

REINVENTING YOUR SUPPLY CHAIN

Transform your supply chain into a
competitive weapon.

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OVERVIEW

Most companies today have supply chains that are functional and reasonably reliable. But the world, environment, consumers, and customers are changing so rapidly that incremental, continuous improvement isn't fast enough to adapt to the new needs of the new environment. High performing companies have made a step function change to turn their supply chains into true competitive weapons, reaping substantial rewards along the way: Not only do they enjoy above-market growth rates compared with their more complacent competitors, but they have reset customer expectations and, in many cases, are ready to disrupt their industries.

No matter where your company falls on the supply-chain maturity curve, Bain Supply Chain Reinvention can help you become a leader. We have partnered with more than half of the companies deemed to have "Top 25" supply chains (as ranked by Gartner) on key supply chain issues, and we have helped companies in many different industries conquer capacity constraints, overcome margin pressure, embrace the latest digital technologies, and fully align their supply chain capabilities with their strategic ambition.

High performing companies develop their supply chains into competitive weapons

 <p>Accelerate revenue growth</p> <p>By increasing your ability to rapidly meet changes in market demand and expand output by enhancing your operations from end to end.</p> <p> Product development cycle decrease: 40–60%</p> <p> Stock out decrease: 10–30%</p>	 <p>Boost customer satisfaction</p> <p>By using feedback loops to improve customer collaboration and, thanks to the elimination of operational silos, your perfect order rate.</p> <p> Customer satisfaction improvement: 20–30%</p> <p> Perfect order rate improvement: 20–40%</p>	 <p>Unlock savings and cash flow</p> <p>By reducing manufacturing and logistics costs, outsourcing low value-add activities, and optimizing safety stock levels to improve inventory turns.</p> <p> OPEX benefit of reducing infrastructure spend: 1–2% per year</p> <p> Shipping and logistics cost reduction: 10–20%</p>	 <p>Minimize risk and increase reliability</p> <p>By enhancing forecast accuracy with better tools and data, and reduce disruptions by building buffers within your network.</p> <p> Reduced supplier lead times: up to 75%</p> <p> Forecast error improvement: 20–60%</p>
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Source: Bain & Company

What can you expect? Bain Supply Chain Reinvention is designed to:

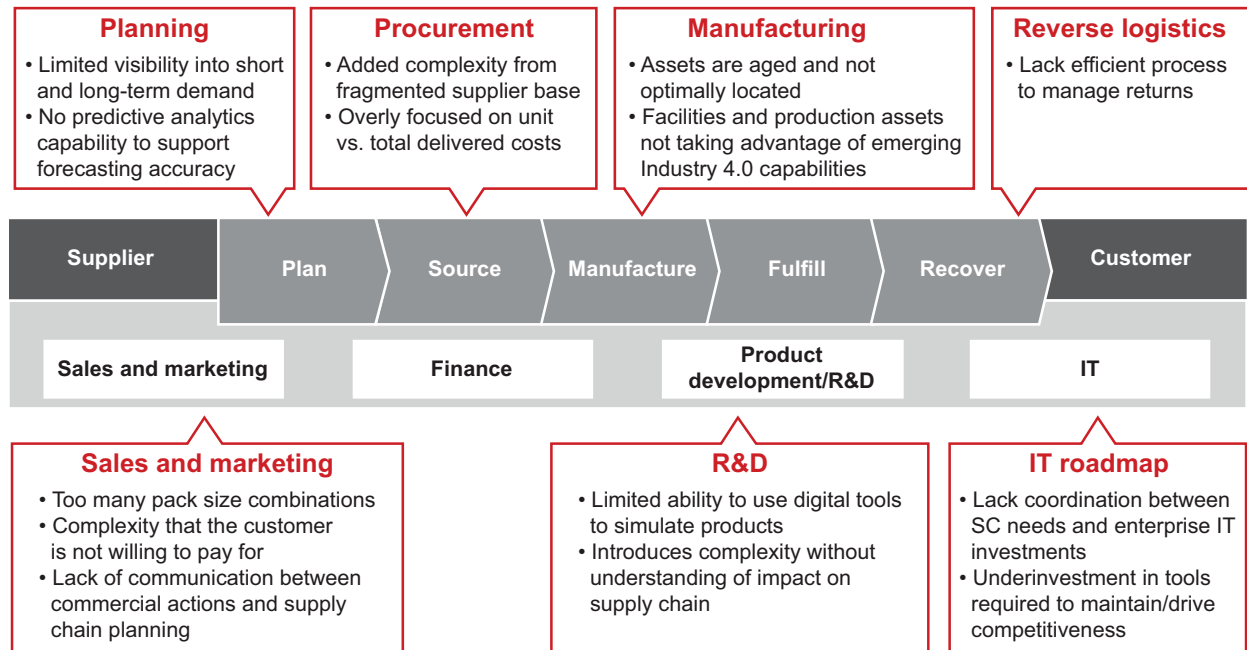
- **Accelerate revenue growth**, by increasing your ability to rapidly meet changes in market demand and expand output by enhancing your operations from end to end.
- **Boost customer satisfaction and advocacy**, by using feedback loops to improve customer collaboration and, thanks to the elimination of operational silos, your perfect order rate.
- **Unlock savings and cash flow**, by reducing manufacturing and logistics costs, outsourcing low value-add activities, and optimizing safety stock levels to improve inventory turns.
- **Minimize risk and increase reliability**, by enhancing forecast accuracy with better tools and data, and reduce disruptions by building buffers within your network.

