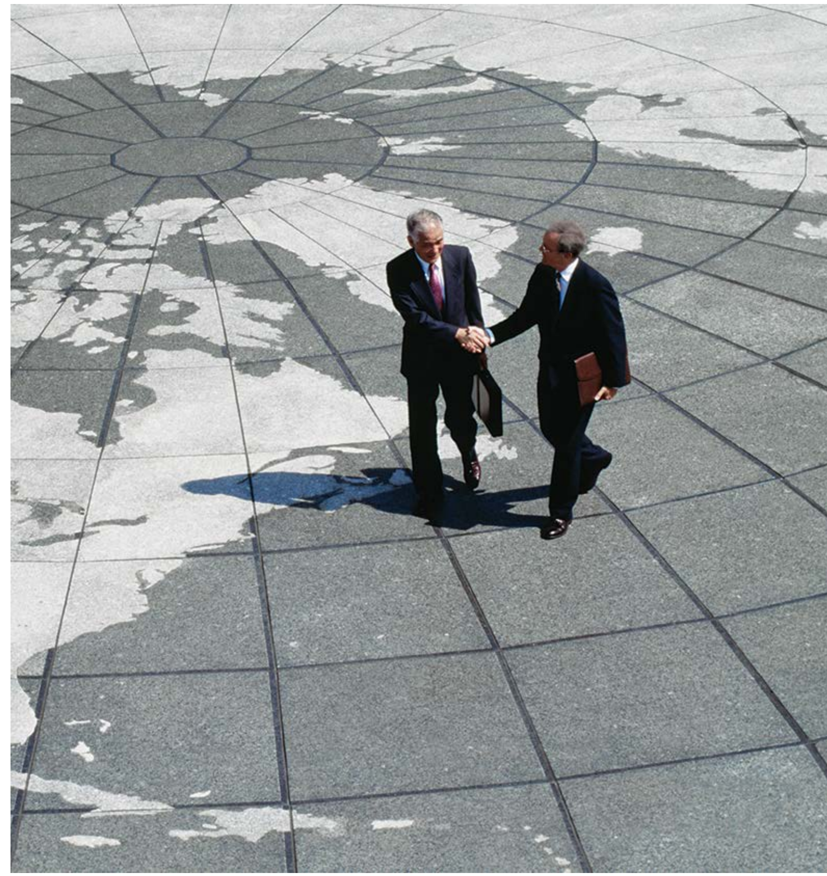
Next-generation supply chains
Efficient, fast and tailored

Sector Read-Out:
Retail and Consumer Goods

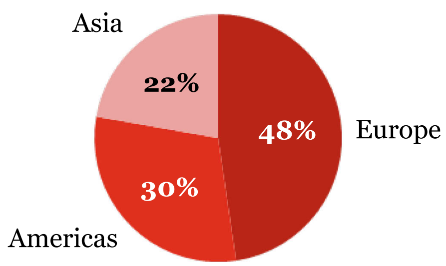


Key findings from PwC's Global Supply Chain Survey 2013

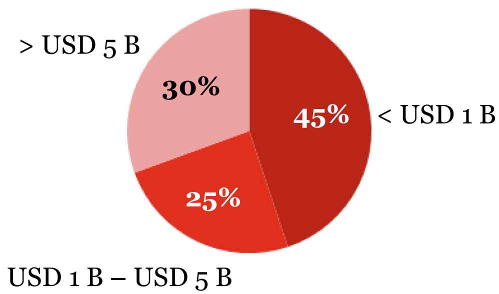
pwc

This year's survey – its ninth year running – attracted the largest population ever

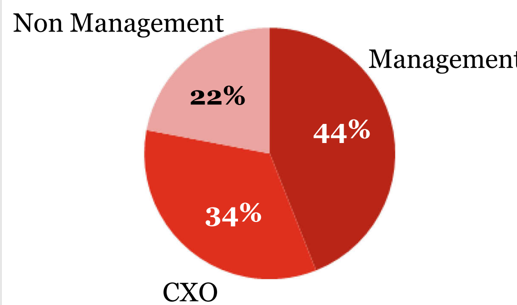
Geographic distribution



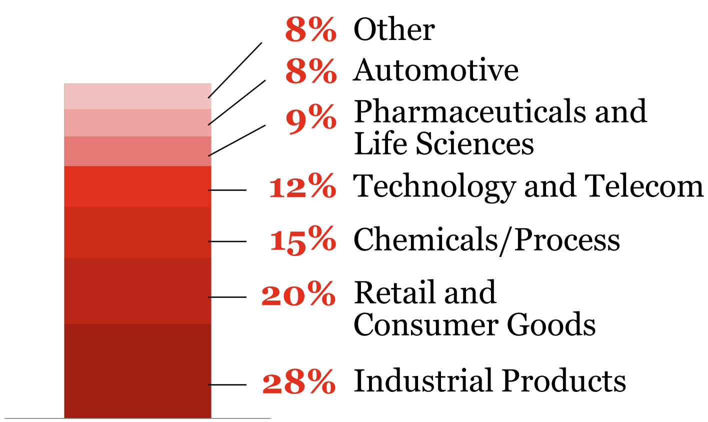
Company size



Seniority level



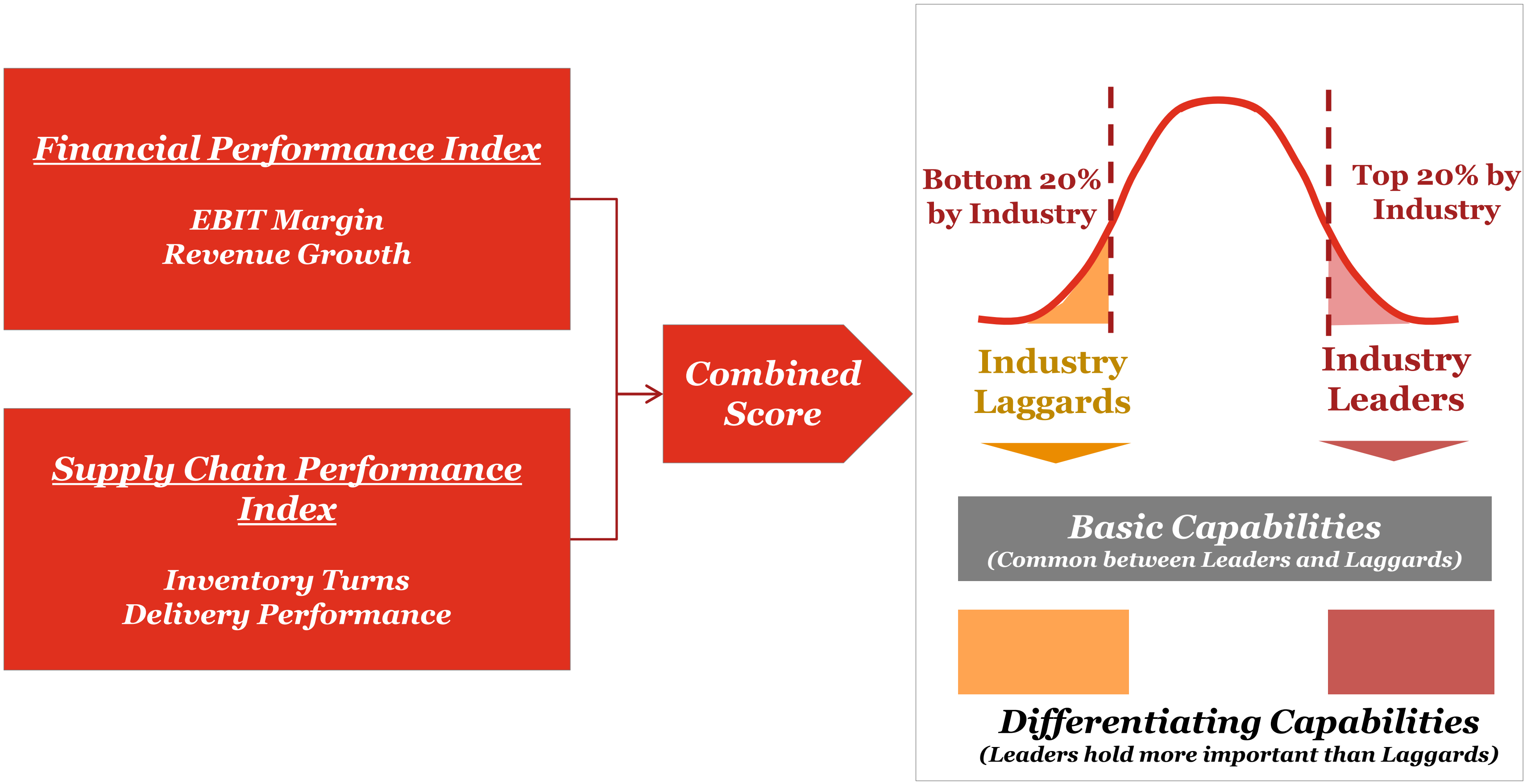
Industry affiliation



Study population characteristics

- 503 completed questionnaires, surveyed from May to July 2012
- Wide range of industries
- All three global regions are well represented
- The participants represent a balanced mix of company sizes
- More than half of the participants are senior executives

A key objective of the study is to link responses to key performance outcomes—separate the Leaders and Laggards



