



SUPPLY CHAIN MANAGEMENT
FOR
EFFICIENT CONSUMER RESPONSE
SYMPOSIUM



12-14 MAI 2011

**COLLABORATIVE BUSINESS FOR VALUE
CHAIN MANAGEMENT IN CONSUMER
GOODS INDUSTRY & RETAIL**

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TOPICS

- 1. Four Megatrends That Will Change Supply Chain Management**
- 2. Inside The Value Chain: Industry Trends Driving Change**
- 3. The Future Value Chain**
- 4. Building Strategies for the New Decade**
- 5. The Consumer & Shopper Journey Framework**
- 6. Best practices for New Generation SCM Model (Blue Oceans Strategies)**

1.

Four Megatrends That Will Change Supply Chain Management

- 1. Mass Customization**
- 2. Globalization and Micro-segmentation**
- 3. Rapid innovation**
- 4. Collaborating Among Multiple Enterprises**

2.

Inside the Value Chain: Industry Trends Driving Change

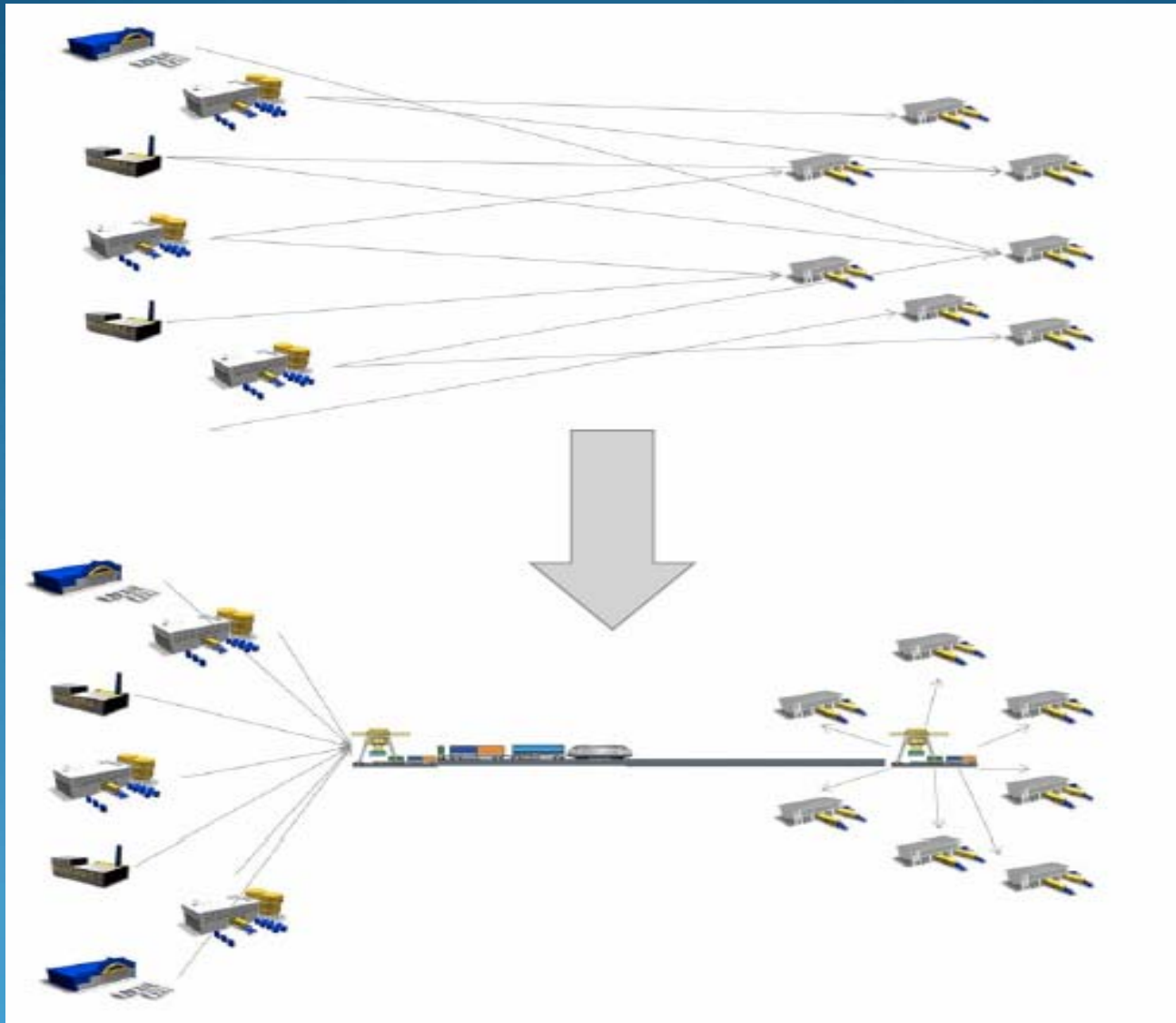
THE FUTURE VALUE CHAIN 2016

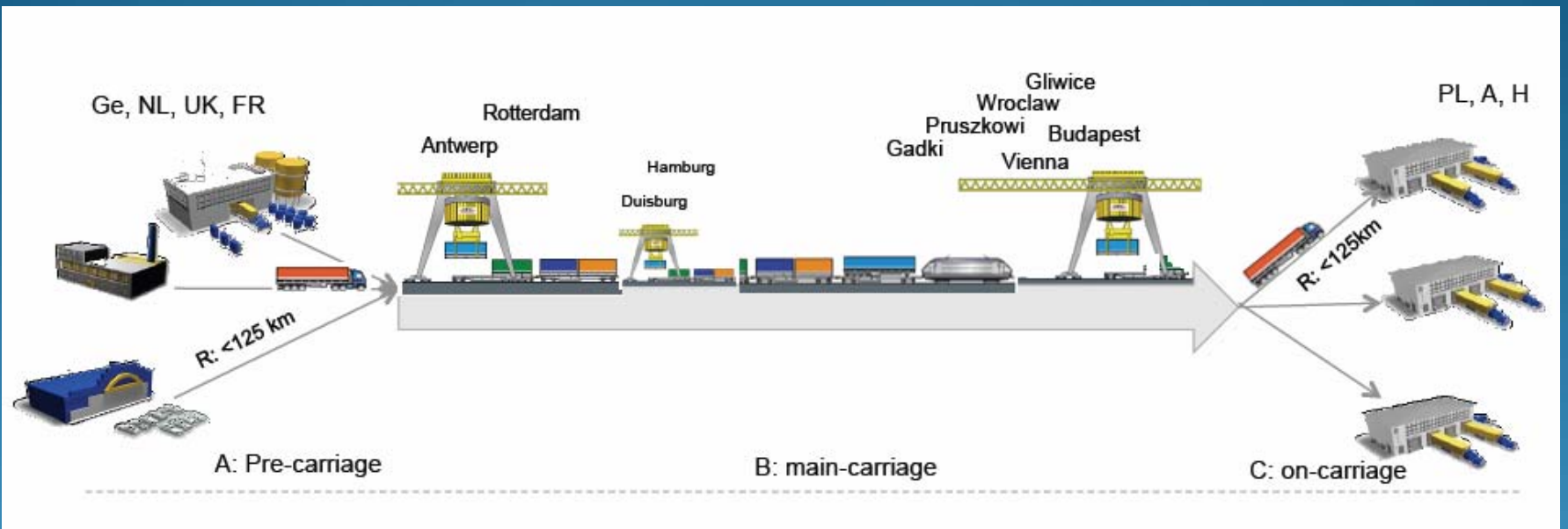
I. Consumer Behaviour

II. Product Flow

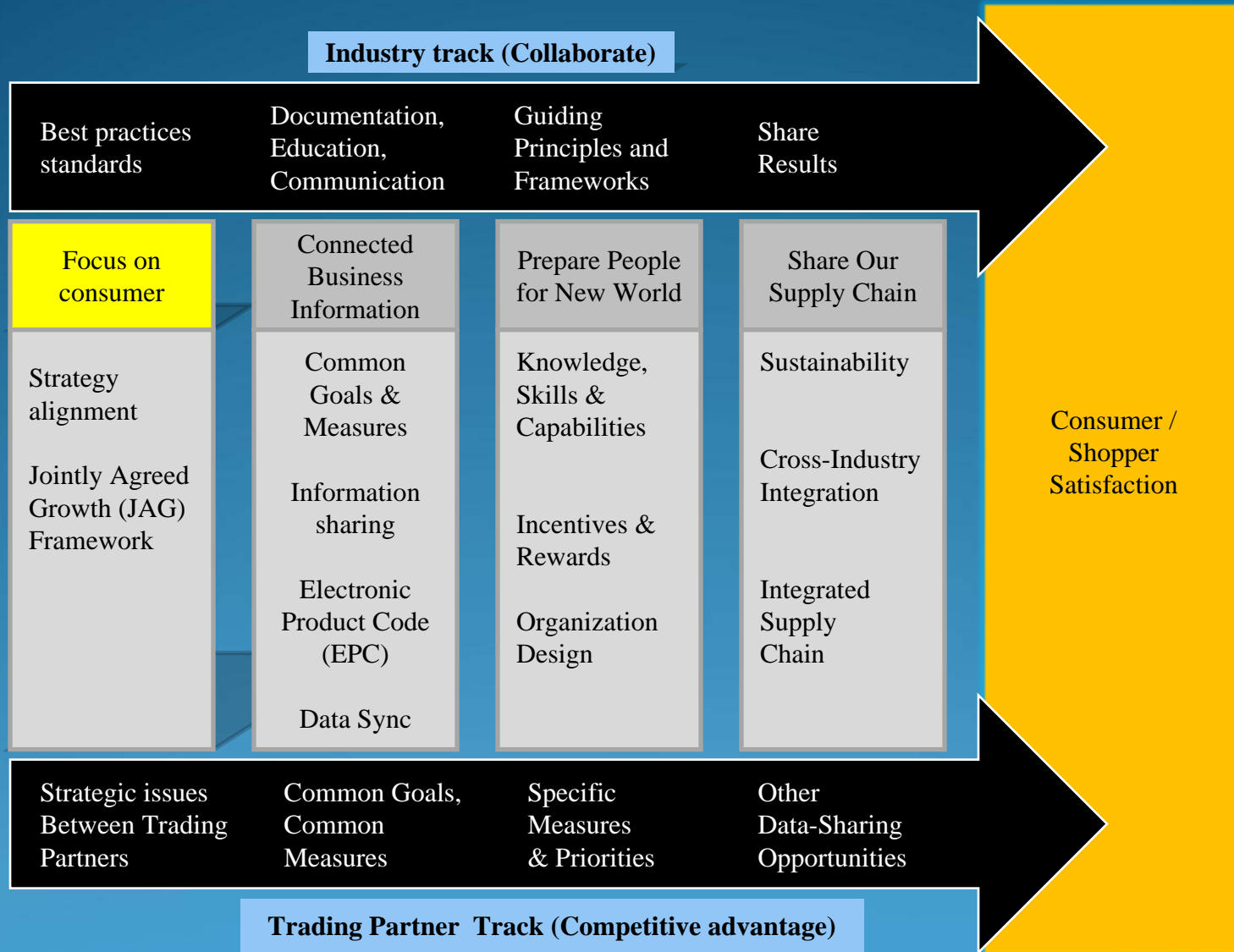
III. Information Flow

3. THE FUTURE VALUE CHAIN





New Ways of Working Together – Eliminate Supply Chain Disruptions, Enable Growth



Source: GCI (Global Commerce Initiative), Capgemini, SAP, HP

JAG (Jointly Agreed Growth) model of collaborative growth

The current approach, common from collaborative management point of view is: Less time for agreeing about growing actions; Growing actions less efficient; Narrowed growth; Bigger financing need; More time spent with bargaining; Less time for gathering data; Focus on finance problems.