THE CASE FOR CHANGE

The competitive landscape is changing quickly; to win you need the flexibility and resilience to keep pace with whatever comes next. The implications for your supply chain are clear: Both its design and day-to-day management have to be optimized to meet any challenge. The journey from suppliers at one end to customers at the other has many steps, and along the way there are any number of places where mistakes, delays, unnecessary costs, inefficiency, poor communication and missed opportunities can creep in (*see Figure 1*). So it's not surprising that most companies have supply chains that underperform, typically leaving 5 to 10 percentage points in potential gross margin gains—and often more—unrealized.

Today's supply chains are also being strained by a host of external forces, including:

- Urbanization
- Localization
- Personalization
- Rising input costs
- Fundamental retail shifts due to changing consumer behaviors and digital and e-commerce advancements
- Increasing retailer demands
- Consumers' increasing focus on sustainability as a corporate responsibility

Figure 1: Today's supply chain: many links, many kinks

Source: Bain & Company

THE DIGITAL IMPERATIVE

Amid those rapidly shifting market dynamics, however, there is a bright light: the accelerating impact of digital technologies, which have the potential to transform virtually every link in the supply chain. We believe there are four key digital themes shaping the future of supply chains:

End-to-end visibility and collaboration. Companies are investing in control tower platforms that help organizations optimize their supply chain network by providing seamless, real-time visibility and promoting informed decision making.

Intelligent supply chains. Advanced R&D management, planning strategies and forecasting capabilities are integrated as never before.

Smart automation. Characterized by a step-function acceleration of operational processes, increased flexibility and customizability.

Next-gen employees. A host of new tools and technologies will enable employees to enhance their skills and achieve notably higher levels of productivity.

The pace of change is accelerating, and, while it is certainly not easy to predict which of these developments will mean the most to your company, adopting a wait-and-see attitude is not an option.

Unfortunately, some companies are doing just that. They believe the risks and sheer effort of becoming a digitally enabled organization won't pay off, or they think the technologies aren't mature enough. Some don't see the ROI, and others remain committed to a long-term technology roadmap that has not allocated budget or resources to develop a digitally enabled supply chain.