Our report identifies six key traits of highly effective supply chain managers

1 You can have it all: companies that acknowledge supply chain as a strategic asset achieve 70% higher performance

2 Leaders focus on best-in-class delivery, cost and flexibility to meet increasingly demanding customer requirements

3 One size does not fit all: Leaders tailor their supply chains to the needs of different customer segments

4 Leaders outsource production and delivery but retain global control of core strategic functions

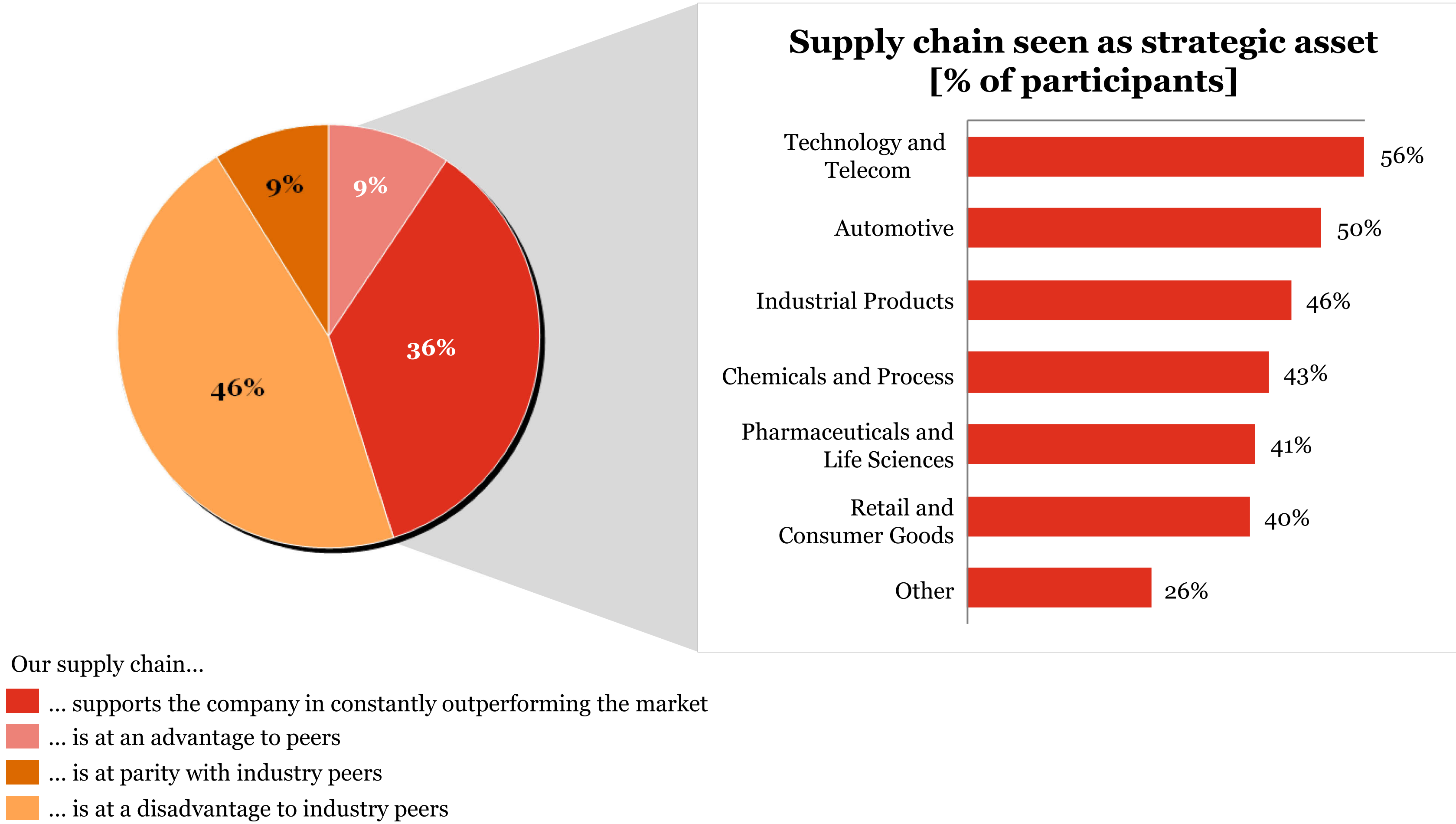
5 Leaders in mature and emerging markets invest more heavily in differentiating supply chain capabilities

6 Interest in next-generation technologies and sustainable supply chains is growing

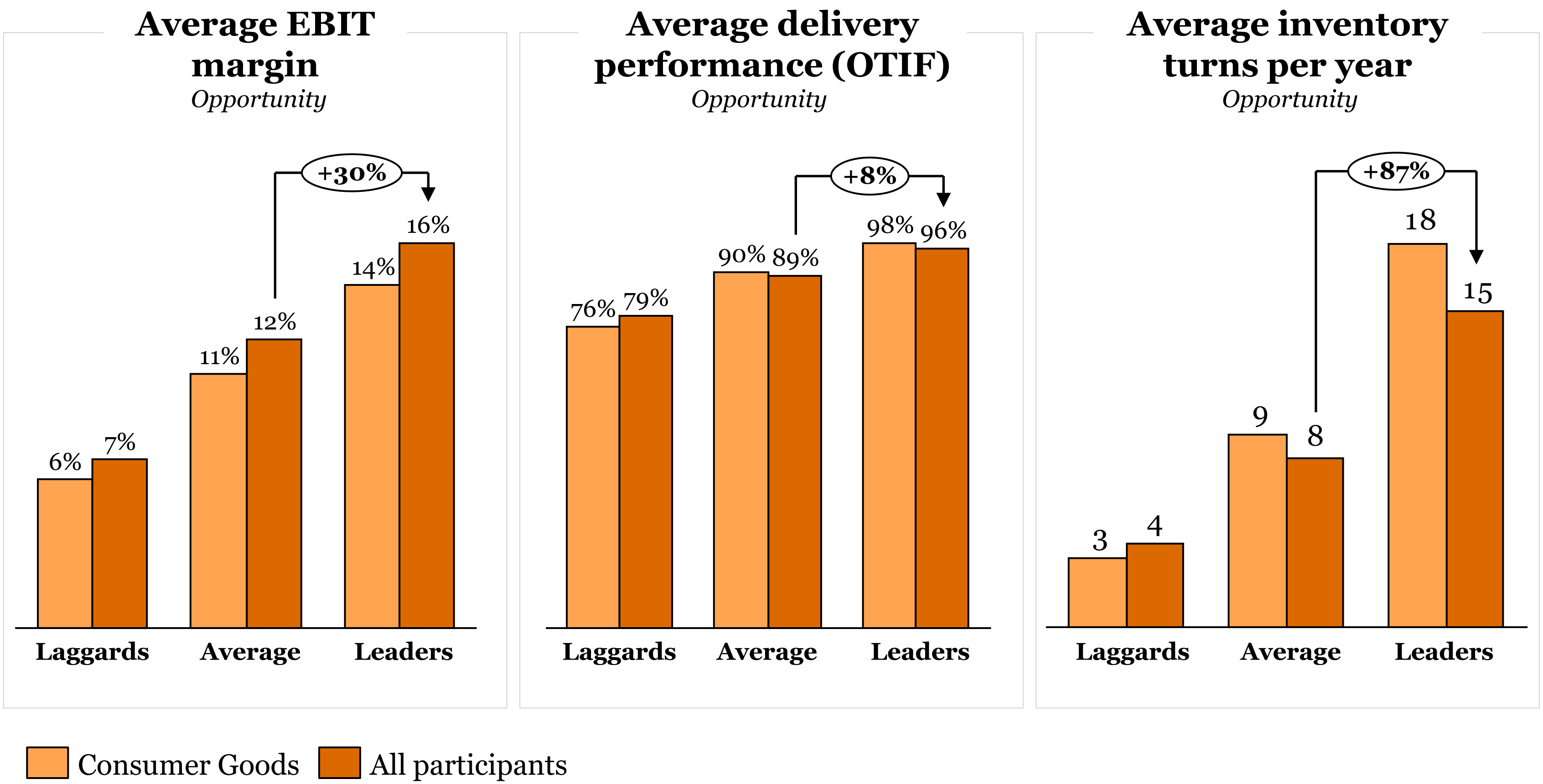
You can have it all: companies that acknowledge supply chain as a strategic asset achieve 70% higher performance

1

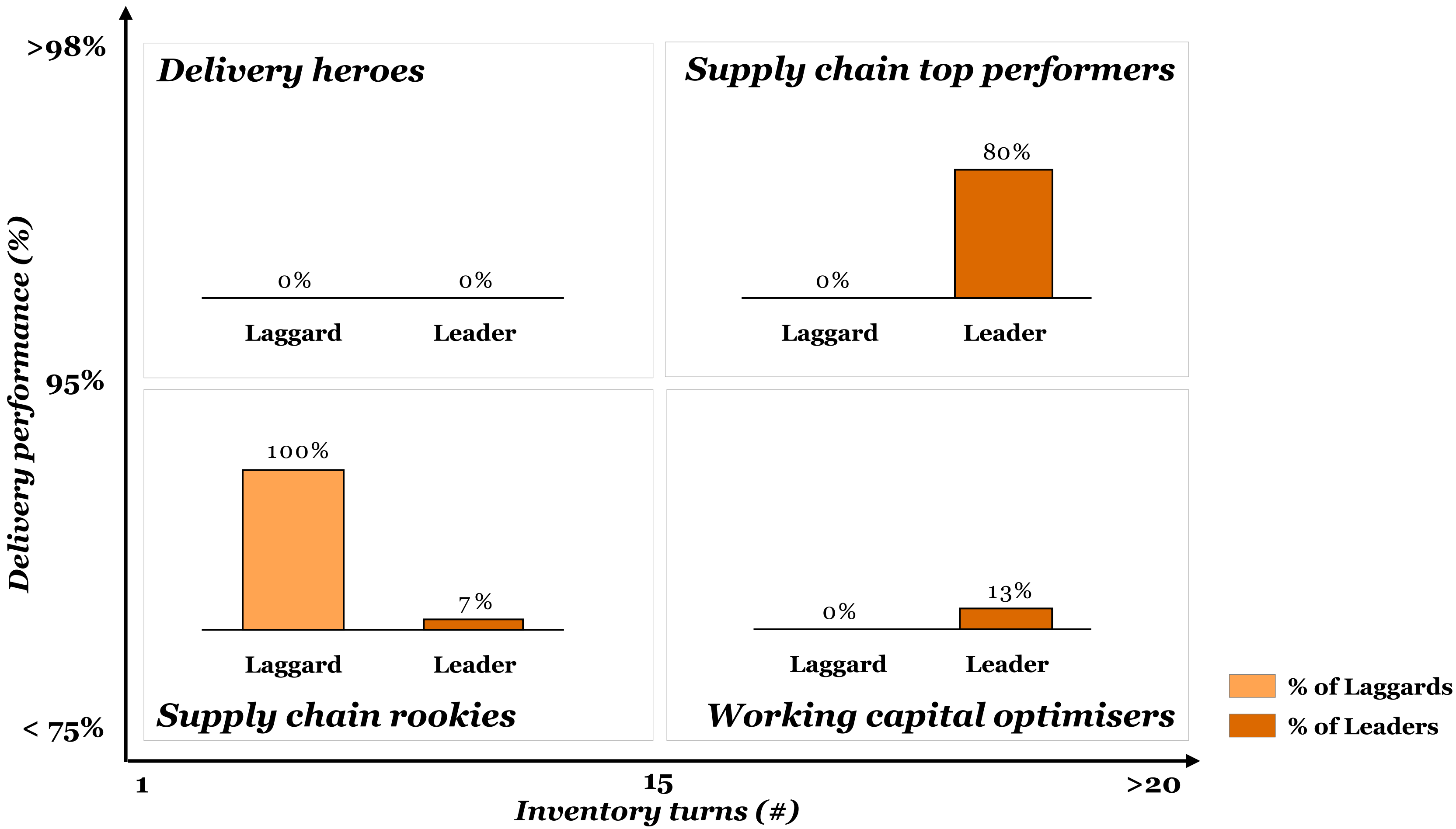
45% of the participants acknowledge that supply chain is seen as a strategic asset in their company



