

SUPPLY CHAIN ECOSYSTEMS: MOVING FROM SPOKE TO HUB

Moving beyond membership to orchestration

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The background of the slide is a photograph of a complex highway interchange. It features several levels of concrete overpasses and ramps supported by large, light-colored concrete pillars. A red semi-truck with a white trailer is driving on one of the lower ramps. The sky is a clear, pale blue.

What is an ecosystem?

An ecosystem is the network of cross-industry players who work together to define, build and execute market-creating customer and consumer solutions. An ecosystem is defined by the depth and breadth of potential collaboration among a set of players: each can deliver a piece of the consumer solution, or contribute a necessary capability.

The power of the ecosystem is that no single player need own or operate all components of the solution, and that the value the ecosystem generates is larger than the combined value each of the players could contribute individually.

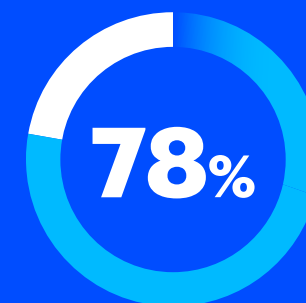
IT'S NOT ENOUGH TO SIMPLY BE AN ECOSYSTEM PLAYER.

Competitive supply chain advantage comes from ecosystem orchestration. Business ecosystems are growing in number and impact, exponentially.

Accenture research predicts companies that leverage their surrounding ecosystems to build disruptive products and services will generate US\$100 trillion in value by 2028.¹

C-suite leaders around the globe recognize the sea change ecosystems bring. Three out of four business leaders (76%) agree current business models will be unrecognizable in the next five years, with ecosystems as the main change agent.²

Chief Supply Chain Officers (CSCOs) and Chief Operating Officers (COOs) have been a major part of this change, improving collaboration with external partners to better serve customers.



of supply chain leaders embrace becoming ecosystem orchestrators

Only one in 10 companies (12%) is seeing growth of 5% or more from ecosystems.³ Why? Because simply participating in ecosystems no longer creates competitive advantage in the way it did just a few years ago. Instead, being an ecosystem participant is table stakes—necessary just to keep up.

The enterprises leapfrogging competitors have upped the ante, taking on the role of supply chain orchestrators.

Supply chain orchestrators are the hub of an ecosystem wheel, versus the spokes. They serve as the main connector across the ecosystem, facilitating and enabling best practices and standards across it. Who does this well? Think Walmart, Cisco, Apple.

While there are many paths to becoming an ecosystem orchestrator, our experience shows supply chain leaders who focus on a few key areas set themselves up for future success.

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OWN INNOVATION WITH THE RIGHT ECOSYSTEM DESIGN

Supply chain leaders who have their finger on the pulse of industry innovation are better placed to create an ecosystem that anticipates future needs.

Whether it's an agile and flexible supply chain response, a differentiated and inspiring industrial design, a simple and elegant user interface, component miniaturization or a product-as-a-service approach, knowing the Next Big Thing informs a CSCO's innovation strategy. Disrupting an industry with the collective innovation power of an ecosystem, versus individual companies, is vastly more effective.

Ecosystem segmentation and design is key to orchestrating for competitive advantage based on that innovation strategy. CSCOs need to know which suppliers and partners are critical to their cause. Who has the industry knowledge, component or software that is critical to the right outcomes? Should they partner with these companies, invest in them, or acquire them? Who owns the intellectual property (IP) for these innovations and how can it be used for mutual advantage?

Answering these questions and more will help CSCOs map their ecosystem with the accuracy and creativity necessary for breakout innovation. Getting the mix right can help bring innovation at speed, from rapid prototyping to distribution approach.

