ECITL2013: "Logistic Research: Solutions and Innovation through Cooperation"

Gartner Framing Presentation

Logistics Control Towers

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Gartner for Enterprise Supply Chain Leaders

Thursday, October 24th

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Agenda

1. Gartner at a Glance
   - History and Coverage
   - Supply Chain Research Unit
   - Client References
2. Supply Chain Transformation
   - Becoming more Demand-Driven (DDVN)
3. Visibility Framework
4. Logistics Control towers
5. Trends that Matter

Who is Gartner?

Gartner is the world leader in supply chain/IT research and advice.

We deliver the insight supply chain executives need to transform their supply chains into demand-driven value networks.

Gartner Values:

We are trustworthy

We are experts

We are candid

We aim for trust based, value added relationships

- **Gartner:** Founded 1979, 5000 associates, 290'000 one-to-one client interactions each year, clients in 12'000 distinct organizations, $ 1.5 billion revenue
- **Gartner SCM Group:** Created by the acquisition of AMR in 2009; 10'000 client interactions and 1'000 research papers per year
- **Research**: Supply Chain Top 25, Demand Driven Value Network, Supply Chain Maturity Models, Hierarchy of Supply Chain Metrics

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Gartner Advantage: An Unmatched Network

Research

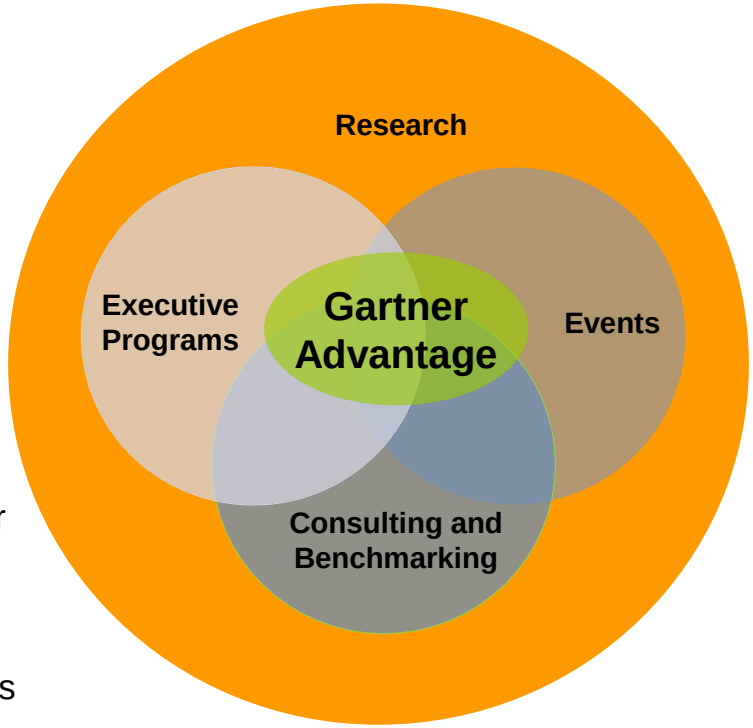
- World leader in technology, supply chain and industry coverage with 800 analysts and 260,000 client one-to-ones
- Global reach – in 80 countries
- 10,000+ Client organizations

Executive Programs

- 78 percent of the Global 500 are members – 3,700 members
- High-level peer networking and information sharing
- Customer-driven agenda

Benchmarking

- World's largest repository of IT metrics
- 5,500 benchmarks per year
- Helps clients measure, understand and manage performance
- Basis for fact-based analysis



Events

- Worldwide events that bring executives together to learn, compare experiences and solve problems
- 31,000+ people at 45 events in 2009

Consulting

- Delivers high-impact IT projects
- 1,500 engagements
- 600 consultants
- Direct application of best practices to your business
- 65 percent of Global 500 are customers

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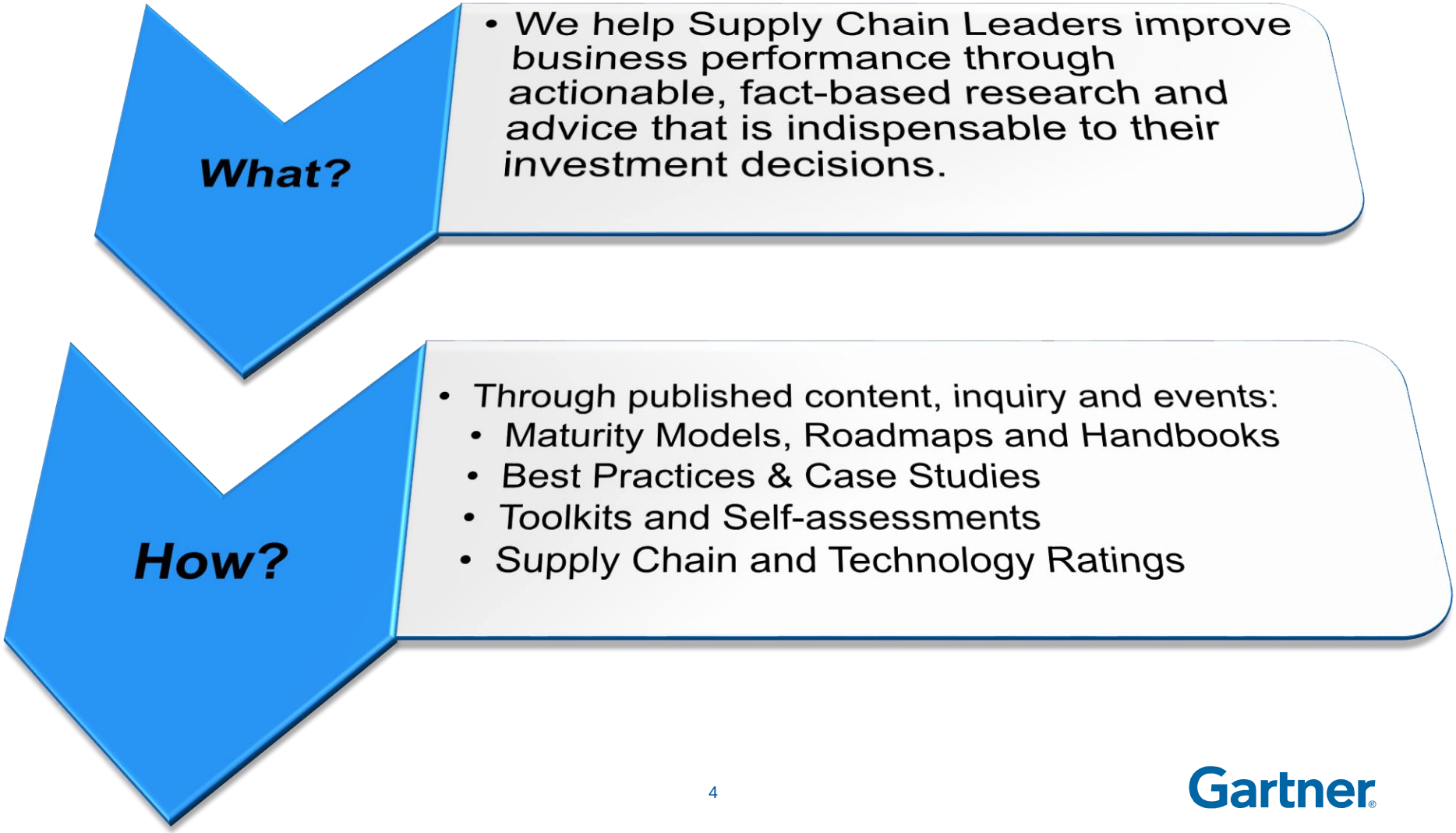
Supply Chain Research Mission



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How Gartner Views the Supply Chain World

Supply Chain Top 25

Macro View of Best Practices

Global, Regional, by Industry

End-to-End Supply Chain Functions

Industry Value Chains	PLM / NPI	PLAN	SOURCE	MAKE	DELIVER	CUSTOMER SERVICE
CONSUMER						
RETAIL						
INDUSTRIAL						
PROCESS						
HIGH TECH						
HEALTHCARE						

Strategy & Enablement

Micro View of Best Practices

Talent, Sustainability, Outsourcing, SC Design, Metrics, Technology

T25: Top 15 European SC

CSCO **Customer Focused Operations** **Sustainability**	**SC Processes** **Continuous Excellence** **Business Transformation**	**Agility** **Demand Sensing** **Near-sourcing**	**Store Operations** **Multichannel Development** **Suppliers' Partnerships**	**Differentiated Customer Sevice** **Segmentation** **Sustainability**	**Footprint Optimization** **Joint Indirect Procurement** **Lead Logistics Concept**	**Brand Innovation** **Segmentation** **Retail Demand Modelling**

Patient-driven Supply Chain **SC Governance** **TPS & Lean with Suppliers**	**Sales &Operations Planning: GPS** **CSR** **Local (supplies, production, consumers)**	**Customers' Collaboration** **„Perfect Plant"** **„Green technology"**	**SC Integration** **Segmentation** **Distribution Partnerships**	**SC Restructuring** **Network Optimization** **Direct-to-Store**	**Inventory Management** **Replenishment** **Supplier development**	**Life Cycle Assessment** **Manufacturing Model** **Suppliers' Development**	**Purchasing Consolidation** **Near-sourcing** **Suppliers' Integration**

Words from Our Clients

"We truly appreciate our partnership with Gartner as you have been instrumental in our achievements. Let's keep the collaboration to its highest possible level and meet soon for more sharing and learnings."

—Pier-Luigi Sigismondi, CSCO, Unilever

"We leverage AMR because they provide us an unbiased third party assessment about the supply network and an honest, frank assessment on our performance and that of the industry."

—Keith Harrison, Chief Product Supply Officer, Procter & Gamble

"Gartner's impartial, pragmatic and credible advice helps us set out the roadmap and framework….They assure we push the envelope of future supply chain design."

