

# CSCMP hottopics

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## Customer-centric Supply Chains: A License for Growth

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*Educating and Connecting the World's Supply Chain Professionals.™*

Supply chains have traditionally been seen as drivers of efficiencies and scale, providing competitive cost advantage. In recent years, though, the role of supply chains has evolved beyond efficiency to growth.

In Accenture's most recent supply chain research, our surveyed companies have invested, on average, US\$153.4 million to transform their supply chain for growth over the past two years (2017-2019).

In 2020, the COVID-19 pandemic hastened and intensified changes to the consumer and customer landscape. Beyond business growth, supply chains became more important than ever, helping save lives by getting critical supplies to the people who need them.

Companies with robust supply chains are showing resiliency through this crisis, combined with a responsibility not just to the business, but also to the greater good of society. In the aftermath of COVID-19, we expect customers to continue to demand an experience in which supply chains respond with a higher purpose.

Our research, with top-level executives across nine industries at 900 companies around the globe, shows a few select leaders are transforming their supply chains to contribute to a customer experience that leads to purpose-led growth.

## A LICENSE FOR GROWTH

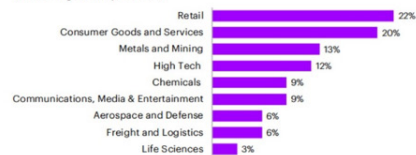
Customer-centric supply chains

Our survey covers 900 companies from nine industries across 10 geographies

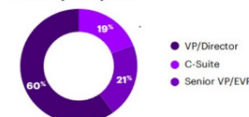
**Distribution by geography**  
(Percentage of respondents)



**Distribution by industry**  
(Percentage of respondents)



**C-suite participation**



I. We interviewed seven top supply chain executives from six industries to understand how they are transforming their existing supply chains into ones that deliver customer experience-led growth.

II. We used econometric modeling to estimate the impact of collaborative analytical asset-light architecture on revenue growth.

III. We also used the CapIQ database to highlight the differences in the performance of Masters versus Others on indicators such as EBITDA and share price movements.

We discovered this 10%—our Masters—have been able to successfully reshape their supply chains to create significant impact on their topline growth, versus their peers. And these Masters' growth sails above peer companies. The investments that Masters are making, in time and money, are paying off in four ways:

We discovered this 10%—our Masters—have been able to successfully reshape their supply chains to create significant impact on their topline growth, versus their peers.

- 13% revenue growth rate
- 2.5% higher EBITDA margin
- 3x higher contribution to total revenue
- A daily share price during the COVID-19 crisis that remains above their peers

## WHAT DO SUPPLY CHAIN MASTERS DO DIFFERENTLY?

The good news: The Masters' approach is an imitable formula that can help companies create more resilient, purposeful supply chains that fuel growth. And we know that is more essential than ever in today's world.

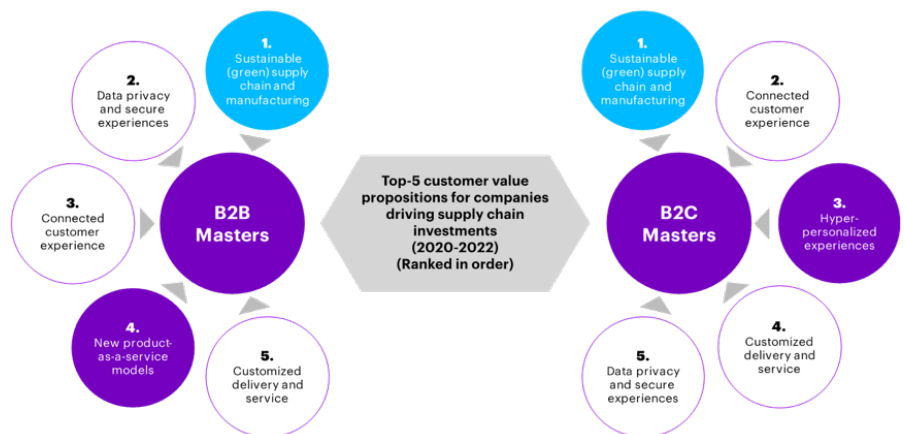
- 1. Masters begin with the customer in mind.** They base their supply chain strategy on what the customer values.
- 2. Masters help turn insight into innovation.** They invest in digital architecture, creating a foundation for collaboration, inside and out.
- 3. Masters are highly mature in select capabilities.** They focus on those to enhance supply chain agility and foster innovations, building security in.
- 4. Masters engage their Chief Executive Officer (CEO) to move beyond conversation to true transformation.** These CEOs ensure board-level support while funding supply chain innovation and talent.