There is a significant opportunity for Laggards to improve operational performance and to follow the Leaders



Leaders achieve higher deliver performance whilst operating in optimized working capital ranges



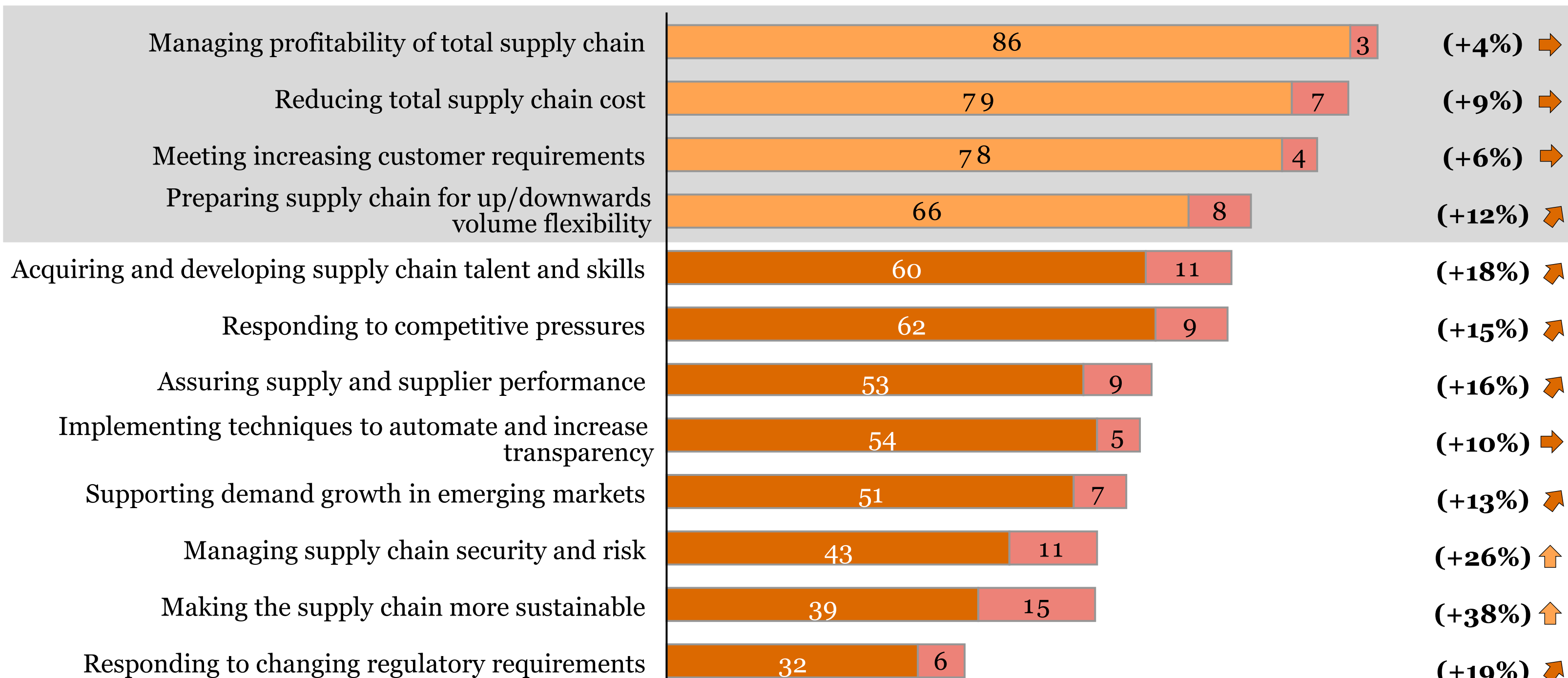
Leaders focus on best-in-class delivery, cost and flexibility to meet increasingly demanding customer requirements

2

Cost, profitability, and service continue to increase in importance, but executives see the importance of many other characteristics growing rapidly

Consumer Goods

Significant[1] Supply Chain trends in 2013 [%] | **In 2013-2015[2] [%]** | **% Increase by 2015 vs. 2013**