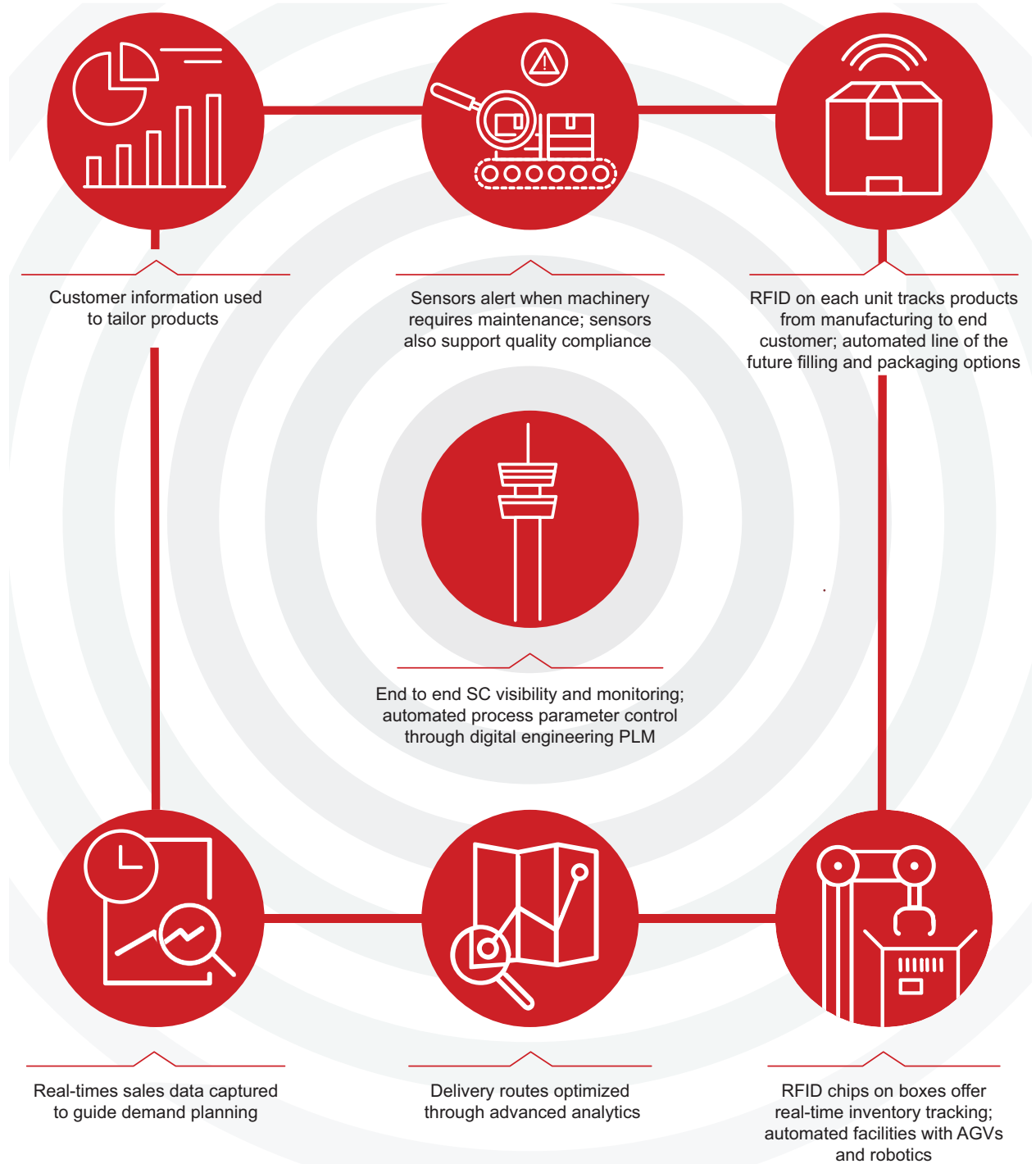
Companies that work with Bain to reinvent their supply chains can proceed with confidence. We systematically address these concerns and provide you with a detailed roadmap that illustrates exactly how to arrive at your boldest ambition, determining what your future supply chain will look like and how you can get there (*see Figure 2*).

YOUR SUPPLY CHAIN, REINVENTED

We believe that supply chain reinvention is a strategy-infused, integrated process. We take a differentiated approach that incorporates:

1. A design and execution strategy that transforms your supply chain from its current state into a competitive weapon
2. A compelling business need, linking your supply chain strategy to business choices and growth aspirations
3. An unconstrained view of what your supply chain can be when bold moves and breakthrough improvements are applied
4. An end-to-end view that looks for value across every link in the value chain

Figure 2: Enablers for a digital supply chain



Source: Bain & Company

Your reinvention journey needs to begin with a clear assessment so that you can develop a list of priorities that will bridge the gap between your business strategy and the ultimate design of your supply chain.

The Starting Point: Determining Why You Need to Act

What's currently at risk for your company, and what do you stand to gain by pursuing supply chain reinvention? Shorter innovation cycles? More nimble competitors? Rising customer service expectations? Limited capacity for volume growth? Consistent problems keeping items in stock? Outsized capital spending on disadvantaged plants? Rising labor costs? Whatever the current shortcomings of your supply chain, your reinvention journey needs to begin with a clear assessment so that you can develop a list of priorities that will bridge the gap between your business strategy and the ultimate design of your supply chain.