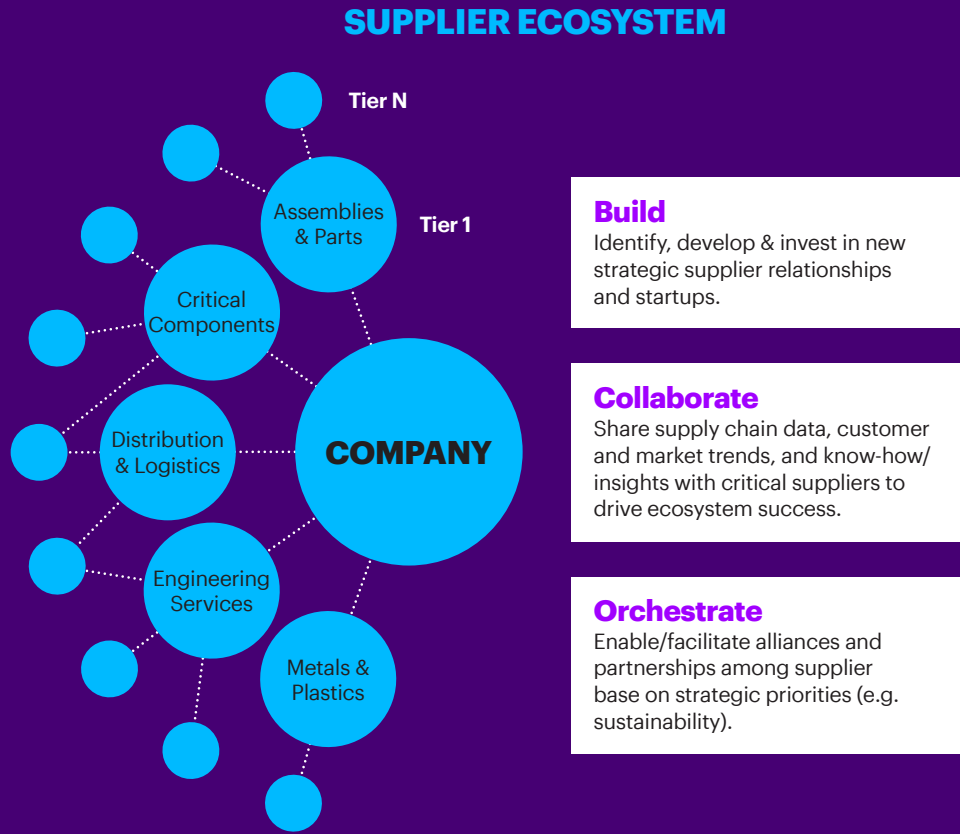
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ECOSYSTEM ORCHESTRATION AND INNOVATION

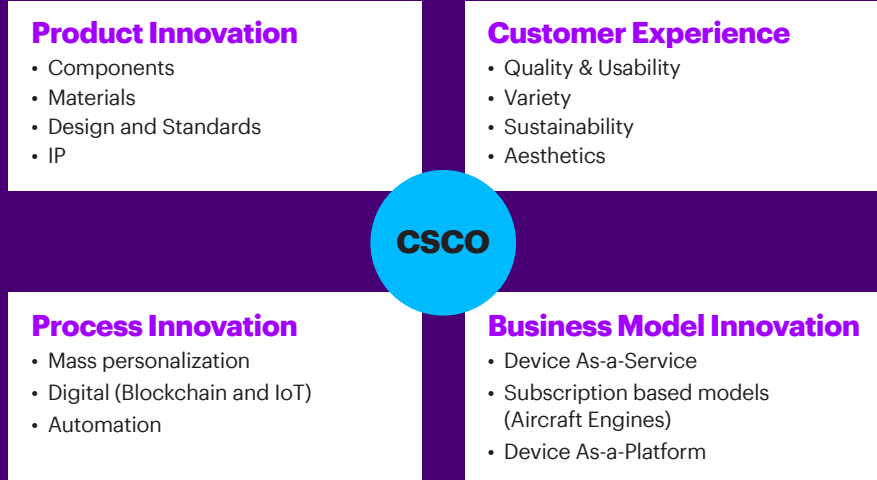
Recent Accenture research shows that 78% of leading supply chains embrace becoming ecosystem orchestrators.⁴

And those leaders are also embracing open co-innovation more than other companies.⁵ Leading supply chains have widened their innovation net—moving beyond technology start-ups and traditional partners to inviting competitors and customers to partner with them.⁶

The right partners in innovation are essential for the new value propositions—and accompanying new growth—ecosystems can bring.



