



# Supply chain opportunities

**Professor Alan Braithwaite**

*Cranfield*  
UNIVERSITY  
School of Management

# First a quick introduction



- Only Post Grad. University
- Executive Education focus
- Europe's premier Supply Chain and Logistics Institute
- Strong focus on research
- Business resilience a focus
- Working with British Government
- Working with manufacturers, retailers and service providers

<http://www.cranfield.ac.uk>



- Leading specialist consultancy
- Focus on operations management and supply chain
- Contributing to Cranfield Research and teaching
- Clients include the world's two largest companies
- Working internationally
- Retained by some of the world's largest retailers, manufacturers and service providers

<http://www.lcpconsulting.com>

# Working internationally with major corporations – across business sectors



# Working with Service Providers



# “What it says on the tin!”

- The smartest logistics managers and operators are looking for new opportunities, despite the difficult markets.
- Where do the best opportunities for future profitable growth lie?
- Which markets have continued to prosper throughout the downturn?
- This session examines a range of sectors and geographies for clues on which supply chain structures to adopt, which countries to expand into and the best, most innovative business models to develop

# Agenda

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- Difficult markets provide fresh opportunities
- Where do these lie? – the 5 Maxims for riding the downturn
- Strategy to realisation ....
- Sectors and geographies with potential
- LCP Research results on LSP innovation and maturity
- Making effective and sustainable change – the biggest challenge

# Just last October!

## IMF in global 'meltdown' warning

- The world financial system is teetering on the "brink of systemic meltdown", the head of the International Monetary Fund (IMF) has warned in Washington.
- Dominique Strauss-Kahn



12<sup>th</sup> October 2008

# In 10 months – recovery or a new shape?

- **The world has begun to recover from recession but the process will not be simple, the International Monetary Fund (IMF) has warned.**
- The recession had "left deep scars, which will affect both supply and demand for many years to come" said IMF chief economist, Olivier Blanchard.
- In this latest report, Mr Blanchard predicted that global output may also remain lower than it had been before the crisis.
- Countries must rebalance their economies to make it sustainable, Mr Blanchard said.
- **A 'New shape' will be needed!**