—Scott Kuhn, Head of Global Supply, Syngenta

"Gartner AMR has provided invaluable insights to me and my leadership team on global supply chain strategy. In particular, their insights in demand management and planning, globalization and collaboration have been key during our three year organizational evolution from core manufacturing to customer value chain management."

—Angel Mendez, SVP Customer Value Chain Management, Cisco Systems

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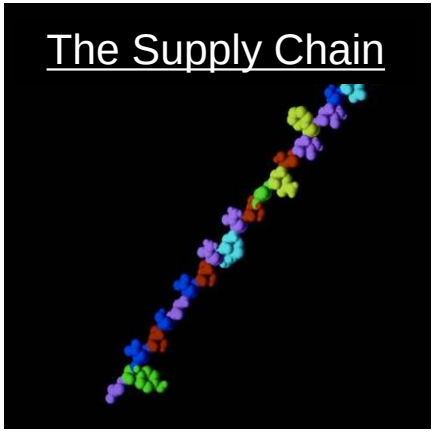
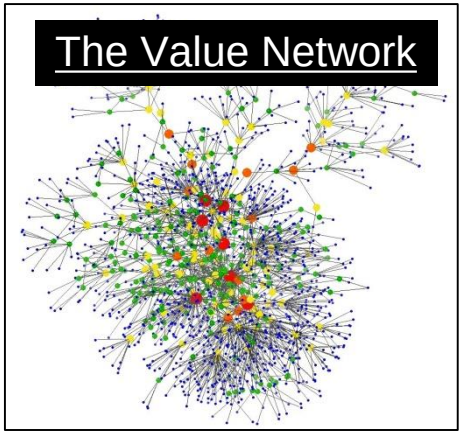
Supply Chain Transformation
Becoming more Demand-Driven



- **Chain**
- **Manufacturer** 'pushes product'
- ***inside-out***
- **Operational excellence**



- **Network**
- Collaborative relationships **Orchestrated**
- ***Outside-in***
- **Operational and Innovation Excellence**

The Path to Enlightenment

- How can we get better visibility?
- We need truly collaborative relationships!
- Ah, one size does not fit all!
- Do we have the right metrics in place? Are we aligned internally?
- Do we really understand cost-to-serve?
- Do we have the right talent?

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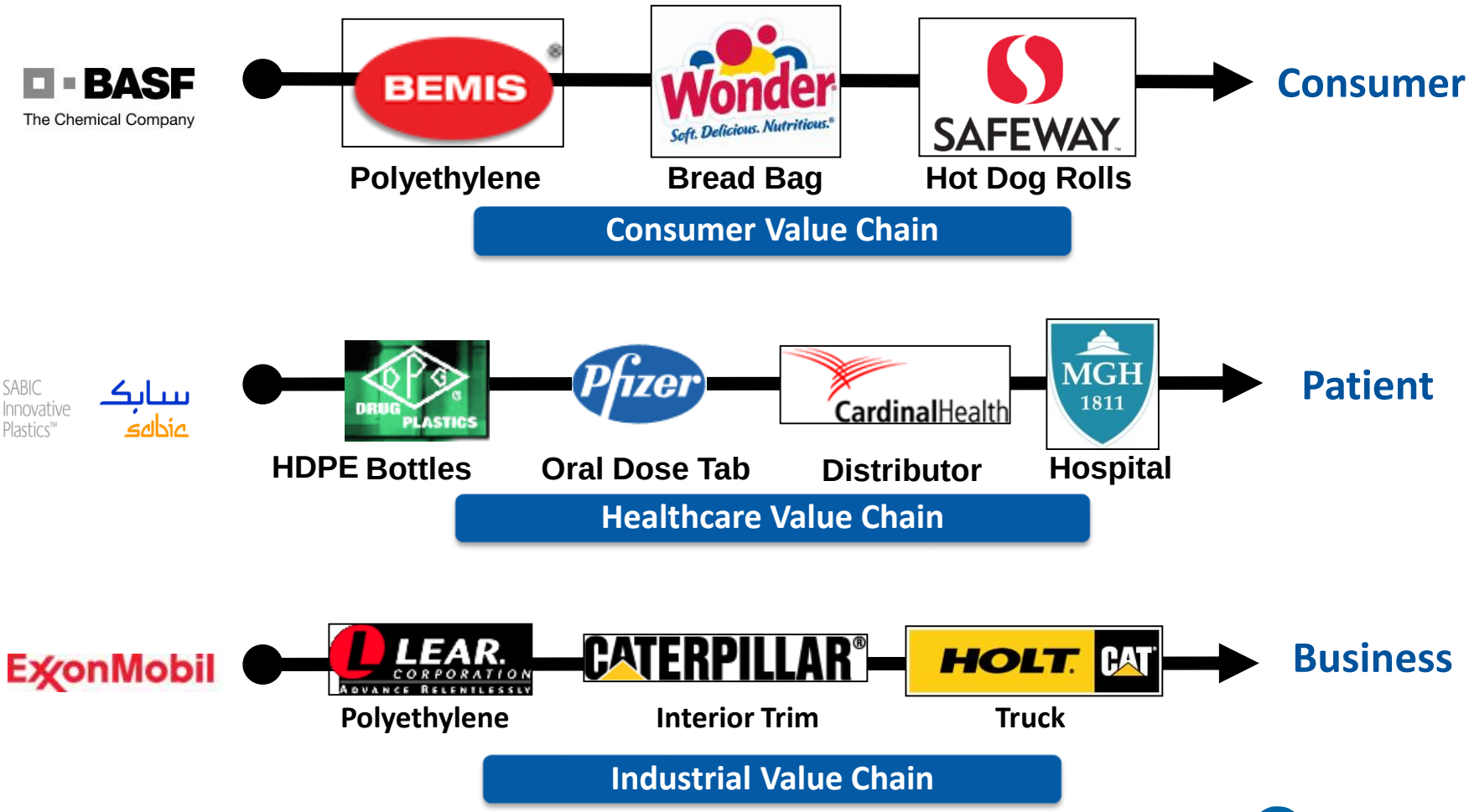
DDVN: It's No Longer Just "Your Company"

