future Value Chain team identified three key initiatives for collaborative action:

Consumer Engagement Protocol: develop a code of conduct for digital engagement with consumers. This project is designed to address the technology-driven changes being witnessed in consumer behavior.

The project is focused on identifying potential risks and opportunities and establishing guidelines for digital engagement to ensure that initiatives we drive, as an industry, do not compromise our reputation.

Digital World



Digital World

New digital devices support ubiquitous and always-available information and enable companies to interact with customers across **more touchpoints**. Key factors driving this megatrend include the increasing adoption speed of new technologies, the growing amount of interrelated and meaningful data, the greater usability of private data and the growing difficulty of protecting this information.

Digital World

1. Value chain transparency

New technologies will increase demand for transparency of companies' complete value chain, from sourcing to packaging and distribution. Only those companies that can show a sustainable value chain will be competitive in the long run. Value chain transparency is not only a critical enabler for improved supply chain agility, it also links different domains that currently are often disconnected, such as B2B, B2C, C2B and C2C.

In the context of today's rapidly evolving digital world, a number of critical questions related to value chain transparency need to be considered, including how to leverage the connected – or “smart” – environment for a new quality of individual customer service, how to ensure consumers get the “right” information, how to ensure a consistent experience for consumers and how to share stewardship of master data.

Digital World

2. New ways to listen and learn from consumers

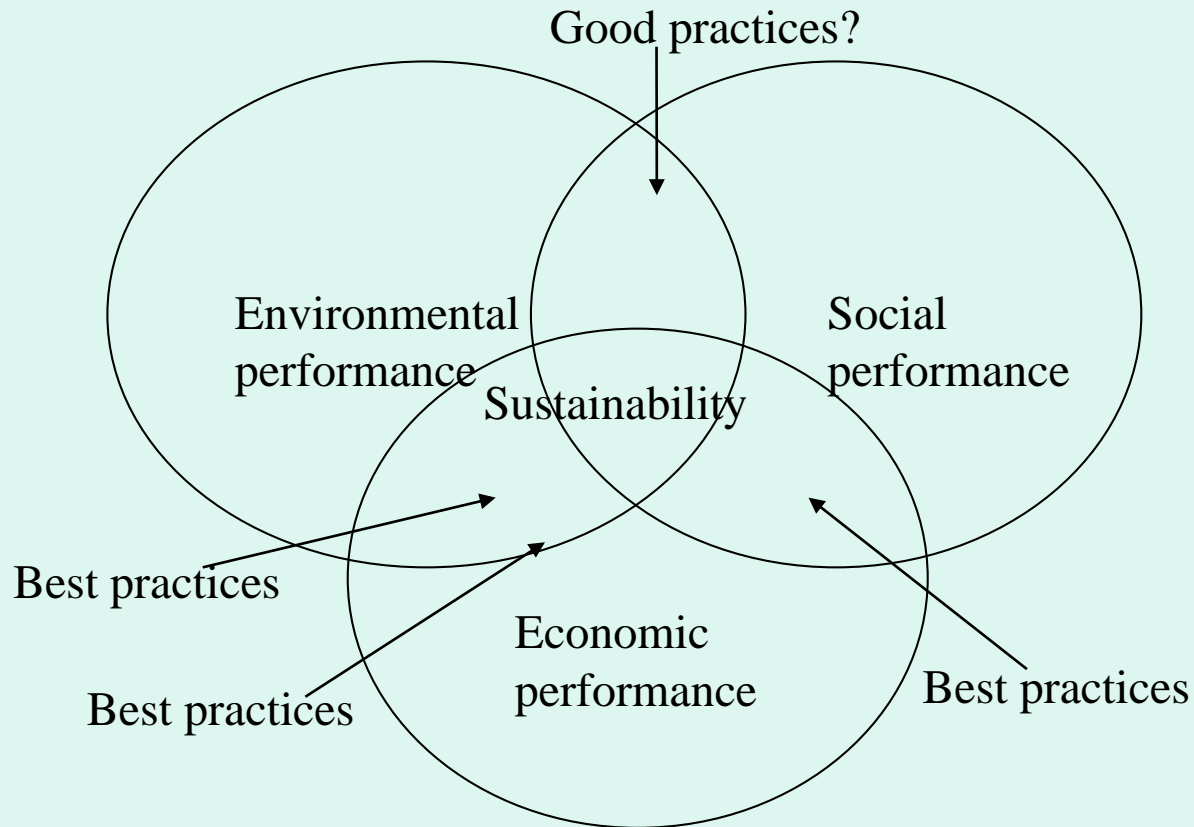
In the digital world, companies face major strategic challenges such as using technology-driven opportunities to understand consumers more deeply and connect with them more effectively and more often. The development of new capabilities like digital-marketing analytics to keep pace with the digital consumer will be a critical success factor in this environment. This involves all digital channels that consumers and shoppers use in their “path to purchase.”