*Reported by the BBC August 2009*

# Opportunity to find a “new shape”

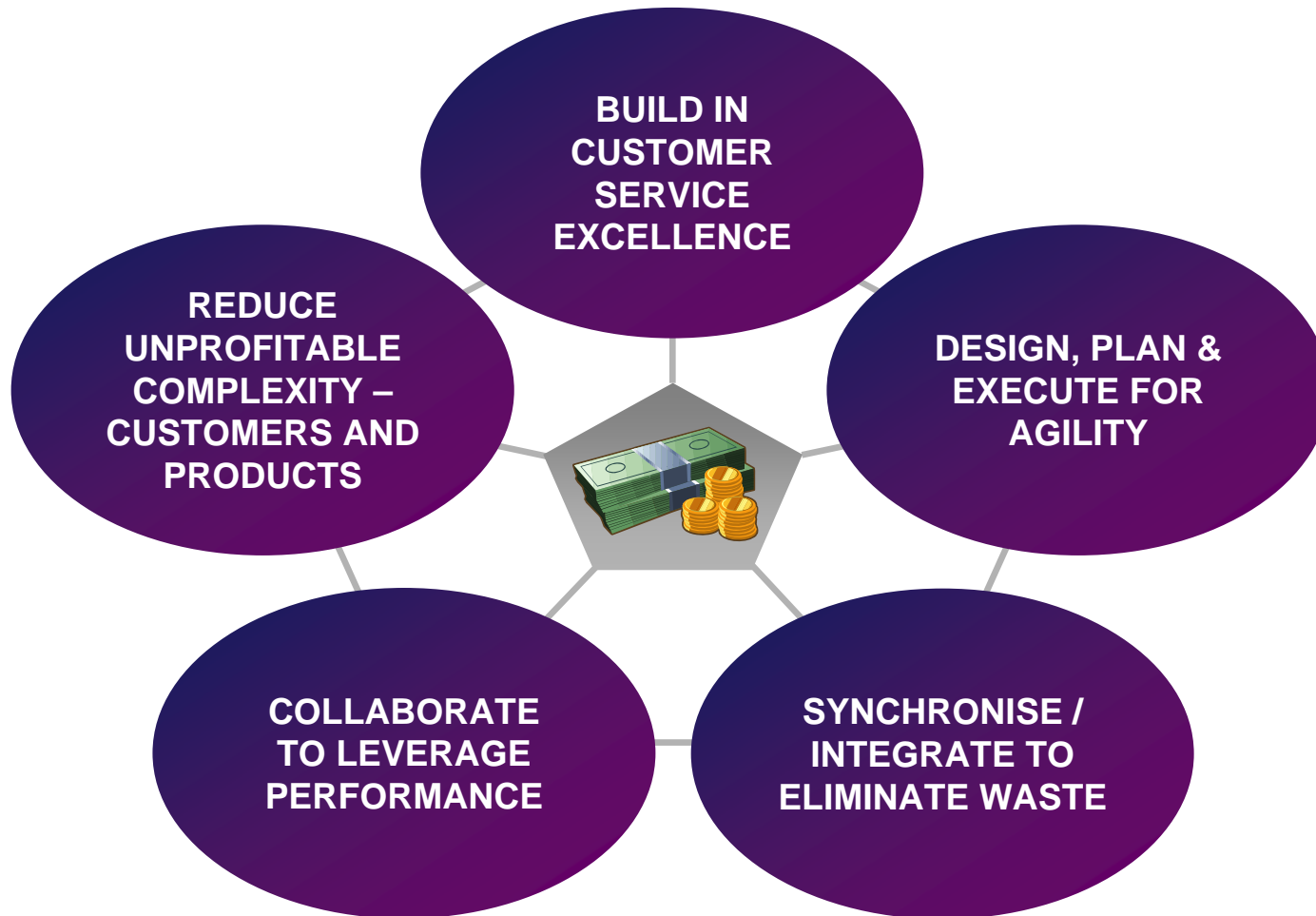
**CRISIS**

危機

**Danger**

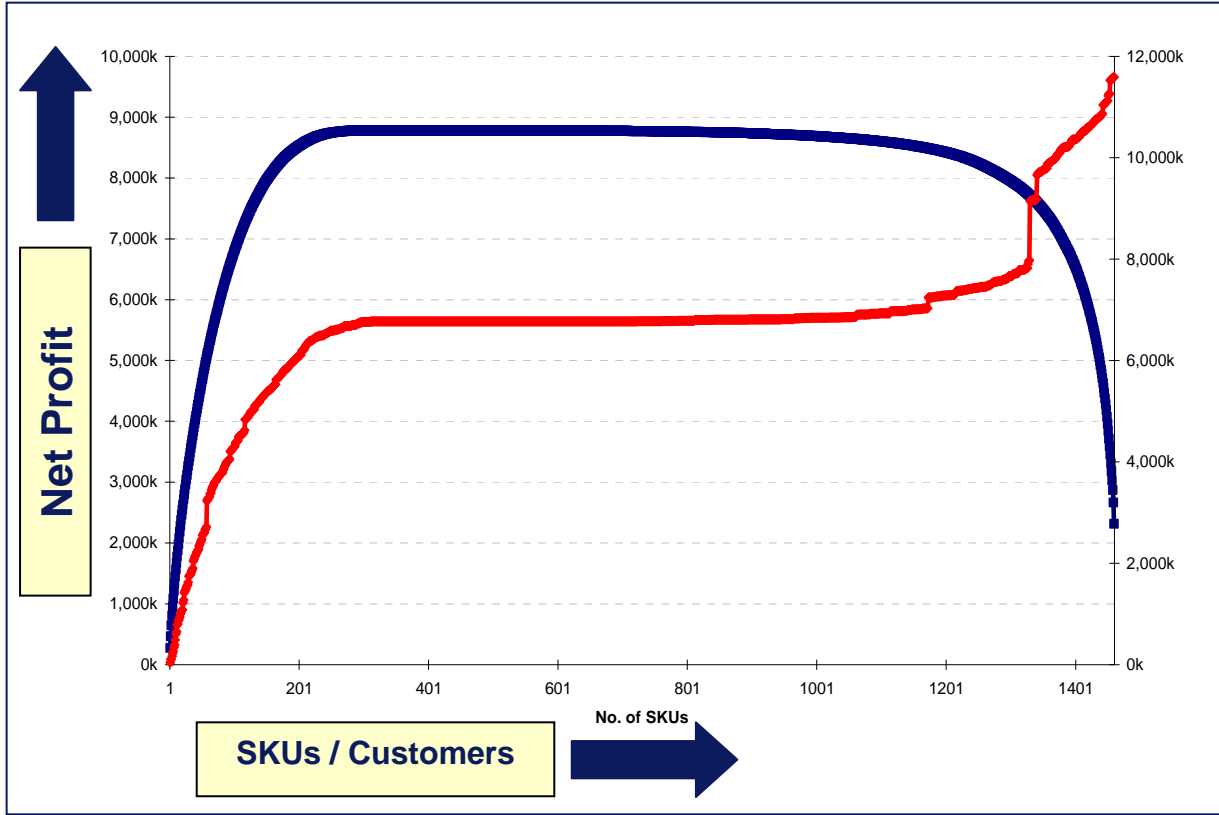
**Hidden opportunity**

# 5 Supply Chain Maxims to ride the downturn – and prosper in the new shape



# Reduce unprofitable complexity – customers & products

## Net profit management through Cost-to-Serve®

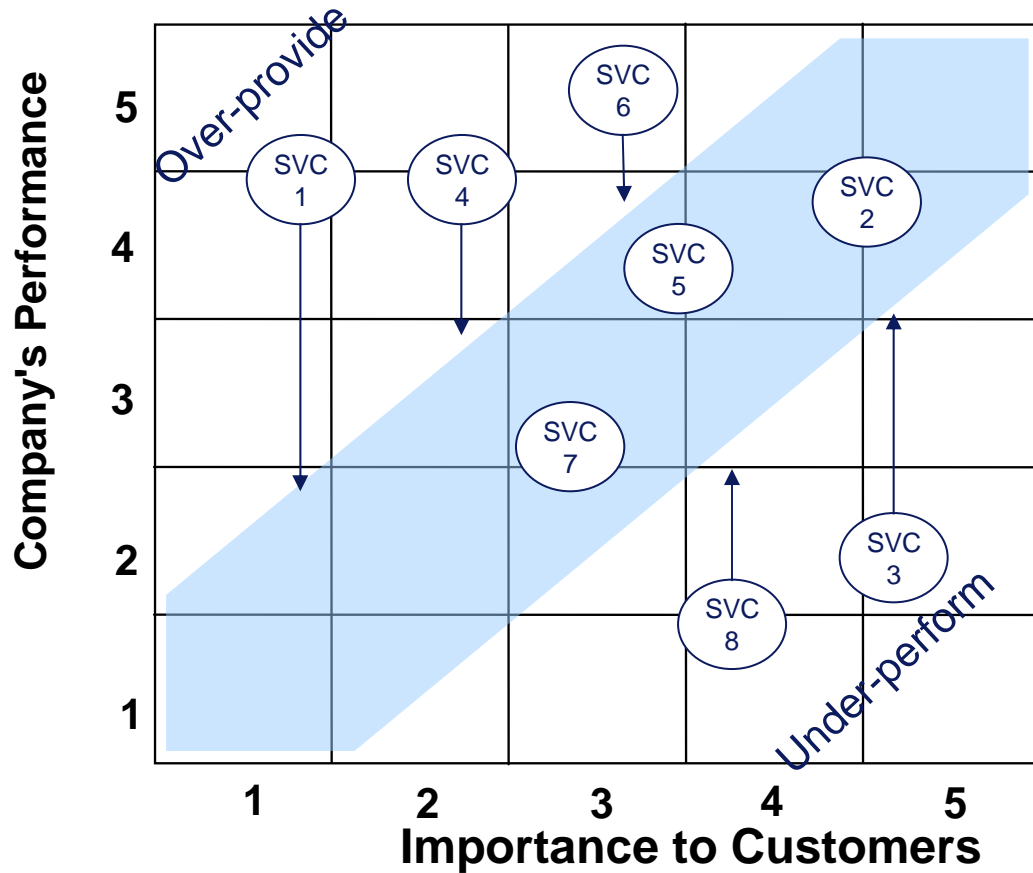


Cost-of variety & complexity  
Common experience that > 50% of net profit is eroded by some product / customer combinations

— Profit — Revenue

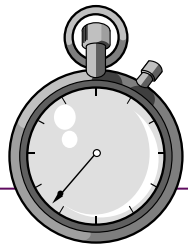


# Build in customer service excellence



Understand the current performance and the service features that the market values and how the company is doing against them

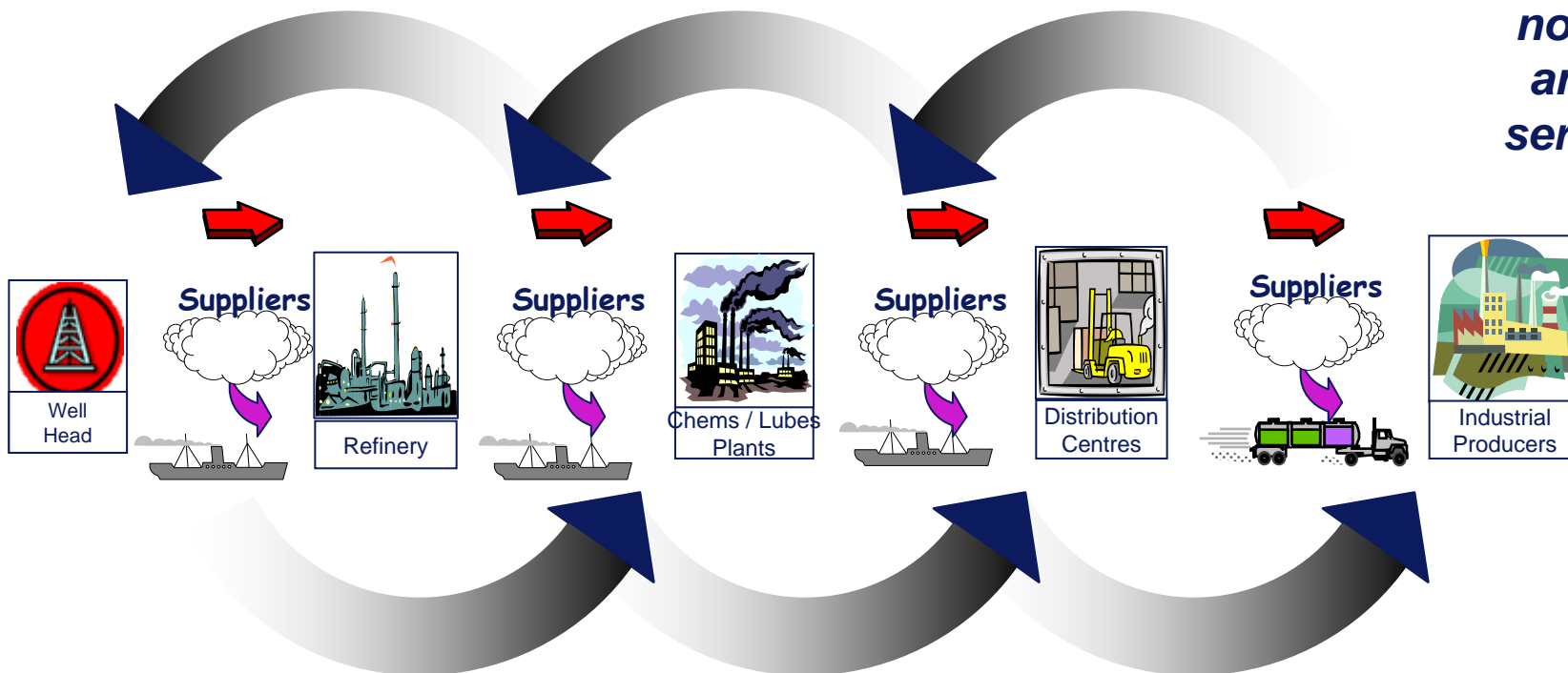
Align your organisation to the 'valued' components; ensure actual performance is excellent on the things they value



