

The Collaboration Game

Winning Together To Fuel Growth

Four major areas of disruptions in the Industry drive mismatch between market and supply chain capabilities

Shifting Demand

Rise of emerging markets

Changing consumption patterns

Regional customization

Companies must configure global supply chains to serve more diverse markets with very different growth rates and products

Rising costs

Rising raw materials cost and volatility

Increased labour costs

Sustainability concerns

Supply chains must find new ways to unlock cost savings and improve margins to stay competitive

Long-Term & Disruptive Challenges for R&C Supply Chains

Evolving Retail

Omni-channel

Increased service requirements

Value emphasis

Companies must serve a more diverse set of channel and customer cost and service requirements

Growing Complexity

Increased demand volatility

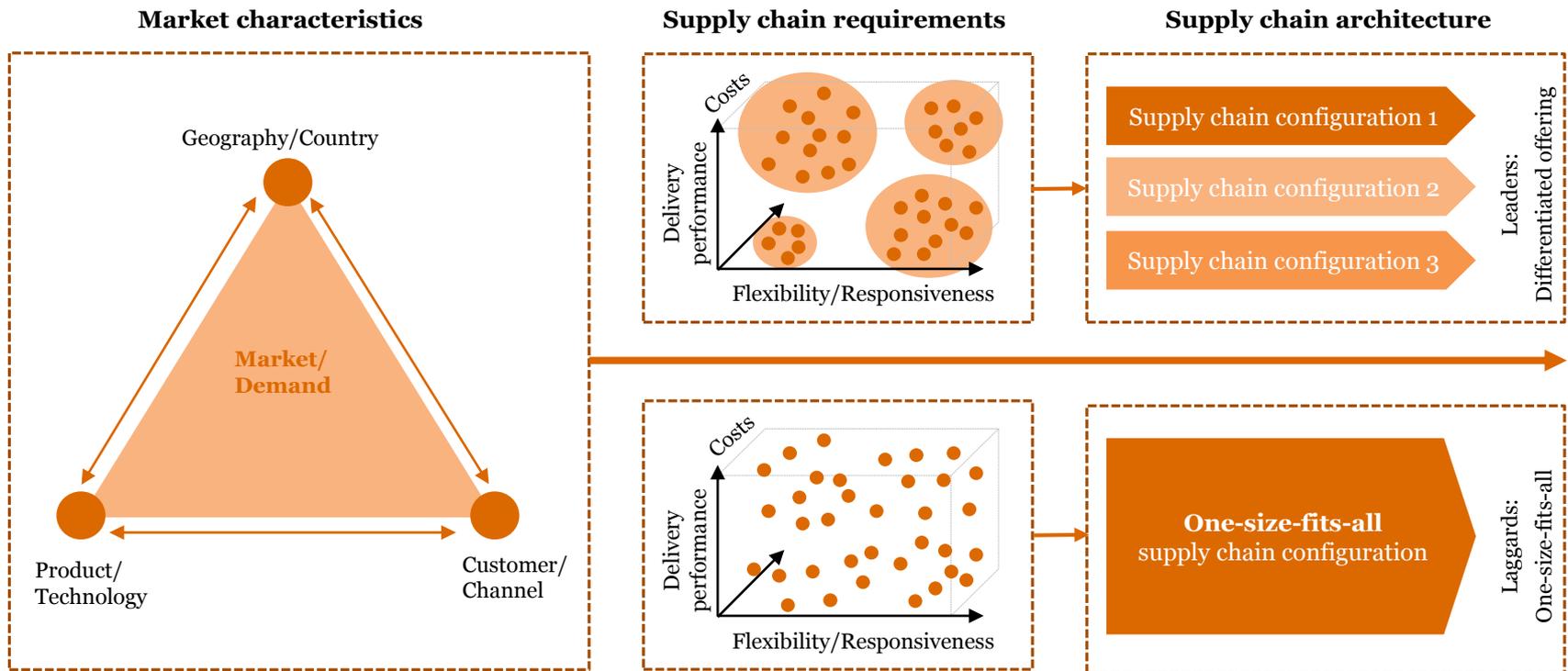
Portfolio expansion

New sales channels

Supply chains must embrace complexity while maintaining the cost benefits of simple and streamlined operations

One size does not fit all: Leaders tailor their supply chains to the needs of different customer segments

Supply Chain Segmentation groups products, customers and assets that share common characteristics to enable end-to-end alignment between business strategy, customers' needs and supply chain capabilities



‘End-to-end supply chain alignment’ to meet the needs of different customer segments, has proved to be a winning formula

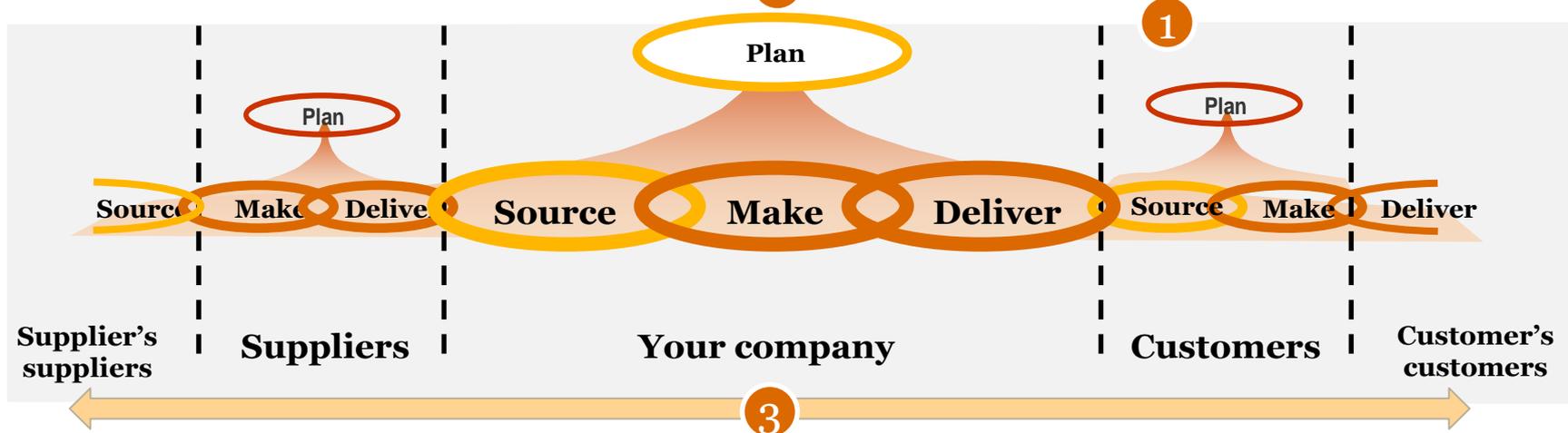
Identify the key supply chain capabilities to deliver that value

