DIGITIZE SUPPLY CHAINS BUT DON'T EXPECT A UNIVERSAL APPROACH

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Building agility and flexibility into your supply chain through digitization is key for the future but, be warned, there is no single roadmap to success.

Supply chains have been under the spotlight in recent months and the future will be no less demanding for them. While the COVID-19 crisis put supply chains under particular pressure, creating a “digichain” by digitizing them offers a plethora of benefits even in more stable times.

For fast moving consumer goods (FMCG) companies, digichains have meant bigger sales rather than lower costs. However, there are significant efficiencies that have been enjoyed by other players. Everything from a reduction in energy costs by fitting temperature sensors to factory floors; to investing in design dashboards and augmented reality headsets to ensure quality control can offer advantages amid market volatility.

However, there is no off-the-peg digichain solution that can be bought and implemented into your business. Different companies with diverse strategies use a variety of digital technologies to improve their competitiveness.

Comprehensive research and experimentation is key to ensuring the investment is relevant to your business and can be scaled up quickly to ensure a return on investment.

Initiate your digichain optimization
These five take-aways will help you identify where and how in your supply chain a digital transformation should be implemented.

1. **Qualitatively identify the benefits from independent digital solutions.**
   Whether you are considering improving production protocols by investing in co-bots which work alongside humans to ensure quality production or asset management digitization to save on energy, think about the qualitative benefits to your business of each digital solution and decide on its worth on a case-by-case basis.

2. **Weigh up potential benefits from companies who have already scaled up those solutions.**
   If you are in FMCG, for example, e-commerce might be a good place to start. The clothing retailer Zara has benefitted through the COVID crisis because it had already invested heavily in its e-commerce business.

   When global lockdowns were implemented, it was able to see where its inventory was and then focus on shifting it online fast. With analysts predicting that e-commerce will play a significant part in sales in the wake of the pandemic, the retailer announced it would close up to 1,200 global stores and invest $3 billion in its online platforms.
3. **Quantify if those benefits are interesting for your company.**
The growth in many industries is in the agile part of the market. Here we refer to premium or ultra-premium. These market segments require agility not efficiency.

Philip Morris International (PMI), for example, developed its own all-in-one, digital hybrid printing technology for the folding cartons of its smoke-free products and reduced the route to market, from four months to just seven days.

In a volatile market, getting goods to retailers was key for PMI so it focused its efforts there.

4. **Select the top three solutions and invest only in them.**
Rather than opting for a scattergun approach, identify your three priorities and invest in those.

If efficiencies are more relevant to your business, carry out an energy audit in your manufacturing plants and consider investing in temperature and motion sensors and variable frequency drives. Typically, digitally managed energy reduction can be up to 40%, which has an immediate effect on your bottom line.

5. **Drive your efforts to scale up.**
The biggest challenge is scaling up your solution once you have decided on it. Here is where we have seen hybrid models compete favorably against other digichain solutions.

Hybrid models are run on, for example, a 90% automated and 10% digitally empowered human basis, offering both speed and flexibility.

Having found 100% automation to be a failure, French automotive supplier Faurecia invested in relatively cheap dashboards and modified controllers to optimize productivity and create efficiencies in maintenance. Despite the low costs of implementation, the return on investment has been significant.