# Design, plan and execute for agility – increase the organisation’s clock speed

Frequency, Order Quantities and Stock Plans

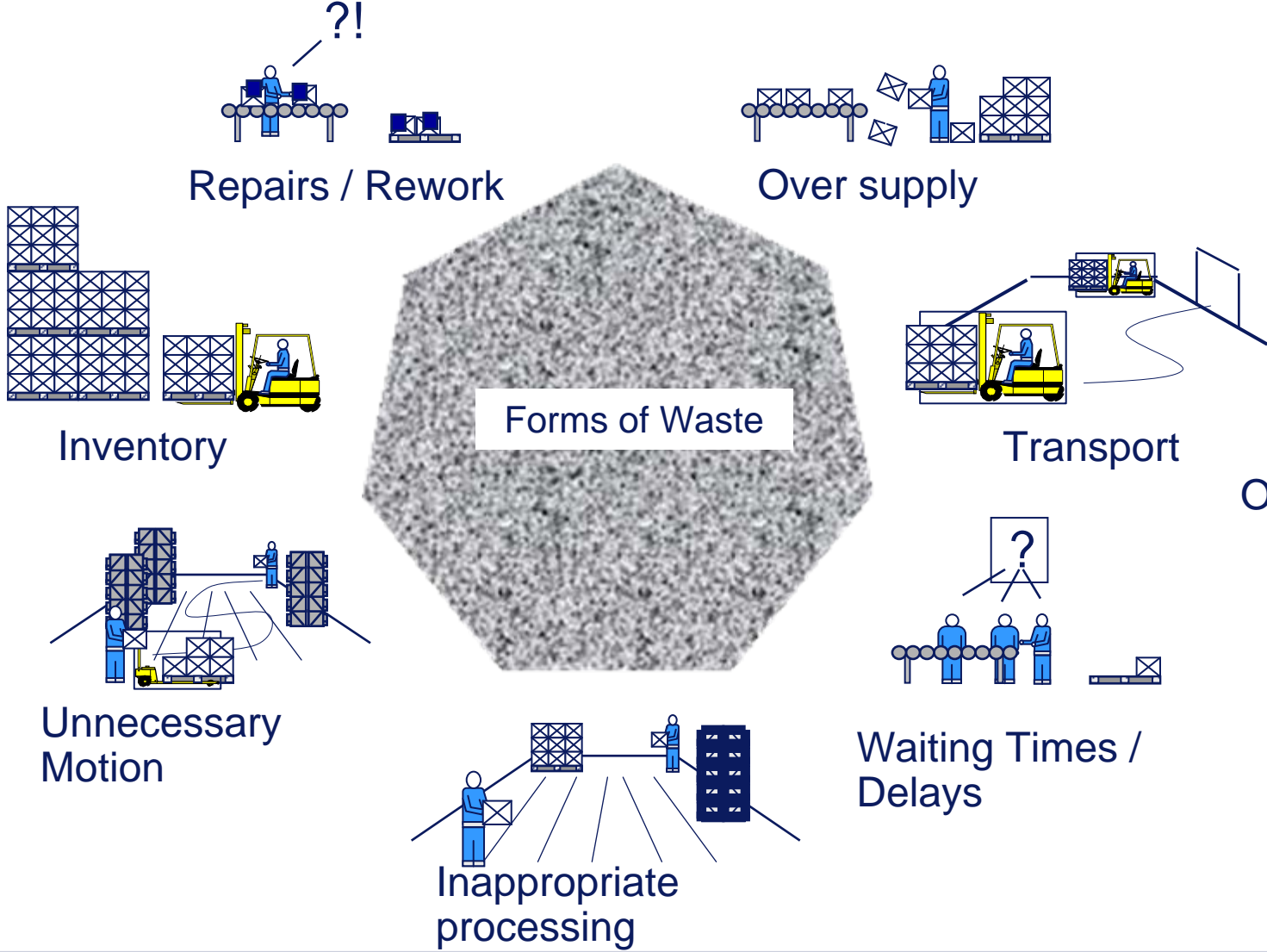
*‘Synchronised Rules’ govern the connection of the nodes and function and determine the service performance and inventory*