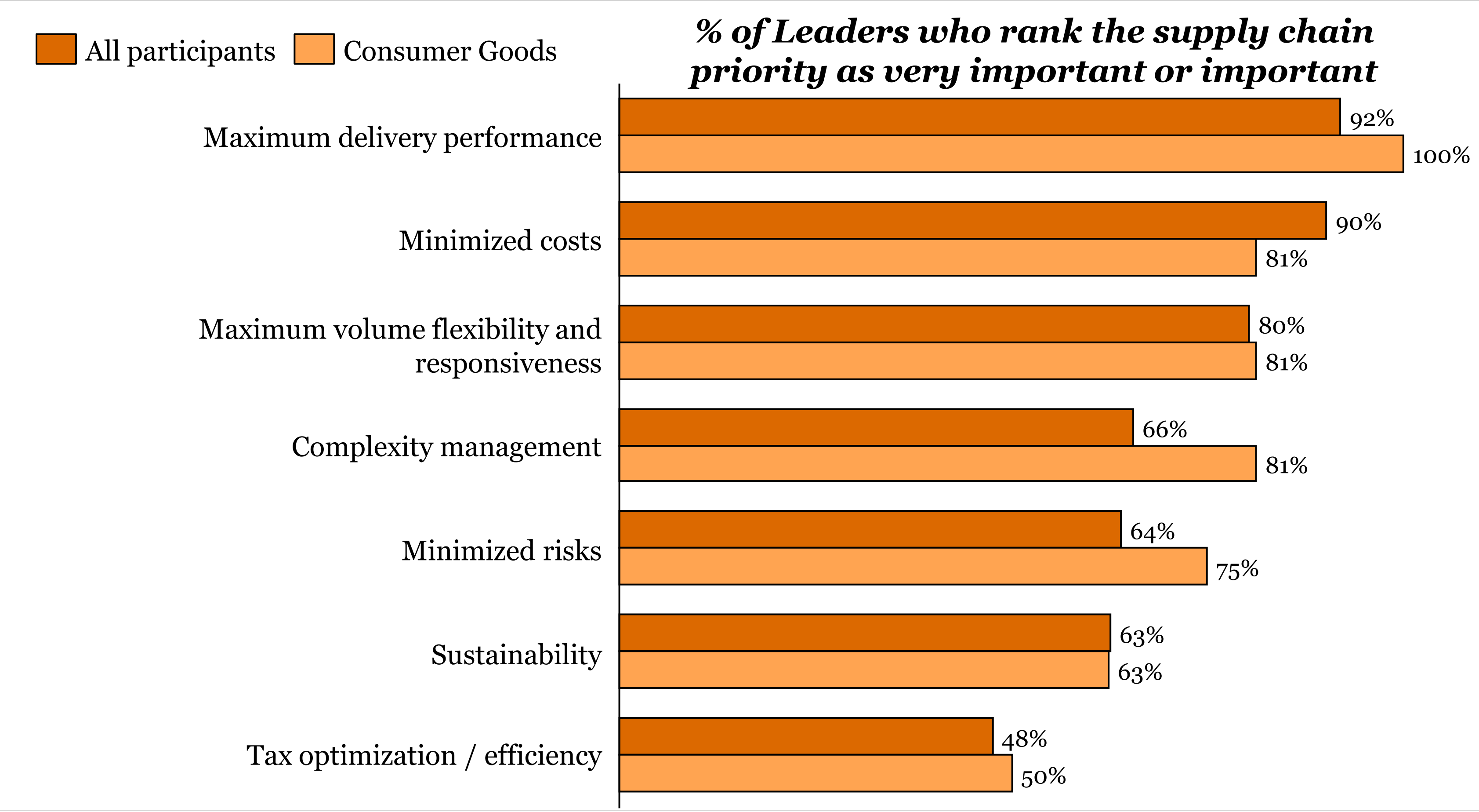
Top 4 Supply Chain trends

Remaining Supply Chain trends

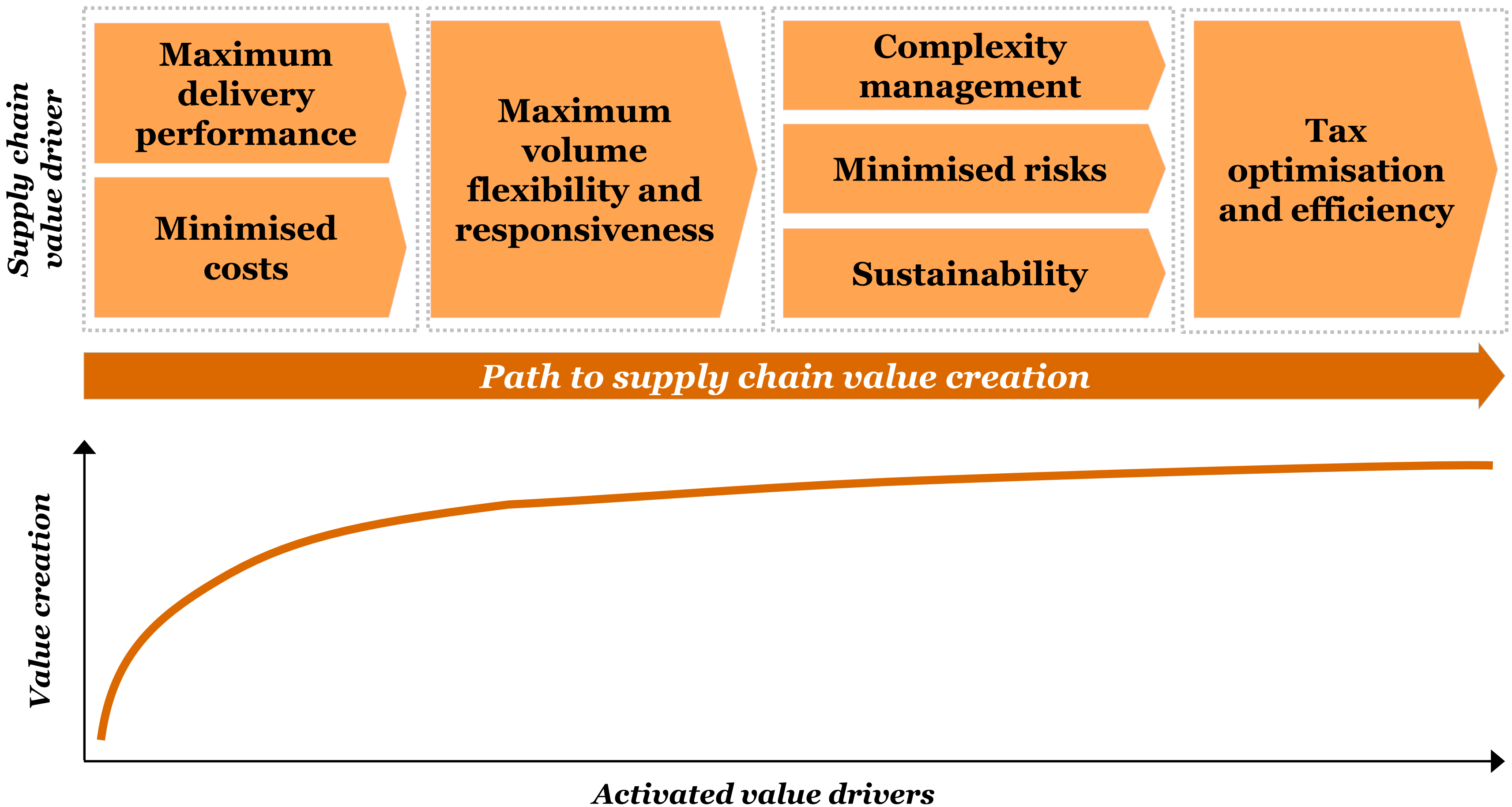
Importance increase by
≥ 20%
10% and < 20%
≤ 10%

Note
1) % participants who judged trend as critical or significant in 2013
2) % participants who think that trend is significant, critical or moderate in 2013 and who think that importance will increase by 2015 or who have indicated critical or significant for 2013 and indicate that it will stay same for the next 2 years

While primary emphasis is on delivery and cost performance, Supply Chain Leaders are focused on several other factors as well



Seven supply chain value drivers have been defined on the path to supply chain value creation

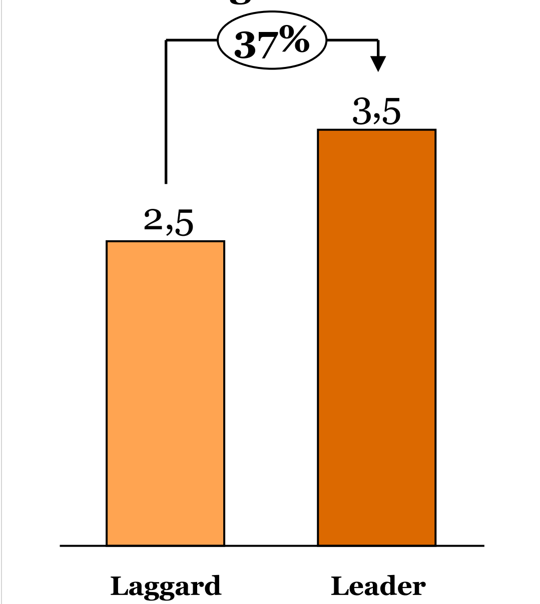


One size does not fit all – Leaders tailor their supply chains to the needs of different customer segments

3

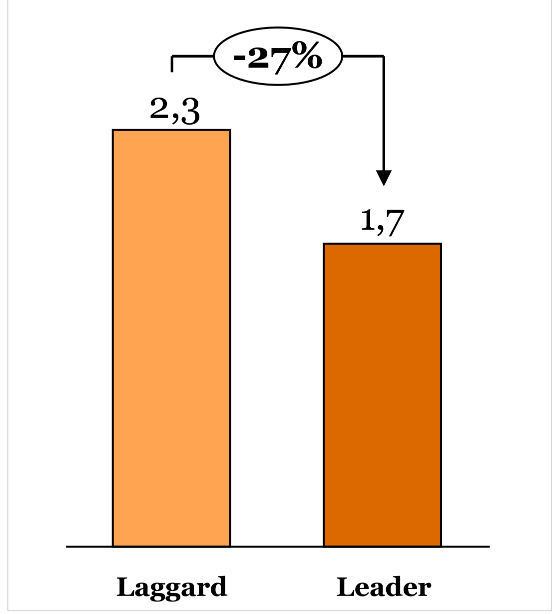
Leaders operate more supply chain configurations to achieve a competitive advantage

 # supply chain configurations



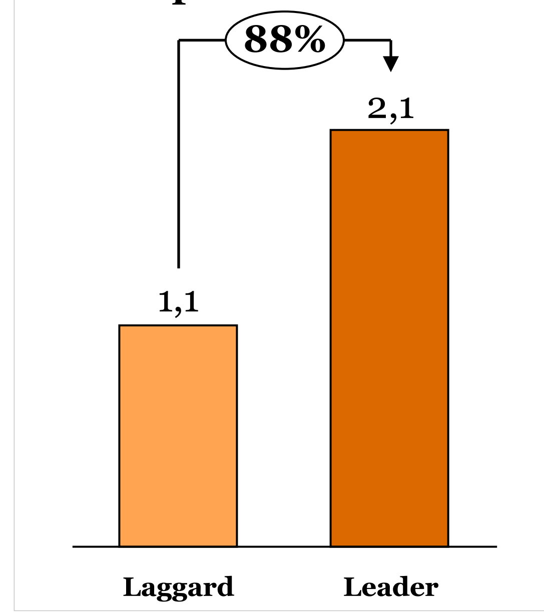
Leaders operate more supply chain configurations

 # channels



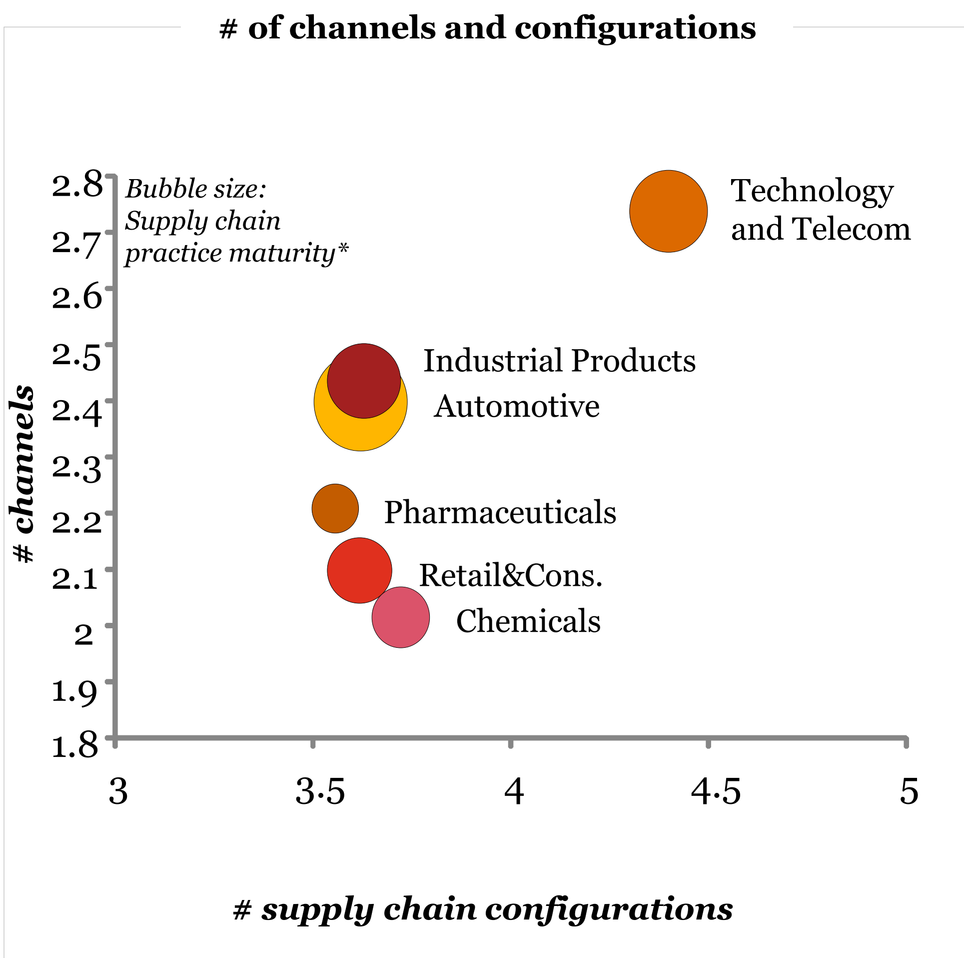
Leaders are more focused than Laggards since they operate in less channels