- Enable the supply chain to align to the value proposition, with different policies for order fulfilment, transportation, inventory, manufacturing, sourcing, and different structural and network designs

Understand what your customers value the most

- Get a profound understanding of your customer value proposition
- Segment customers based on business value and needs

End-to-end value chain

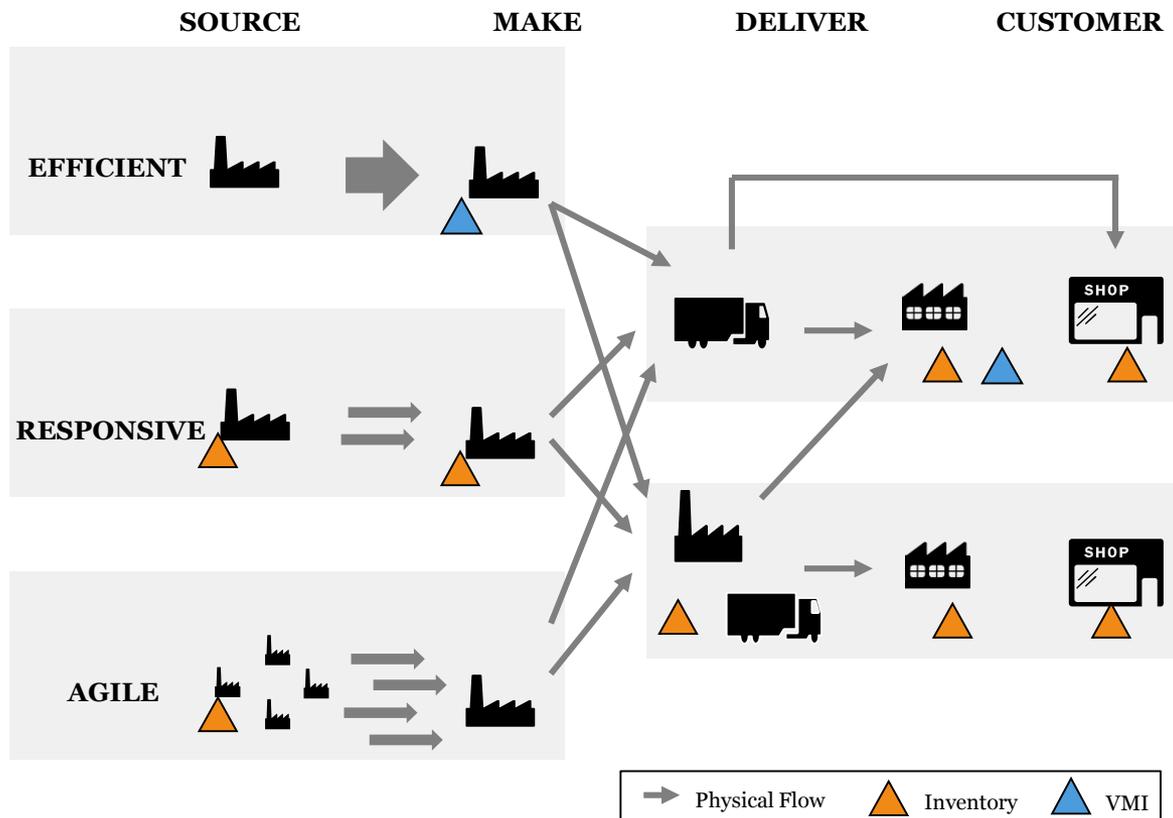


Design segmented supply chains with “end-to-end alignment”

- Configure differentiated supply chains to meet the needs of different customer segments
- Collaborate with the extended supply chain to drive consistency between customer needs and operational policies through the entire value chain

Example: CPG company developed differentiated supply chains to increase sales while reducing operating costs and inventory