*Segmented by customer and product requirements and profitability*

Batch sizes, lead times, ship quantities

# Synchronise / integrate to eliminate waste



**Taiichi Ohno (& Deming): the '7' wastes**

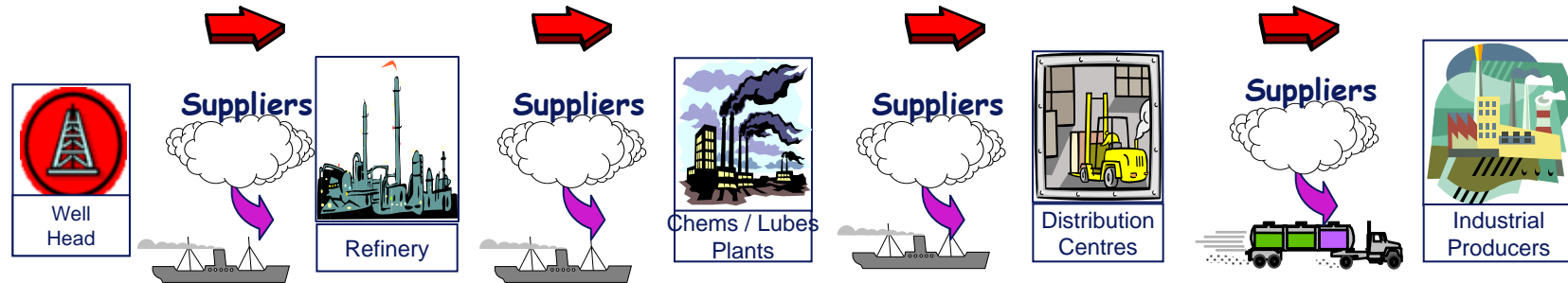
Other forms of waste

- human talent
- excess energy
- pollution
- space
- complexity



# Collaborate to leverage performance

...become the preferred customer of your key suppliers



← Lowest end-to-end cost through balancing and quality of execution →

***“My business with my suppliers is their most profitable – yet we still have the lowest total cost of ownership”***

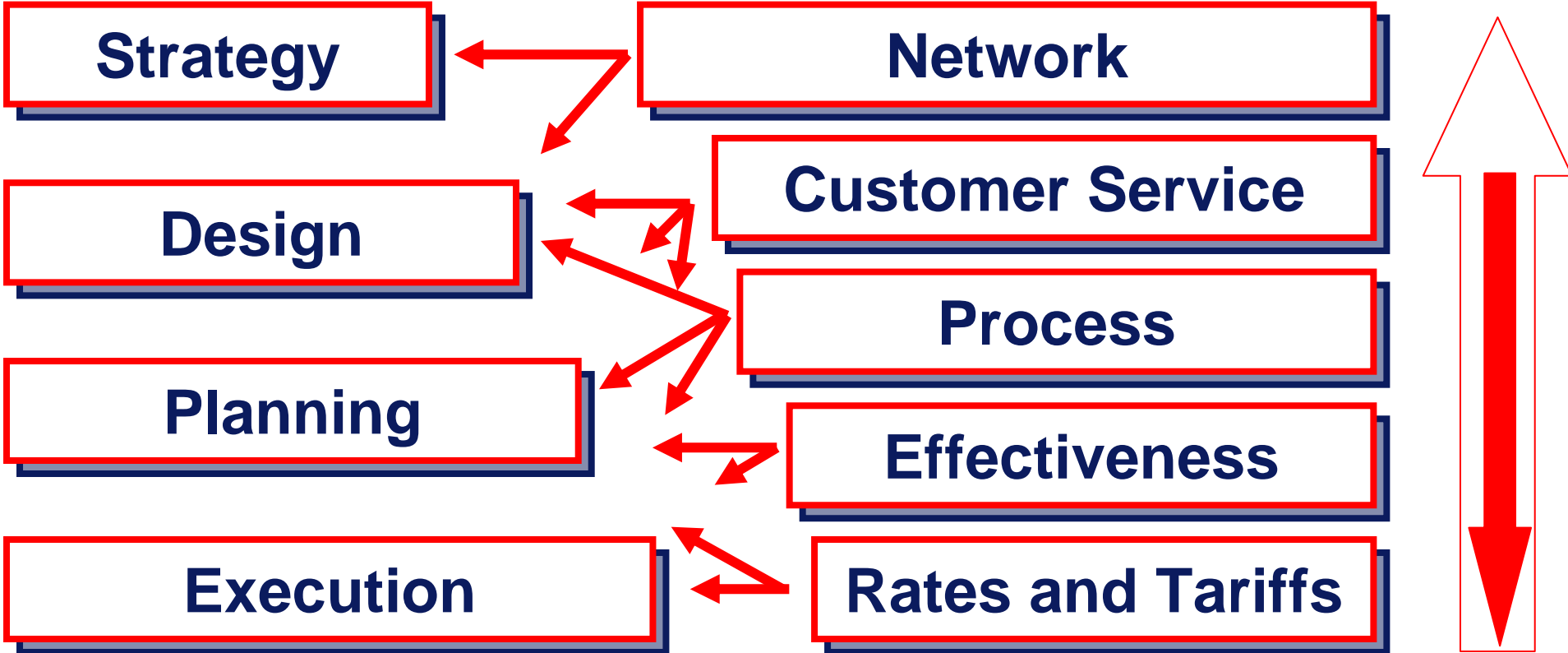
*VP of Procurement – a world leading electronics manufacturer*

# Agenda

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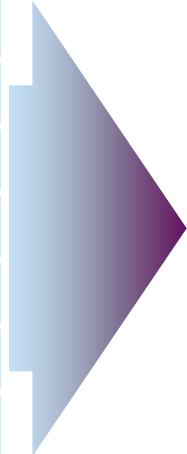
- Difficult markets provide fresh opportunities
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# Strategy to realisation – many dimensions

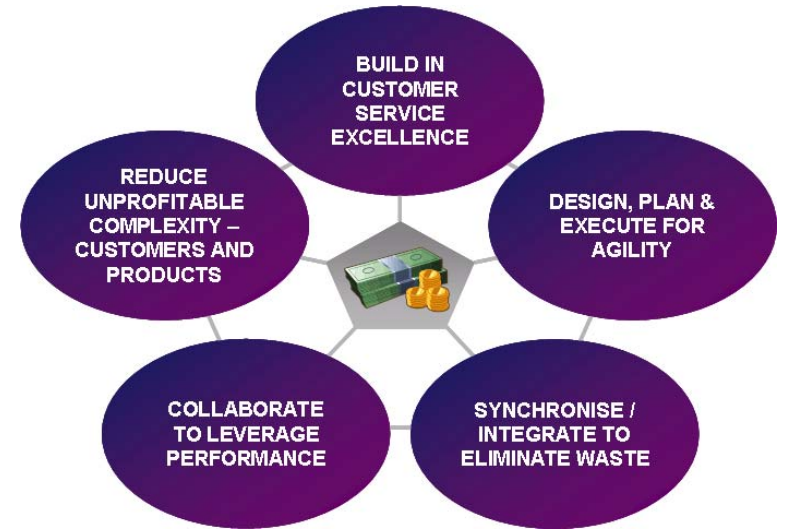


# ...requires a toolset for unlocking the *5 Maxims* quickly

Business & Supply Chain focus	LCP diagnostic tools
Business drivers	5 levers model & market analysis
Product & Customer Profitability	LCP Cost-to-Serve ®
Supply Chain Risk and Sustainability	Risk & Sustainability Toolset
Supply Chain Effectiveness	End-to-end SC Diagnostic Set
Customer Service	LCP Performance Measures
Waste identification	Waste diagnostic and measurement
Inventory	Inventory analysis tools
Green Supply Chain	Carbon-to-Serve ®
Supply Chain Maturity	LCP CRYSTAL maturity profiling
Sales & Operations Planning	LCP S&OP Toolset
Product Flow Management	LCP Flow Management Tool
Distribution & network	Network & warehouse modelling
Supply Chain Efficiency	LCP Benchmarks and Best Practice

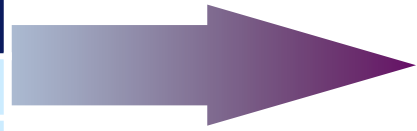


## RapiSCAN ®



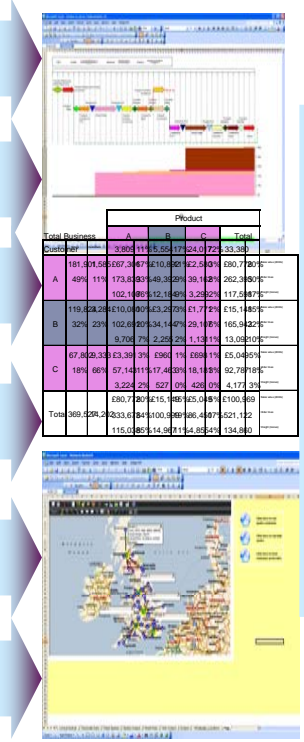
# LCP RapiSCAN® is a fast track analysis and diagnostic of a company's supply chain and logistics to set direction and priorities

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Business drivers	5 levers model & market analysis
Product & Customer Profitability	LCP Cost-to-Serve ®
Supply Chain Risk and Sustainability	Risk & Sustainability Toolset
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Supply Chain Maturity	LCP CRYSTAL maturity profiling
Sales & Operations Planning	LCP S&OP Toolset
Product Flow Management	LCP Flow Management Tool
Distribution & network	Network & warehouse modelling
SC Collaboration effectiveness	SC Collaboration Index
Supply Chain Efficiency	LCP Benchmarks and Best Practice



## Opportunities & Options

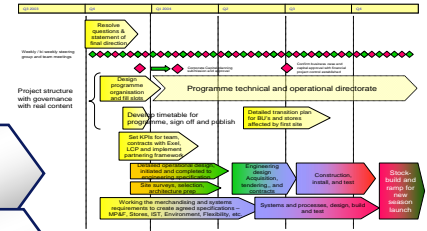
## Implementation roadmap



### Opportunities & Options

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## Quick wins

## 2 to 5 year developments

RapiSCAN® is a registered mark of LCP Consulting Ltd



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# Sector/Geographies winners and losers

## Sector Winners

- Food +1.1%
- Pharma + c. 2% to 5%
- Power and utilities – unchgd
- Service operations

## Geographical winners

- India
- Oil and Gas exploration territories
- Middle East (low loser)

## Sector losers

- Steel – 50%
- Consumer goods
- Global trade
- International logistics
- .....

