

# THE VISIONAIRE

Company

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## SUPPLY CHAIN STRATEGY 2020 – RESPONSE TO CHALLENGING BUSINESS ENVIRONMENT

It is a tough time for the businesses. There is a downturn in India's economy that can no longer be ignored or wished away.

As consumer spending slows, the ripple effects of excess inventories, price volatility, unused supply chain assets and demand uncertainty

could spread throughout the entire supply chain.

Some of the companies have taken measures such as cutting down the channel inventories, holding back the expansion & investments and even laying off the workforce.



*The Supply Chain Leaders shared how they are rethinking supply chain using Agility, Flexibility, Productivity and Digitization during challenging times.*

Under these conditions how supply chain can respond to make the sailing for the business less turbulent.

The members of the CVSCL met on 20 Feb and deliberated on the situation and shared some of the key strategic initiatives planned by them for 2020.



# SUPPLY CHAIN STRATEGIES

These are some of the strategic initiatives shared by the supply chain leaders.

## Segmentation:

Responding to the demand volatility while ensuring a balance with the costs & inventory controls is a big challenge. This is compounded by the proliferation of products and channels. One of the members shared how Supply Chain segmentation, identifying cost to serve for

each segment and differentiating service levels is helping them to achieve this critical balance.

## Digitization:

Most of the supply leaders shared various digitization initiatives to enhance visibility and drive significant improvements in Demand Planning, Customer Service and Logistics.

The companies are working with technology start-ups to adopt technologies in the space of AI/ML, Robotic process automation, Supply Chain Control Tower, Data Analytics. The members also agreed that not every initiative may deliver the promise but they stand committed to this strategic direction.

*With increasing business complexity and labor wages, the Automation is displacing the Labor arbitrage at a fast pace.*

## Productivity & Efficiency:

Given the increasing complexities of business and increasing wages, the automation is displacing labor arbitrage at a fast pace.

One of the members shared how the payback period for the AS/RS has reduced by 1-2 years due to increased minimum wages.

It was emphasized that the automation projects may take 2-3 years from conception to commissioning. Therefore, the supply chain leaders should take these decisions keeping in mind the future scenario and not just the current requirement.

Also, one should also take into account the hidden costs e.g. errors, labor agreement management as

well as various socio-political risks. For example, the trade-off between palletized loading of trucks vs manual loading of boxes should be evaluated using the Total Cost.

Other members shared how they have started the journey with partial automation of the operations.

## People Capability

No strategy is complete without having a plan for the right structure and people competency aligned to the strategy.

The business complexities are increasing with higher rate of new launches, increasing SKU complexity, higher velocity, shorter shelf lives & product life cycles.

The key foreseen areas of people development are:

1. **Change Management:** A member shared how people resistance to adopt new ways of working became the bottleneck in realizing the potential. It required not just a change but a cultural shift to make people more receptive and adaptable.
2. **New Age Skills:** The members shared how their companies are putting in place the training programs on Supply Chain Analytics, AI/ML projects, S&OP, Risk Management etc.
3. **People Empowerment:** One of the members shared how empowering people down below to take decisions had a positive impact on people engagement.

Few members expressed concern over increased employee turnover in the Supply Chain function. One of the major reasons is that the businesses don't treat supply chain as business partners and don't place SCM at the same level as Sales & Marketing. Therefore, supply chain leaders need to think like business managers and continuously strive to change this perception.

## SUPPLY CHAIN COLLABORATION INITIATIVES

The Chamber took a significant leap in fulfilling one of its key goal of driving collaborative initiatives amongst the members. The roadmap detailing the approach and specific areas was presented in the meeting, that was appreciated and approved by all the members present. The projects that have been agreed are:

1. Transport Lanes Collaboration
2. Warehouse Footprint Collaboration
3. IT Systems Benchmarking
4. KPIs Benchmarking
5. Competency Mapping and Development Collaboration

The project leads will put in place the specific plan and templates for each of these projects by 31 March.

The progress of each project will be reviewed in the monthly meetings from Apr 20 onward.

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