MOBILE & OTHER DEVICES COMMERCE

Mobile commerce, often referred to as m-commerce, builds on the advances made by ecommerce (such as automated, electronic processes) but makes interaction available to a wider audience in a more personalized way.

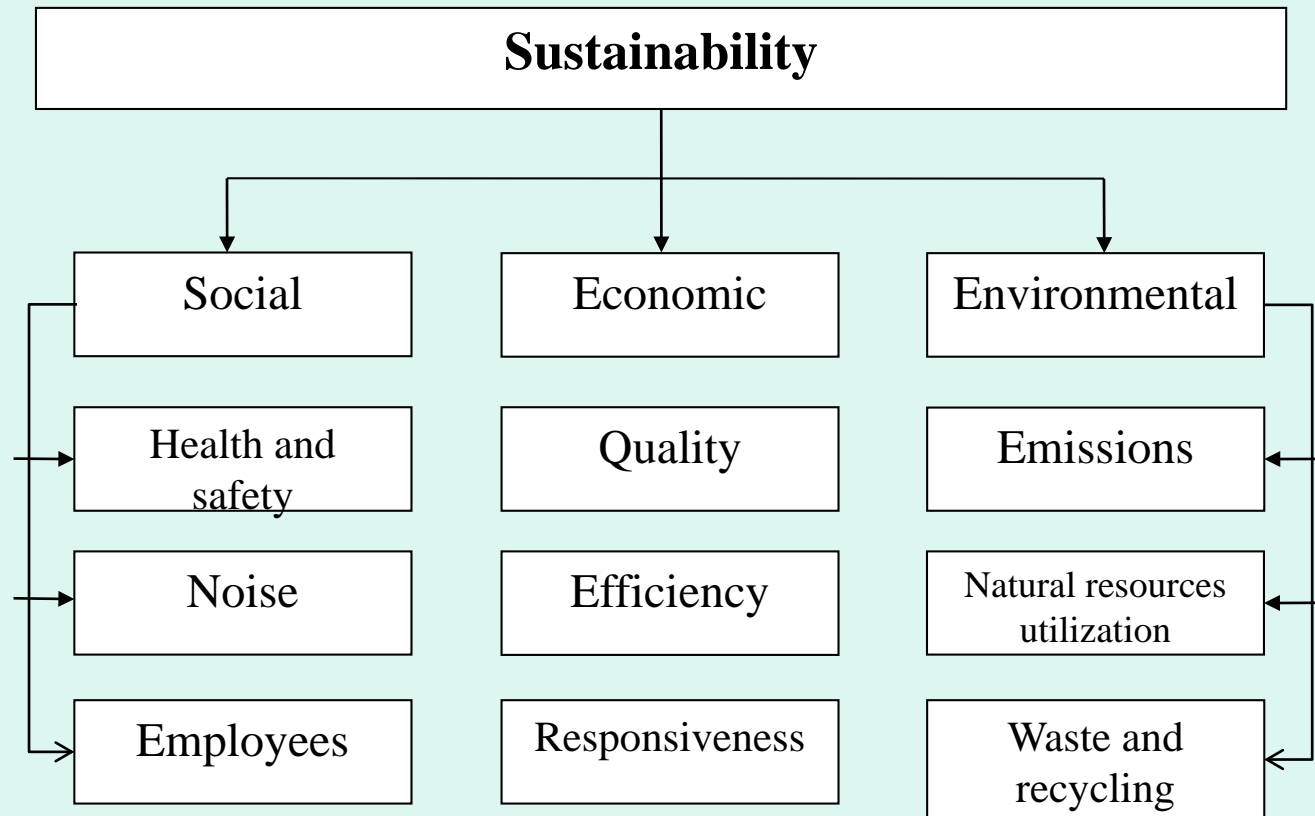


The best practices in light of the Triple Bottom Line concept



Source: devised on the basis of Carter and Rogers, 2008

The scope of best practice assessment in the bestlog project – with benefits analyzed in social, economic and ecological categories