## Geographical losers

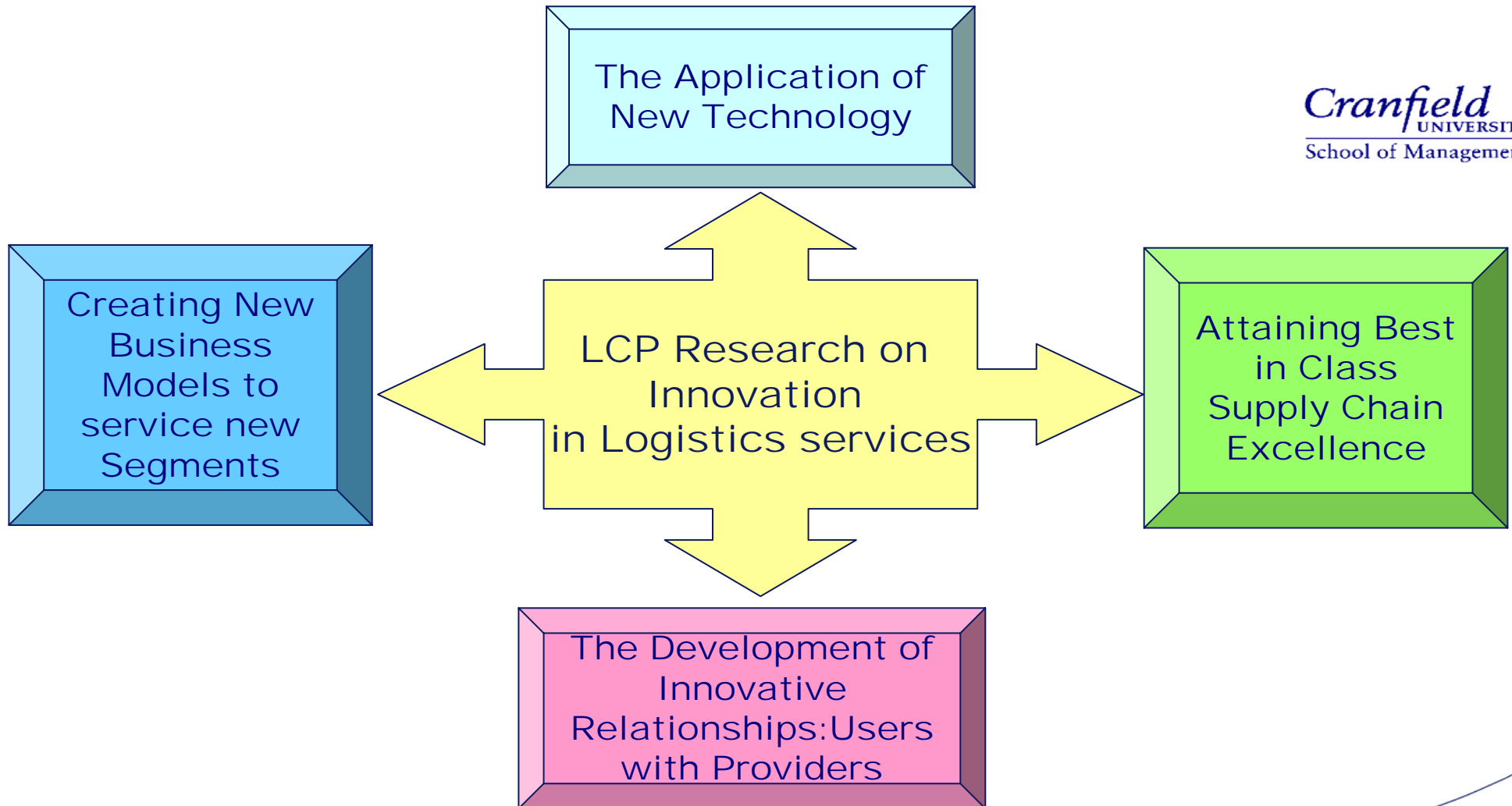
- Iceland / Ireland
- South China
- USA
- ...many others

# So where to focus?

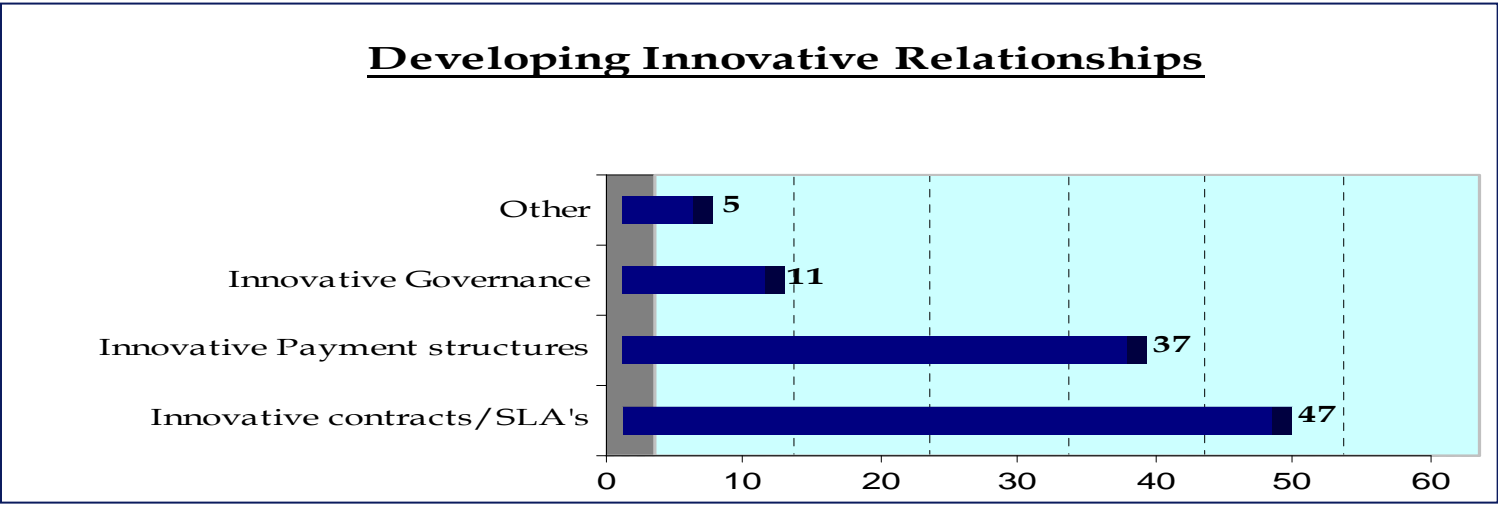
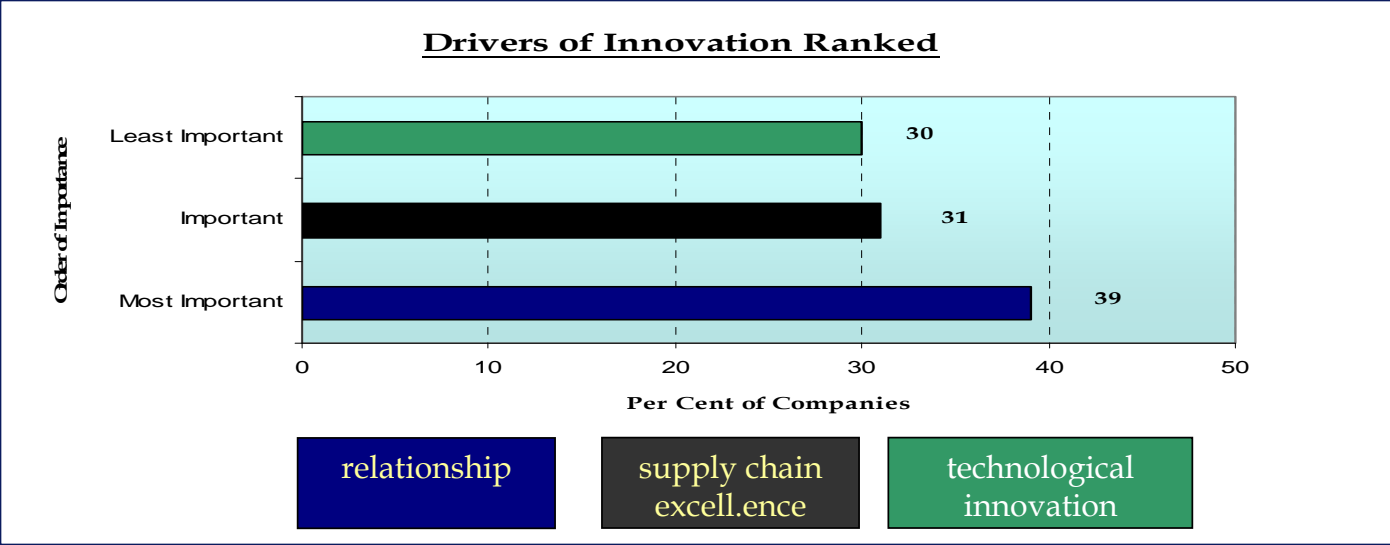
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- Cannot be in places and sectors where not established
- Use the five maxims to get focus and innovation
- For logistics organisation – some further insights on innovation
- .....