From your customer's customer to your supplier's supplier



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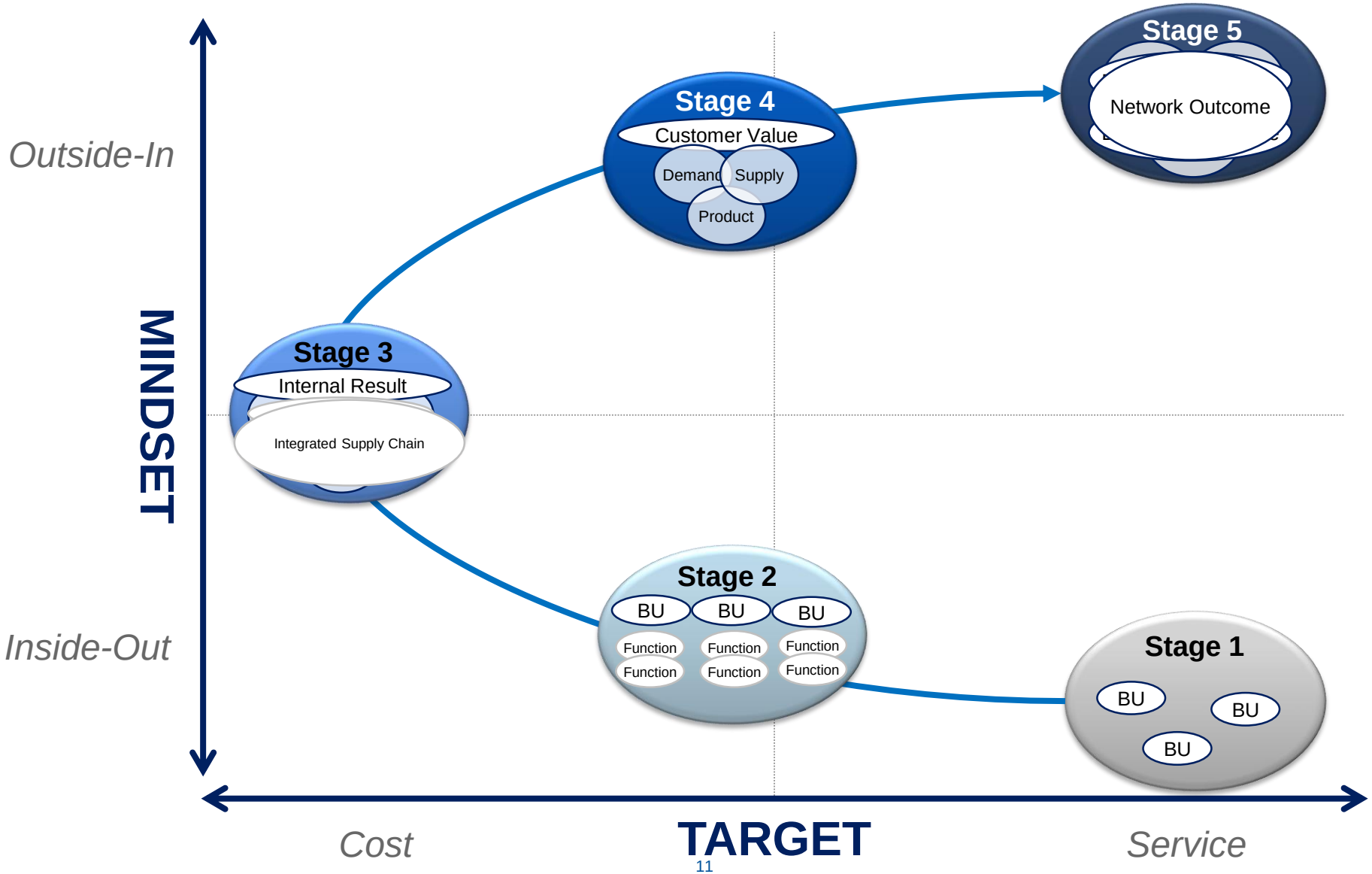
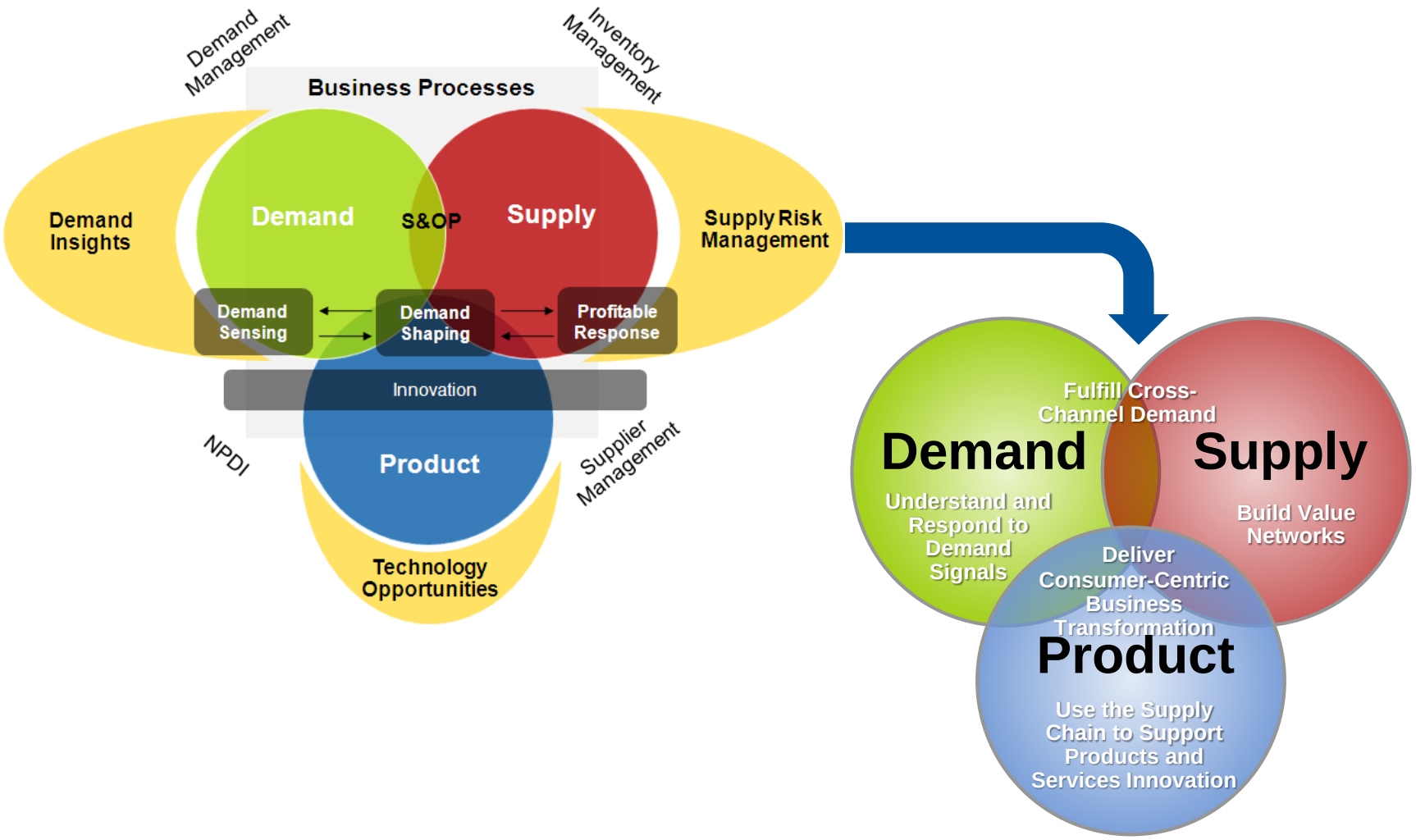
DDVN: The Journey – 5 Stages



DDVN: Demand-Driven Value Network



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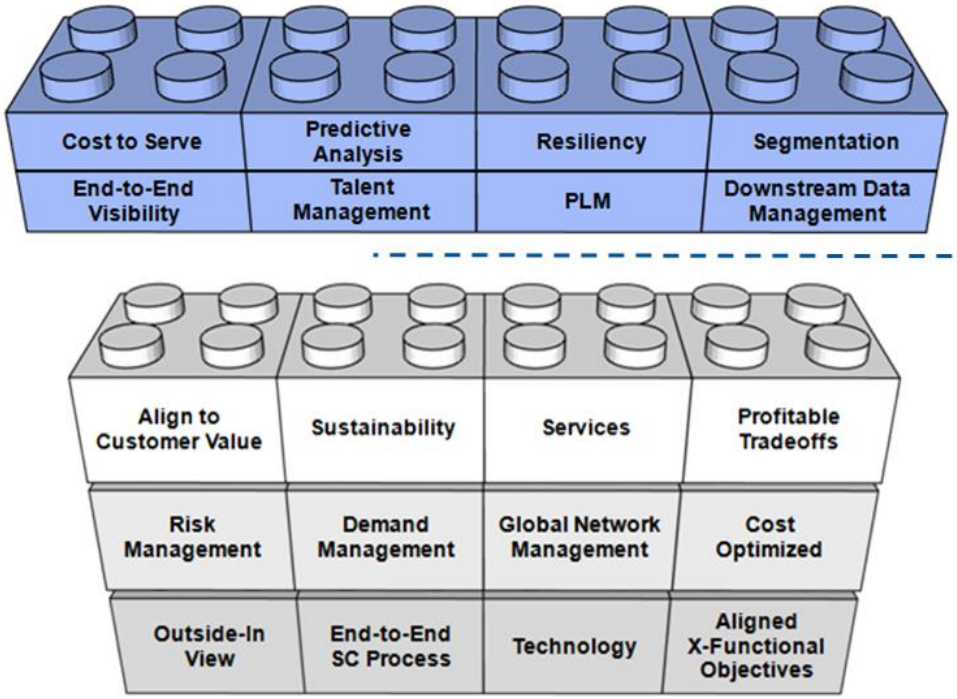
DDVN: Framework – Key Capabilities

- A set of 12 basic capabilities, the 'foundation'
- A set of 8 new, enabling capabilities
- The 'glue' to bring those together



1. Customer Value
2. The Right Talent
3. Change Management
4. Governance
5. Innovation

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Supply Chain Leaders Are Being Pulled in Multiple Directions

Improve service

More offerings

Reduce costs

Supply chain visibility can help!

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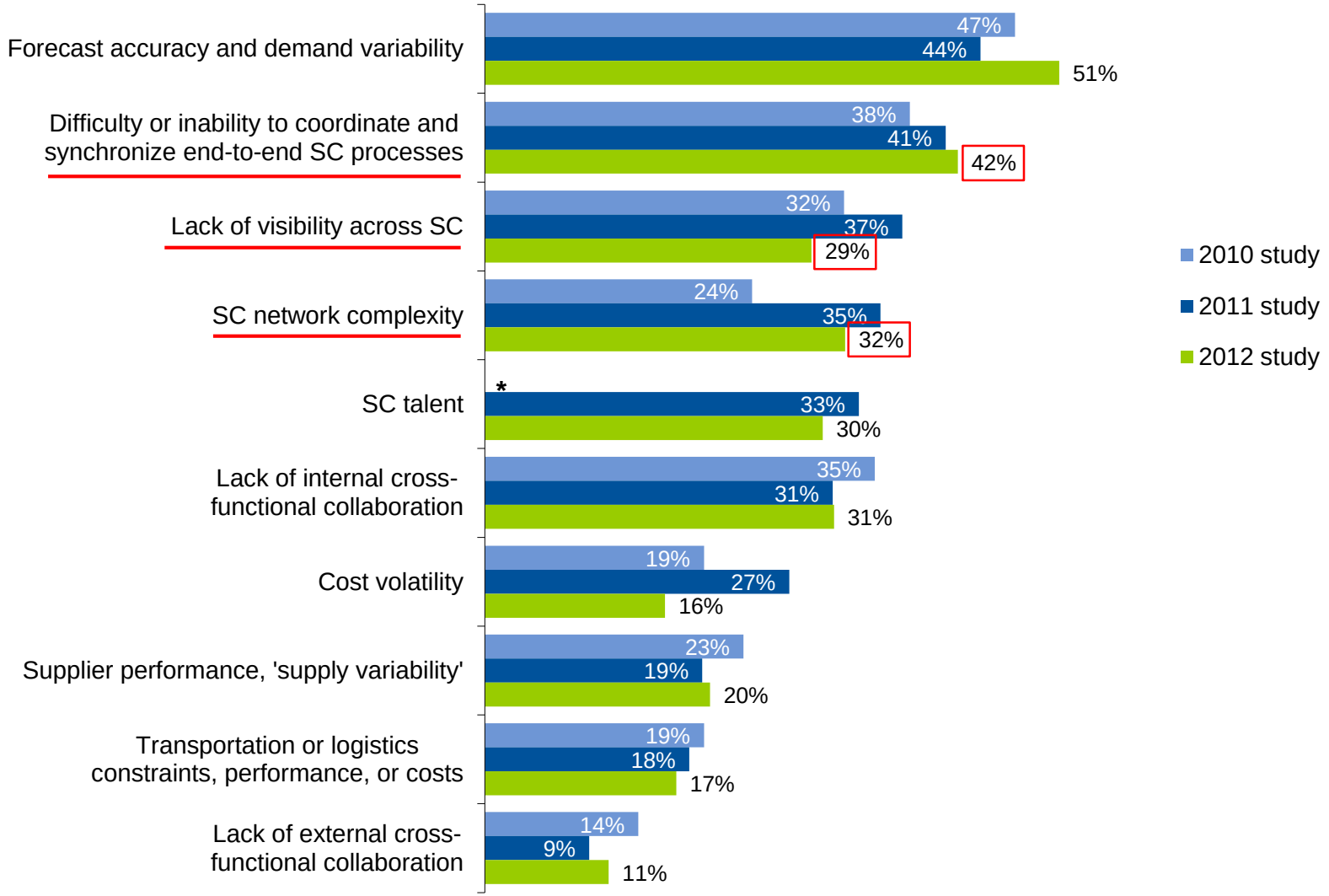
Top Obstacles to Achieving SC Goals



N = 249
*Response not provided in 2010 survey.

