



DEVELOPING RESILIENT SUPPLY CHAINS IN AN ERA OF DISRUPTION



Well-run supply chains are the lifeline of the manufacturing, consumer goods and retail industries. As a result, enormous thought went towards establishing efficient processes that catered to just-in-time inventory management and positioning in the network. For this to happen, complete trust and collaboration across all the players constituting the supply chain became critical. This was in the pre-COVID era. Since the start of the pandemic two years ago, priorities have shifted to include resilience, sustainability, digitization and cloud-based planning in response to the market conditions. In addition, organizations are considering vertical integration and multi-sourcing to ensure minimal disruption to their business.

Global research firm IDC confirms these trends¹. The pandemic has triggered a shift towards a constrained supply chain where demand outstrips supply, making players emphasize capacity and speed. Furthermore, sustainability is no longer a buzzword and is a reality. Simon Ellis, Program VP, IDC Manufacturing Insights, had this to say on the trends sweeping the global arena – “As resilient supply chains become a top priority, manufacturers and retailers must concentrate efforts on gaining visibility, intelligence and agility and preparing for disruptions. They must keep technologies such as data analytics, AI, ML, stochastic modeling, digital twin and SaaS applications on their radar to make these possible.”

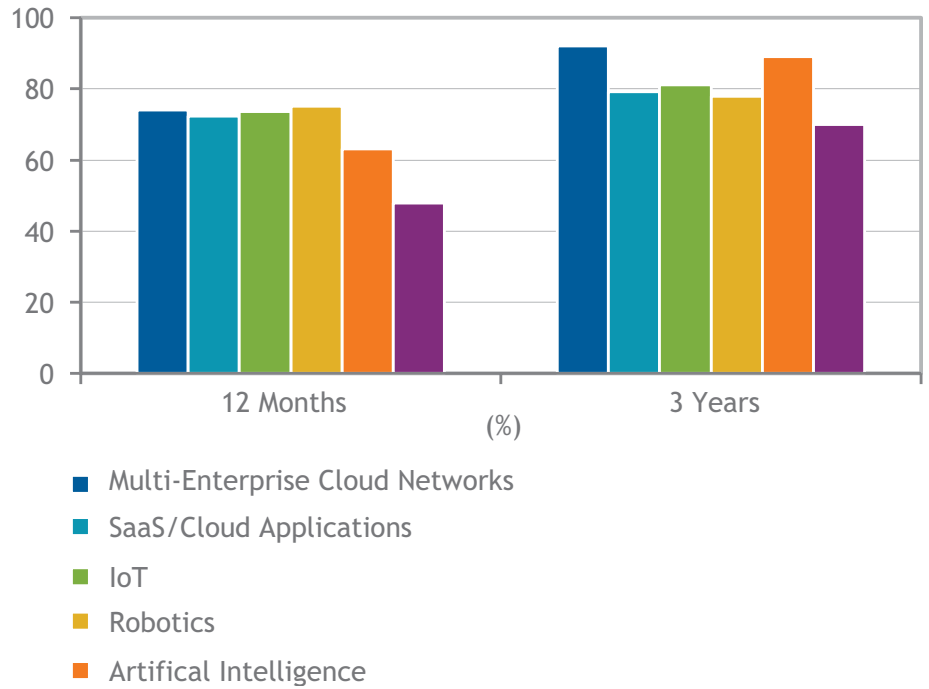


Figure 1 Technologies that will be important to your supply chain

Buoyed by these technology enablers, certain supply chain functions such as customer allocation, sensing, network inventory visibility solutions, collaboration, dashboarding and risk-based sourcing decision making are under the spotlight. SAP’s Digital Supply Chain solutions completely grasp these advances and accordingly offer demand, supply, inventory, and supply chain dashboarding fully integrated with supply chain

execution. The objective is to enable businesses to become resilient, flexible and quick to respond through digitized operations supply chains.

Infosys hosted a roundtable to discuss some of the top issues worrying supply chain professionals and share the best practices and learnings from each other’s experiences. We have presented the key takeaways from these discussions.



