

SUPPLY CHAIN INSIGHTS

STANDARDIZATION AS AN ENGINE FOR GROWTH

The evolution of global competition has given rise to the need for a new type of supply chain.

Dubbed “plug and play,” the main objective for this new supply chain is to simplify what, in most global companies, has become an inordinately complex web of “one-off” supply chain solutions and operations.

The fact is that competitive economics can no longer support this “uniqueness” or “one-off” approach. It is simply too expensive and unwieldy.

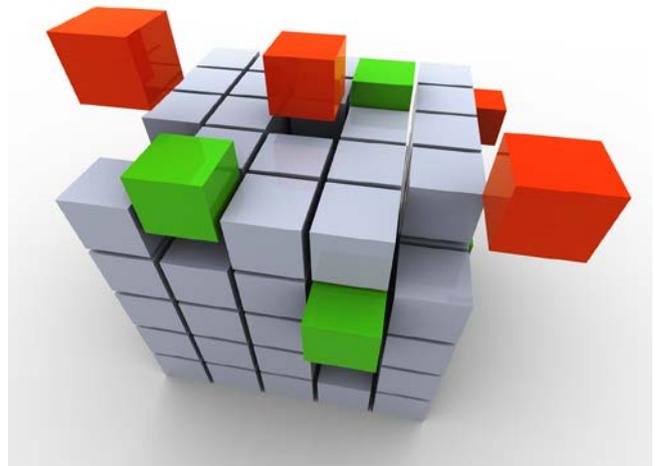
Every global enterprise – and its supply chain – is now tasked with an urgent need to simplify – to create a Lego-like supply chain that consists of a core standardized, easily replicable solution, augmented by standardized, process-proven bolt-ons that are reflective of what unique market needs are required beyond this core structure.

Following the Lego analogy, the core supply chain would be all blue blocks, and form the foundation/majority of the construction. The bolt-on options would be the yellow, red and green blocks – would be far fewer in number – and added on top of the blue foundation. And these alternate color building blocks would not only be limited in the number of colors – to maintain the standardization theme – but also standard within their own color.

These plug-and-play supply chains are based on smart segmentation strategies – i.e. segmentation derived from analytics around critical factors such as customer and product profitability, market/geography requirements, and service parameters.

The big opportunity in executing the plug-and-play supply chain is to enable and even drive growth – not just to cut costs.

But how much progress have companies made in achieving a smarter, standardized and segmented global supply chain? To find out, DHL Supply Chain surveyed 350 supply chain and operations professionals in the five major regions of the world. This report summarizes the key findings.



Key points

- Serving global markets is a complex task, and most companies do so with two to five different supply chains according to survey respondents – although the next largest group indicated they have more than 10 different supply chains.
- Reducing supply chain complexity is a priority for a majority of respondents – and they expect that doing so will also reduce costs.
- Only a handful of respondents are thinking beyond reducing supply chain complexity and costs to using the supply chain as an engine for growth. This seems to present a sizeable untapped opportunity.
- Standardization of supply chain processes, together with smarter segmentation, are key strategies for achieving the goals around streamlining the supply chain.
- Most companies still have a long way to go in executing these strategies, which is good news from an opportunity perspective. It means the supply chain will only become more strategic as organizations go down this path.