# LCP / Cranfield research on LSP innovation identified 4 areas of innovation . . .

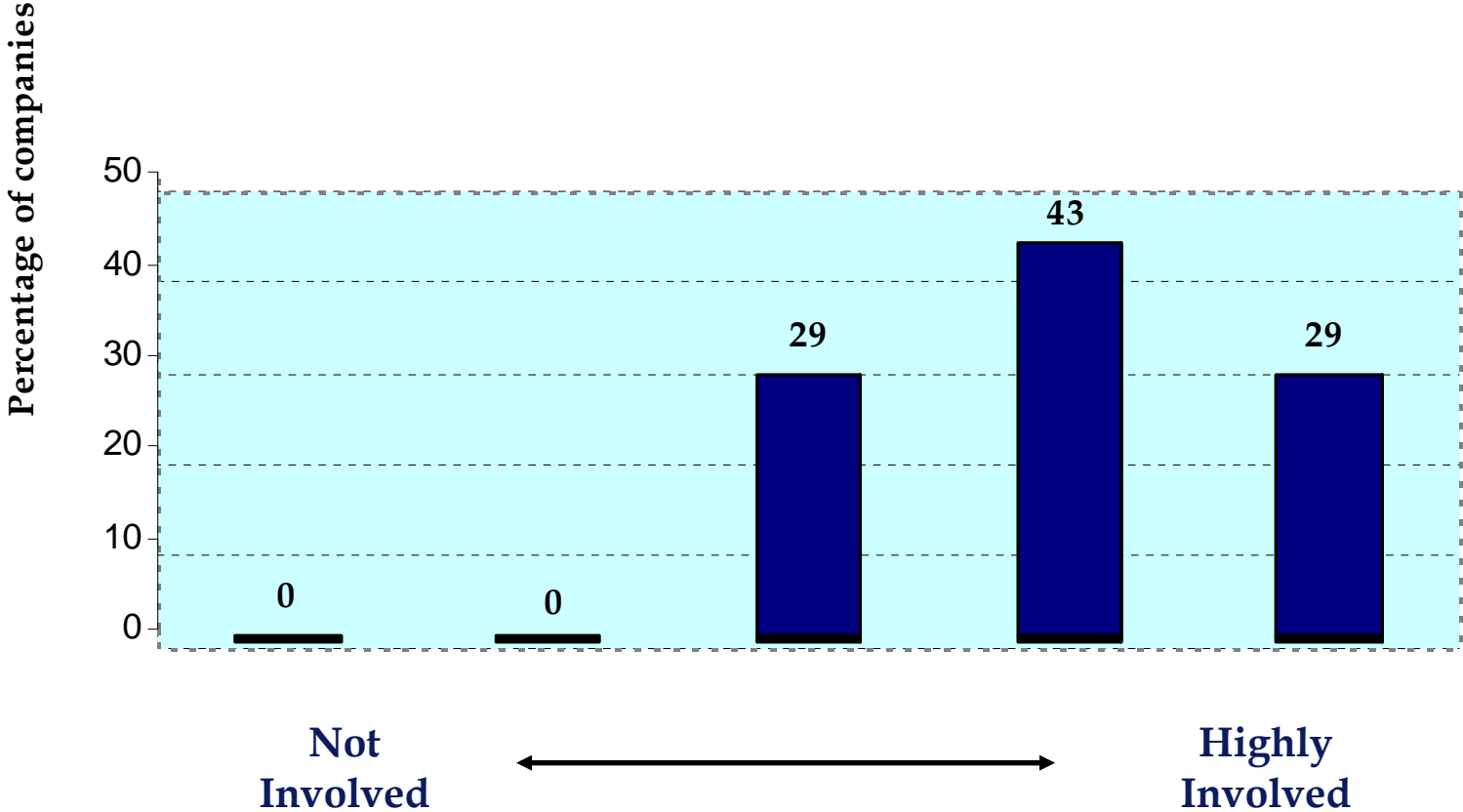


# Relationships and Client involvement are key

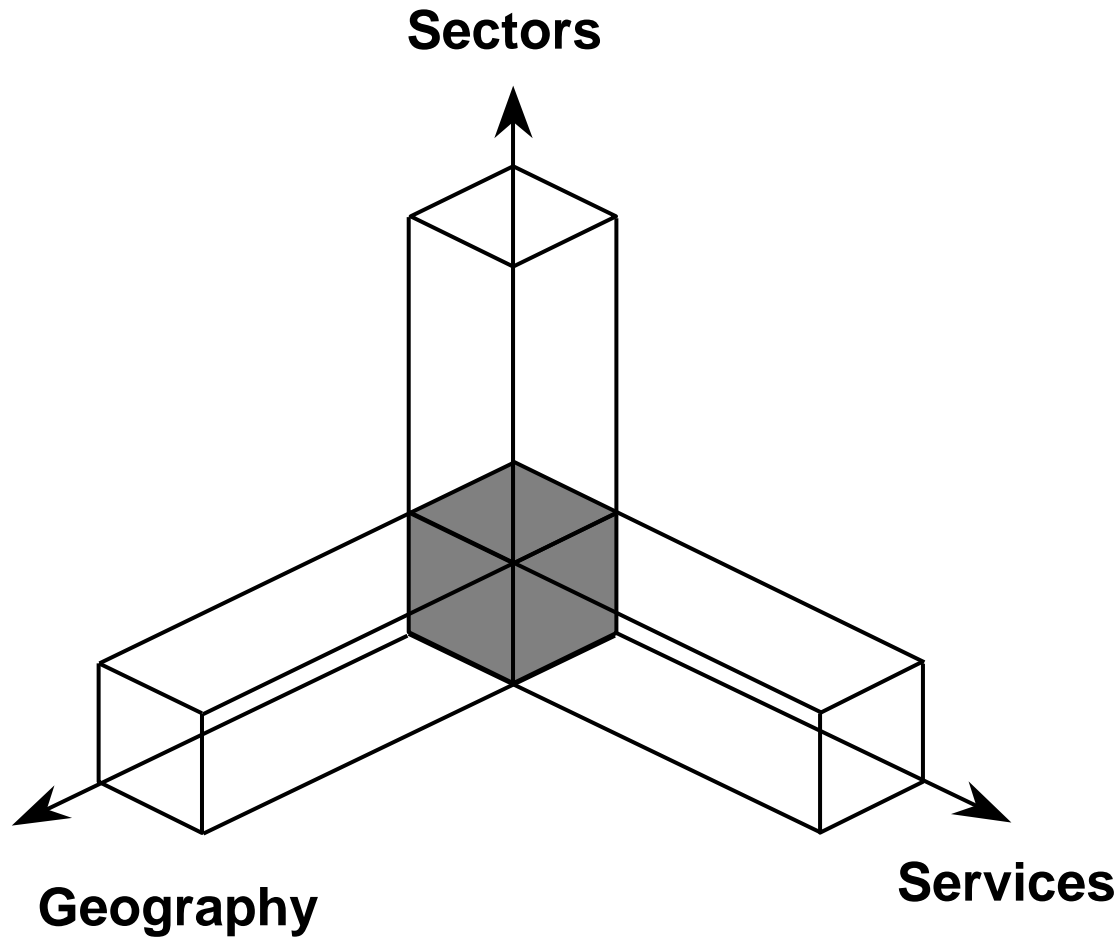


# Clients are the key – high involvement

Level of Client Involvement (New Business Models)