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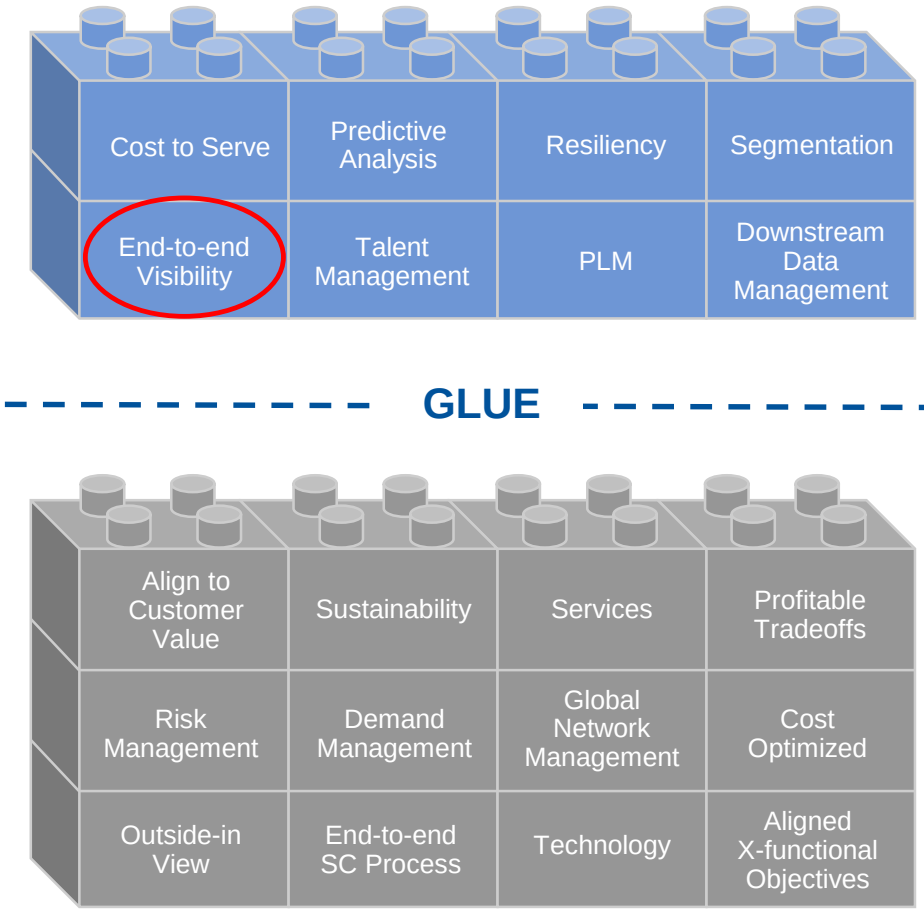
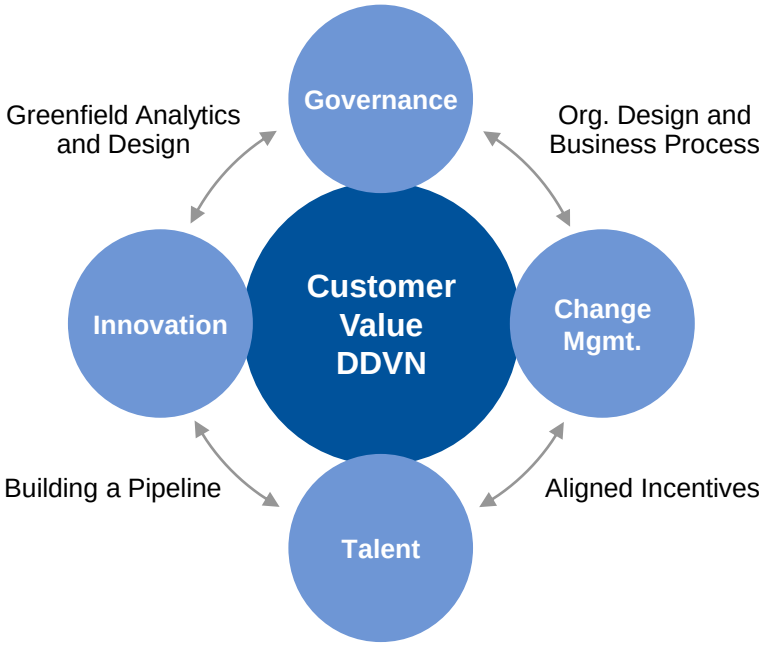
Visibility as Attribute of DDVN





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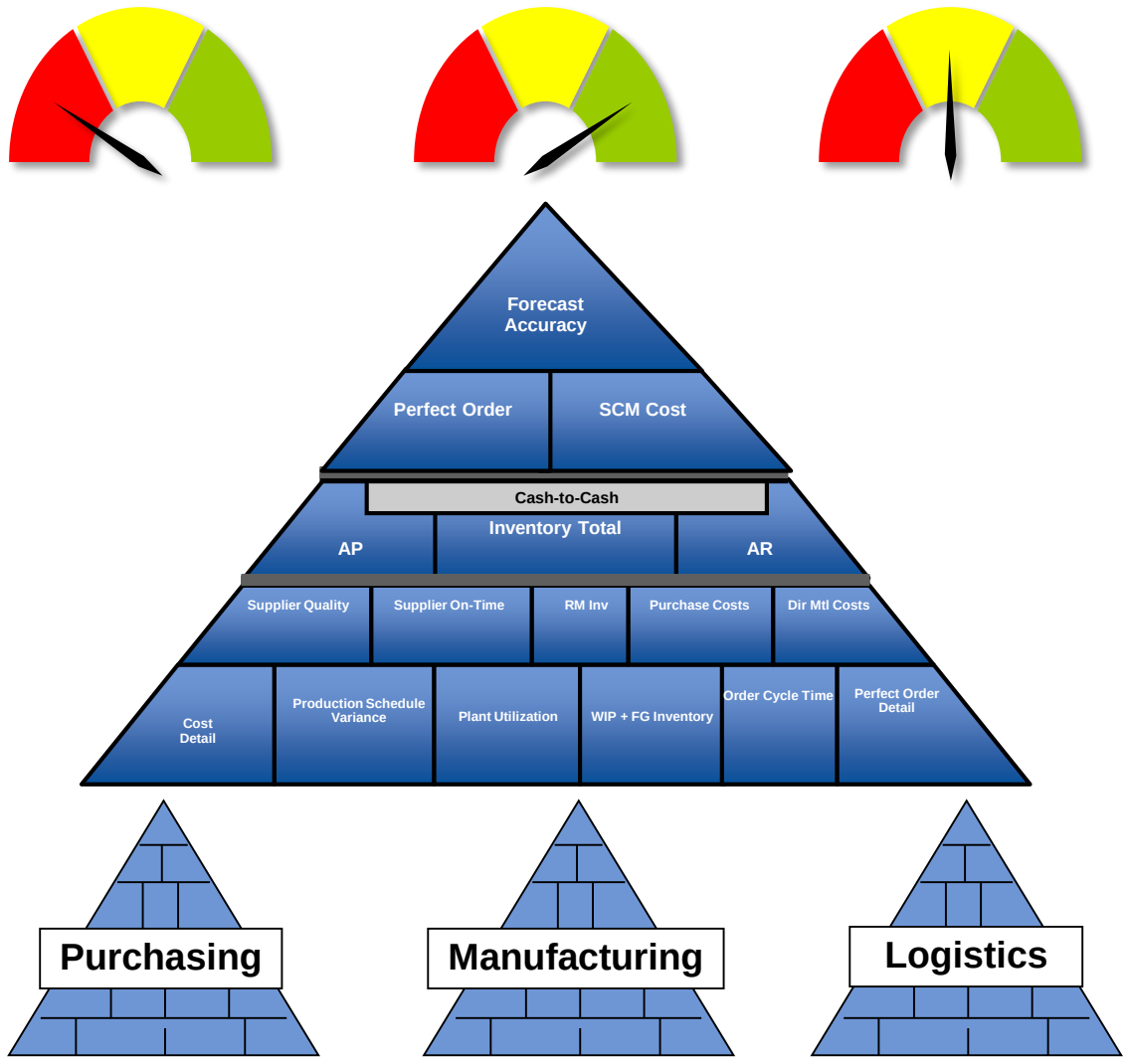
Three Levels of Metrics

