# FOUR ESSENTIALS TO IMPLEMENTING A PLUG-AND-PLAY SUPPLY CHAIN

As companies work to bring order and efficiency to their far-flung, global supply chains, a growing number are turning to a plug-and-play operating model for solutions. The plug-and-play model involves creating a supply chain that consists of a core platform augmented by standardized plug-ins tailored to unique segment or market needs.
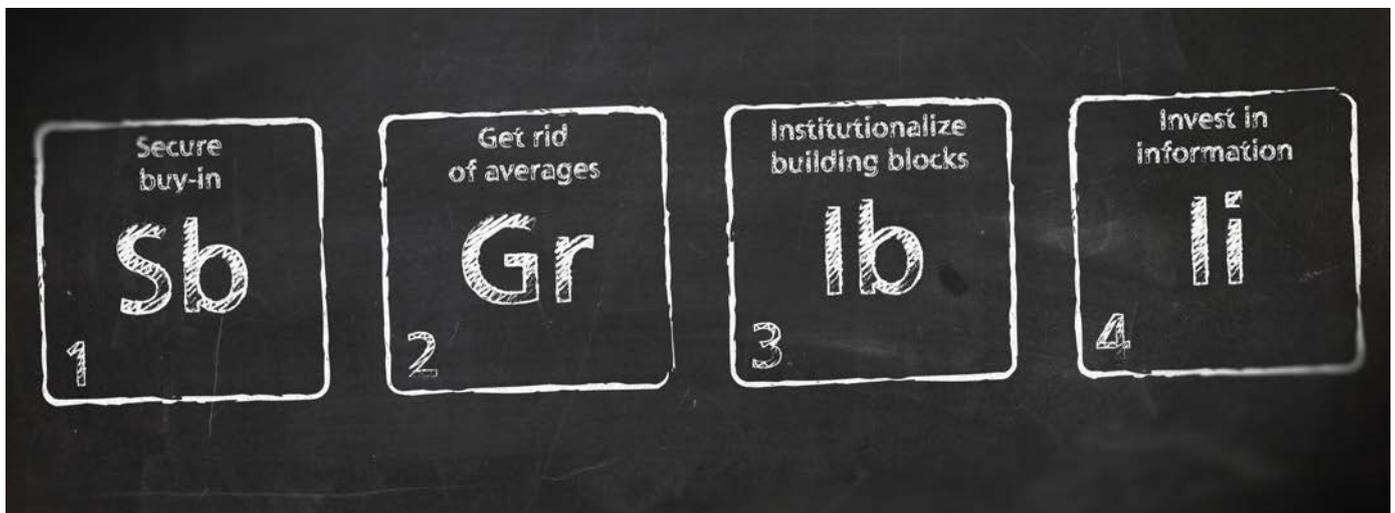
But there is a bigger agenda in play as well. Leading firms see the plug-and-play supply chain as an engine not just for efficiency – but for growth. At the heart of this new supply chain strategy is the concept of standardizing for excellence.

Building the plug-and-play supply chain is not easy. And it takes time, but a standardized supply chain is easier to manage and will help you understand your costs, while providing customizable solutions to meet the needs of customers in every market.

That said, here are four essentials that are key to implementing a plug-and-play supply chain.

1. Secure C-level buy-in and support
Implementing the plug-and-play supply chain involves

hard work, resources, investment and a long-term commitment with an overlay of risk. To succeed, it must be integrated with the go-to-market process and entire commercial cycle of the enterprise.

Individually, none of these considerations is insurmountable. Collectively, they pose a significant challenge. That's why, first and foremost, a plug-and-play transformation strategy requires the full support and commitment of the enterprise's C-suite.

"People are very reluctant to change, and the same is true for organizations," Gary Keatings, Vice President, Solutions Design, DHL Supply Chain, points out. "Many companies hesitate to invest in these kinds of long-term supply chain projects, opting instead for short-term quarterly savings or cost cutting."

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Therefore, without a mandate from the top, this level of change is nearly impossible to achieve.

2. Get rid of averages and aggregates
Averaged and aggregated data is the enemy of the plug-and-play supply chain. A standardized supply chain is built on a customer segmentation strategy. Most organizations still segment by product, customer, geography or division, based on aggregated characteristics, and apply a standard margin or allocated profit. This means that supply chains are designed and operated on aggregates and averages, rather than on actual, granular cost-to-serve data.

If a company designs a standardized, core supply chain platform based on this information, it could be designing the wrong foundation. The same holds true for the standardized plug-ins.

The second standardization essential, therefore, is data-driven analysis of demand dynamics, together with customer and product profitability down to SKU and service-lane level.

3. Institutionalize the building blocks
Standardizing the supply chain means rolling out common platforms to achieve worldwide consistency with operational rigor. For most organizations, this is difficult – a key reason for which is the lack of a centralized enterprise knowledge library.

"One of the biggest challenges we faced in the past is we were solving the same supply chain problem over and over again, all around the world," says Keatings. "We had to build an institutional corporate 'memory' of best practices so they could be replicated. We created a library of supply chain solution templates so we could serve customers more effectively and efficiently."

The knowledge library contains solution templates for 80 percent of supply chain requirements around the world, based on best practices and processes. The remaining 20 percent of supply chain requirements can be broken out into standardized templates that are mapped to more tailored needs of markets, countries, customers, products,

channels and so on. These templates get 'filed' in the library and are available for use across the enterprise. 'Users' map the supply chain in question against the database of solutions and come up with best-case cross correlations.

Building and then institutionalizing plug-and-play solutions and templates, is the third implementation essential.

4. Invest in the information supply chain
High quality, accurate information is the foundation for, and enabler of, the plug-and-play supply chain, and forms the basis for making the right standardization decisions. It is critical, that companies invest in the technology that enables them to spot and understand patterns, capture and analyze total cost, identify opportunities and make better decisions. Decisions that help drive growth.

"Enterprise data is vastly underutilized," argues Accenture in a recent report.[1] "Data ecosystems are complex and littered with data silos, limiting the value that organizations can get out of their own data by making it difficult to get to."

To unlock that value, and better inform supply chain decision-making, Accenture suggests companies treat data as a supply chain, and do what is necessary to enable the flow of information and analytics across the organization and its partner ecosystem.

Continuous rigor required
Sustaining standardization over the long term can be difficult, especially for companies with high rates of innovation and frequent product launches. This is why leading companies establish clear criteria for additions or changes to the standardized building blocks. That is not to say that plug-and-play solutions do not change. As Keatings notes, "We are constantly challenging ourselves to innovate and improve the solution templates. This keeps them relevant to current conditions and requirements."

The potential rewards for this strategic rigor are considerable. A recent PWC study found that, as a result of reducing supply chain complexity, leaders enjoy 30 percent higher EBIT margins than their average peers.

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