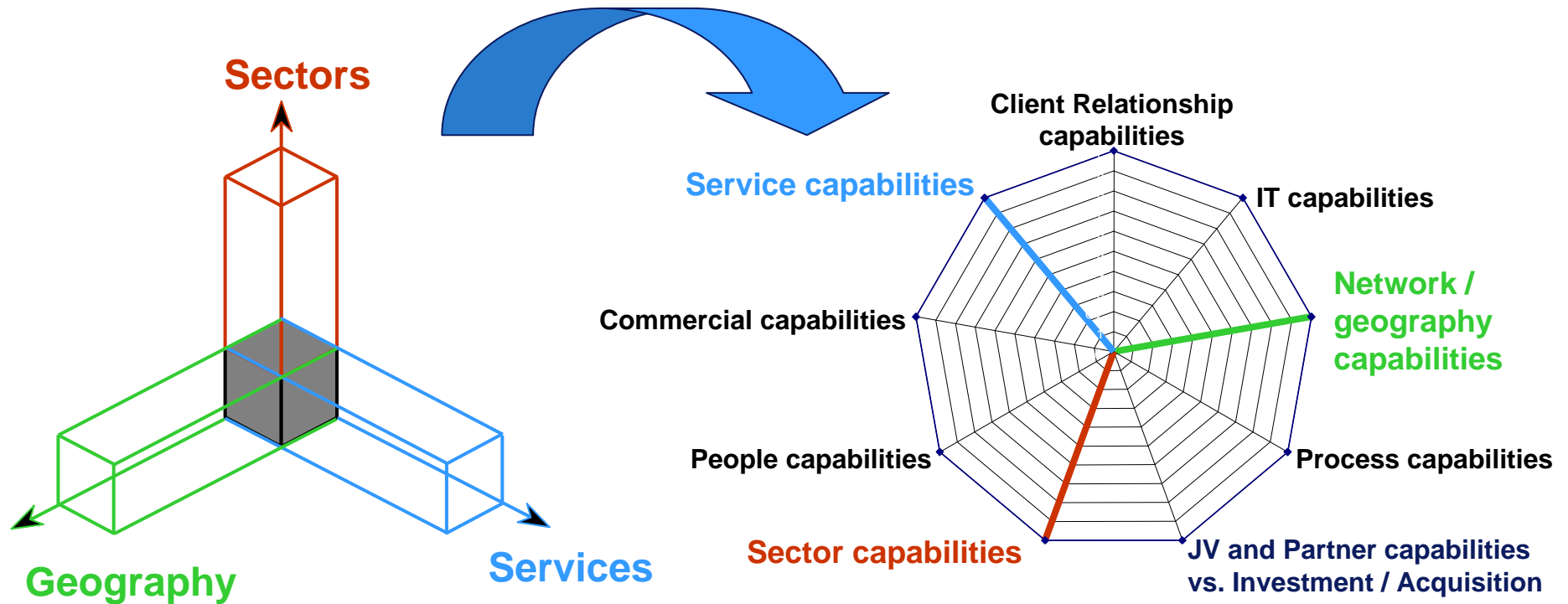
...yet most providers articulate their strategy in three dimensions



## Network, service and sector capabilities

Status>>	Leaders	Followers	Laggards
<b>Network capabilities</b>	<ul style="list-style-type: none"> <li>• Global capabilities</li> <li>• Strengths in more than one region</li> <li>• Proven long term strategy to develop global capabilities</li> </ul>	<ul style="list-style-type: none"> <li>• Global capabilities</li> <li>• Majority of assets / capabilities in region of origin</li> <li>• Strategy in place to extend geographic coverage</li> <li>• Tend to follow key customers</li> </ul>	<ul style="list-style-type: none"> <li>• Regional capabilities (more than one country)</li> <li>• Majority of assets / capabilities in country of origin</li> <li>• No strategy to extend geographic coverage</li> </ul>
<b>Service capabilities</b>	<ul style="list-style-type: none"> <li>• Skilled innovative and customer aware teams – well organised and flexible</li> </ul>	<ul style="list-style-type: none"> <li>• Significant range of logistics services (JVs and alliances if necessary)</li> <li>• Some extended services</li> <li>• Strategy to develop full service capability</li> </ul>	<ul style="list-style-type: none"> <li>• Limited service capability</li> <li>• Extended service not a strategic priority</li> <li>• Regional / sector strategies more important</li> </ul>
<b>Sector capabilities</b>	<ul style="list-style-type: none"> <li>• Dedicated industry sector teams</li> <li>• Sector specific offerings</li> <li>• Specialist consulting expertise</li> <li>• Business development strategies by sector</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated industry sector teams</li> <li>• Limited in-house sector expertise – bought-in if required</li> <li>• Aspiration to develop sector focus</li> </ul>	<ul style="list-style-type: none"> <li>• No industry sector focus</li> <li>• Sector expertise bought-in if required</li> <li>• No sector strategies</li> </ul>

... we carried forward our research to show there is more - services, sectors and geographies unpack to 9 strategic differentiators



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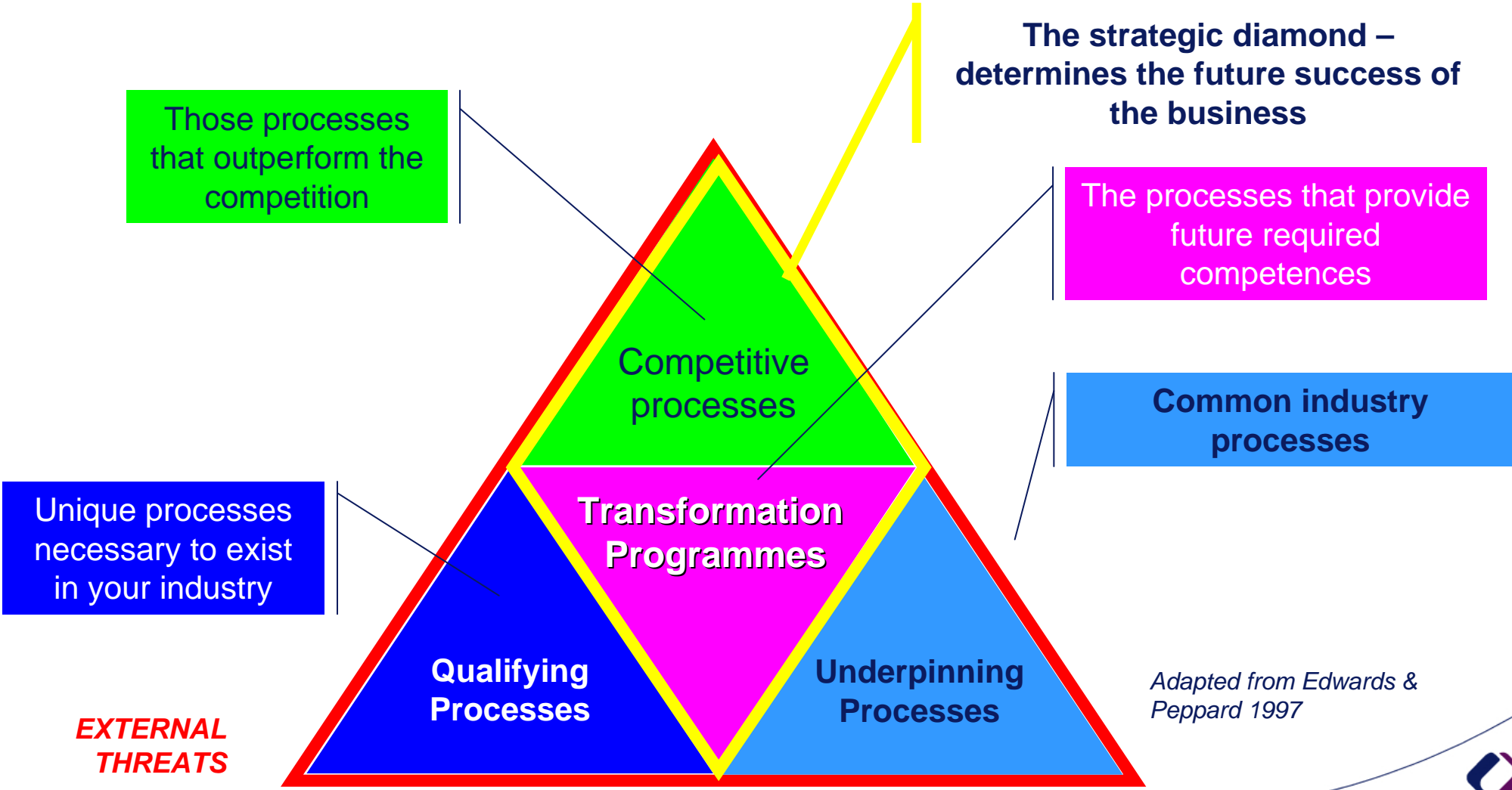
# Organisation and culture are the biggest barriers

