

nulogy

Why Your Supply Chain is Brittle

And how agile networks can future-proof your bottom line

As the world continues to shift and market demands continue to fluctuate at unprecedented rates, it's becoming critical for your supply chain network to stay ahead of the curve. In a volatile consumer market, competition for brand recognition and product uptake is fiercer than ever. Long gone are the days of predictable consumer demand and single-channel retail.

The success of your brand will depend on how quickly you can pivot to both meet the needs of the new buyer and respond to global disruptions. Many CPG supply chain networks, however, are built upon rigid infrastructures, whose inflexibility renders them vulnerable to external forces. The brittleness of these supply chains expose them to avoidable risk and business costs.

Is Your Supply Chain Built From Brick or Wood?

In the event of an earthquake, would you choose your house to be built on a foundation of brick or wood? Many would choose brick, as it is perceived to be a stronger and safer material. The reality, however, is that the seismic shocks caused by an earthquake will disproportionately damage brick foundations, as the weight and rigidity of brick is ineffective at absorbing those shocks.

Wood foundations, on the other hand, are lightweight, flexible, and connective. You may be surprised to know that wood foundations will absorb those same shocks with greater success, because it is far more likely for wood to bend, but not break.

Which material would you rather use to build your supply chain? Just as many people believe brick to be the safer material, many supply chains choose one-to-one supplier connections for their perceived safety and stability. This safety and stability contributes to a false sense of security.

> "...Global disruptions have meant that in every year over the past several years, at least one company in twenty has suffered a supply-chain disruption costing at least $100 million.
>
> - MCKINSEY, "IS YOUR SUPPLY CHAIN RISK BLIND –OR RISK RESILIENT?"[1]

And, in our current climate, we know all too well the financial damage that sudden, massive disruptions can inflict on our networks, our employees and our bottom line when we are not adequately prepared.

What's the solution?

From Fragility to Agility

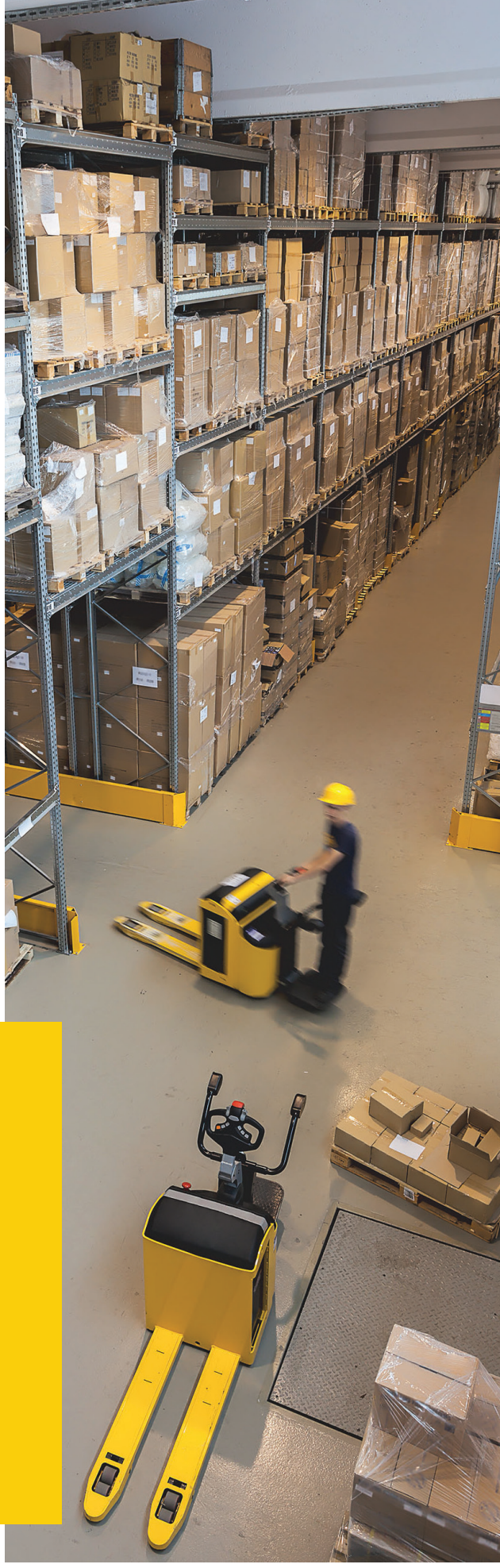
In actuality, one-to-one relationships built upon hard-wired integrations can result in:

- Sluggish network response times to customer demands and market shifts;
- Over-reliance on a limited range of suppliers to meet your new product needs;
- Lost opportunities to seek out more collaborative and profitable supply chain partnerships;
- Accumulated business risk due to the inability to adapt to sudden market shifts; and
- Lack of visibility into your entire supply chain network, leading to unforeseen costs, inefficiencies, and lost opportunities for creative collaboration.