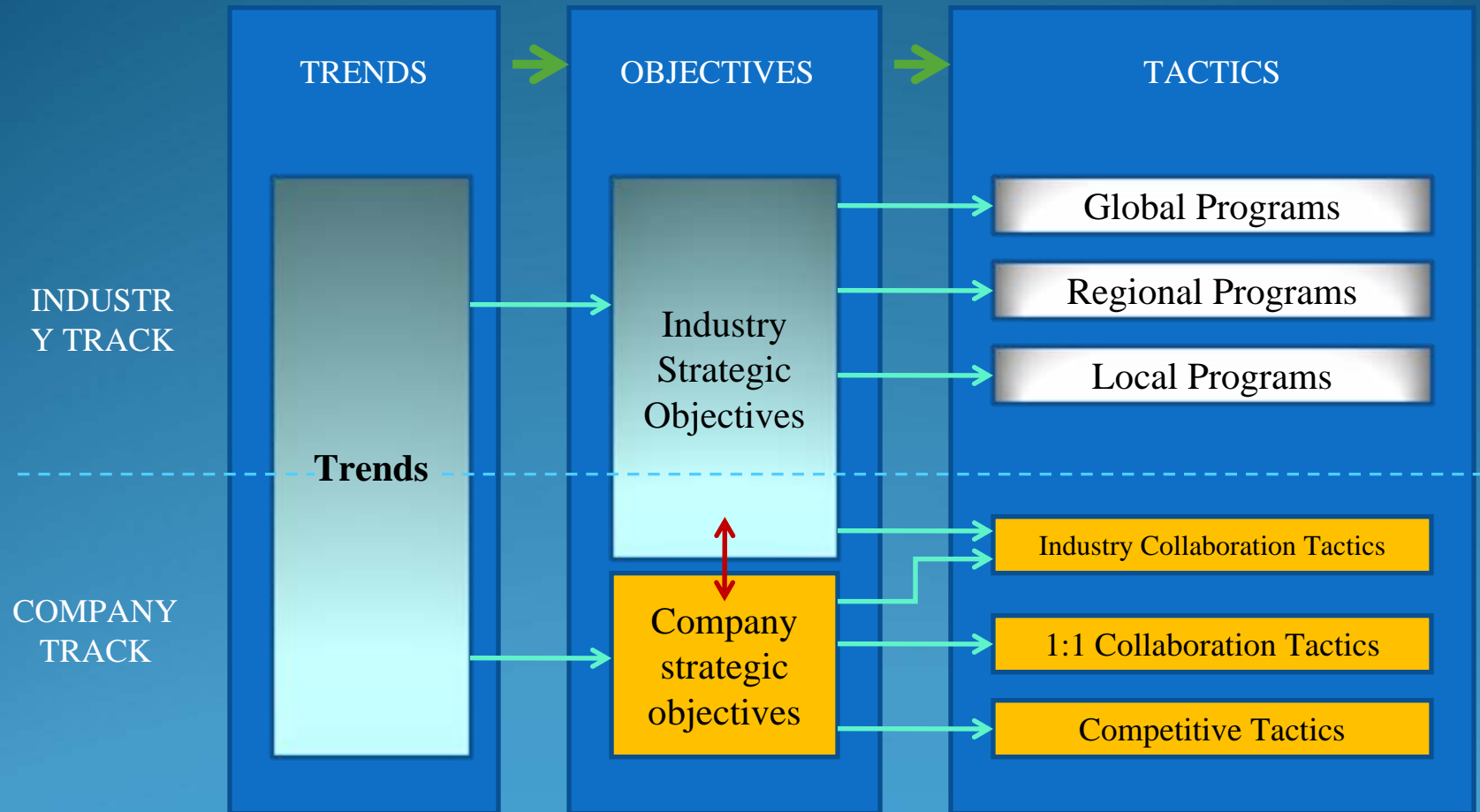
4.
BUILDING
STRATEGIES FOR THE
NEW
DECADE

FUTURE VALUE CHAIN 2020

Four collaboration concepts are at the heart of the overall future supply chain architecture:

1. Information sharing - driving the collaborative supply chain
2. Collaborative warehousing
3. Collaborative city distribution, including home delivery and pick-up
4. Collaborative non-urban distribution, including home delivery and pick-up

BUILDING STRATEGIES FOR THE NEW DECADE



Source: The Consumer Goods Forum, Campgemini, HP, Microsoft

Trends: What Is Driving The Objectives

Twelve global root trends

1. Increased Urbanization and the rise of megacities will impact the size of stores, logistics and the supply chain, and distribution infrastructures, among other factors.

2. Aging Population will have economical and political consequences related to the amount of money spent on necessities like food and drink, and the type of delivery services, store formats and locations offered to older consumers.

Twelve global root trends

3. Increasing Spread of Wealth will lead to a growing middle class in developing regions, impacting consumption and availability of food items and providing a source of growth for manufacturers and retailers.

4. Increased Impact of Consumer Technology Adoption will be reflected not only in consumer's own behavior but also in their ability to influence the buying behavior of other consumers as the use of social and digital media continues to spread.