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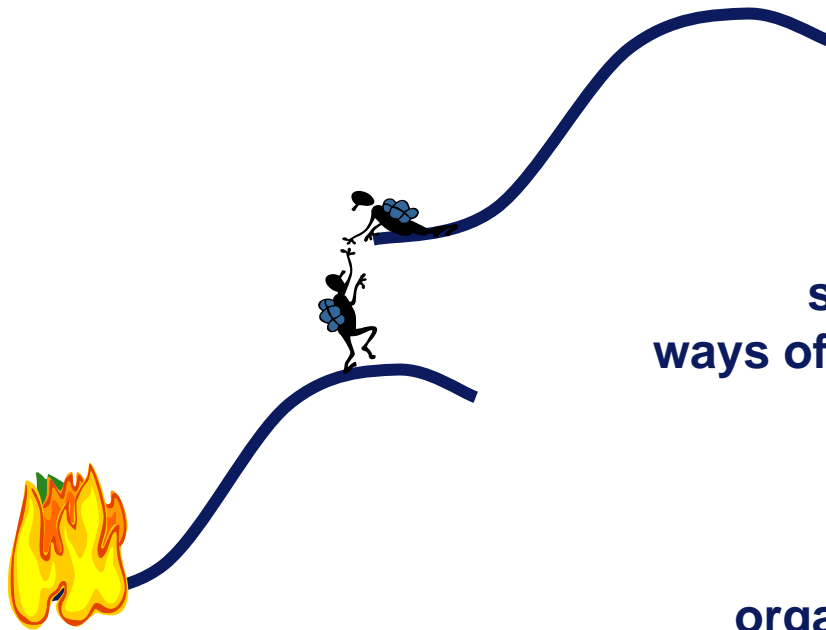
*“The greatest obstacles to change are the things you did well yesterday. The same things you spent the last 20 to 30 years perfecting”*

**Peter Drucker,  
The Practice of Management, 1995**

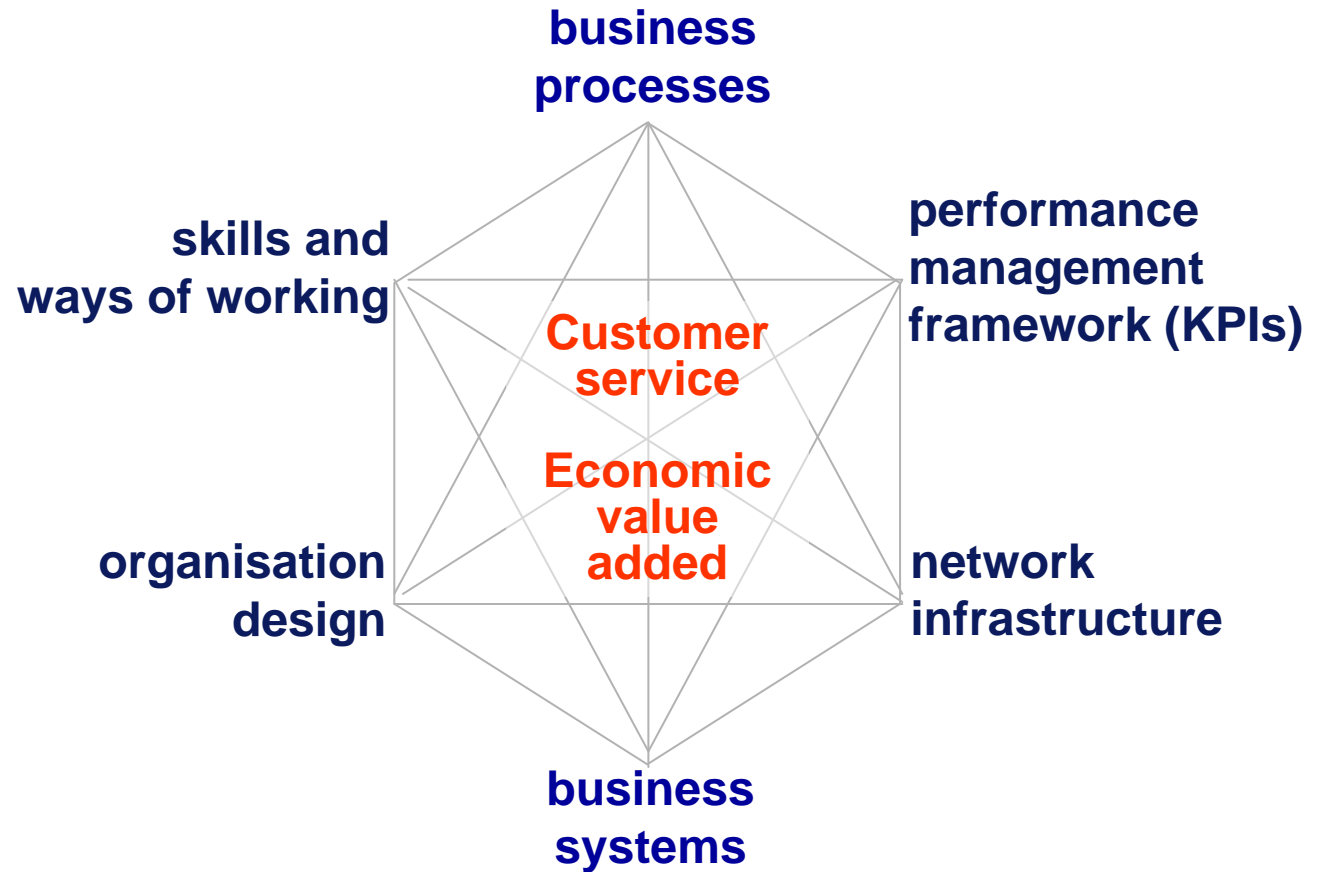
# Investing and innovating – competitive processes



# A 'New Shape' requires actions all round the 'LCP Crystal'



***The LCP Strategic Transformation Crystal defines an integrated set of actions***



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**The opportunities are huge if you  
organise for them!**

**.....any questions?**

*Cranfield*  
UNIVERSITY  
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