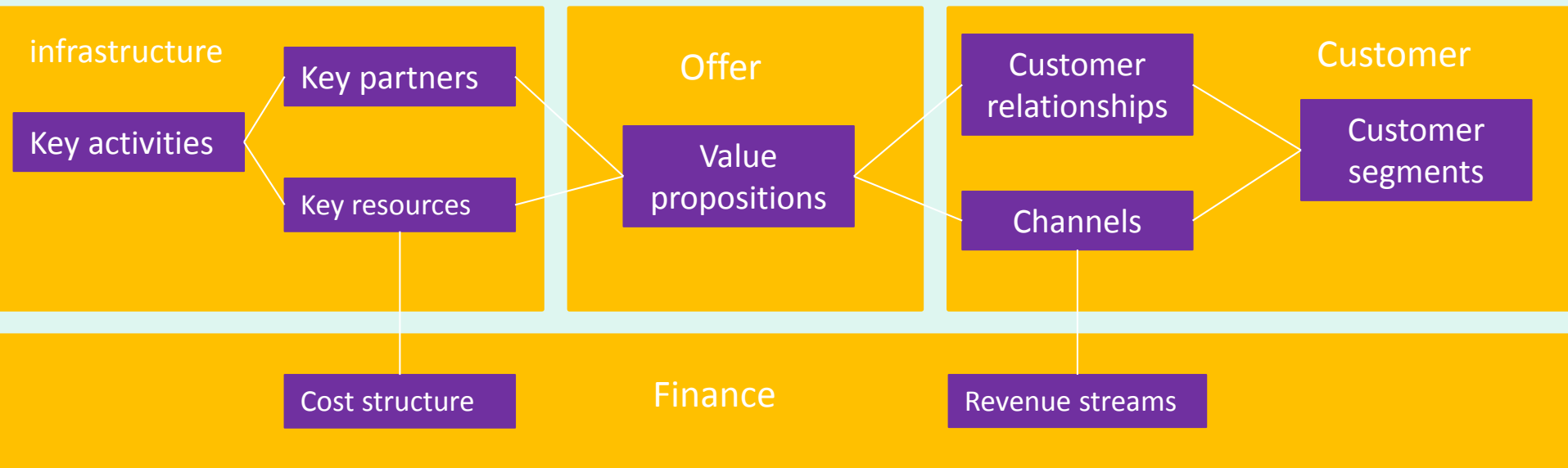
Source: [http:// www.bestlog.org /](http://www.bestlog.org/); department of logistics at wse, 2009

The **value creation** at every touch point is achieved through:

- Designing the full customer journey
- Helping marketing to offer the right products, content, communications and experiences, based on individual customer analytics
- Designing tailored experiences that connect the company, channels and like-minded customers
- Taking advantage of customer insight to provide exceptional service at the right touch points
- Creating and automating in real time a system of engagement to deliver these personal interactions at a massive scale
- Using analytics to guide the development of tomorrow's portfolio.



The building blocks of a business model



Source: Economy of Experience, Albert Boswijk and others

A consistent strategy...

In support of the corporate strategy. Global Supply Chain (GSC) consistently drives customer focused innovation and execution

Corporate Strategy

Protect

- China**
 - 1 Protect PC Leadership
 - 2 Drive Profitability
- REL**
 - 1 Deliver steady profits in all regions
 - 2 Drive share gain across the board
- Profit Pools**
 - 1 Increase Peripherals & Monetization
 - 2 Expand Close-to-box services attach

Attack

- Cons/SMB**
 - 1 Expand number of double digit share countries
 - 2 Attack EM SMB/Consumer & move to profitability
 - 3 Grow mature share through retail channels
- MIDH**
 - 1 Grow Tablet and Smartphone in China & launch SmartTV
 - 2 Expand cloud offerings worldwide
- Enterprise Systems**
 - 1 Drive workstation globally
 - 2 Grow server in China & expand global reach

GSC Strategy

Innovation

Operational Excellence

Customer Experience

Innovation Leadership

Product Offerings & User Experience | Global Branding | Quality focus | Business Model

Sustainable & Efficient Business Model

Build efficient consumer business model | Improve E2E speed | Focus on customer voice | LSS focus