Twelve global root trends

5. Increase in Consumer Service Demands will define new service models, offered via the Internet, that move beyond selling individual products and will bring different types of “solutions” to consumers and shoppers.

6. Increased Importance of Health and Wellbeing will have significant ramifications as sales of healthful products and services are expected to nearly quadruple in the coming five years.

Twelve global root trends

7. **Growing Consumer Concern about Sustainability**

will lead consumers to look to governments and companies to play a major role in combating climate change.

8. **Shifting of Economic Power to countries like China**

and India (BRIC) will cause trade areas to evolve and a new generation of globally competitive companies from these developing markets to emerge.

Twelve global root trends

9. Scarcity of Natural Resources like energy, water and food will become a growing issue as demand is projected to outstrip easily available supplies over the next decade, resulting in increasing production costs.

10. Increase in Regulatory Pressure will be seen particularly for hot-button areas like the environment, sustainability and food safety.

Twelve global root trends

11. Rapid Adoption of Supply Chain Technology Capabilities will enable a more synchronized value chain with greater visibility and traceability.

12. Impact of Next-Generation Information Technologies like cloud computing will lead to the new way to deal, jointly, with business and technology in the consumer goods industry.

OBJECTIVES

1. Make The **Business More Sustainable**

1. Optimize a **Shared Supply Chain**

2. Engage with **Technology-Enabled Consumers**

3. Serve the **Health and Wellbeing of Consumers**

Three ways for companies to leverage the Future Value Chain

1. Apply the Future Value Chain framework.
2. Implement the relevant tactics and ideas from the Future Value Chain Initiative.
3. Challenge yourself to see how robust your 2020 strategy really is.

- To be ready for 2020 (and 2018 and 2016) the **increase the collaboration** it is needed across the industry.
- The Consumer Goods Forum companies need to **fully support the Forum programs** - and the appropriate regional and local programs that are under way.
- Companies across the industry need to **challenge themselves** on how prepared they are for 2020.
- Companies should use the Future Value Chain framework to **develop strategy and tactical plan** that responds to the external shopper, consumer and societal trends.

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



5.
**THE CONSUMER & SHOPPER
JOURNEY
FRAMEWORK**

The concept of the Consumer & Shopper Journey

The mapping of the behavior and decisions of a group of consumers/shoppers, from Consumption through to Purchase and post Purchase.

The C&S Journey Framework (C&SJF)

Component 1 Insight Models

Model 1:
Segmentation



Model 2:
Consumer &
Shopper Journey
Insights



Component 2 Process

Step 1: Strategic
Context

Step 2: Strategic
Alignment

Step 3: Business
Planning

Component 3 Planning Guide



Source: *The Consumer & Shopper Journey Framework, ECR Europe, The Partnering Group, Emnos, ECR Europe Conference, 2011*

The Collaborative Business Process

Steps in the Process

- Step 1 – Strategic Preparation
- Step 2 – Strategic Alignment
- Step 3 – Collaborative Business Planning

Step 1 – Strategic Preparation

- 1. Set the Internal Direction* – the retailer and manufacturer, working independently, answer key questions to ensure that the collaborative work will deliver results that are consistent with each firm's business objectives and strategies.
- 2. Select Target Consumers and Shoppers* – the retailer and manufacturer gain internal agreement within their respective organizations on the consumer and shopper segment, or segments, to target through collaboratively developed programs.
- 3. Select and Engage Target Partner* – each partner defines the criteria to be used to select the appropriate partner for the collaborative effort and uses these criteria to select and engage the selected partner.

Step 2 – Strategic Alignment

1. Aligning on Consumer & Shopper Targets – Each partner defines independently their target consumer and shopper segment, or segments. Subsequently, the partners need to agree on which target segments will be the focus for their collaboration. This alignment is essential prior to beginning the detailed work of developing a business plan to deploy strategies and tactics against the selected targets segments.

2. Merging Consumer & Shopper Journey Insights – The retailer and the manufacturer bring different consumer and shopper insights into the collaborative work. A major goal of the C&SJ Framework is to synergize these insights in the development of segment-focused value propositions and programs. This task identifies these insights synergies and also any significant information gaps that should be addressed to better understand and influence the consumer and shopper journey for the selected segment, or segments.