We begin by developing a deep understanding of the commercial needs of your business, including:

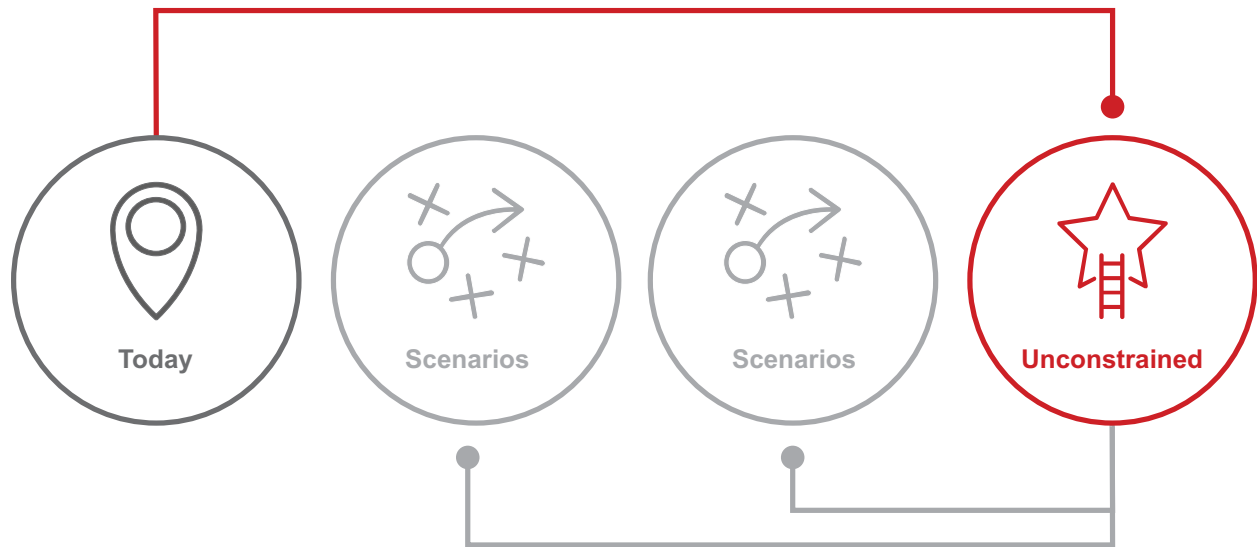
- Projected growth
- Products and solutions
- Channels and customers
- Product configurations
- Delivery requirements
- The competitive landscape

Those critical components of your business strategy will determine the answers to key questions about your supply chain strategy, including how it should enable your growth aspirations, the role that internal and external customer expectations play in its design, and which competitive threats it should be prepared to respond to.

Next Up: Taking an Unconstrained View

Supply chain reinvention is all about bold moves and breakthrough improvements. To get there, we reimagine what your supply chain could look like, taking away typical constraints that may be limiting how you think about redesigning your supply chain. We then factor in the operations, commercial, capital, supplier and regulatory constraints that must be considered, and develop real-world scenarios that will deliver clear business benefits (*see Figure 3*).

Figure 3: Getting there from here: using scenarios to achieve your full ambition









Source: Bain & Company

Our approach addresses both your today-forward and your future-back needs, so that you can make no-regrets moves now that produce near-term savings even as you develop a clear vision for your future state, guided by a detailed roadmap that shows how to get there.

The goal is nothing less than a supply chain that produces attractive financial returns and a clear competitive advantage, accelerating revenue growth, boosting customer satisfaction, unlocking savings and cash flow, and minimizing risk.

Near-term, it means tackling current constraints in operations, demand planning and forecasting, inventory, capex, your supplier network, and regulatory and environmental affairs. That may sound daunting, but our unrivaled approach to Supply Chain Reinvention has helped many companies do exactly that—reimagine their supply chain from end to end, with a clear plan for addressing all the levers that come into play (see Figure 4).