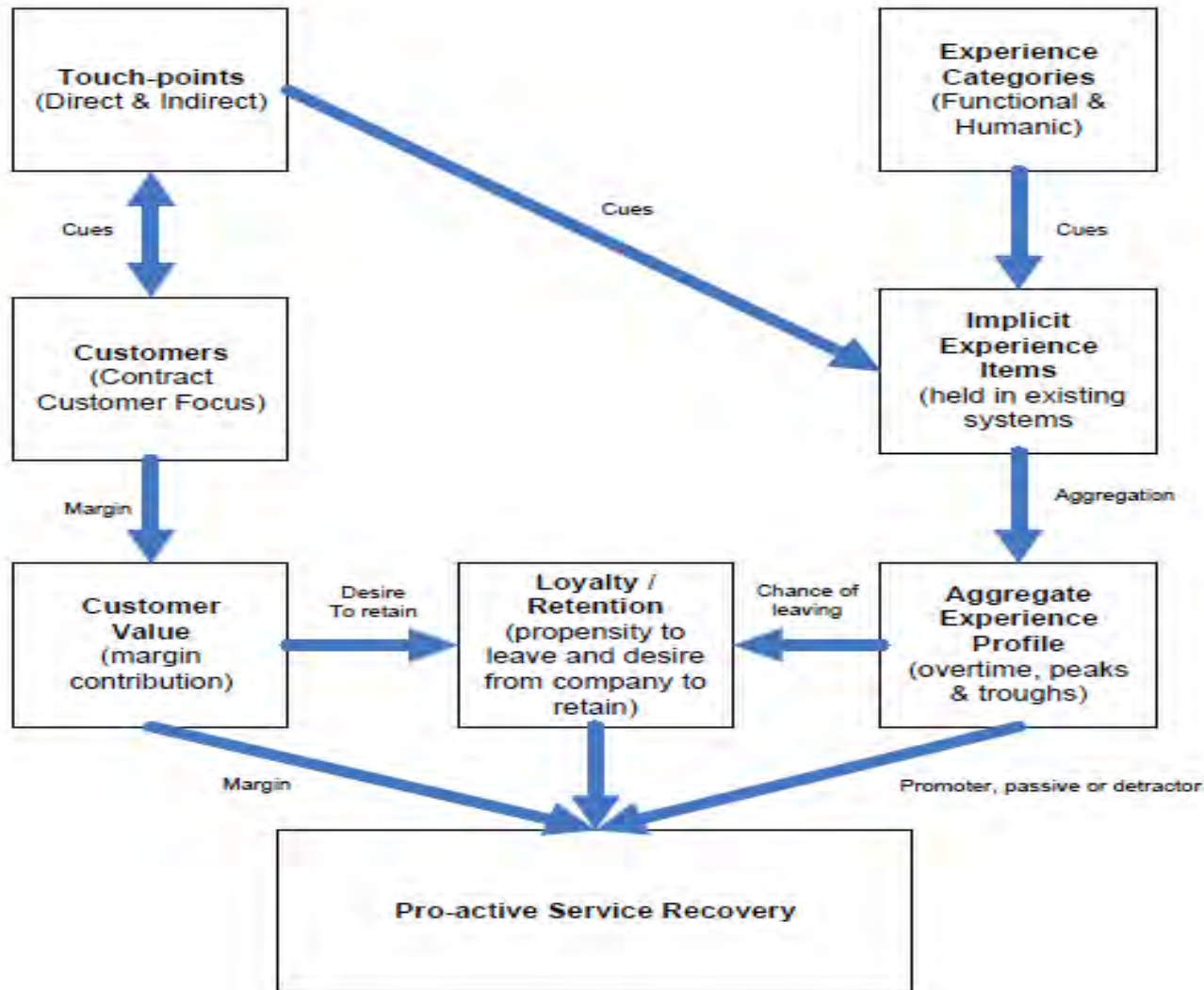
Global Culture

Meet commitments/Take ownership | Build a world class organization

Source: Supply Chain Council



Customer Experience Framework



Source: *Toward a Model of Customer Experience*, Michael Anaman



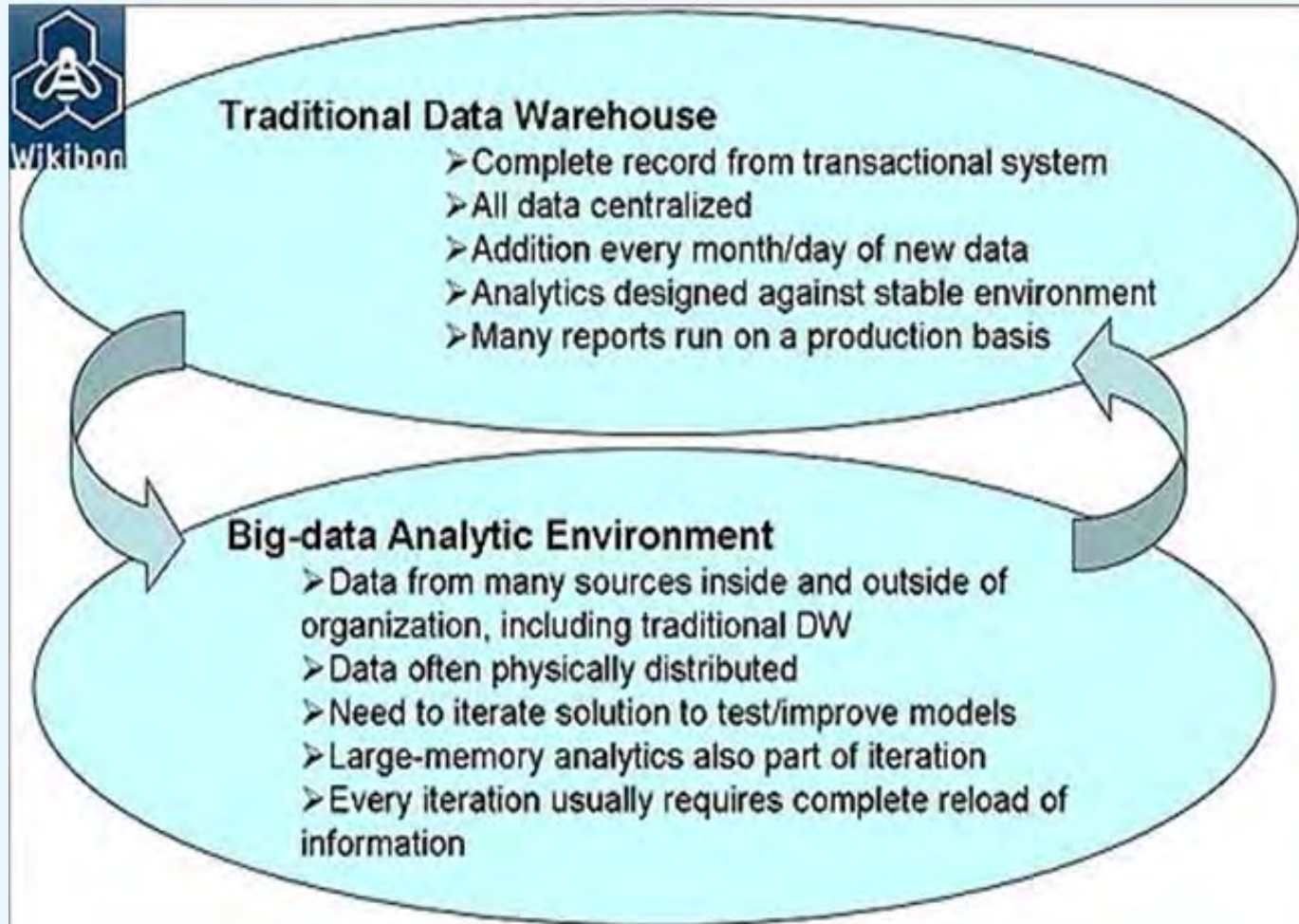
Big Data

Social media, from Facebook to Twitter to Pinterest to the product reviews on e-commerce websites, empowers customers to sound off about products, good or bad, even as it offers marketers a way to strengthen customer relationships. Given the proliferation of channels, devices and information, expectations among Generation C customers - the “C” for connected - are changing.

Mobile and social channels are key drivers in the **big data** phenomenon that confronts marketers. In fact, dealing with the “data explosion” was the top challenge cited by CMOs surveyed by IBM, followed by social media and the growth of channels and mobile devices.



Comparison of Traditional DW & Big Data Analytical Characteristics



Source: Wikibon 2011

What is Data Mining?