Source: 1 IDC Blog, Supply Chains Must be More Resilient, February 25, 2022g

Three real-life examples that show the way to solving supply chain challenges

The roundtable participants shared valuable insights on how their companies overcame issues. A combination of process changes and SAP based technology solutions paved the way forward. Overall, these companies had a digital transformation mindset that set the stage for effective changes.

1. An allocation solution

An American candy manufacturer highlighted the typical challenges that plague CPG supply chains. The company caters to seasonal and non-seasonal demand. For example, the company's candies are pegged to seasons such as Easter, Halloween, Christmas and Valentine's Day. Hence, it must balance shelf-life with finite production for the season. In addition, the company introduces new candies as part of its non-seasonal portfolio.

Further, there is no standard ordering pattern among customers. The pandemic further disrupted supplies of critical ingredients, making aligning ordering patterns with fulfillment challenging. Adopting the Product Allocation Management process was the first step for the company to sort out its order management capabilities. The key highlights of their experience are:

- Clarity on baseline KPIs: Establishing objectives and baseline KPIs can go a long way in maximizing business benefits. In this case, managing back orders, prioritizing customers, and eliminating overcommitment were sought.
- Start small: The company chose to pilot the allocation tool for its seasonal items. The learnings from this phase enabled a sound design for phase two. The company is now on track for phase three, which involves more automation.

- Train the user: It's critical to educate users on the end-to-end business process, roles and responsibilities, and tool usage. In addition, change management was a focus area.

2. From a monolithic structure to a standardized platform

One of the largest technology icons globally possessed an Engineering Division focusing on physical goods – devices and spare requirements for its cloud business. However, the pandemic upset these products' supply chain leading to limited visibility and inefficiencies in forecasting and inventory management. In addition, chip shortages, specifically after the pandemic, caused more issues in the hi-tech industry. The company had already launched a digital transformation journey five years ago that utilized SAP's standard ERP solution on Azure architecture. The key learnings were:

- a. Adopt an end-to-end supply chain view – Possessing a clear view of the entire supply chain ecosystem and the enterprise architecture is a critical success factor. Siloed views yield limited results in the multiple partner ecosystem prevalent today.
- b. Invest in master data – Early efforts to build master data paid rich dividends as it allowed setting up a common data model. In addition, it made analytics and integration with the partner ecosystem simpler and standardized. As a result, scaling up became easy. The SAP platform seamlessly lent itself to this exercise.
- c. Automate as much as possible – A stated goal was to reduce dependence on people for obvious reasons such as improved productivity and higher accuracies across the partner ecosystem. The focus was on using the system generated data to make informed decisions.