Segmented Supply Chain

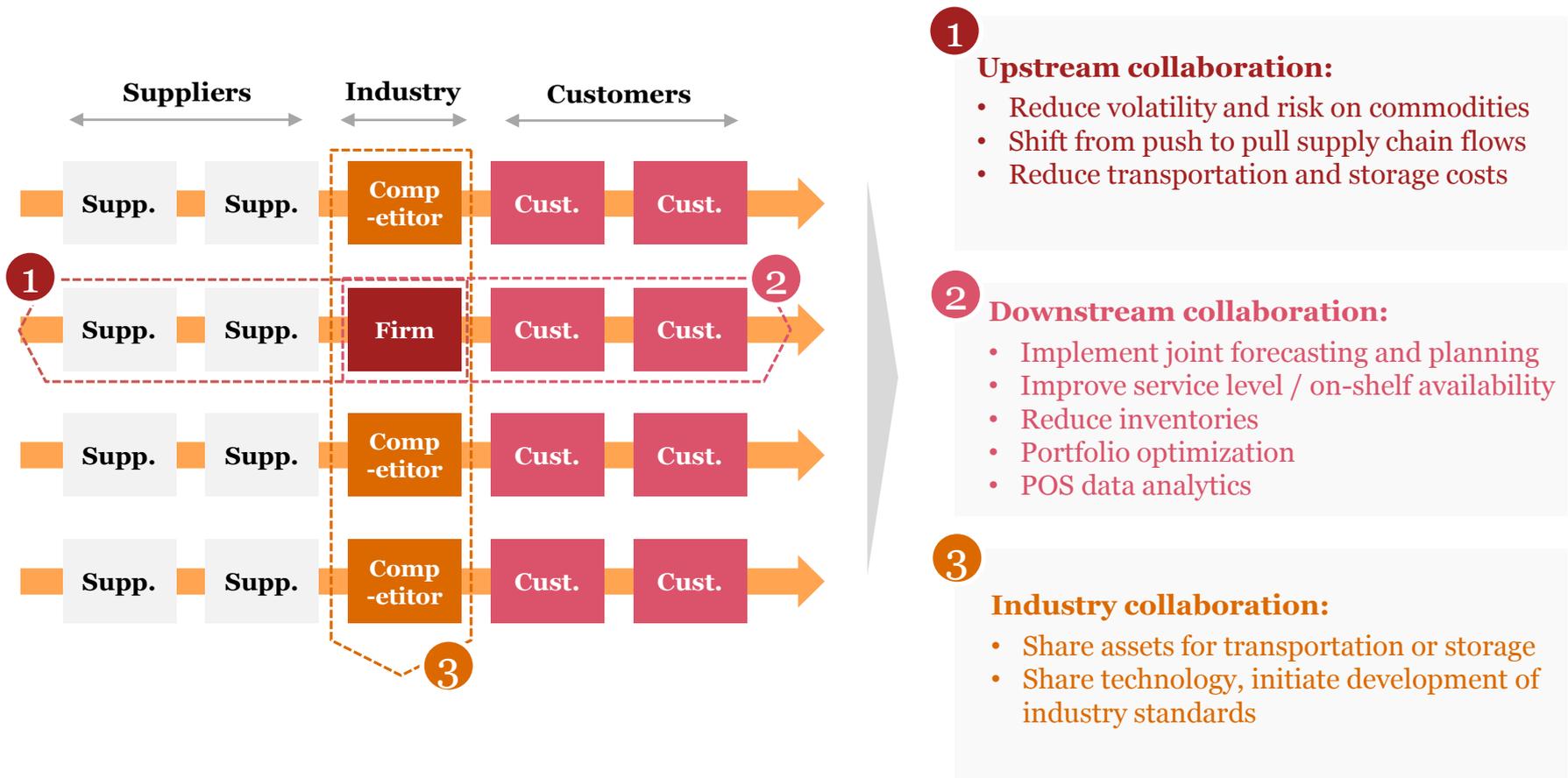


Summary

- Redesigned supply chain based on product & customer demand characteristics and optimised each supply chain end-to-end, from customer order policies to supplier interaction model:
 - Efficient**: focuses on economies of scale, synergies and low cost production and delivery
High MOQ's, long lead times, make-to-stock, direct store deliveries, ...)
 - Responsive**: increases the ability to service lower volume but volatile SKUs at acceptable cost
Low MOQ's, short lead times, make-to-forecast, CPFR, ...)
 - Agile**: focuses on supporting new and end of life SKUs through end to end planning collaboration
Low MOQ's, short lead times, configure-to-order, E2E planning collaboration, ...)

Increasingly, companies work together with trading partners and create a collaborative approach to optimize the SC

Typical Supply Chain collaboration initiatives and related objectives



Companies are viewing collaboration as a key capability and see a significant increase in this area

Collaboration Importance and Rationale



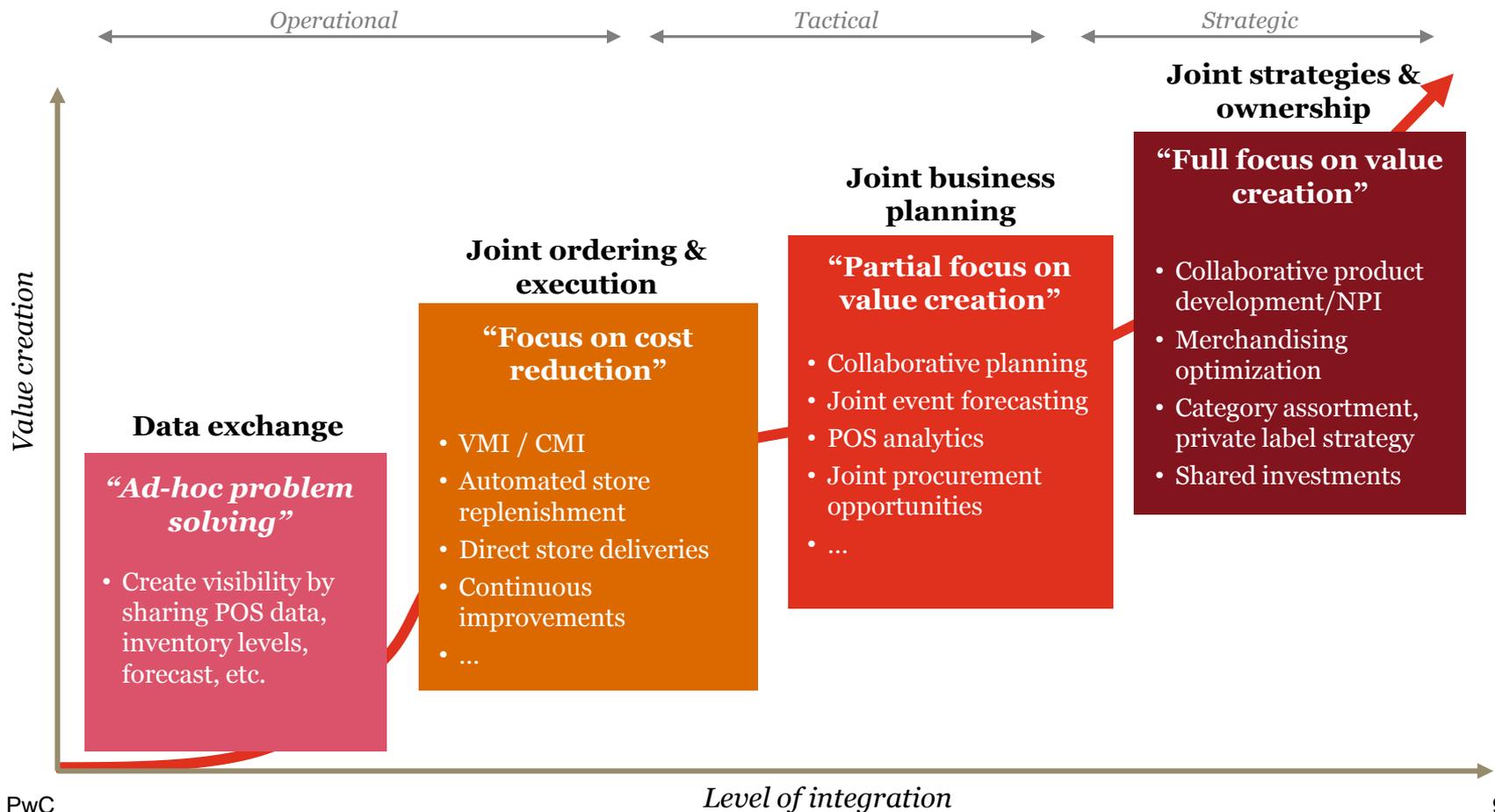
Source: PwC Strategy & Collaboration Survey