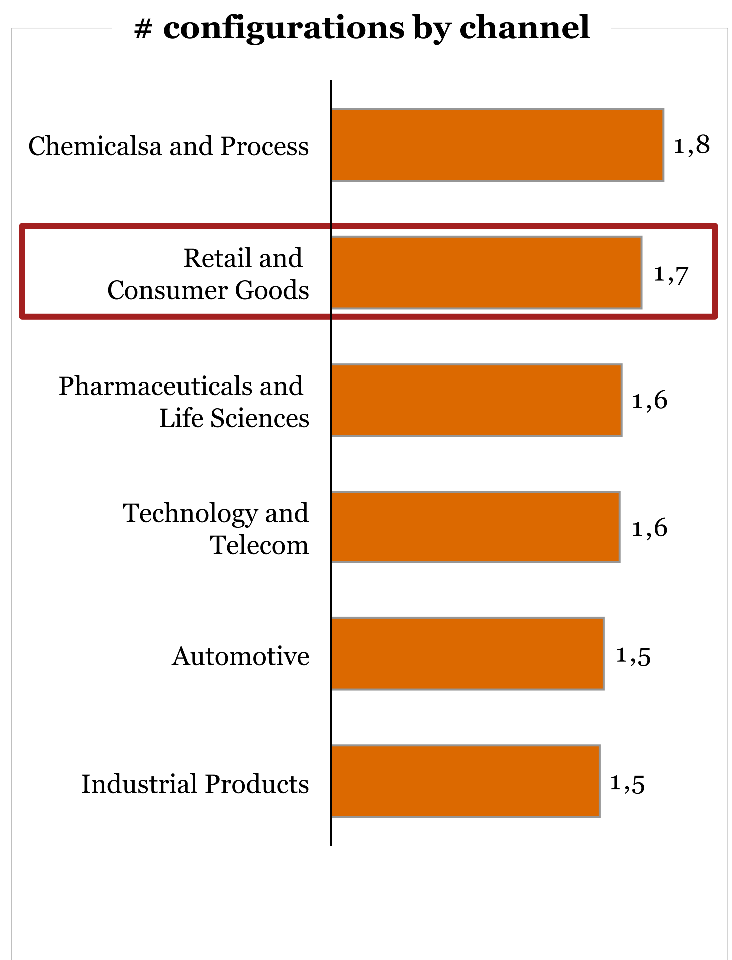
 # configurations per channel



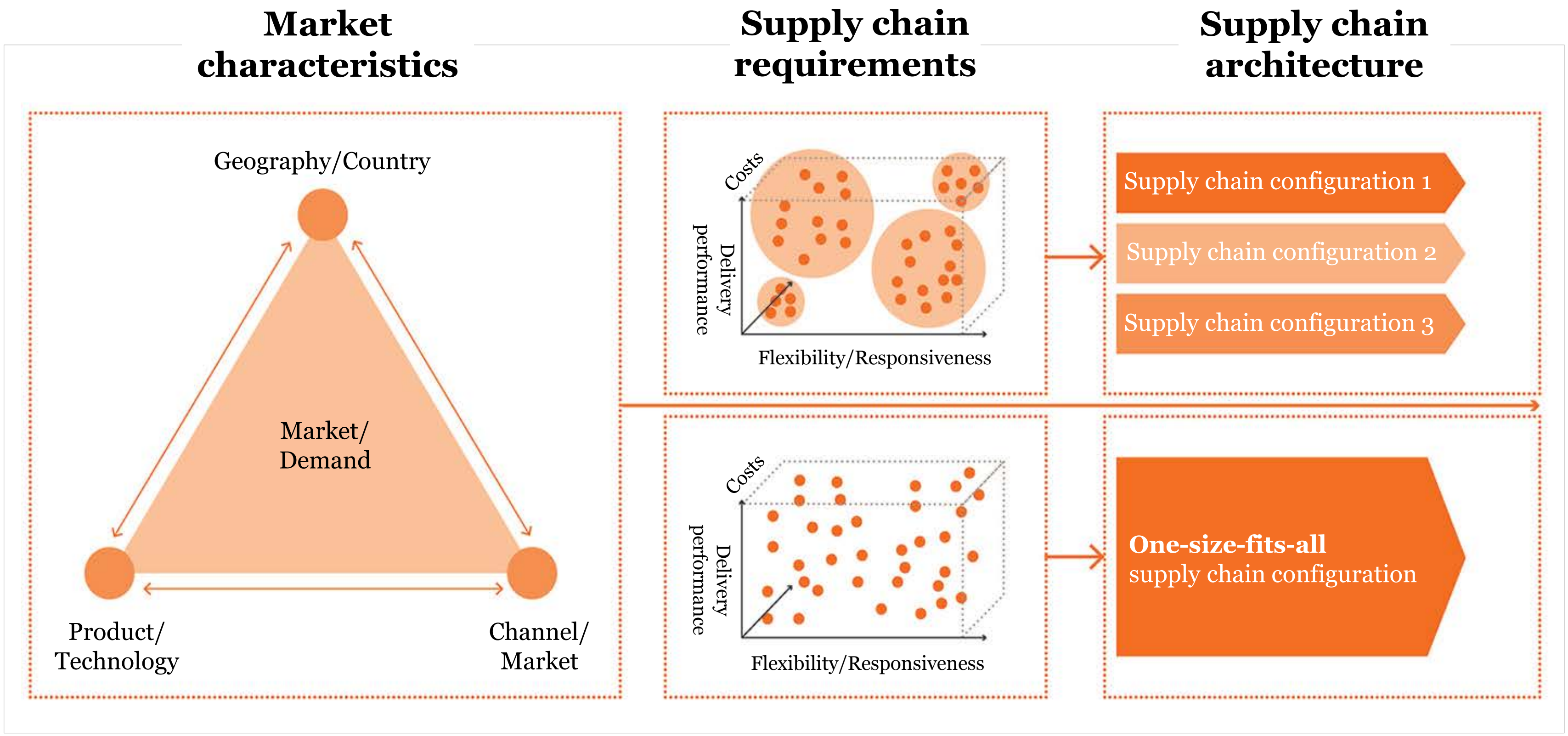
Leaders operate up to 88% more configurations per channel than Laggards

Retail and consumer goods companies operate on average 1,7 configurations per channel





Visualisation slide: "One-size-fits-all" vs. differentiated supply chain architecture



Definition: Instead of deploying a one size fits all approach many companies use an operating model that constitutes of different Supply Chains Configurations. Each Supply Chain Configuration is optimized and differentiated in the area plan, source, make, deliver to service specific business requirements. For instance:

- An industrial manufacturer might have 2 different SC configurations: 1 for complex / high-range products and 1 for standardized / lower cost products. Each SC configuration might serve the same customers and might source from the same suppliers, but could use different production locations and, potentially different distribution networks.
- A large retailer might have 2 different SC configurations: 1 for physical storefront and 1 for on-line shopping.
- Note: Reverse Supply Chain is out of scope

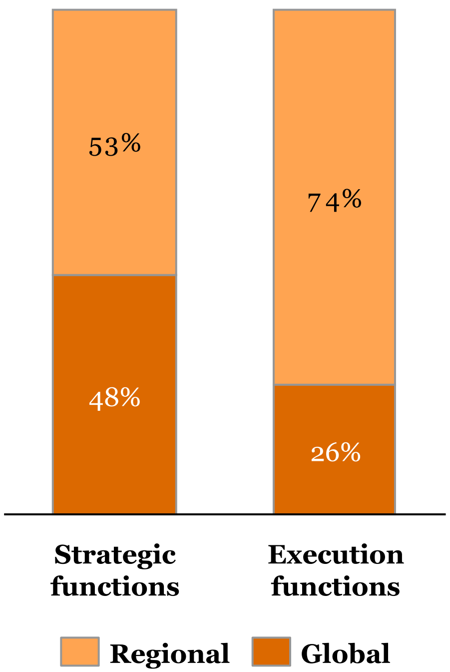
Leaders outsource production and delivery but retain global control of core strategic functions

4

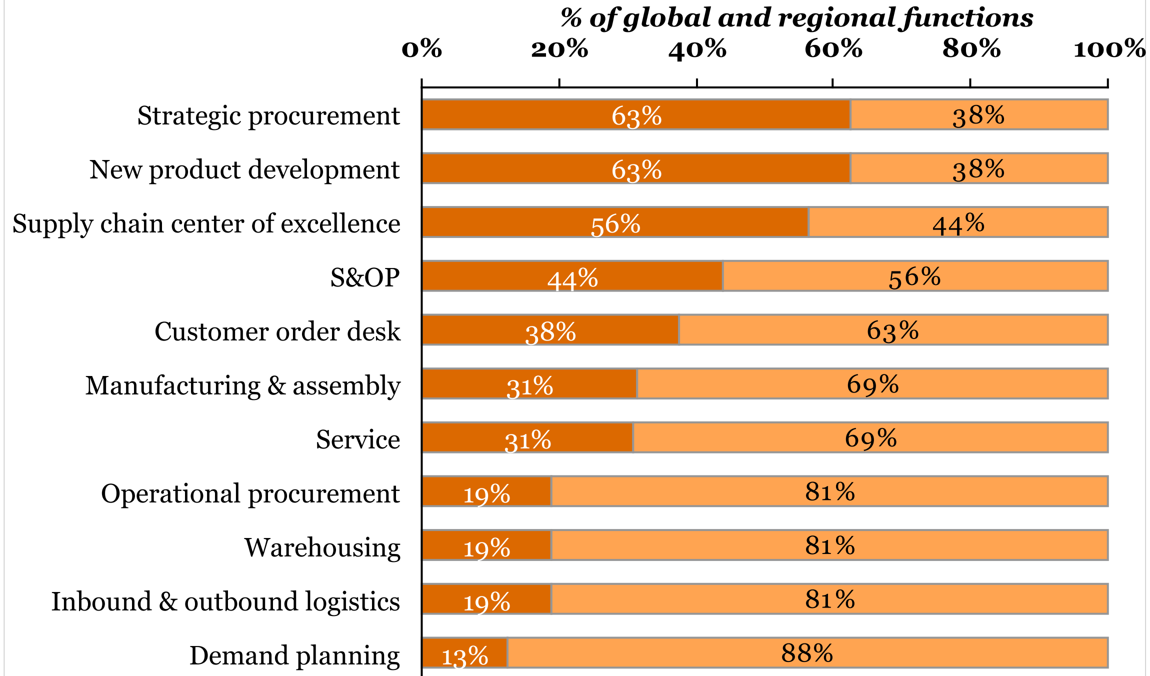
Consumer Goods

Supply chain Leaders keep core functions under global control and focus on regional execution