Figure 4: Supply Chain Reinvention: Levers and options

		Current state	Option set			Unconstrained
Levers	 World class planning	No change	Optimized decision roles and processes	Demand forecasting leverages machine learning	Lights out planning	
	 Procurement excellence	No change	Optimized buy better, spend better techniques	Strategic suppliers with digital capabilities co-located	Suppliers' R&D capabilities leveraged	
	 Optimized manufacturing	No change	Lean and agile ways of working applied	Digitized shop floor	Fit for purpose assets of the future	
	 Optimized network	No change	Optimized make vs. buy	Late stage differentiation capabilities	Fit for purpose plants	
	 Customer service & logistics	No change	Optimized transportation flow and modes	Increased direct shipment	Digitalized last mile optimization	
	 Enabled organization	No change	Agile ways of working applied	Increased shared services with digital capabilities	Industry 4.0 capabilities infused	

Source: Bain & Company

Each of these levers presents a number of options. We work with you to develop a comprehensive list for each, and then determine when it makes sense to be bold, to maintain the current state, or to opt for something in between.

Next, we look at the most relevant and likely scenarios for transforming the performance of your supply chain, based on your industry and competitive position. And we incorporate the latest digital technologies at virtually every stage. The end result? A clearly defined, quantifiable vision for a supply chain that gives your company a true competitive edge.

Achieving your full vision doesn't happen overnight, of course. We help you develop an aggressive, integrated roadmap that balances long-term performance (typically spanning three to four years) with quick wins that save money right away and throughout the entire reinvention.

Supply Chain Reinvention at a Glance

What does an end-to-end reinvention of your supply chain look like in practice? Here's a snapshot of how some supply chain leaders have worked with us to move efficiently toward their long-term vision:

- The work begins with a targeted, fact-based assessment of the current supply chain, from end to end, to determine how well it meets current and future strategic priorities.
- Next, the company creates an unconstrained view of just what its supply chain performance could be, and develops a baseline model that supports "what-if" scenario planning.
- The work advances to the next stage, with the development of high-potential scenarios that span different risk and benefit profiles, complemented by a set of quantitative and qualitative evaluation criteria.
- For the leading scenarios, develop an integrated set of specific end-to-end initiatives required to deliver the scenarios and the organizational model required.
- The company makes choices that align with the top one or two scenarios.
- The company is then ready to create a detailed supply chain reinvention roadmap, and mobilize around a set of discrete and executable projects, complete with timing and resource estimates.

Longer term, we work with you to develop and support the implementation of a comprehensive change management plan, including risk mitigation strategies. As we execute, we continue to dig deeper and identify other areas that could benefit from improved processes, digitization or simplification.

RESULTS AT A GLANCE

Using Bain's unique approach to Supply Chain Reinvention, companies have achieved impressive results across the full spectrum of supply chain capabilities. Some highlights:

Efficiency. Companies have seen inventory turns improve by 10%–40% and shipping and logistics costs decline by 10%–20%, and they have achieved a 30%–100% increase in overall equipment effectiveness (OEE). They have also see a 30%–40% reduction in inventory shrink.

We help you develop an aggressive, integrated roadmap that balances long-term performance with quick wins that save money right away and throughout the entire reinvention.

Predictability. Supply chain reinvention has helped companies cut forecasting errors by 20%–60%, reduce stock-outs by 10%–30%, and improve their perfect-order rates by 20%–40%.

Agility. Product development cycles have improved by 40%–60%, and supplier lead times have declined by up to 75%.

Effectiveness and alignment. Companies have also seen customer satisfaction rates improve by 20%–30%, product complexity fall 20%–40%, and plant output improve by 15%–25%.

Bain Supply Chain Reinvention has produced other impressive results, including reduced infrastructure spending (resulting in a 1%–2% opex benefit), faster and earlier mitigation of risks, improved alignment between the supply chain team and the overall business, and the creation of strong governance structures that provide consistent oversight and clear guardrails.

We also make sure your company is well-equipped to sustain all these benefits over the long term. Our Results Delivery® experts work with your internal team to make sure they master the skills they need to continue achieving supply chain excellence.

Given how digital technologies are transforming what can be accomplished at every link in the supply chain, and how expectations of both B2B and B2C customers are continually increasing, the time is right for companies to look beyond supply chain improvements and instead seize the many advantages that come from a complete reinvention. Bain's today-forward, future-back approach enables you to achieve an impressive array of quantifiable benefits in the near term as you build the capabilities you need to turn your supply chain into a competitive weapon over the long term.

The end result: a supply chain that optimizes digital technologies at every stage, to accelerate revenue growth, boost customer satisfaction and advocacy, unlock savings and cash flow, and minimize risk while increasing reliability.

Shared Ambition, True Results

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What sets us apart

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