Rationale

- Internal growth opportunities and operational efficiencies have been exploited
- As they have focused on internal core competencies, they must increasingly rely on others to optimize their extended value chains
- Global, macro-trends increase both risks and opportunities across partners
- Technology is enabling a new level of transparency

Collaboration today only scratches the surface – a broader, more strategic approach is required

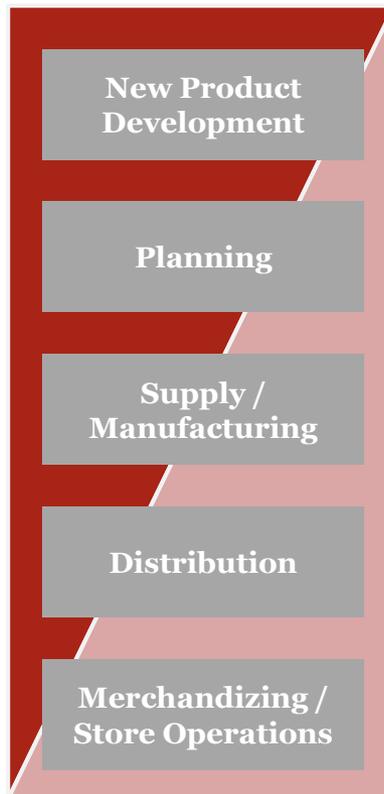
Collaboration “stages of evolution”



In most advanced level, both parties pursue margin enhancement and growth opportunities across entire value chain

“Virtual vertical collaboration” – The possibilities

Manufacturer



Customer

How could we jointly...

- Leverage joint insights and resources as part of a retail category strategy that results in breakthrough innovation
- Collaborative Business Planning to link strategic business planning with execution across both organizations
- Pool resources and share best practices to improve procurement processes, and streamline production planning to reduce total product cost
- Optimize the assets throughout our distribution network (warehouse/transportation) to reduce total delivered cost
- Collaborative in-store execution to reduce out-of-stocks and drive improvement in merchandizing programs/new launches



Changing the game starts by aligning efforts to business strategies, expanding partnerships and creating a collaborative mindset

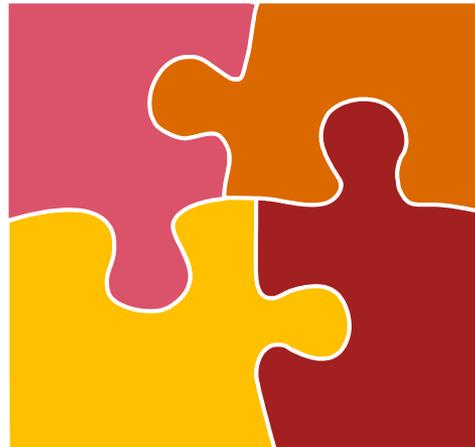
Game Changing Collaboration Foundational Elements

Mutual Strategic Impact

Objectives that support each company's strategy

Partner Selection

Based on complimentary capabilities, resources



Collaboration Enablers

Efforts aligned with strength of partner relationship

Process Management

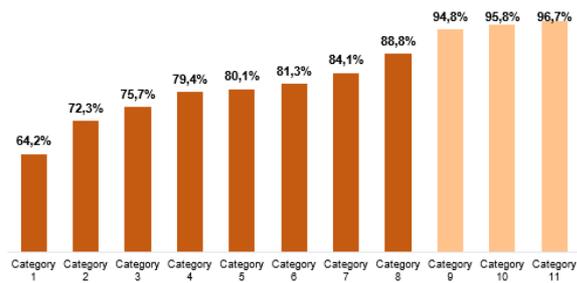
Change embedded to drive repeatable, scalable efforts

Client Example: FMGC brand owner has embarked on collaborative efforts to improve service levels and margins

Situation

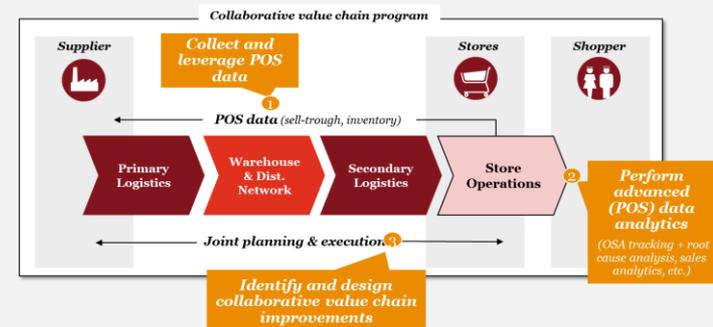
- Complex set of **offerings with different demand characteristics and specifications**
- **No alignment with key customers or suppliers** (“within the four walls” view)
- Client applied one “average” supply chain model, “**under-serving**” premium markets while “**over-serving**” commodity markets
- **Low customer service** levels and **high inventory**
- **Slow growth** and **low profitability**

Example: on shelf availability levels per product category



Approach

- **Evaluated customer requirements** and competitive offers through external surveys and expert interviews
- **Segment customers** based on business value and needs
- **Developed collaborative value chain improvement program with selected customers**
- **Identify collaborative levers to improve supply chain performance**
- Achieved **customer differentiation and profitability improvement** through by “end-to-end supply chain alignment” (i.e., by aligning the customer offerings and operational capabilities)