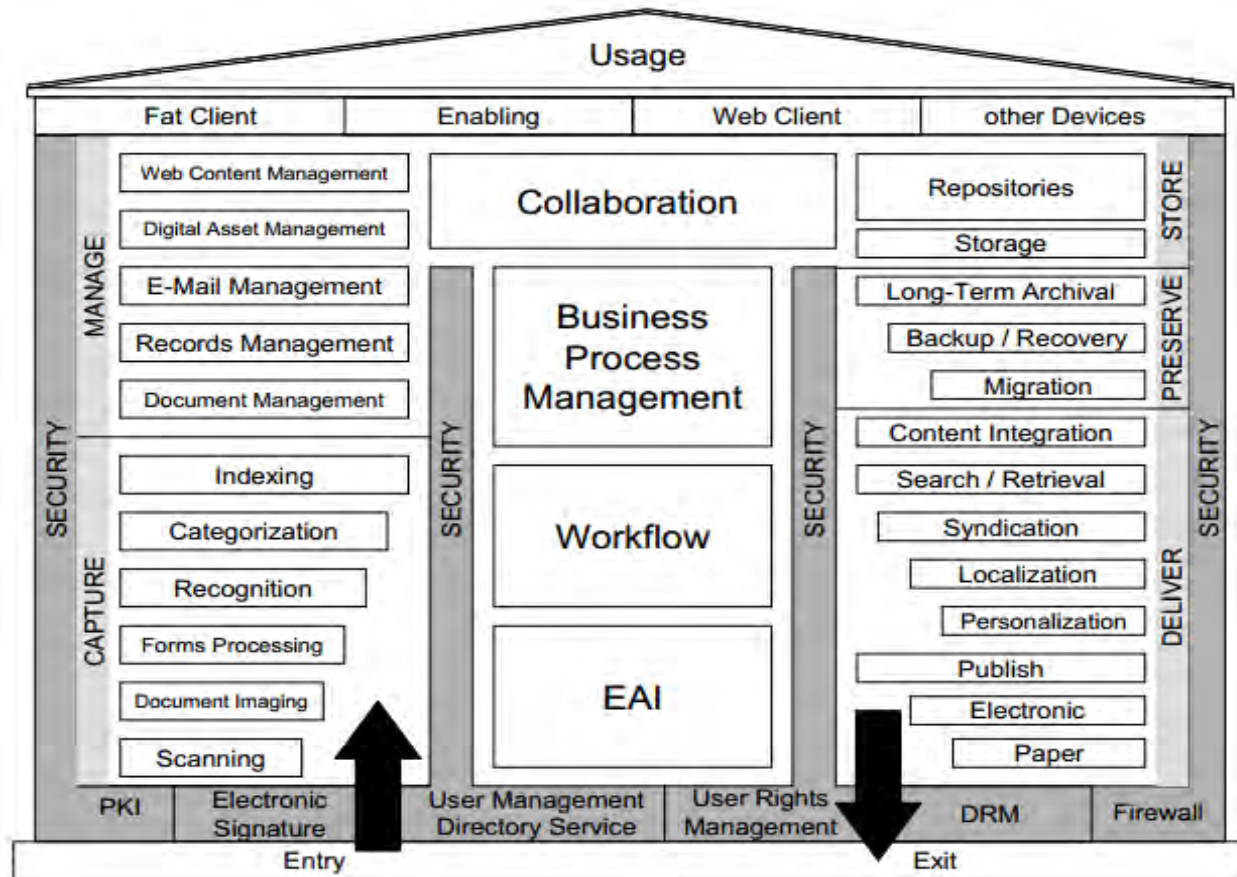
Data mining is the exploration and analysis of large quantities of data to discover meaningful patterns and rules.

The commercial data miner employs a grab bag of techniques borrowed from statistics, computer science and machine learning research. The choice of a particular combination of techniques to apply in a particular situation depends on the nature of the data mining task, the nature of the available data and the skills and preferences of the data miner.

Data mining comes in two flavors – directed and undirected. Directed data mining attempts to explain or categorize some particular target field such as income or response. Undirected data mining attempts to find patterns or similarities among groups of records without the use of a particular target field or collection of predefined classes.

