



SUPPLY CHAIN: ADVERSITY INTO ADVANTAGE

WALK IN THE CLOUD

AUDIO TRANSCRIPT

Intro: Walk in the Cloud.

Ellen: A state of what's come to be called Perma Crisis has not only shaken up global supply chains, but fundamentally changed the way they work. That's our topic today as we walk in the cloud.

I'm your host, Ellen Bencard, and I'm joined today by Stephane Crosnier, Accenture's top expert on this topic in the UK. Stephane, we talked supply chains on the podcast in Series 2. What's changed since then?

Stephane: Hi Ellen. Great to see you again. Many things have changed and maybe for the wrong reasons. You know the war with Ukraine. Increased political tensions in China, now the Middle East and on the top of that inflation pressure, which has been very, very high, so many, many disruptions impacting supply chains globally. And what we are hearing more and more is companies looking specifically at China and China devising strategy for their existing businesses in China, trying to insulate them from dependency from the rest of Europe and vice versa. Trying to de risk their global businesses for dependencies in China. We also see that a number of companies that are in a bit less firefighting mode and reacting to COVID and Ukraine are more willing to invest in capabilities to create the structural changes in their supply chains to increase resilience.

Ellen: So, more complexity, a need for more speed, all of which has been found in a new report that's come out from Accenture called Resiliency in the Making that dives deep into the manufacturing industry.

I know you were quite involved in producing the report. One of the things that jumped out at me is a rise in regional sourcing. People say about 30% of people are doing it today and they're expecting it to go up to 65% in the next 3 years - is this something that you see happening in the UK?

Stephane: Definitely. When we zoom specifically on UK respondents, 53% of them told us that they intend to buy from regional supplier base, versus 24% today doing it. So, there is definitely a shift happening. If I take an example, for instance. My one of my clients in consumer goods, when we did the supply visibility exercise, we realised that 70 percent of specific ingredients/flavours for their products were sourced from one single plant. Actually, in the US. So, at the back of that, they're going to take actions and you see they're going to increase the share of regional sourcing for that. If we look also outside of the UK, we see the same trends. We see also a number of challenges because when you decide to move your productions or ask your supply base or your direct suppliers to move closer to you it's not something that can happen like this.



It's something that you need to do in conjunction with the entire supplier. So, the suppliers of your own suppliers is also to move and we see for instance in Asia where we've got in the high tech industry and the automotive industry, trying to move some production outside of China to countries like Thailand or India. The ability to do that is actually very much challenged by the ability to move the supply base around this.

Ellen: So, when you're talking to the UK customers, what does regional mean to them?

Stephane: So, what we've seen is that you carry customer, regional means Western Europe and Eastern Europe in terms of in terms of supply base. In the survey for the Western Europe based respondents, Eastern and Western Europe came up as the criteria's in terms of shifting supply and production when it came to regionalisation.

Ellen: And presumably this is good news for countries that are getting new jobs, new production facilities. But how do you manage that? You don't just start a new factory overnight?

Stephane: No, and you have to look at the number of factors, right? The first one is skills and you need to be able to leverage some specific skills and sometimes that's something that is missing. You don't create these skills like this, so it requires specific political intervention sometimes to be to ensure that the education system is going to provide these types of skills or to create specific incentives for companies to invest in reskilling people. So that's the first thing, the 2nd. Thing I would say would be and we talked about this before, right, the ability to ensure that you've got the right supply base for these suppliers that you are going to move closer to your production site and the last one, we're going to go back to this I guess afterwards is the key enabler for that is the use of technology.

Ellen: And I will hold on that for a moment because I want to talk industries first. Are certain industries having more trouble with supply chain than others?

Stephane: Definitely. And we've seen 4 industries really struggling and that's what they told us, in terms of these industries that have been losing most opportunities during pandemic and Ukraine. Industrial equipment, high tech, utilities, automotives are the ones that have been struggling most, and if you look at the what are the best ones? Aerospace and defence, metal and mining, chemical. And the impact in terms of ability to secure more revenue, the kind of what we call best in class, we're able to secure 3.6% more revenue than the laggards.