## MASTERS BEGIN WITH THE CUSTOMER IN MIND

Masters focus on the value propositions that matter most when delivering the right customer experience. Topping the list for B2B and B2C industries is sustainable (green) supply chain and manufacturing.

People around the globe are more conscious about the products they are consuming—where they are sourced, how they are made and how they are recycled. They are increasingly looking for companies that share their environmental, ethical and social values. It is not surprising, then, that supply chain Masters are prioritizing sustainability. Not only is it the right thing to do, customers demand it.

## Customer value propositions prioritized for supply chain investments



- Highlights customer value proposition given as a top priority by both B2B Masters and B2C Masters
- Highlights the unique customer value proposition between B2B Masters and B2C Masters



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### MASTERS HELP TURN INSIGHT INTO INNOVATION

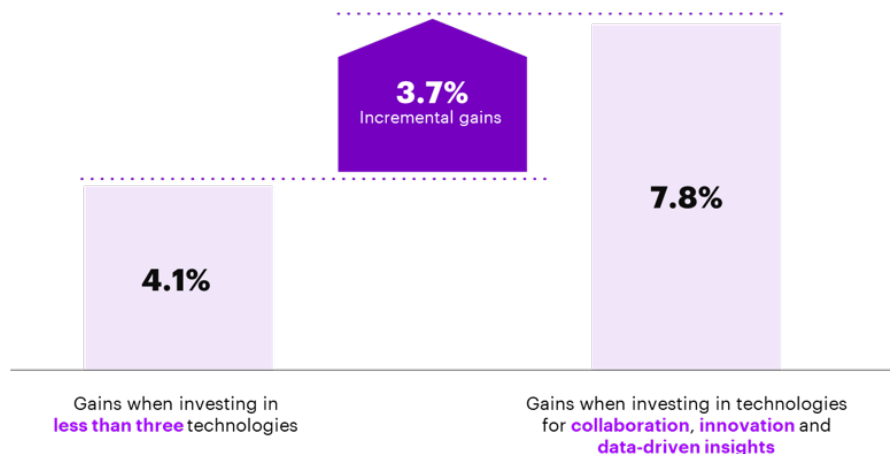
Masters have recognized that creating value for customers relies on continuous, iterative collaboration.

But they also realize they need the digital architectures that serve as the backbone for that collaboration—and they are investing in it. More than two-thirds of Masters' 13% average revenue growth came from collaboration, innovation and data-driven insight technologies.

Some Masters are taking digital architectures to new heights, innovating and testing new products in augmented reality environments, using digital twins rather than physical prototypes.

Masters' strong digital foundation allows them a freedom for innovative experimentation that serves their customers well.

#### Investments in analytical asset-light architecture pays off



Source: Accenture 2020 Supply Chain Survey

### MASTERS ARE HIGHLY MATURE IN SELECT CAPABILITIES

Masters enjoy higher maturity in capabilities that help them drive growth through a better customer experience. Across B2B and B2C Masters, customer and product segmentation, design-to-margin, and cybersecurity and data privacy are among these more mature capabilities.

Beyond those shared capabilities, B2B Masters are also maturing blockchain and predictive asset maintenance, heavily linked with their customers' needs for the Industrial Internet of Things (IIoT). These capabilities allow them to continue down the path of a pay-per-use customer model and allow them to foster customer relationships that move beyond the sale.

B2C Masters are also focused on warehouse automation, as well as collaborative innovation not just internally but with ecosystem partners. Both are necessary for the micro-customization consumers have come to expect.

Never before has supply chain been so crucial to not only a company's well-being, but also to society's.