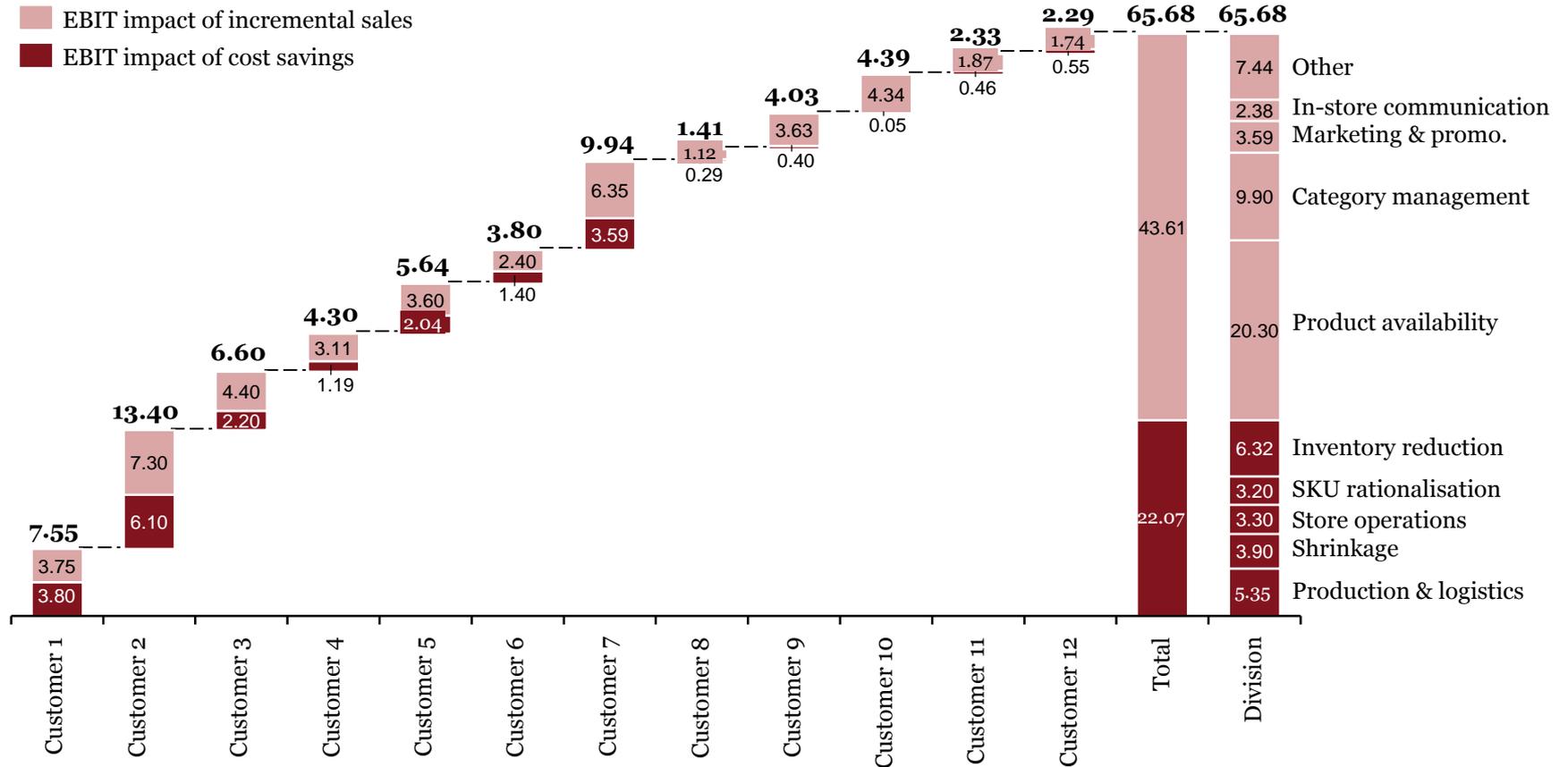
The collaborative approach leverages a variety of revenue and cost levers...

Collaborative levers for enhanced profitability

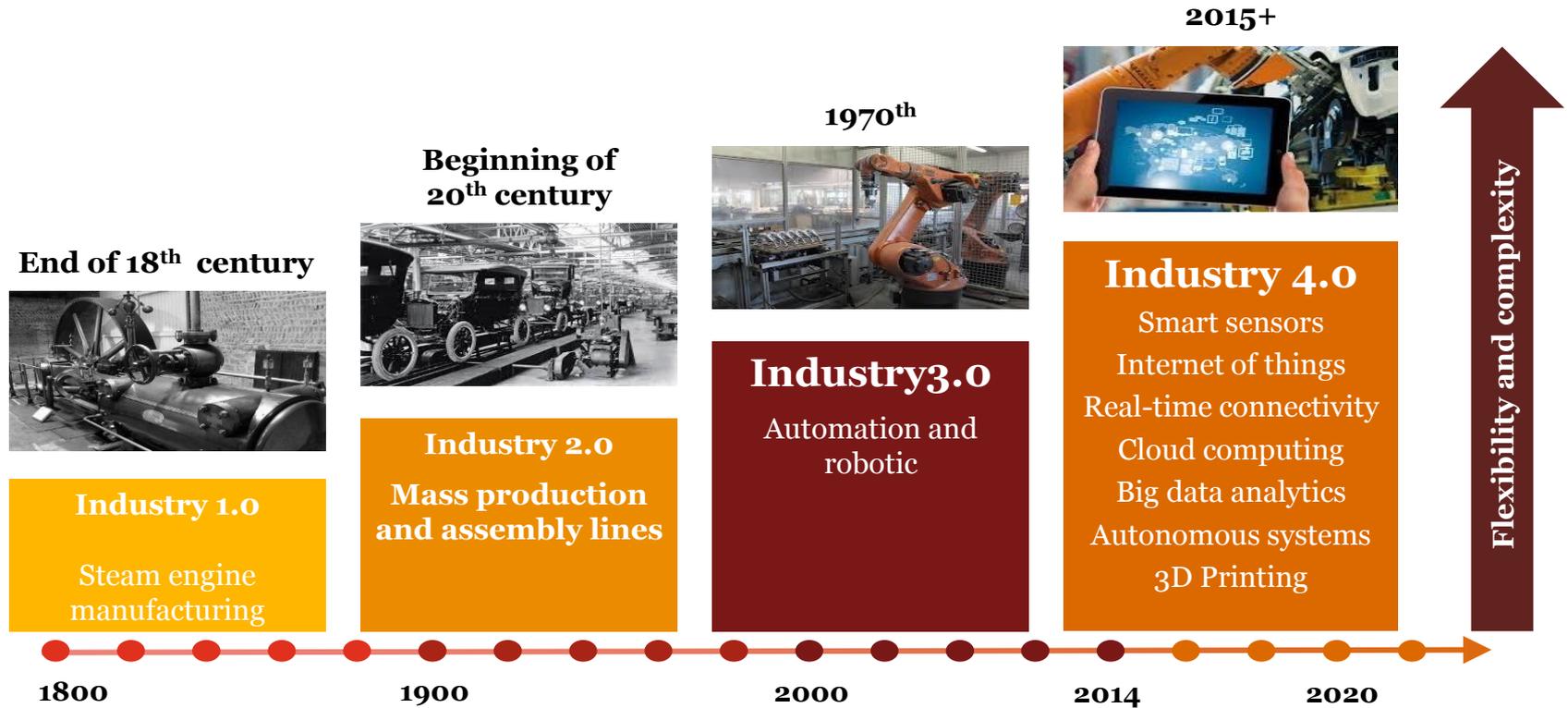
Revenue/margin growth levers	Process Service improvements	Cost reduction
<ul style="list-style-type: none"> • Utilizing POS data and improving on-shelf availability • Managing/reallocating shelf space and products to optimise store assortments • Improving effectiveness of promotions and product launches • Reviewing pricing strategy 	<ul style="list-style-type: none"> • Improving demand forecasting • Automated store replenishment • Launching new products collaboratively • Jointly improving promotion planning and management • Jointly improving phase-out process 	<ul style="list-style-type: none"> • Inventory tracking • Decreasing shrinkage • Enhancing distribution efficiency • Optimizing the role of merchandisers • Reducing returns