Leader's organisational model



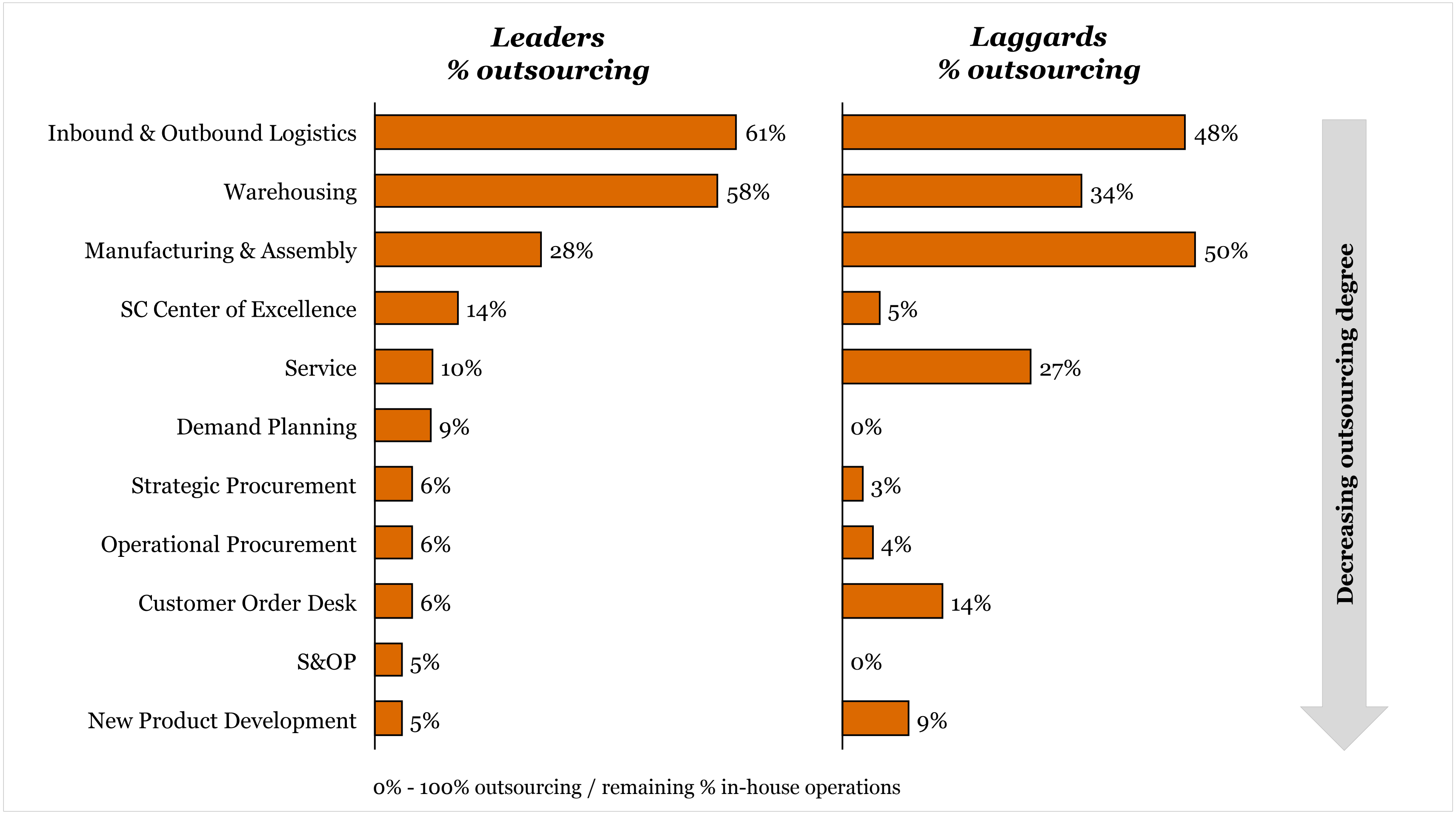
Leaders' geographic organisation



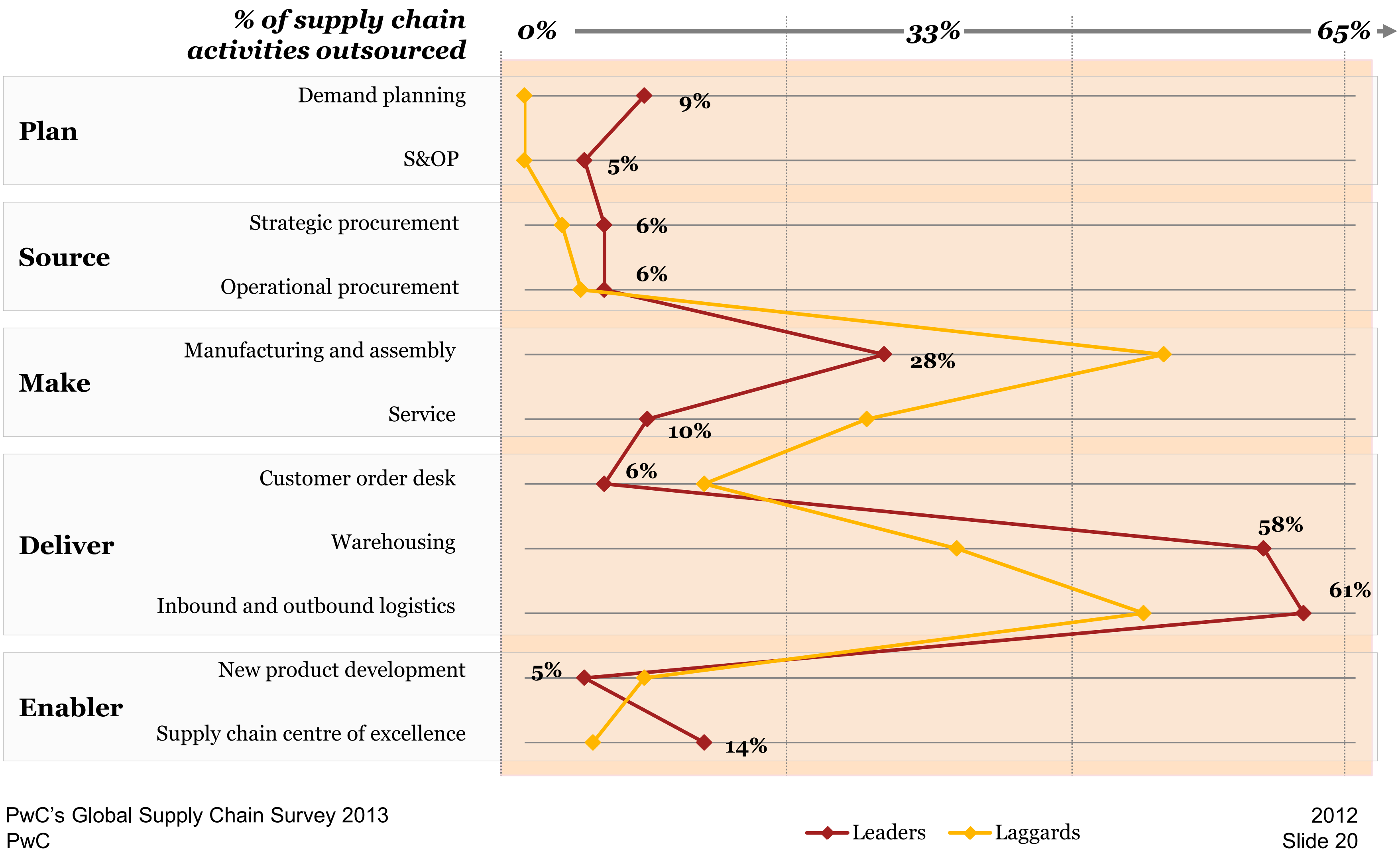
Global : Global BU (cross region and cross enterprise)
Regional : Regional and local functions

Strategic functions: Demand Planning, S&OP, Strategic Procurement, New Product Development, Supply Chain Centre of Excellence
Execution functions: Operational Procurement, Customer Order Desk, Inbound and Outbound Logistics, Manufacturing and Assembly, Service

Outsourcing of supply chain Leaders focuses mainly on execution functions and not on core functions



Supply chain Leaders utilise outsourcing in manufacturing & assembly, warehousing and inbound & outbound logistics

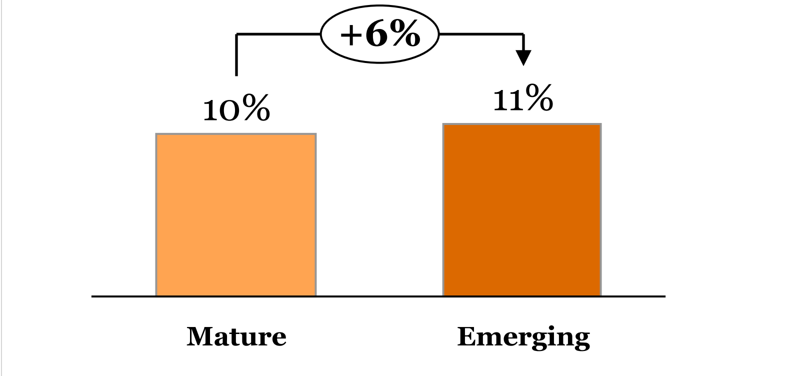


Leaders in mature and emerging markets invest more heavily in differentiating supply chain capabilities