Executive Dashboards

Alignment

End-to-End Supply Chain

Functions



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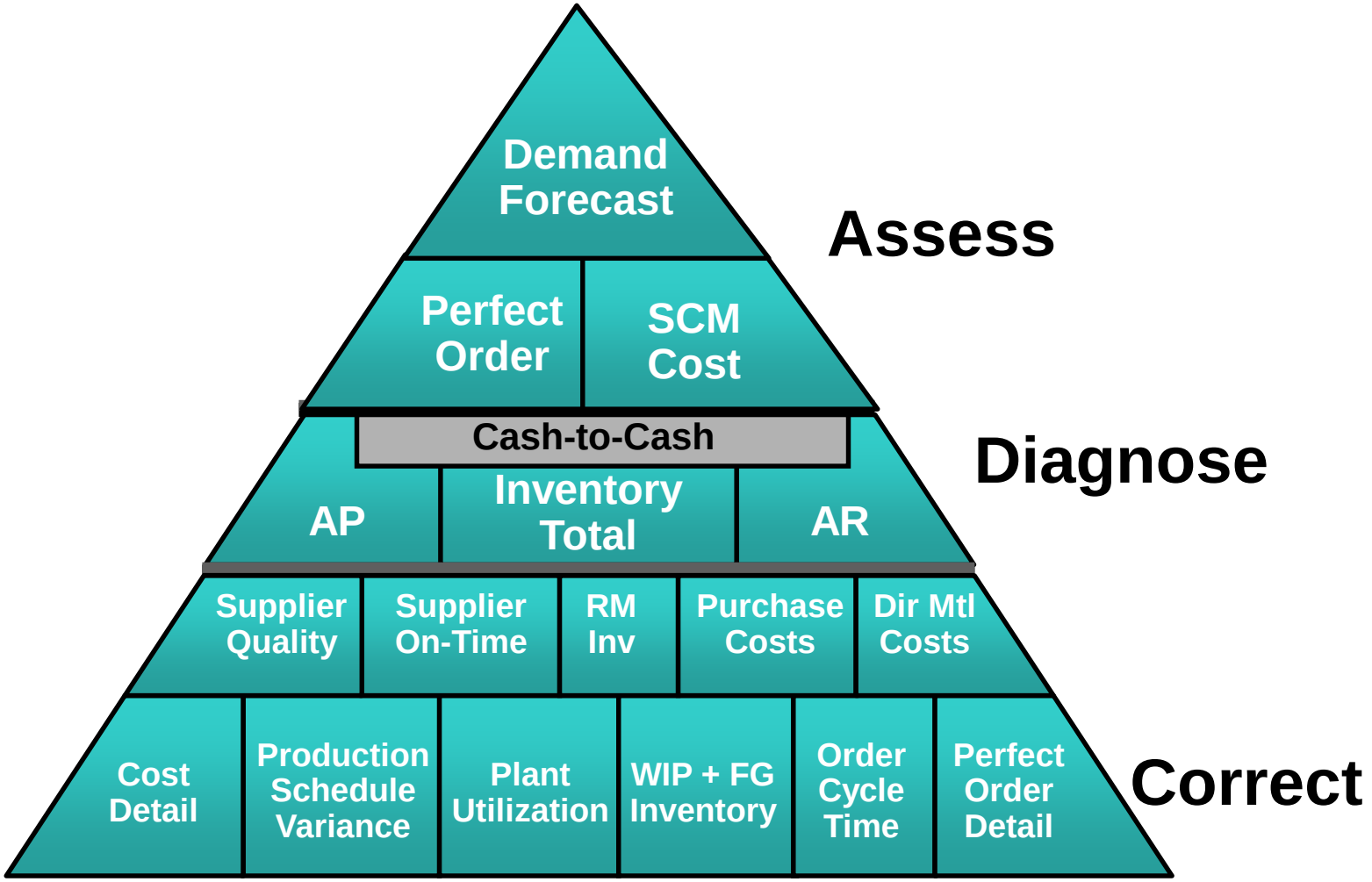
The Hierarchy of Supply Chain Metrics



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Visibility Drivers

Main Visibility Drivers

Higher order fulfillment rate / improved service levels
Higher profitability (top-line and margins) and increased revenue growth
Increased operational efficiency
Increased competitiveness
Reduced risk

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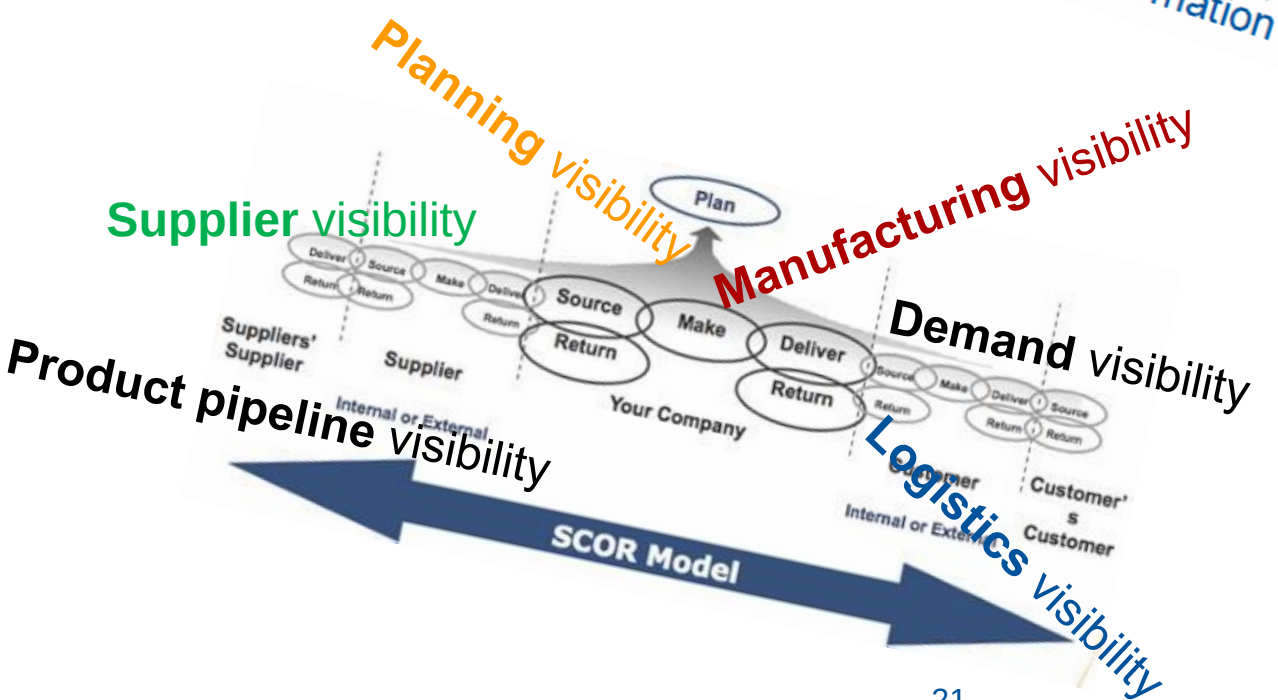
Many Definitions / Views in the Market …

- The aim of supply chain visibility (SCV) is to enable enterprises through applications to monitor and manage events across the supply chain to plan their activities more effectively and pre-empt problems[1]

[1] Dwight Klappich, Supply Chain Management Glossary 2.0

Supply chain **control tower**
… a concept providing an end-to-end holistic view of the supply chain and near real time information and decision making …



MTSCV means "the ability to view transactions, content and status information across Tier 1-Tier N suppliers, leading to action and issue resolution before operations and supply chain performance are impacted."

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The Definition of End-to-End Visibility

"The aim of end-to-end supply chain visibility (E2ESCV) is providing controlled access and transparency to accurate, timely, and complete events and data — transactions, content, and relevant supply chain information — within and across organizations and services operating supply chains"

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Strategic Planning Assumption

By 2016, less than 20% of companies will be able to provide end-to-end supply chain visibility.

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Visibility Benefits

Company Benefits	Business Partner Benefits
Better on-time performance / increased SLA	Better on-time performance / increased SLA
Improved customer satisfaction	Improved partner relationships
Improved (reduced) inventory levels	Reduced lead -times
Enhanced supplier / provider relationships	Faster time-to-market
Reduced variability in lead -times	Better forecasts / demand signal reaction
Faster tracking of goods / shipments	Additional market opportunities
Quicker reaction to exceptions (via alerts)	Reduced administration
Better forecast accuracy	Sustainability footprint
Improved response planning / rapid re-planning	
Optimized freight charges	
Free-up working capital / financial improvements	
Reduced administration (incl. less FTE)	
Avoiding loss of sales, stock-out situations	
Improved internal collaboration and integration (department, system, process)	
Reduced unproductive cost and non-value added activities	
Better sustainability footprint	

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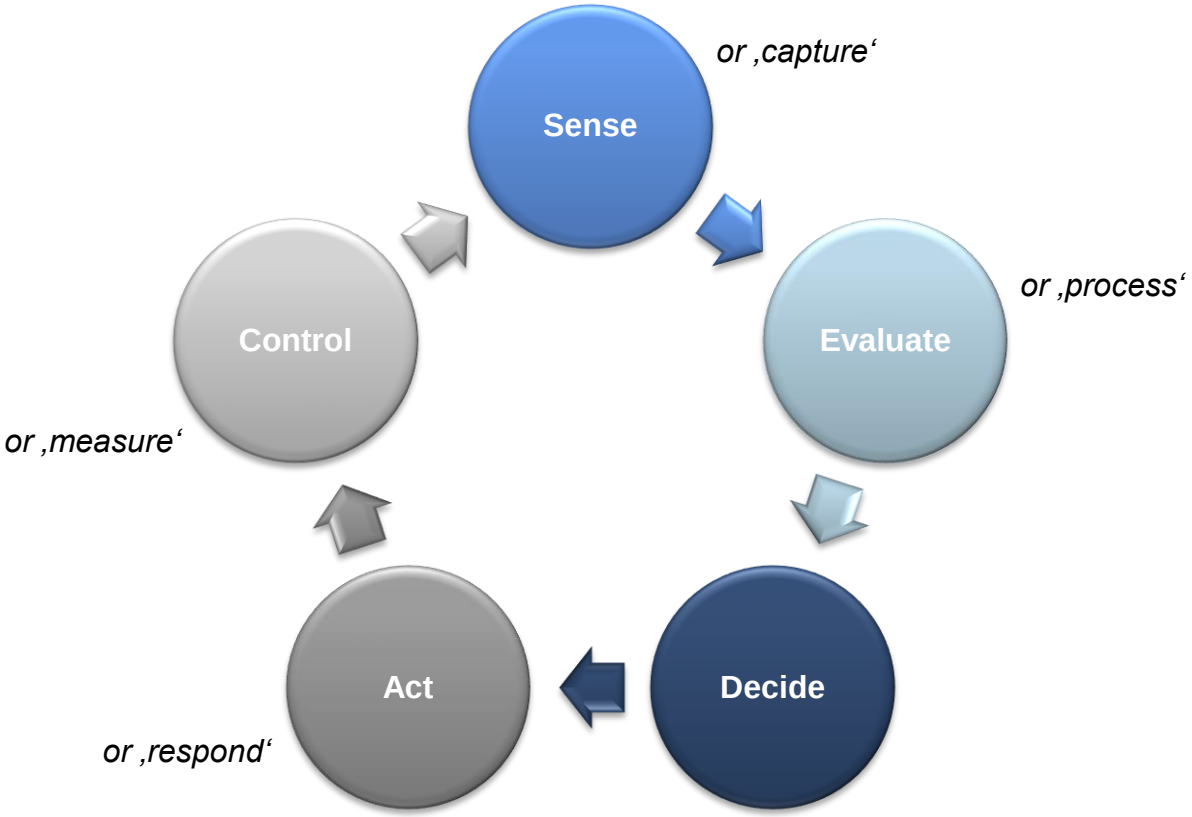
The Steps of Achieving End-to-End Visibility