The Enterprise Content Management

The Enterprise Content Management House



Business Intelligence at the Data Warehouse

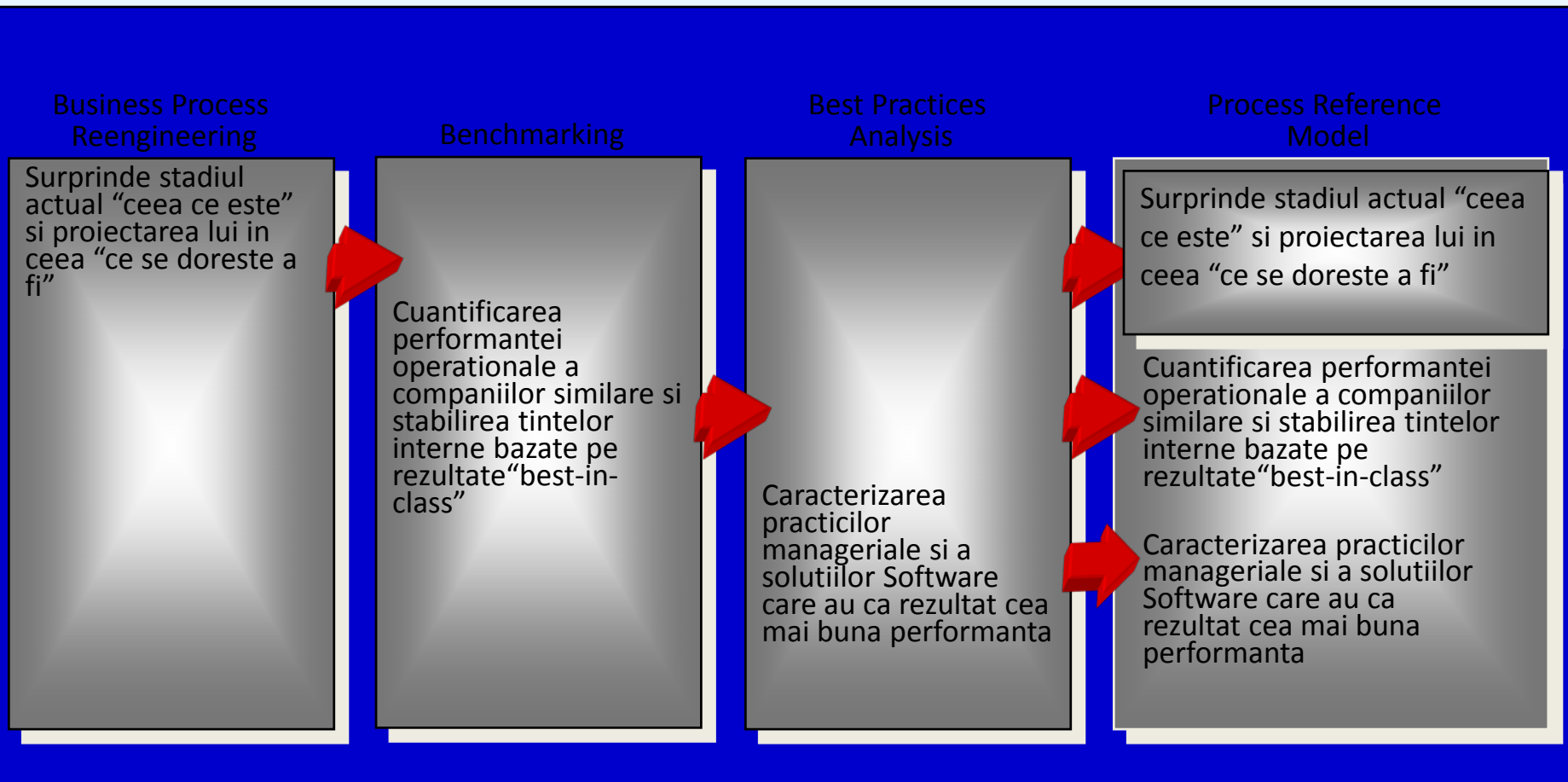
This new system environment that users desperately need to obtain strategic information happens to be the new paradigm of data warehousing. Enterprises that are building data warehouse are actually building this new system environment. This new environment is kept separate from the system environment supporting the day-to-day operations. The data warehouse essentially holds the business intelligence for the enterprise to enable strategic decision making. The data warehouse is the only viable solution.