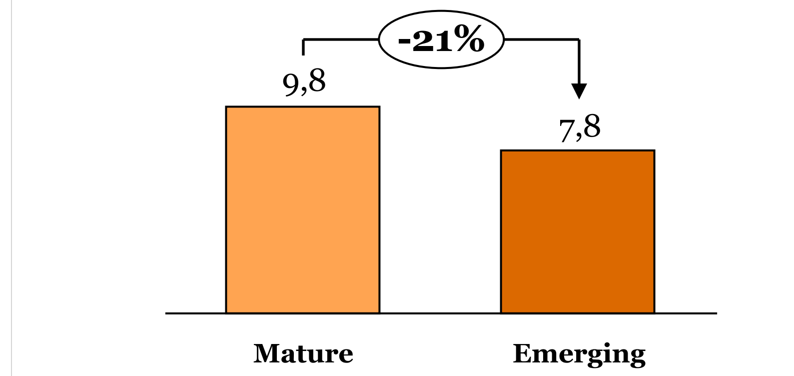
5

Emerging markets are already close to mature market's supply chain performance

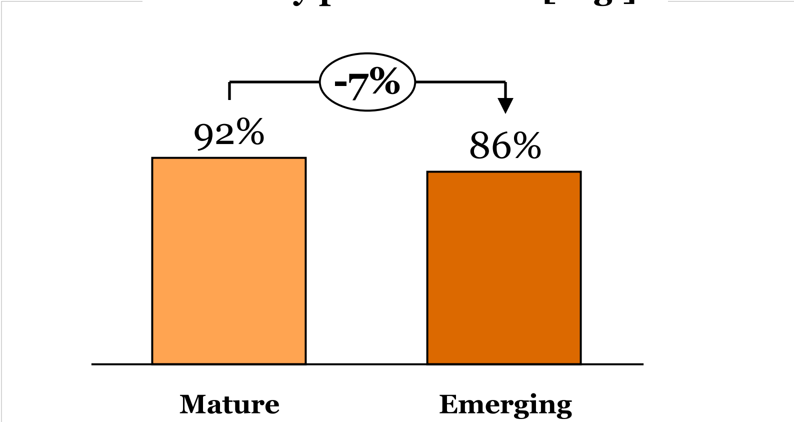
EBIT margin [avg.]



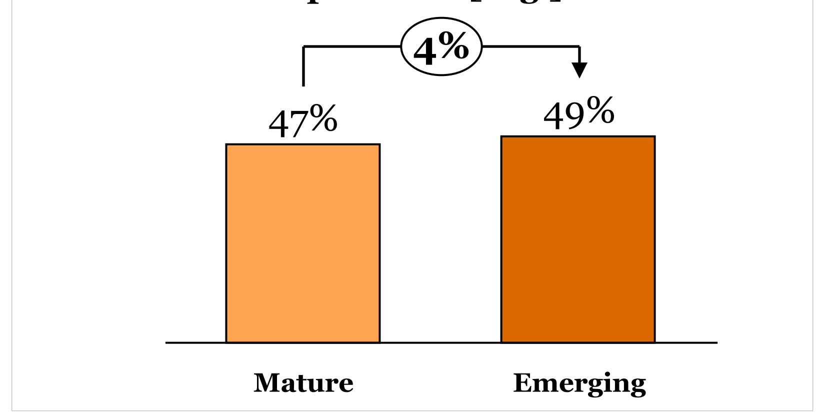
Inventory turns [avg.]



Delivery performance [avg.]



Differentiating supply chain capabilities [avg.]



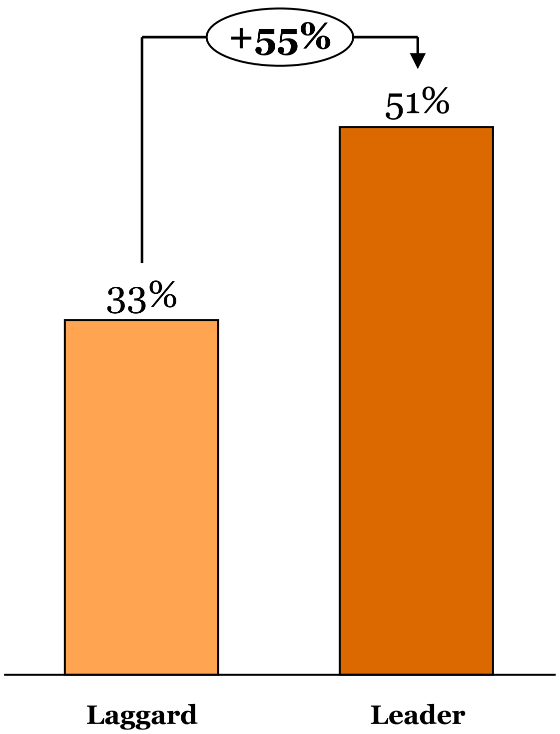
Based on participant's origin country

Mature Markets: United States, Europe, Middle East, Japan
Emerging Markets: Latin America, India, China

60% of the Consumer Goods Leaders focus on differentiating supply chain capabilities

All Participants

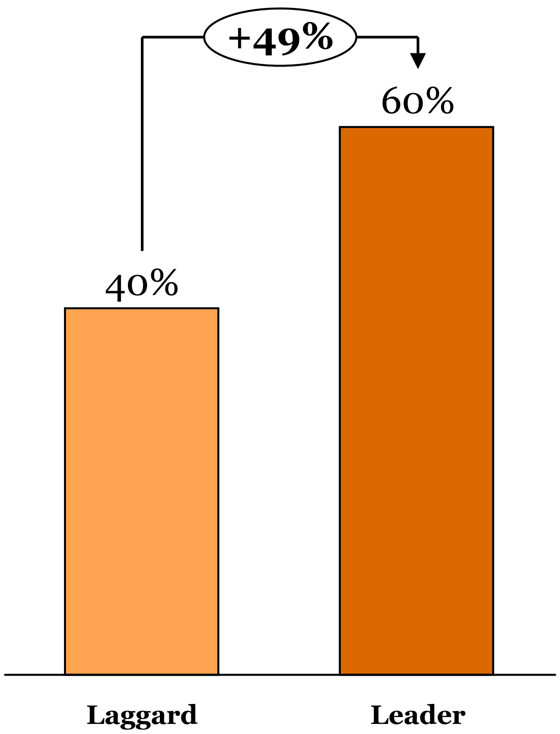
Prioritisation of differentiating supply chain capabilities



% leaders/laggards who perceive the capability as very important

Consumer Goods

Prioritisation of differentiating supply chain capabilities



% leaders/laggards who perceive the capability as very important

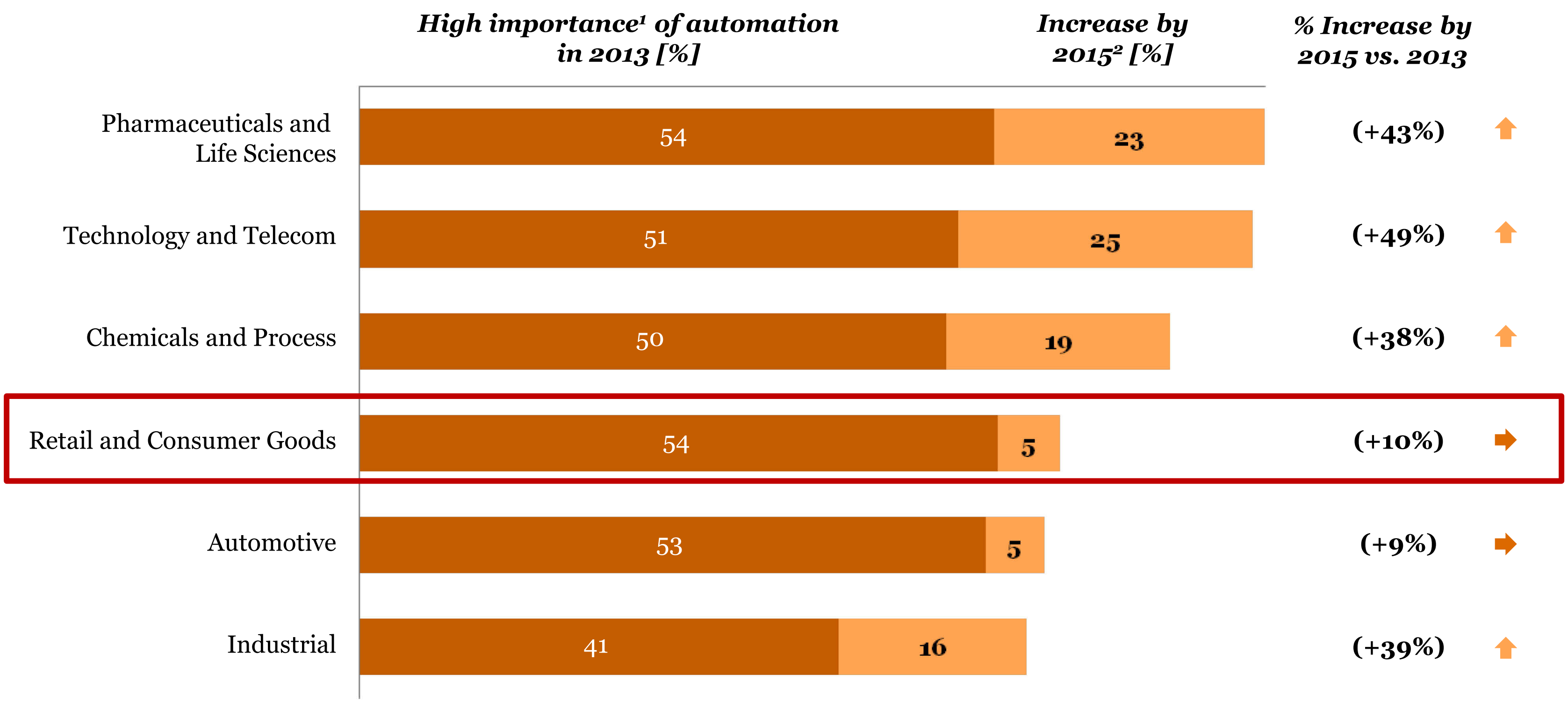
Leaders focus on differentiating capabilities which provide the platform for superior performance