- Monitor and manage / respond are the core themes when executing supply chain visibility. Within that context, we can define five steps or phases:



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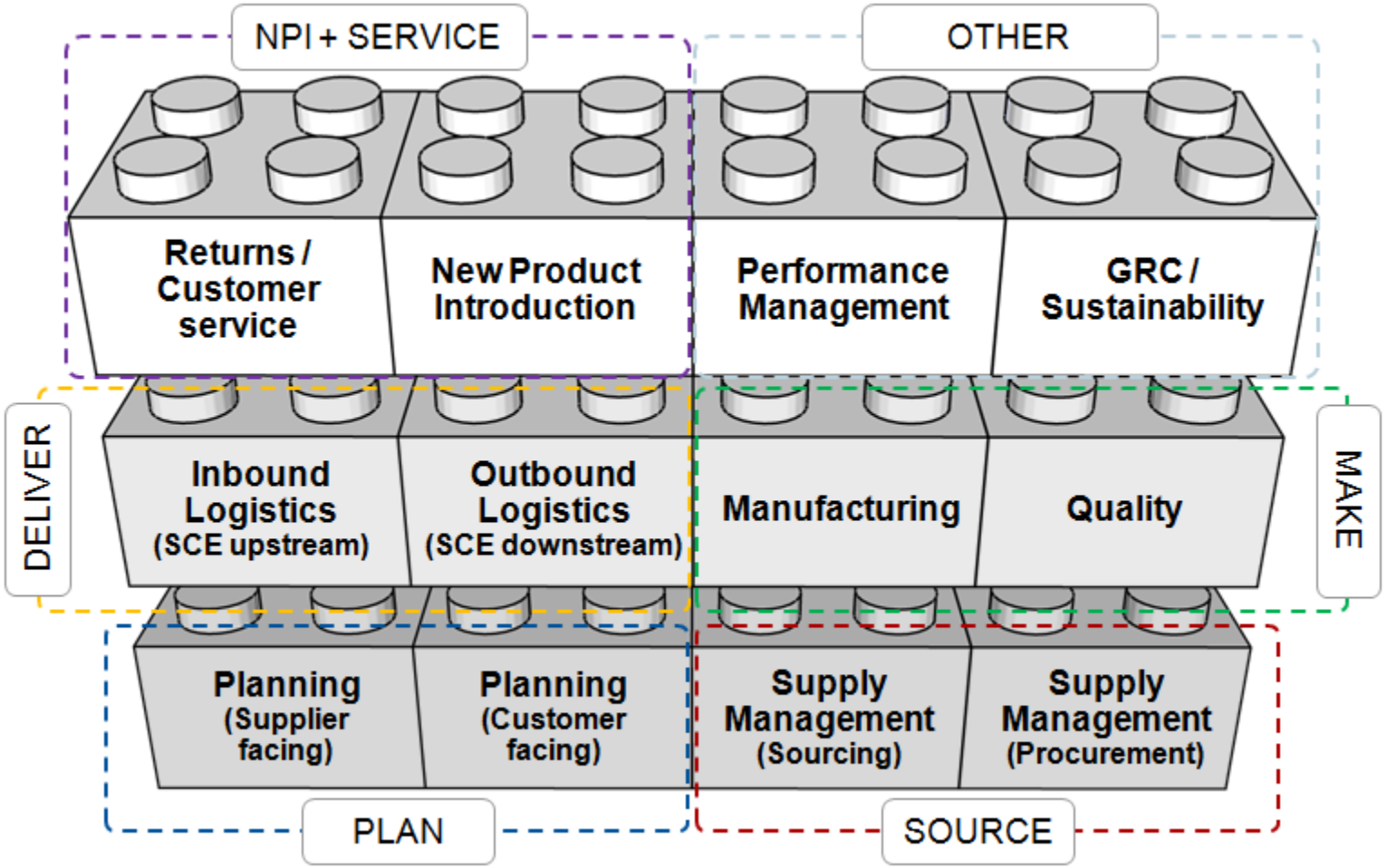
The E2ESCV Use Cases (along SCOR)



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The Definition of Control Tower

"A control tower is a physical or virtual dashboard to provide accurate, timely, and complete logistics events and data from within and across organizations and services operating supply chains to coordinate all related activities."

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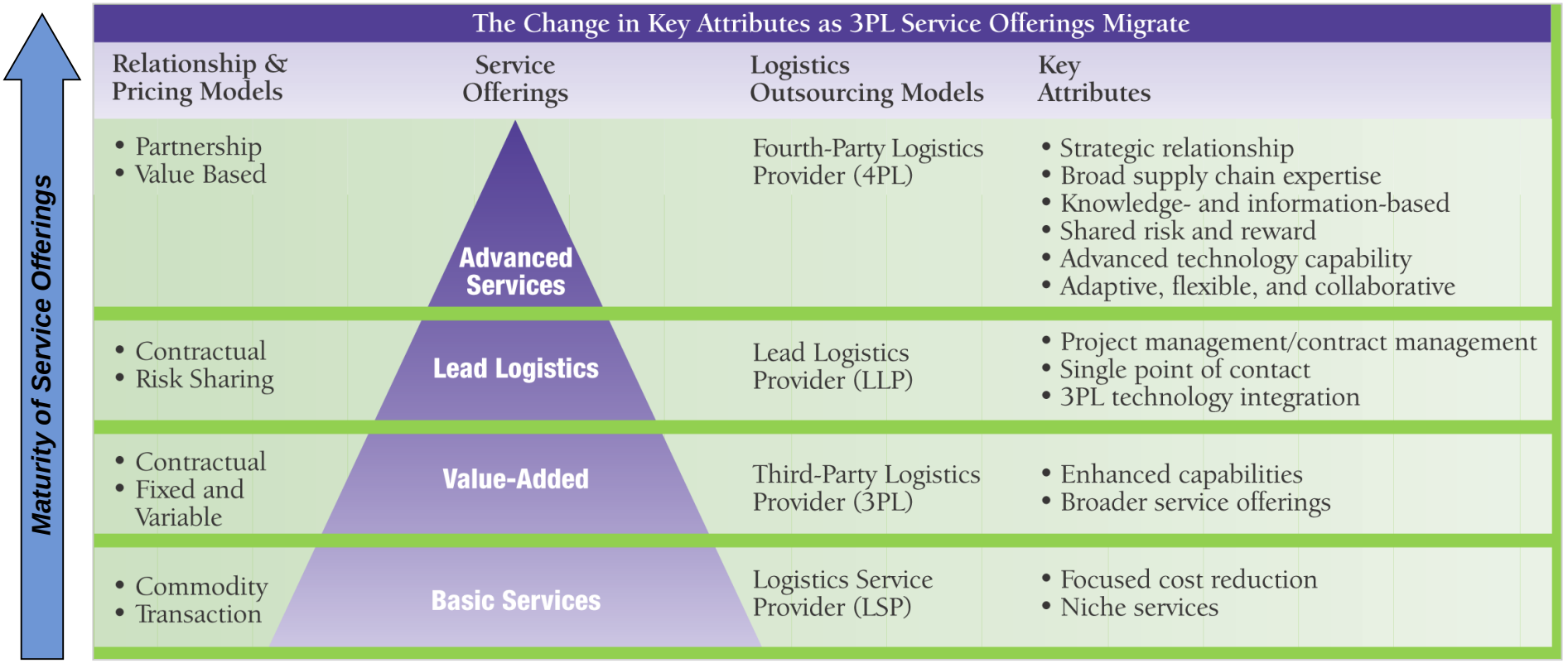
Logistics maturity model for offerings provided by external service providers



The more mature models deliver increasingly complex and valuable services in a partnership style.