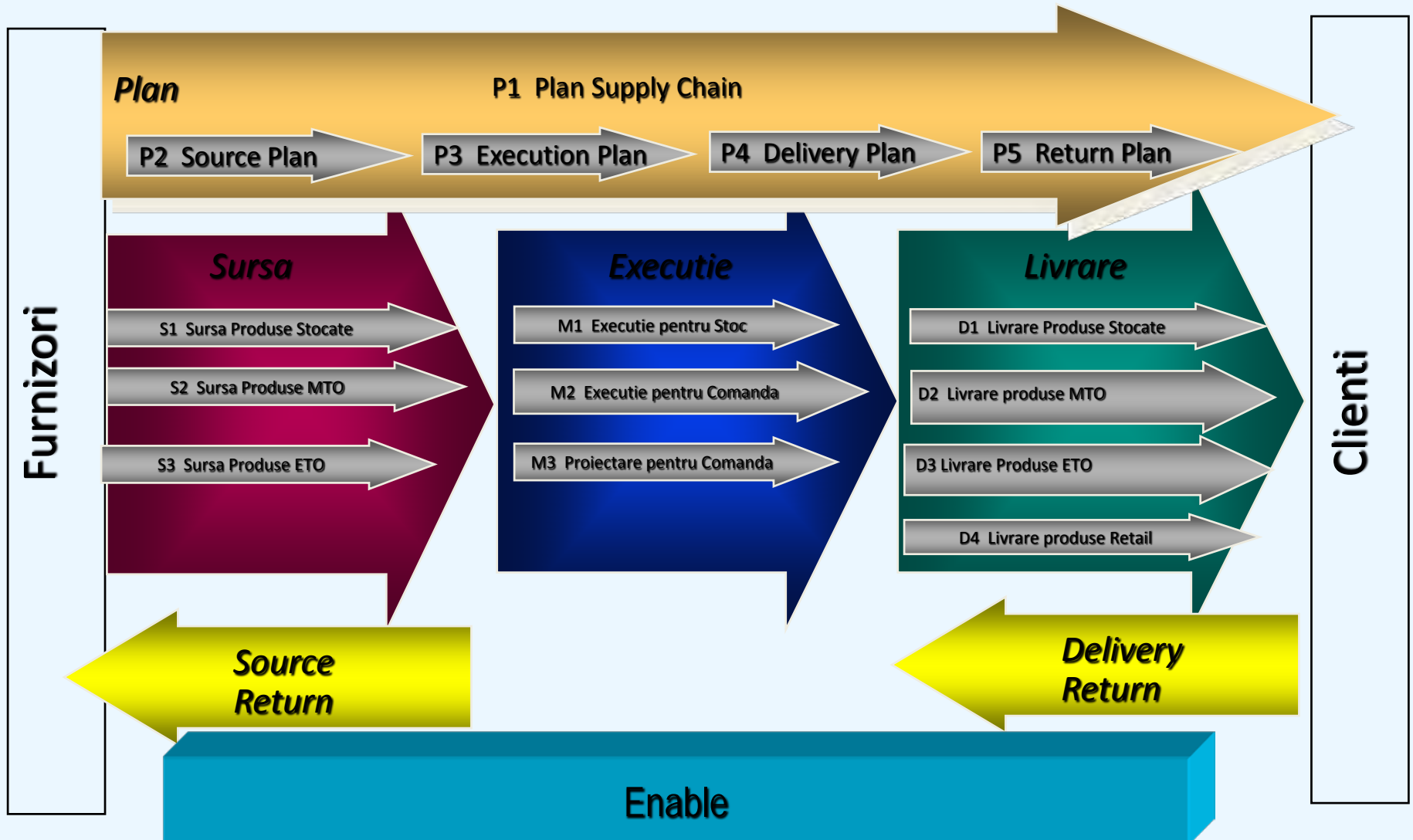


What is Process Reference Model?

“Process reference model“ integrates universal concepts of business processes: reengineering, benchmarking and measurement process; all of these being comprised in a new image.



Supply-Chain Operations Reference-Model (SCOR) - Processes



Connecting with the **Chief Executive Customer !**

The pressure is intense, the scope of the challenge unprecedented. **Connected customers** using **mobile devices** and **social media** across a growing array of channels are among the converging forces that are unleashing torrents of real-time data that can either sink the marketing team or hold the keys to success.

The mandate to meet **the rising expectations of customers** and uncover new sources of **value** through engagement is not unique to the marketing function. Marketing leaders are uniquely positioned **to develop customer insights and drive a more relevant and consistent customer experience** across the entire **value chain**, from procurement and supply chain to sales, service and support.

*Thank you for
your attention!*