MANY OPPORTUNITIES TO INNOVATE VIA SUPPLIER ECOSYSTEM RELATIONSHIPS



A NEW LENS ON COST AND AGILITY: ASSET-LIGHT ORCHESTRATION

When orchestrating an ecosystem, CSCOs have the advantage of driving consolidation for economies of scale and scope.

That scenario increasingly means an asset-light supply chain, like those we are beginning to see in the Life Sciences industry. Instead of buying equipment, companies pay a service fee to rent it. In industries where fast innovation is common, this arrangement works well because when a product is terminated or changed, CSCOs can simply forego the old service agreement for a new one. We've seen portable, modular manufacturing pods set up or changed over within 24 hours—essentially creating an entirely new manufacturing line in less time than it takes to ship product.

Moving beyond simple cost efficiency to true competitive cost differentiation can be tricky, particularly in industries and markets known for optimizing efficiencies. Some supply chain leaders are adopting a zero-based mindset (ZBx), to fund investments based on today's needs rather than yesterday's historical budget or balance sheet. Modernizing their own costs and funding approach first is essential, so they can lead ecosystem partners by example.



A COMMON PLATFORM FOR SUCCESS

Orchestrators should begin with a common digital platform to ensure the collaboration that defines a successful ecosystem.

Through that platform, they can share data, scale assets up or down as needed, collaborate internally and externally, speed decision-making—the list goes on. Cisco, for example, uses its investments in a digital infrastructure to enable timely information sharing and collaboration—internally and externally.

It's happening rapidly. Strategic partnerships between large companies and large platforms have increased 18-fold in recent years.⁷

Four major cloud platform providers—Microsoft, Amazon, Google and Apple—are key players in this space. And as supply chain leaders bring more Artificial Intelligence (AI) into their supply chains, these platform providers will play a key role because they continue to consolidate the market by acquiring key smaller players.

We see an increasing number of CSCOs looking for help navigating these waters, choosing the platform providers that best meet their current and future needs.

COMMUNICATIONS SERVICE PROVIDER SAME-DAY DELIVERY

A large North American communications service provider (CSP) was struggling to meet same-day delivery expectations and could not compete with Amazon.

The CSP partnered with Accenture to develop an **ecosystem platform** to collaborate with warehousing and courier service providers to enable same-day delivery at competitive pricing.



The pilot showed **5-10% savings in operating costs** with increase in NPS and customer satisfaction.⁸



HP Inc. reaps savings through Ecosystem Visibility and Predictive Analytics

HP Inc. leaders have linked manufacturing and logistics partners and customers in its supply chain ecosystem with the Hawkeye Control Tower. This platform provides near real-time visibility to global shipments, predicts delivery dates, and identifies exceptions to customer commitments. In addition, the wealth of cross-functional data combined with advanced analytics has helped pinpoint the root causes of issues and identify opportunities for performance improvement.

To date, the program has realized over US\$16M in annual savings while improving the customer experience through improved visibility and delivery accuracy. The program continues to expand its capabilities to optimize total landed costs.

MORPHING FROM SPOKE TO HUB

If your company is a key player in an ecosystem, that is an accomplishment worth noting—just not for too long.

Because the next step is moving beyond that plateau to the next level—becoming an ecosystem orchestrator to shape new business models and spur growth. Doing so puts your company in the driver's seat, allowing it to help direct change for not only the collective good and customers' good, but also its own.



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