Source: Capgemini Analysis

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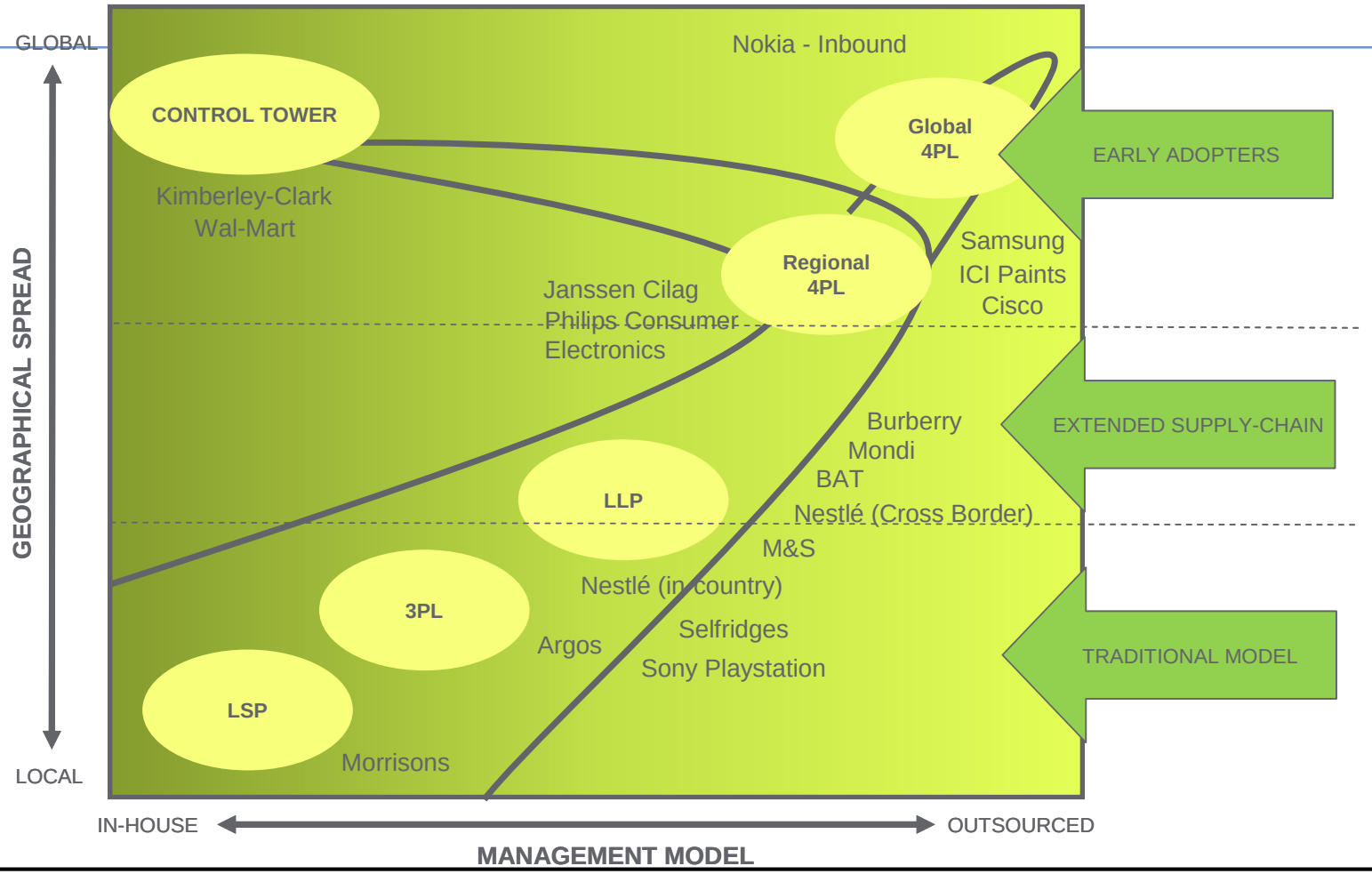
Early adopters have regional 4PL models as global 4PLs are still in their infancy



Currently those organisations that want to deliver a truly global model have little option but to bring this in house via Transport Control Towers.

Source: Capgemini Analysis

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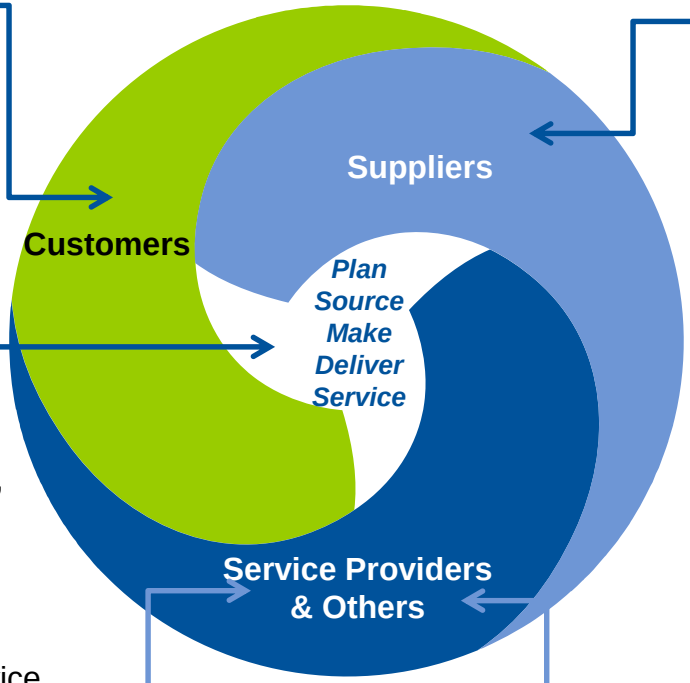
Many Business Partners Involved

Customers (downstream)
- Dealers
- Distributors
- Retailers
- End-consumers

Company
- Departments / Units
  procurement, manufacturing, quality, planning, sales & marketing, logistics, engineering, finance, legal, EHS, …; plants, repair sites, warehouses, distribution centers, hubs, …
- Functions
  NPI, plan, source, make, deliver, service



Suppliers (upstream)
- Tier 1 - Tier N
- Raw material - Component

Others
- Customs
- Banks
- Government

Service Providers
- Contract manufacturers
- Transportation providers – Carriers / brokers / importers / shippers
- Warehouses / contract logistics, buying houses
- 3 PLs logistic service providers
- Lead logistic providers (LLPs / 4 PLs)

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Data Objects, Ownership and Collaboration

Business Partner	Data
N-tier supplier	Material assembled Material shipped & expected to be delivered
Supplier	Material (SKU) data Material assembled Material shipped & expected to be delivered
Carrier	Completion of milestone (e.g. passed customs, arrived port) Location in-transit
Contract manufacturer	Material ready (lead-time information)
Warehouses, DCs	Arrival of shipment Quantities packed & loaded
Logistic service provider	Status on shipments (time, location, content)
Customs	Payments Regulatory requirements
Customer	Demand signal Shipment arrived

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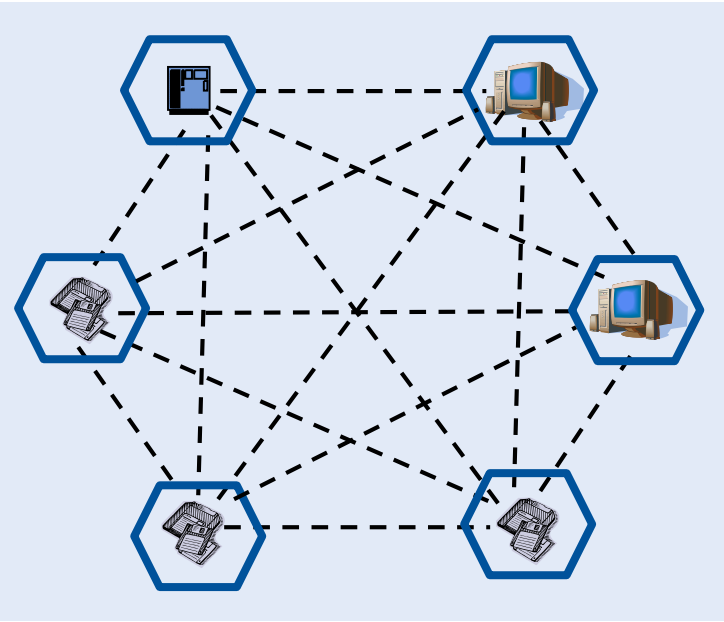
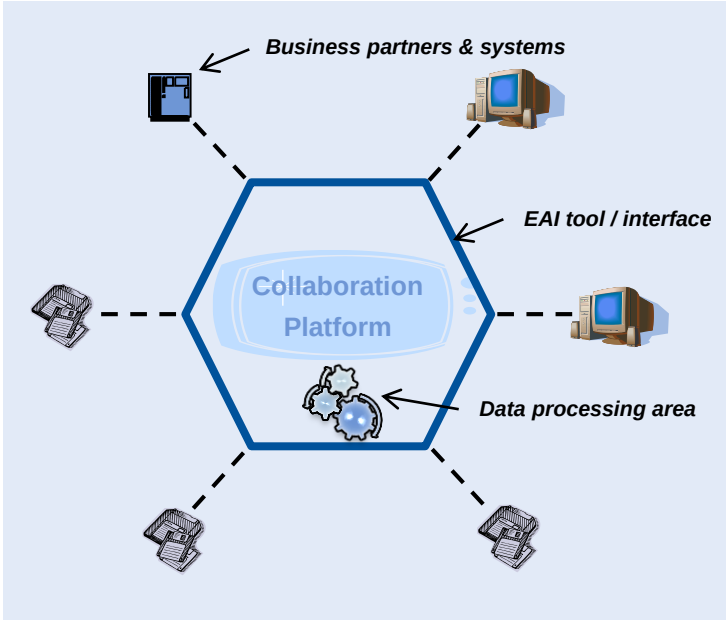
Collaboration Technology, on-top of ERP!