3. Setting High Level Shopper Strategies - Based on the opportunities identified through these combined insights, the retailer and manufacturer develop a set of preliminary, high level strategies that provide guidelines for more detailed tactical programs.

Step 3 – Business Planning and Implementation

1. Identify the Scope of the Plan – Before starting the development of the Business Plan, it is important to agree on the scope of the plan and the joint opportunities that will be the focus of the plan. Shopper segment business plans can encompass a wide range of opportunities, touch points and communication media as the target shopper navigates the C&SJ. To provide direction and focus, the elements that the plan should encompass should be defined. The objective is to reach agreement on the scope of the plan in terms of the opportunities that have been identified through the C&SJ insights.

2. Develop and Revise Shopper Marketing, Category and Joint Plans – in this step the value propositions to be offered to the target segments and the detailed tactical plans for how to deliver and communicate these propositions are developed.

3. Implement and Evaluate – this step develops an implementation plan, deploys this plan, and evaluates the results of this implementation against pre-set objectives.

6.

**Best practices for New
Generation SCM Model
(Blue Oceans Strategies
– m-commerce)**

Focus on enabling sales and revenue growth

New-generation SCM still manages supply and costs, but it has sales and revenue growth as its fundamental goal. It is geared toward operating the supply chain as a unified entity to deliver efficient consumer response.

Integration across functions

New-generation SCM processes automatically combine this cross-functional information, analyze it, identify exceptions, recommend changes and then rapidly communicate these changes to supply chain partners and customers.

Acceleration of processes

With the latency of integrating the necessary information greatly reduced, supply chain management can become a real-time process.

Visibility across the entire supply chain

One company uses new-generation solutions to provide real-time visibility into its entire inventory worldwide. Previously, it had inventory information dispersed through numerous warehouse management, MRP and ERP systems.

End-to-end management

End-to-end supply chain management requires the integration of information from many applications. For a manufacturing company, this includes factory planning, demand management, purchase-order processing, sales order fulfillment, inventory management, warehouse management and supplier collaboration.

Demand-driven supply chains

One of the most important characteristics within end-to-end supply chain management is the ability to drive the supply chain from actual customer demand instead of from sales forecasts.

The ability to integrate actual customer demand, and even demand from a customer's customer or Point-of-Sale (POS) data, enables a company to continually adjust its supply chains

Demand shaping

Demand shaping uses supply chain availability information, such as inventory and production capacity, to shape demand to increase revenue and improve profit.

In previous generation, the “buy side” was disconnected from the “sell side” of the business; this is no longer the case with the new generation.

Integration of planning and execution

In new-generation supply chain management, planning and execution are increasingly integrated. A company can quickly see the difference in a supply plan for key materials and the supplier 'ability to meet that plan.

Closed-loop capabilities

The new generation enables dynamic response to evolving physical and information supply chains by continuously adjusting process and information parameters to enhance plan accuracy and overall performance.

Plan-Do-Check-Act (PDCA) is a well-proven management and quality-control technique that applies to supply chain management as well. PDCA is enabled in the new generation.

In the new generation, **IT will move from managing complexity to promoting business process innovation.**

Collaboration

In the new generation, we see collaboration evolving from the slow and linear Collaborative Planning, Forecasting and Replenishment (CPFR) model to a rapid-response, synchronous approach that proliferates multi-enterprise supply chain information to all partners in near real time.

A company can now achieve visibility into POS data from its customers, as well as planning, order and inventory information, so it can truly perform collaborative replenishment. A company can also closely collaborate with its suppliers by sharing inventory, order and capacity information.

Systems customization

In the new generation, supply chain management is more expansive and highly integrated, and, at this broader level, all supply chains are unique. This requires customized systems. Fortunately, the technology that enables this new generation also enables easier customization. Process workflows can be modified or developed to meet unique process needs without changing the underlying software.

Process innovation

In the new generation, SCM systems can be quickly and easily modified to support process innovation, encouraging new practices.

Integration of legacy applications

Most supply chains rely on legacy applications to some extent, and too frequently these applications get in the way of process and system improvements.

The new generation allows companies to leverage past investments in supply chain management technology while elevating them to a new level of performance.

Focus on business processes, not software applications

Companies are buying business process platforms, with standard process workflows from a workflow library, and then modifying and extending these workflows to create unique business processes.

*Thank you for your
attention!*

<http://ecr.valahia.ro>