These vulnerabilities—exposed by rigid, single-party relationships with suppliers built upon fixed integration points—ultimately add up to a brittle supply chain.

The key to stronger, faster, more adaptable supply chains is the use of technology to weave a reconfigurable, multi-partner supply chain network.

Technology can unlock incredible levels of agility for supply chains. Unfortunately, many supply chain providers are still behind the curve in regards to technology adoption, relying on antiquated solutions and manual processes to run their supply chains. Forward-thinking companies, however, have realized the potential and freedom of a new supply chain network infrastructure, enabled by today's technology and introducing an ecosystem framework powered by fast reconfiguration capabilities.



> "The linear concept of a chain is therefore no longer adequate to describe these complex international networks of suppliers, stakeholders, partners, regulators and customers–together collaborating to ensure the efficient and effective movement of products, services, information and funds around the world. We are firmly in the era of Global Supply Chain Ecosystems.
>
> - MARK MILLAR, GLOBAL SUPPLY CHAIN ECOSYSTEMS[2]"

In contrast to the fragile one-on-one brand-supplier relationships upon which many networks are built, a supply chain ecosystem is an agile, multi-party network made possible through digitalization. Through network transformation, a consumer brand and its supplier network standardize their data flow on a single, shared platform. This platform acts as a curator of services and an arbiter of service quality for you. On the other side of the network, outstanding suppliers are able to stand out with exceptional service levels to win more business. Working together, the entire network wins.

> Advanced supply chains are pressing forward, and in some cases, accelerating investments in real-time visibility, planning and agile supply execution capabilities, which makes them well-suited for supporting uncertain demand mixes and volumes.
>
> - MIKE GRISWOLD, VP ANALYST, GARTNER[3]

Standardizing data flow is also critical for efficiency in today's supply chain. When a consumer brand and its suppliers speak the same language on the same technological platform, not only does multi-party collaboration improve—network responsiveness also increases drastically. Faster network response means safety and resilience against supply chain disruptions—which ultimately results in an anti-brittle supply chain.

Key Benefits

THE FREEDOM TO CHOOSE PARTNERS

Choose and work with suppliers that have the tools and capabilities to meet your needs at any given time. Collaborate seamlessly and work together to unearth new efficiencies and solutions and cultivate meaningful partnerships within your supply chain network.

THE NIMBLENESS TO RESPOND

On a standardized platform and data "language", gain the ability to configure, de-configure, and reconfigure your supply chain network and resources to make them agile, flexible, modular, and scalable. This agility—and the ability to absorb shocks that would cripple a more rigid infrastructure—is the hallmark of an anti-brittle supply chain.

THE SERVICE QUALITY TO SUCCEED

A centralized platform acts as a curator of service provider fit and quality, ensuring that a supplier's needs and data flow will match your own, while giving outstanding suppliers more opportunities to shine and grow.

CHARACTERISTICS OF SINGLE-PARTY NETWORKS VS. MULTI-PARTY NETWORKS	
SINGLE-PARTY NETWORKS	MULTI-PARTY NETWORKS
• Hard integrations, i.e., “locked in”	• Reconfigurable network of supply chain partners
• Siloed connections, leading to lack of supply chain network visibility	• Full supply chain network visibility via centralized platform
• Limited options for agile production and order fulfillment	• Digitally enabled freedom for agile product customization and innovation
• Incongruous data “languages”, slowing information and communication flow	• Standardized data flow, leading to vastly improved supplier reconfiguration

Fragile or Agile? It’s a Choice

Global disruptions have underscored the need to discard fixed, one-to-one brand-supplier relationships. These siloed connections limit your financial opportunities and market freedom, creating business risk and potential damages to your bottom line. Limited visibility over your supply chain network exposes even greater risk to your ability to react to market shifts and disruptions.

Next Steps to an Anti-Brittle Supply Chain:

1. Gain business alignment on a digitally-enabled supply chain ecosystem.
2. Establish a standardized semantic data process and standardized definitions with external suppliers.
3. Source modern technological platforms that use APIs to standardize digital communication and collaboration with your network.
4. Begin phase-out of nodal ERP-to-ERP party connections, and transition to multi-party collaborative connections.
5. Enable optionality within your supply chain network to optimize business adaptability.
6. Continually reassess, reiterate, and refine your digitally-enabled strategy.

Digitally transforming your supply chain from a linear model to a real-time enabled, multi-enterprise ecosystem will build long-term resilience into your business strategy and operations. You’ll gain the freedom to manage qualified suppliers of choice as your business demands pivot, leveraging agility on a standardized platform to mitigate risk.

With that freedom comes a more resilient supply chain—further bolstering your reputation, operations, and preparedness for the future.

To learn more about how a purpose built platform can build resilience into your supply chain, visit nulogy.com.

REFERENCES:

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