Point-2-Point EDI



Multi-tenant setup
Central posting
Central processing
Real-time synchronization
Accurate object translation
Common data model
Embedded rules engine
Tight process linkage
Scalable info sharing

Collaboration / Cloud Platform



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The 3 Integration Styles

	Internal	Dominant Partner	Multienterprise
Scope	Traditional enterprise apps and B2B point-to-point integration	Exposure of some data and process logic to business partners	Common or shared data and process model
Adoption	Moving from paper-bound to proven, adopted enterprise applications	Seeking differentiation through extended enterprise applications	Driving innovation with peer collaboration
Focus	Enterprise	Extended enterprise	End-to-end community
Connectivity	1 : 1	1 : many	many : many
Drivers	Integrity, automation, cost	Visibility, accuracy, control	Collaboration, agility, compliance
Use cases	Well structured data and high interaction volume	Brand owner to build own ecosystem to demand data formats and processes	Low interaction volume but high scalability among business partners
Example	Exchange of data objects (purchase order, advanced shipping notification, invoice)	Sharing and collaboration on orders or forecasts via portal	Catalog management
Visibility	Low	Medium	High

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Multi-enterprise Characteristics

Attribute	Description
Degree of shared processes	Substantially to fully shared
Data model	Common model, substantially to fully shared
Ease of change	Technically easier to implement data and process changes
Architecture setup	Multi-enterprise, multi-tenant (single, shared code page)
Application operation	Central posting and central processing; embedded rules engine
Authority model	Predominantly owned by 3rd party (shared)
Mode of synchronization	Real-time
Purpose of integration	If required to link interfaces on shared functions to internal systems
Scalability	Scalable for all participants
Type of implementation	Mainly hosted or cloud delivered SaaS

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Visibility Survey: Key Findings

Term	Finding
Degree of adoption	Significant gap between vendor offerings and actual client adoption
Scope of offerings	No comprehensive suite offerings, more best-of-breed solutions
Understanding of terms	Companies recognizing terminology but conversion lacks
Scope of implementations	Mainly logistics focus, definitely silo'ed and not end-to-end
Breadth of initiatives	Often within company borders, limited outside-in collaboration
Selection of tool	Often trying to solve with ERP or in-house developments
Information gathering	Focus on established application vendors, limited on emerging ones

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Preparing for a VUCA* world where sudden opportunities and risks emerge

*VUCA is a military term to describe the volatile, uncertain, complex and ambiguous world we live in

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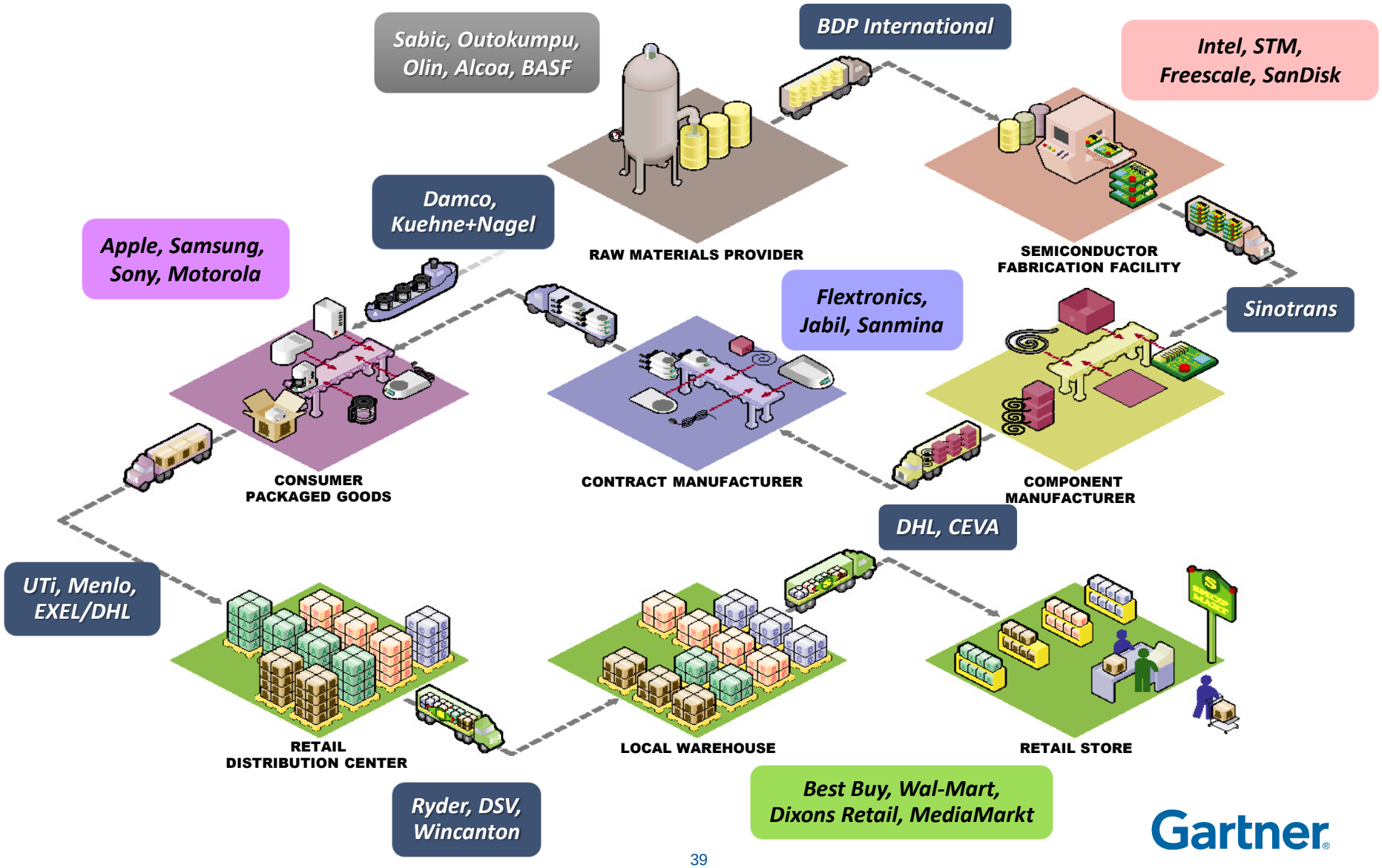
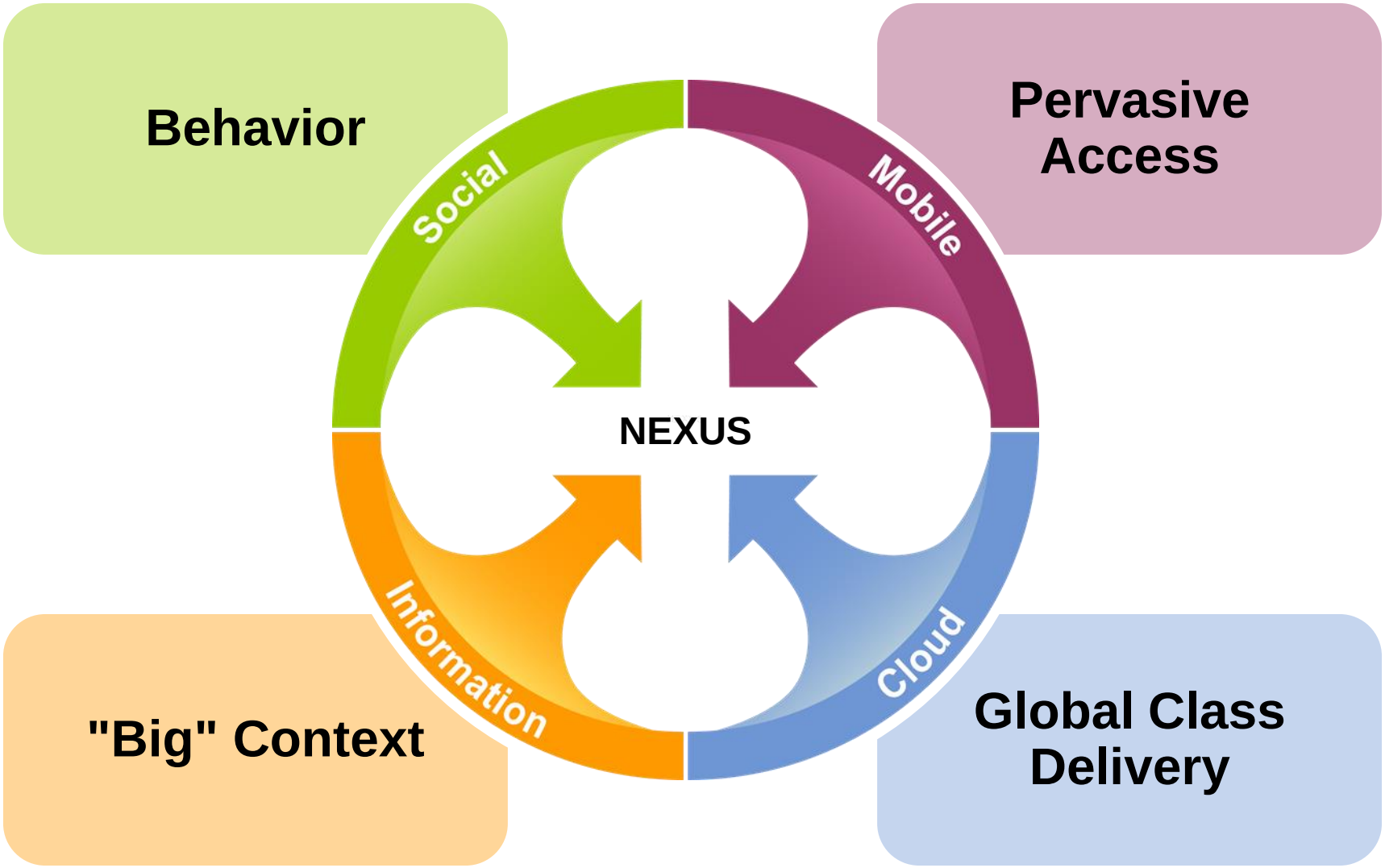
Control Towers open a new Era of Collaboration across Complex Global networks



A Nexus of Forces provides exciting opportunities to make E2ESCV a reality!



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