3. Digital transformation

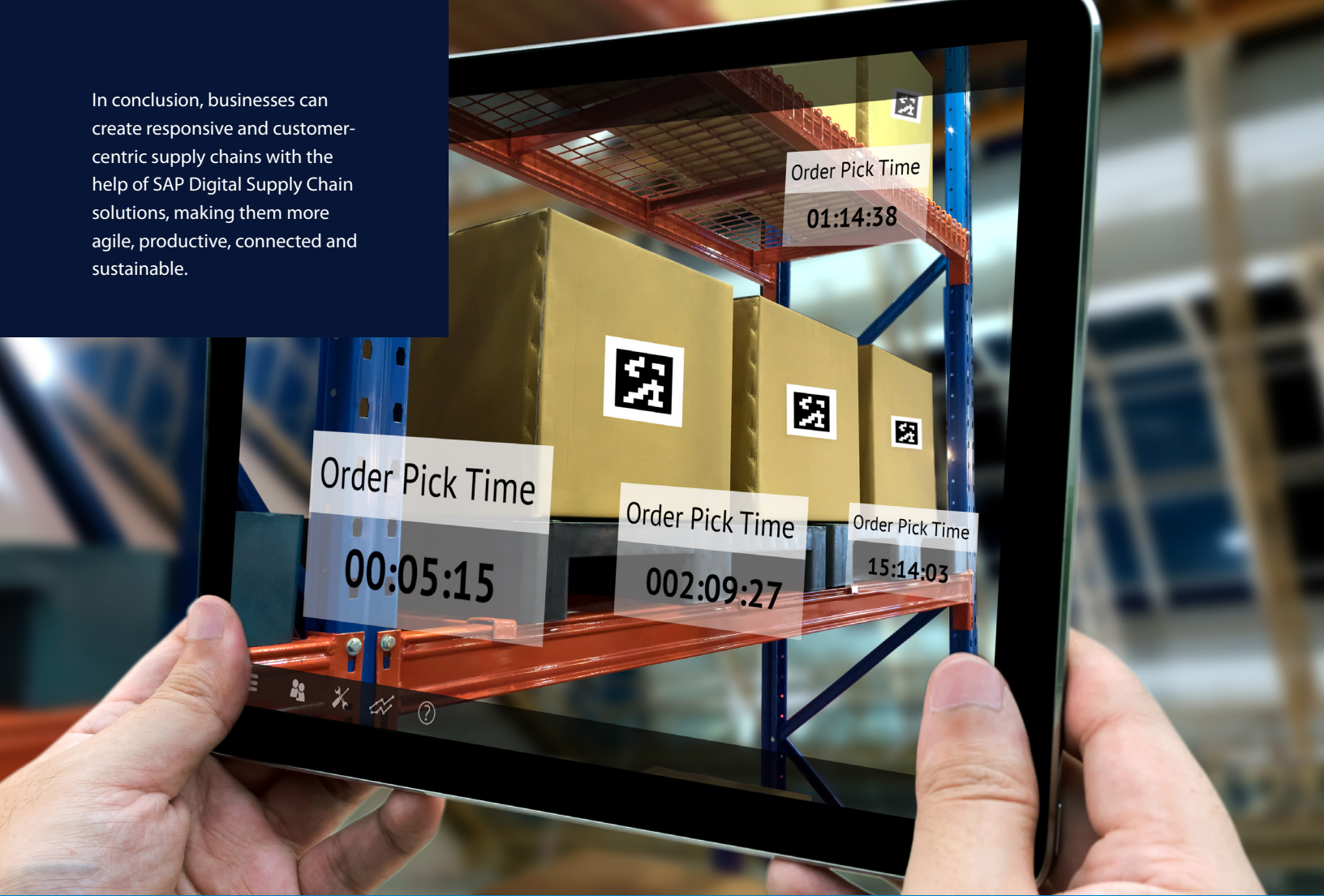
Due to the pandemic, a multinational meat processor was challenged with shifting demand patterns. For example, they had to reconcile demand shifts from food service to retail outlets. In addition, labor shortages and increased safety requirements added to the challenges. An SAP IBP implementation was already underway, prompting a relook at the distribution network when the pandemic struck. The company survived the upheavals with these steps –

- a. Identify new features required early on – They developed new supply side functionalities to understand forecast consumption better, prioritize sales orders across campuses, and keep ready primary and alternate sourcing strategies to prevent inventory shortage.
- b. Gauge demand more accurately – The company launched demand sensing using AI and ML technologies to detect shifts in demand and respond quickly. As a result, short-term forecasts benefited hugely despite a constant flux in external variables. The company is looking to enhance its analytics capabilities further.
- c. Optimize resources - The planning group relies on SAP IBP to plan for capacity and resources more accurately.

Key learnings overall

- Better inventory management – Before the pandemic, the emphasis was on cost savings, and inventory was planned accordingly. However, breakdowns in the supply chain forced planning and ordering parts in advance to eliminate delivery roadblocks. A focus on master data and back-to-basic planning became key.
- Sales and operations planning (S&OP) – An efficient S&OP process provides forward visibility into all supply chain challenges. As a result, companies are better prepared to position their resources for the best positive impact on the KPIs.

In conclusion, businesses can create responsive and customer-centric supply chains with the help of SAP Digital Supply Chain solutions, making them more agile, productive, connected and sustainable.



To learn more about how Infosys can help chart out a Digital Conversion roadmap on SAP platform for your Supply Chain, please reach out to sap_mktg@infosys.com

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