Ellen: So those people are going to be displaying the resiliency that this white paper talks about. I'm going to ask you how they show it, but first, can you just define resiliency in the supply chain? What does that word mean to you?

Stephane: Resiliency is the ability of a supply chain to anticipate, respond and then recover from catastrophic or events or major disruptions. There is obviously an element of that around visibility, visibility around vulnerability in your supply chain, visibility of risks that are likely to impact your supply chain.

Ellen: And of the people that you are seeing doing this the best right now, the most resilient. What are they doing?

Stephane: I think that the ones that we are seeing doing the best, I would say couple of characteristics. One is that they have had the foundations in terms of simulation capabilities which use of technologies for improved planning or the use of what we call supply chain control towers around visibility. They had these foundations to be able to be super reactive and to respond to disruptions. But again, it wasn't enough in front of the level of disruption which is we've seen with COVID. The 2nd attribute was the ability to be proactive. Proactive in terms of creating the visibility around vulnerabilities, you may remember in our last podcast that I've talked about the work we've been doing with the MAT and the concept of supply chain stress test and the use of digital twins for supply chains.



Well, we have the example of a client who's been working on that with us. They've been able at the back of disc to create visibility on their vulnerabilities to showcase what they were doing on this topic to their customers. And at the back of that, being able to win a best supplier award based on this work.

Ellen: Now I want to talk about AI. It is the topic of the year on everybody's lips. Does it have a role in managing supply chains better?

Stephane: It has a major role, so let me explain first why and the changes. Besides responding to disruptions and leading to resilience, what we've seen and also driven by the fact of more visualisation, the ability to use different manufacturing sites in terms of building the same products, we are going to see and we are already seeing an increase in the complexity of supply chain. And in addition to that, you may also see more complexity required to serve a more different customer base. It can be through what we call a direct customer through different distribution channels. So, this increased complexity is impossible to manage with the same capabilities, with the same teams, with the same skills, going forward. And AI can play a critical role in the automation of decisions - we've seen, for instance, very mutual customer in the consumer goods sector now having automated 12,000 decisions a day in the way they manage the supply chain. So, it's very, very significant.

Ellen: Complexity that had they been doing that without AI, presumably they would have either not been able to do it or they would have needed many many more people.

Stephane: No, exactly. And what we're seeing as well is, one driver of the use of AI can be efficiency, but in most cases the real driver is the ability to execute their growth plans. We have clients that have very, very strong agendas in terms of growth. You know, times two or three in the next 5 to 10 years, but they cannot execute this with the same skill or people base because first, they will never be able to recruit the type of skills that they need. Second, it wouldn't be economical anymore for them, so that's where AI

technology is going to take a key role and at the end, people that are today maybe working on very basic tasks can really focus on exceptions, can really focus on more value added activities.

Ellen: Now I want to end this by switching our focus slightly to the UK consumer and I think we're going to end on a positive here. If the UK gets its regional supply chains right and does this well, what's the benefit for the people at the end of the supply chain who are buying stuff?

Stephane: I think we are going to see hopefully a very positive impact in terms of the availability of products on the shelves. I think everyone has been struggling in the UK, especially in the grocery sector over the past two years in terms of finding what you wanted to find at the given time. There were high number of empty shelves. I think that's what we hope really being a very positive impact for the customer. That's the first step. I think the second step, as you move through the efficiency gains, is an impact on reduction in the price increase of the goods we find on the shelves.

Ellen: Excellent. Thank you. We've had another great walk and I hope you'll join us for more. And if you are interested in that white paper, just search for Accenture Resilience in the Making and that'll come up. Also, take a look at our archive for all sorts of great issues on related topics. Bye-bye.

Outro: Walk in the Cloud.

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