... to identify significant performance improvement opportunities per customer

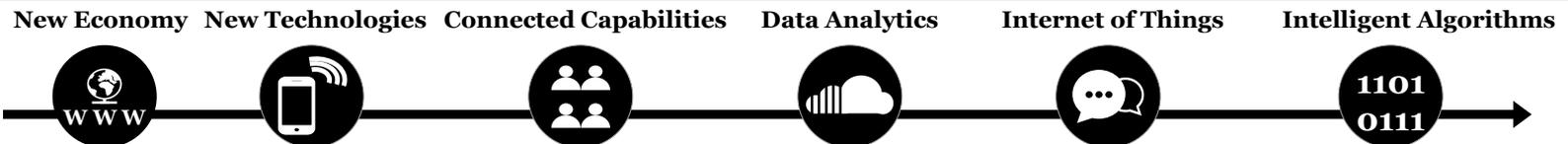
Summary of improvement potential identified in the projects



Industry 4.0 will transform our entire value chain and establish closer ties with value chain partners

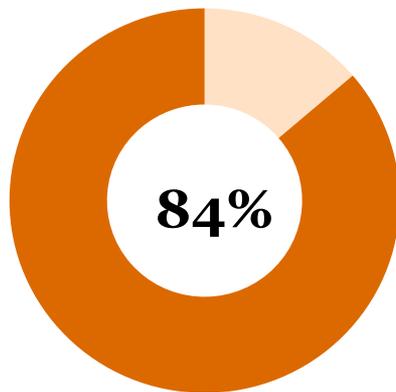


Key Drivers and Enablers of Industry 4.0 applications



The growing level of digitization and connectivity increase the importance closer co-operation with value chain partners

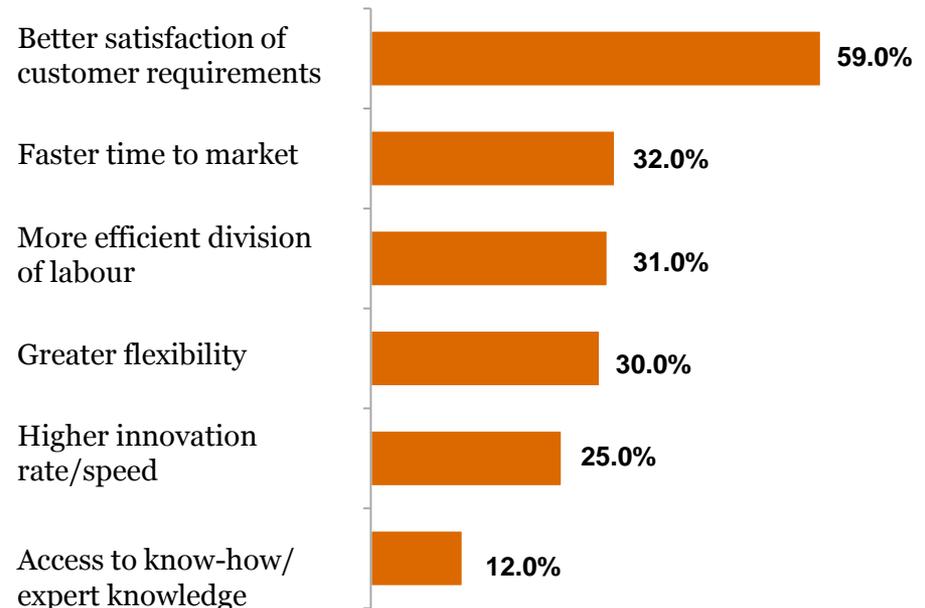
All industry sectors are focusing on cooperation and horizontal networking to a greater extent



84% of the companies surveyed expect that closer co-operation and increased integration with other companies will be of great importance.

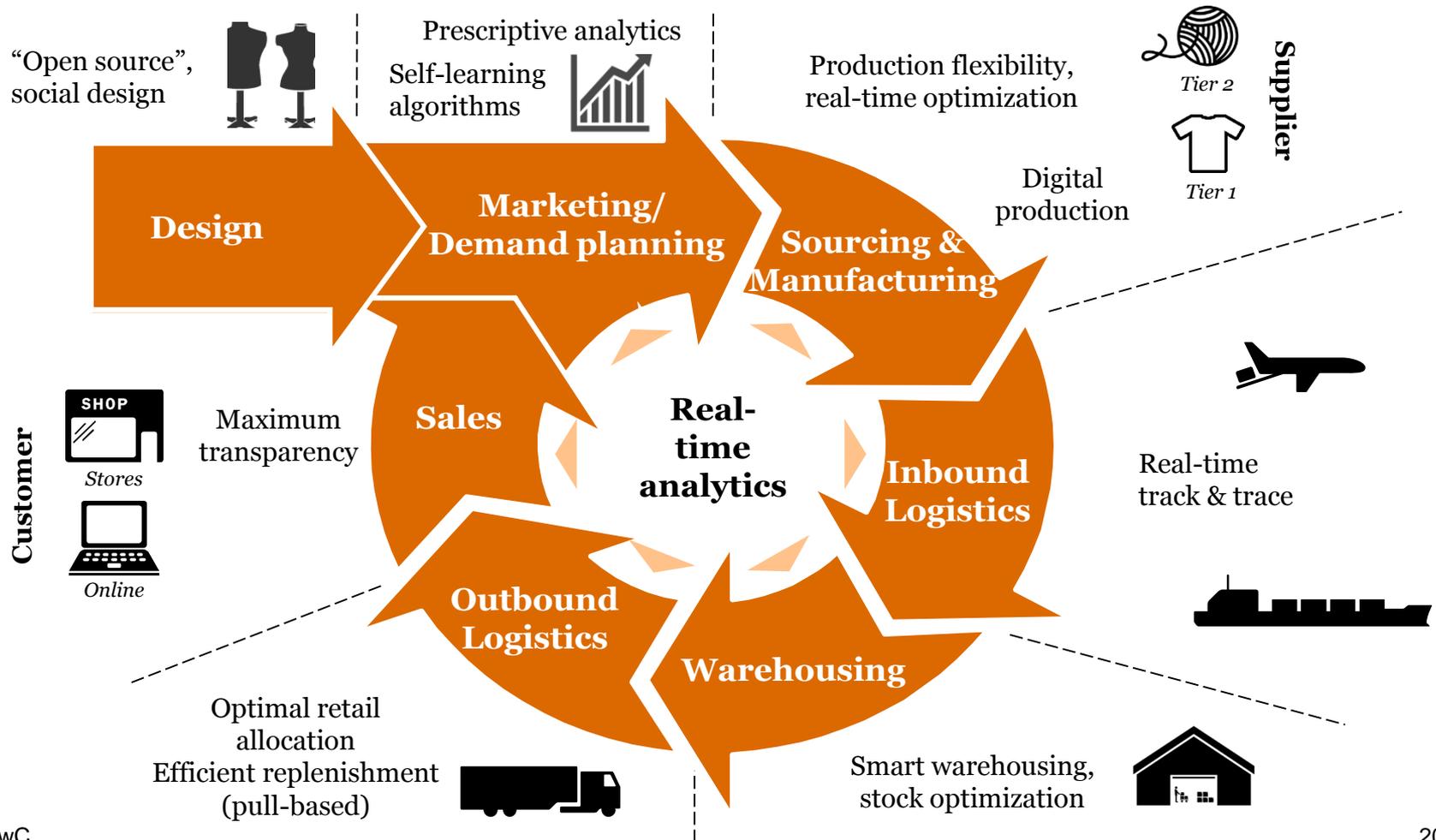
The main driver for closer cooperation is the ability to better satisfy customer requirements