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## Top 5 capabilities where companies enjoy the highest level of maturity

● Difference in B2B vs B2C capabilities

B2B MASTERS		B2C MASTERS	
1	<b>Blockchain</b> Have made significant investment in piloting or scaling blockchain capabilities	1	<b>Customer and product segmentation</b> Have implemented customer and product segmentation on real-time basis
2	<b>Design to margin capabilities</b> Partnered with procurement to identify value add, and products to be designed to meet target margins	2	<b>Cybersecurity and data privacy</b> Have implemented proactive risk assessment using predictive data analytics and continuous monitoring
3	<b>Customer and product segmentation</b> Have implemented customer and product segmentation on real-time basis	3	<b>Design to margin capabilities</b> Partnered with procurement to identify value add, and products to be designed to meet target margins
4	<b>Predictive asset maintenance</b> Have implemented predictive analysis and maintenance systems based on applied intelligence for company and their customers	4	<b>Warehouse automation</b> Have fully automated their warehouse operations with machine-to-machine order management and mobility solutions using augmented reality/virtual reality, radio-frequency identification, robotics
5	<b>Cybersecurity and data privacy</b> Have implemented proactive risk assessment using predictive data analytics and continuous monitoring	5	<b>Collaborative &amp; agile innovation internally &amp; with ecosystem partners</b> Have established external partnerships to improve efficiencies as well as to innovate new products

Source: Accenture 2020 Supply Chain Survey

## MASTERS ENGAGE THEIR CEOs TO MOVE BEYOND CONVERSATION TO TRUE TRANSFORMATION

Masters' CEOs are more likely to drive supply chain discussions with the board. And they translate those discussions into results—actively allocating funds and talent that fuel innovation capabilities and transformation for their supply chain.

Home Depot CEO, Craig Menear, has been heavily involved in helping the home improvement retailer transform its supply chain, particularly from an omnichannel perspective. In early 2020, online sales were up 21.4% year-on-year. Accenture has been a part of this effort, helping the company align its supply chain to support various customer segments (pro, DIY consumer, etc.), including design of their next-generation distribution centers and the best use of automation.

Menear explains: "We have opened a dozen Market Delivery Operations—or MDOs—that have enabled us to transition 20% of our clients' deliveries from an outsourced model to one in which we control more of the customer experience. This is translated to meaningful improvements in our customer satisfaction scores for appliance deliveries. Our supply chain build-out will continue to ramp from here with the largest number of new facilities coming online in 2021 and 2022."

## CREATING YOUR OWN LICENSE TO GROW

Higher growth rate. Higher contribution to total revenue. Higher EBITDA margin. All are the rewards reaped by companies moving their supply chains beyond efficiency into customer-centric growth.

The good news is that these rewards are within reach for all companies, following the example set by the supply chain Masters in our study.

Never before has supply chain been so crucial to not only a company's well-being, but also to society's. With companies investing millions in their supply chains during 2017-2019, generating growth from that investment is crucial.

Masters do that by keeping the customer at the center of all they do, creating digital architectures that help them turn data insights into innovation, maturing the capabilities that matter most, and engaging their CEOs to help them forge true transformation.

## About CSCMP Hot Topics

Issues of *CSCMP Hot Topics* may include early results from ongoing research being conducted for CSCMP or other organizations; new supply chain practices, thought-provoking ideas, or emerging trends; discussions of changes in the broader business and regulatory environment that may impact the supply chain and logistics field.



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Making the most of your supply chain investments is within reach. And there's never been a better time to do it, as not just business—but the world at large—relies on companies getting supply chain right.

## ABOUT THE AUTHOR

Erik Olson is the NA Functional Managing Director for Accenture's Supply Chain & Operations practice, which includes responsibility across Strategy & Consulting, Technology, Interactive and Operations. In addition, Erik is the Global Functional Practice Lead for Supply Chain & Operations for Resources. Erik possesses over 31 years of delivering superior economic results for Fortune 1000 clients across more than one dozen industry verticals, assuming broad management and P&L responsibility spanning Strategy, Supply Chain, Manufacturing, Sales & Marketing, Customer Service, Finance, Human Resources and Information Technology.