Supply chain value driver	Top three differentiating practices of Leaders
Maximum delivery performance	1. Collaboration with key customers on planning (e.g., effective forecasting) 2. End-to-end supply chain planning and visibility 3. Vendor-managed-inventory (VMI) direct-replenishment model
Minimized costs	1. Best-cost country sourcing 2. Differentiated order-to-delivery time 3. Differentiated service level including potential reduction
Maximum volume flexibility and responsiveness	1. Internal capacity flexibility 80%-120% 2. Flexible shift models/payment structure 3. Regional supply chain set-up
Minimized risks	1. Regular review of suppliers' financial risk and mitigation through risk-sharing partnerships 2. Multiplication of sources and sole-sourcing avoidance 3. Visibility over short-term supply through order traceability, VMI…
Complexity management	1. Late stage product customization 2. Develop multi-skilled employees in order to cope with complexity 3. Use of distributors and other channel partners
Sustainability	1. Responsible supply chain partner footprint and procurement framework 2. Integrated risk management 3. Internal carbon footprint optimization and improvement
Tax optimization and efficiency	1. Manufacturing and assembly optimization (toll manufacturing) 2. IP and patent royalty optimization 3. Localization of procurement organization in tax efficient countries (e.g., Singapore, Switzerland, Cayman Islands…)

Interest in next-generation technologies and sustainable supply chains is growing

6

Supply chain trend: Implementing techniques to automate and increase transparency



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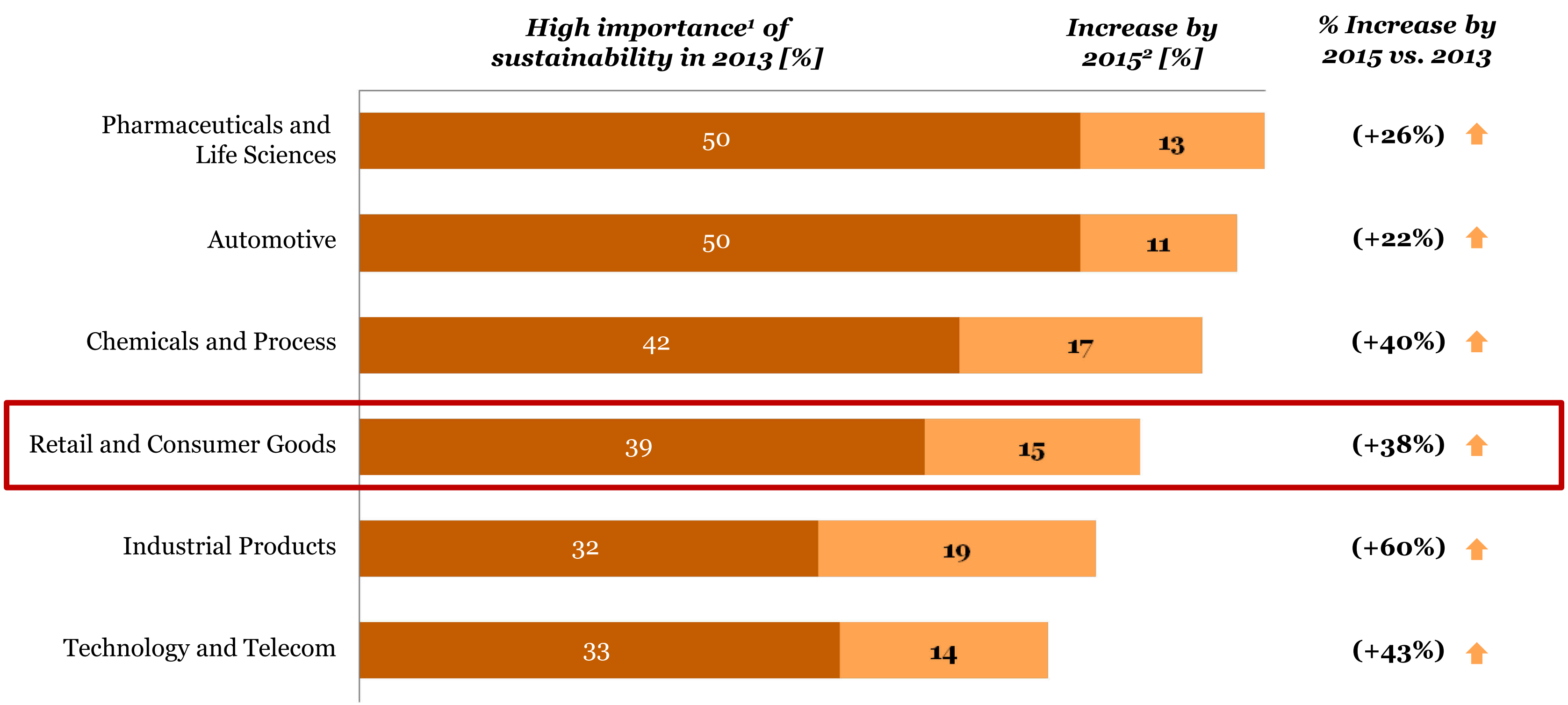
Importance increase by
≥ 20%
10% and < 20%
≤ 10%

Supply chain trend: Making the supply chain more sustainable



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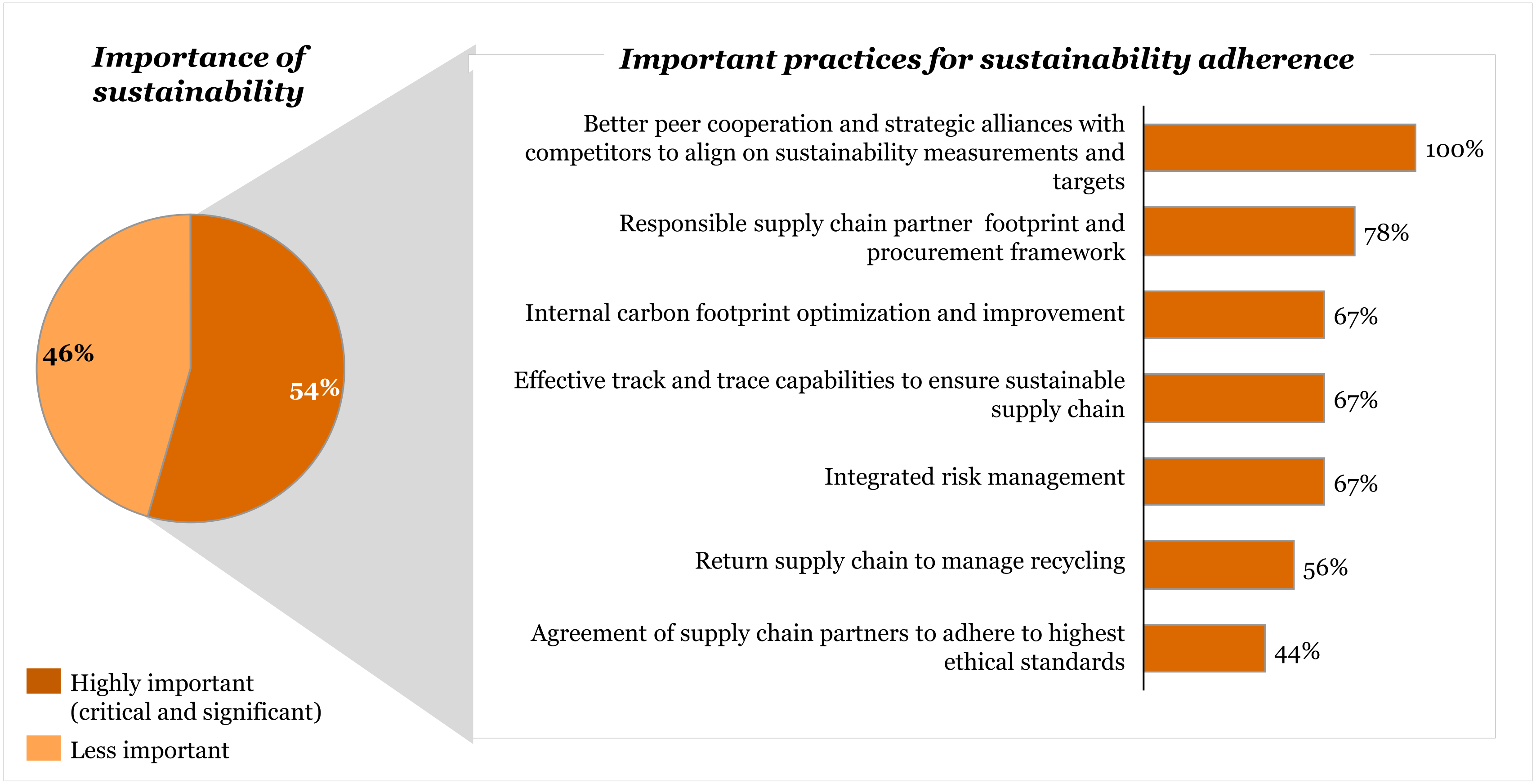
Better peer cooperation and strategic alliances with competitors and responsible supply chain partner footprint are the most important sustainability practices



“Strategic” supply chains have emerged as a key source of competitive advantage

This year’s global supply chain survey shows how Leaders are moving ahead of the pack. They’re tailoring their supply chains to customer needs and investing in next-generation capabilities while keeping the focus on supply chains that are ***fast***, ***efficient*** and ***tailored***. That's a model that allows them to flex to the needs of different customers and serve them seamlessly in turbulent market conditions.

For more information

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