*Most important reasons for co operation in the context of Industry 4.0
Selection of the top 2 reasons (percentage)*

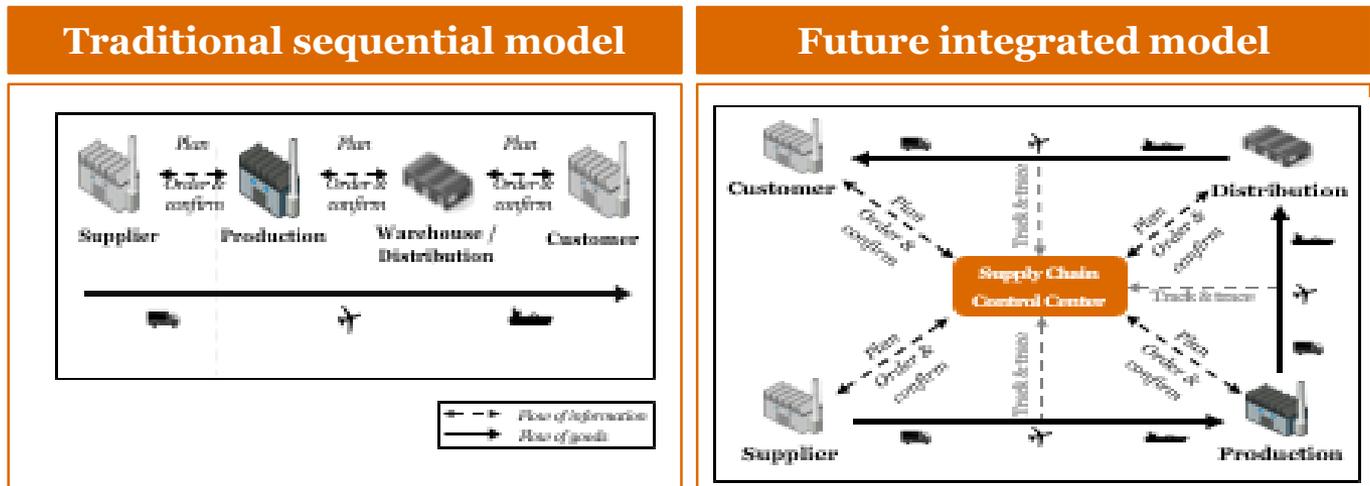


An integrated supply chain model uses real-time information to manage and optimize design, production and distribution

Smart supply chain vision for fashion & sports



Going forward, digitization will transform supply chains to become the efficient back-bone for digital front-ends



Transparent	Limited view of supply chain	➔	Complete view of supply chain
Simultaneous	Information delayed as it moves through each organization	➔	All supply chain members see information simultaneously
Extended / Collaborative	Limited visibility to the entire chain hinders meaningful collaboration	➔	Collaboration depth develops naturally to capture intrinsic supply chain value
Flexible	End customer demand distorted as information flows along the material path	➔	End customer demand changes are rapidly assessed
Responsive	Different planning cycles resulting in delays and unsynchronized responses across multiple tiers	➔	Real time response on planning and execution level (across all tiers to demand changes)

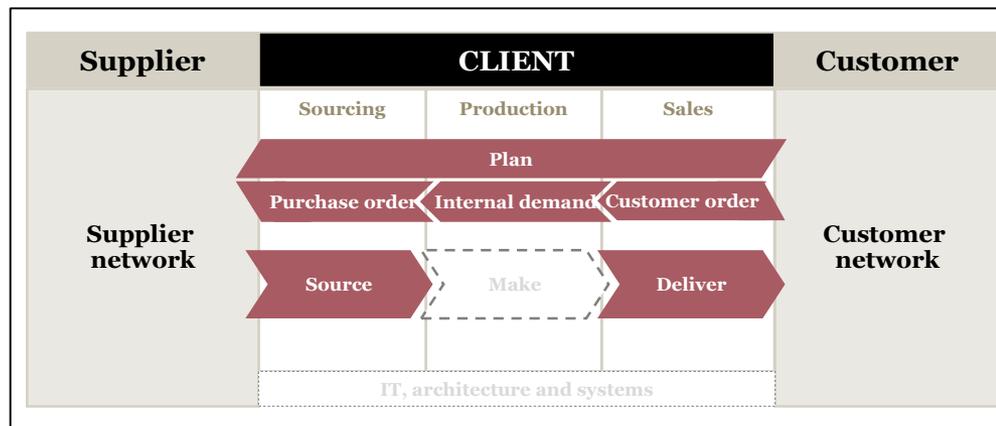
Industry 4.0 will have a major impact on all areas across the entire supply chain and offers huge potential

Sourcing 4.0:

- VMI / auto-replenishment
- “Touchless” order process
- Integrated co-development, collaborative engineering
- Channel inventory visibility
- On-site 3D printing of materials

Planning 4.0:

- System based end-to-end integrated planning incl. customers and suppliers
- Real-time omni-channel demand analytics and scenario simulation
- Demand sensing and shaping; cross network analytics
- Multi-echelon inventory optimization



Transport 4.0:

- Value Chain visibility with track and trace capabilities from supplier to use by customers
- Sensor-equipped packages to ensure product quality
- In- and outbound logistics visibility, in-transit optimization of routes / shipments
- Autonomous logistics, automated guided vehicles (especially on-site)

Order management 4.0:

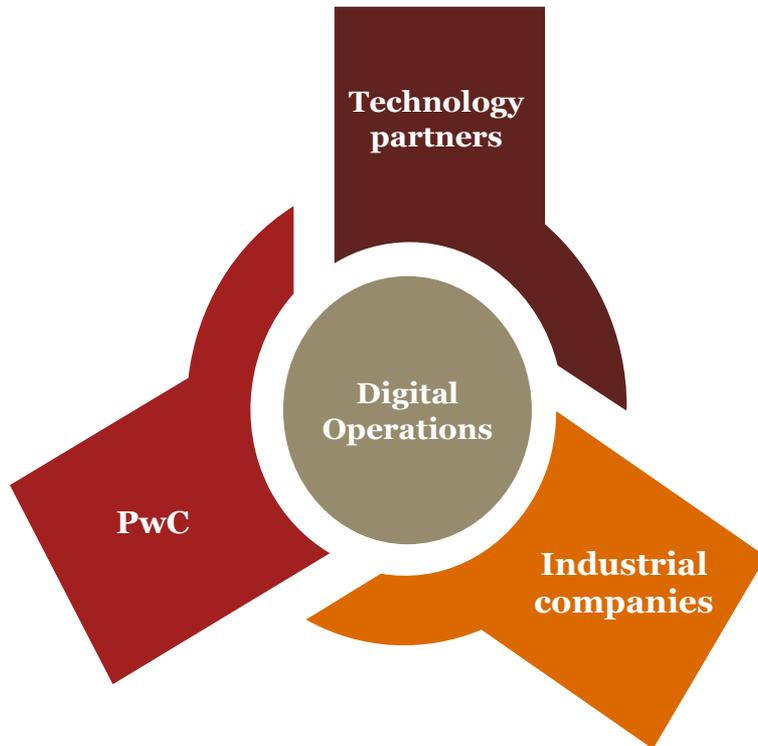
- Full order transparency
- “Perfect order” multi-tier, real-time ATP capabilities
- “Touchless” order process
- Digital customer system connectivity
- Digitized order tracking (e.g. RFID)

Warehousing 4.0:

- Predictive picking, autonomous packing
- Automated warehouse logistics systems
- Cross-warehouse visibility and optimization
- End-to-end transparency on stock

Enable Industry 4.0 through collaborative innovation partnerships

“Collaborative innovation is a concept where different stakeholders join their competences around Industry 4.0 opportunities. The joint result for clients will be better than the individual pieces. “



Industrial companies:

Providing the business challenge and area of innovation



Technology partner(s):

Providing the tools/technology to tackle the business challenge



PwC:

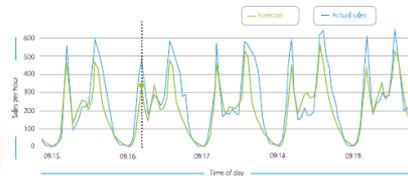
Providing the business and process knowledge and the coordinating role in the network

Together we co-create a solution and create a win-win for all.

Digital experience - examples



Demand sensing



- Natsu collaborated with Blue Yonder to improve sales forecast and reduce its leftover stocks of sushi, wraps and salads
- The cyclic-boosting algorithm from Blue Yonder uses numerous external factors (e.g. weather) and creates forecasts that are very close to actual daily demand
- Results: leftover stock reduced by 20% and optimized logistics processes



Digitally Integrated Store



- Burberry equipped its digitally integrated flagship store with full-length screens, audio-visual content displays and live-streaming hubs
- RFID chips are attached to certain clothes; when a customer approaches one of the screens, customized content will be played¹
- These "smart" tags help the retail chain to streamline inventory and simplify the order management process

¹) Attachment of RFID chips occurs before products leave manufacturing centers to assist with inventory tracking

Client example: Installing a paperless factory at Friesland Campina Aalter (Belgium)



Client

Friesland Campina supplies dairy consumer products:

- approx. 22.000 employees
- revenue of 11.4 billion EUR in 2013
- operate in more than 100 countries

Client's Challenge

Within the factory shopfloor, operators have to execute paper checklists each shift. The data is only used reactively in case of a problem and there is no follow up on actual filling in of the data.

Solution

By digitising the shopfloor processes that contain paper checklists with the help of Proceedix and tablets, the initial process waste was eliminated (double registration, no registration, limited use of information)

All operator procedures are now used in their optimal way and can be tracked proactively

Benefits

- + Innovation on the shopfloor was warmly welcomed by workforce, creating an attractive employer brand
- + Data is used proactively, and big breakdowns could be reduced (~ condition monitoring)
- + Paperless factory, with easy monitoring of operator procedures
- + Operators can be supported with targeted information when they need it



Procedures in digitaal formaat

FrieslandCampina monitort verpakkingslijn met Proceedix

In de fabriek van FrieslandCampina in Aalter worden verpakkingen van melk voor Superlief en Campina, van Glaxo, Tindie en Heuraire geproduceerd. In de verpakkingafdeling worden melkverpakkingen van de productielijn van de verpakkingen van verpakkingen van melk voor Superlief en Campina, van Glaxo, Tindie en Heuraire geproduceerd. In de verpakkingafdeling worden melkverpakkingen van de productielijn van de verpakkingen van melk voor Superlief en Campina, van Glaxo, Tindie en Heuraire geproduceerd. In de verpakkingafdeling worden melkverpakkingen van de productielijn van de verpakkingen van melk voor Superlief en Campina, van Glaxo, Tindie en Heuraire geproduceerd.



Digitale wereld
De fabriek van FrieslandCampina in Aalter wordt nu steeds meer digitaal. De werknemers gebruiken nu tablets om hun taken te registreren. Dit zorgt voor een efficiënter proces en minder fouten. De data die wordt verzameld kan worden gebruikt voor verbeteringen in de productie. Dit is een belangrijke stap naar een paperless factory.

Thank you

Move Forward

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