



# Supply chain: the big picture

As the business function that ultimately delivers on the all-important brand promise, supply chain has the opportunity to become a true value lever and differentiator for every organization.

KPMG Powered Enterprise | Supply Chain

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# True value lever and differentiator

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The worldwide pandemic has dramatically (and arguably, irreversibly) altered customers' needs and expectations, and across the whole business, organizations have had to change tack to deliver goods and services in a more customer-centric manner than ever before.

With disruption from multiple sources (not just the global pandemic, but issues such as increased cyber threats as well), supply chain leaders have rushed in to fight fires and are well aware that the spotlight is on them to keep operations running smoothly. Now, they have the opportunity to increase their value to the business even further by rebuilding the function around a 360-degree view of the entire supply and demand landscape. At this moment in the spotlight, they can begin to think about the function differently as a facilitator of enhanced, customer-centric business performance.

"It's time for supply chain to move from a middle-office function to a high-priority enterprise-wide

growth enabler, fully integrated with front office operations," says Robert Barrett, Supply Chain Leader at KPMG in the US.

"It's not just about having a good product or service. It's about creating an amazing overall customer experience, and the supply chain is instrumental in delivering the brand promise if it has a deep insights into customers' needs and expectations. This is a renewed way of thinking for supply chain leaders and all the functional areas that connect them to the customer."

This requires supply chain operations to be connected with the business as a whole and to develop an integrated view of both the product and the customer – a practice that has, until now, been the domain of 'front end' operations.

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The supply chain of today must be connected with commercial operations. Manufacturing must know what's being promised in market and push products into the network that fulfill customer demand. Finance must be engaged on both the raw material sourcing side, and in managing the cash side of customer orders.

By having a stream of relevant customer insights, supply chain can forecast and generate demand plans with greater visibility – and, in doing so, be more agile in mitigating the impact of variability, disruption and risk without increasing costs unnecessarily. Critically, supply chain experts must still deliver on customer expectations and meet business objectives.

This is the future of a profoundly powerful and integrated way of operating. To create this better future, significant organizational connections are needed for the supply chain function to be recognized as an influential enterprise-wide growth enabler – and one that is instrumental in delivering the customer brand promise.



In many organizations, there's a disconnect – those new expectations that have been set with the customer often haven't been discussed with the supply chain... ”

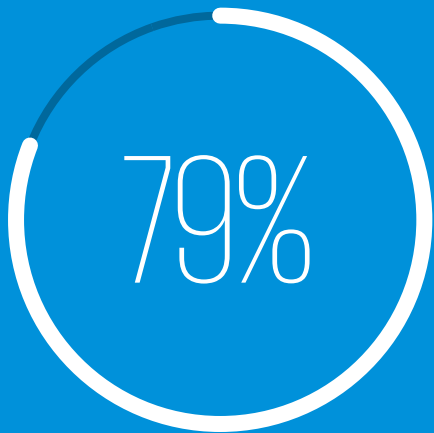
**Peter Liddell**

Global Head of Operations, Center of Excellence at KPMG International

A woman with long hair, wearing a light green sleeveless dress, stands on a large, dark rock in the foreground. She is looking out over a vast, dense city skyline, likely Hong Kong, during sunset. The sky is a warm orange and yellow, and the city buildings are silhouetted against the light. In the background, there are mountains and a body of water with some boats. The overall mood is contemplative and serene.

# Creating a customer-centric supply chain

The supply chain disconnect has created a myriad of problems for organizations across the globe. The cost to serve is often significantly higher than it should be, and some businesses may be running a continual risk of failing to meet customers' expectations.



of supply chain leaders think that an Internet-/platform-based approach is the **most critical new business model to support post-pandemic recovery.**

Source: Gartner®, "Future of Supply Chain 2021"

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In KPMG's future of supply chain report titled: **The road to everywhere**, it was noted that the unparalleled convenience at the point of sale that customers have now experienced has fueled demand for similar convenience in their order fulfillment. Peter Liddell, Global Head of Operations, Center of Excellence at KPMG International, says that's easy to say, more challenging to deliver.

"In many organizations, there's a disconnect – often, those new expectations that have been set with the customer haven't been discussed with the supply chain and operational team, and the supply chain and fulfillment strategies haven't been set up to deliver what the customer has been promised and expects."

In a recent example, a medical goods company promised that their products would be delivered to hospitals within 48 hours of placing an order. Unfortunately, the sales team didn't discuss the viability of this commitment with the supply chain team.

Consequently, to fulfill this promise, it was necessary to expedite the delivery by using a premium service to get the product to the customer within the contracted timeframe. The result? More than 90 percent of the stock was sent at premium freight rates, eroding margins and setting unrealistic expectations for future (and costly) delivery times with a high-value customer.

The B2C environment is not dissimilar. The multichannel route to the consumer market requires an agile and responsive strategy as well.

Many different customer buying patterns and behaviors are emerging. People expect delivery on their terms – and meeting that expectation is non-negotiable.

"This is a complex balancing act," says Barrett. "You have to consider the impact of dynamic customer segments and their expectations in order to remain relevant, be able to deliver consistently on the brand promise, and manage a highly diverse set of supply chain partners and suppliers – not to mention trading, tariffs, and economic nationalism."

Taking on a more connected and visible role in the business, maintaining a clear view of the customer landscape, and strategically managing a complex environment is unlikely to be achieved by operating in the 'old' way. The 'new' way is a transformed supply chain function that is fully connected throughout the enterprise, enabled by technology and a champion for customer-centricity.

# A new model for delivering supply chain value

Adopting a new operating model for an effective supply chain transformation can be a game changer.

A new model provides the opportunity for supply chain leaders to step back and take a fresh approach with heightened clarity around the value that the supply chain function contributes to the business.

“The people who are building next-generation of supply chain functions are thinking about how their customers interact with the sales and marketing team so that they can access those customer insights as well,” says Liddell. “That’s what will inform the strategies underpinning the structure of the supply chain network, how you cost-optimize your product flows, and set your inventory policies in the future. And all viewed through the lens of customer needs and expectations.”

Introducing a targeted operating model built upon leading practice supply chain capabilities is the first step. With greater access to usable customer insights, enabled by intelligent forecasting and the creation of more accurate demand plans, the new target operating model can help to make the supply chain fit for the future and deliver outstanding customer service that differentiates the organization from its competitors.

With seamless connectivity across critical functions such as manufacturing, sourcing, procurement, and order management, the supply chain can be expected to deliver significant value across the business as the champion of customer centricity.

## The future of play

The world of play has changed dramatically in the past decade. The advent of the iPad™ and the rise of digital gaming has transformed how children play, while online shopping and influencers have altered how, when and where consumers learn about and purchase toys.

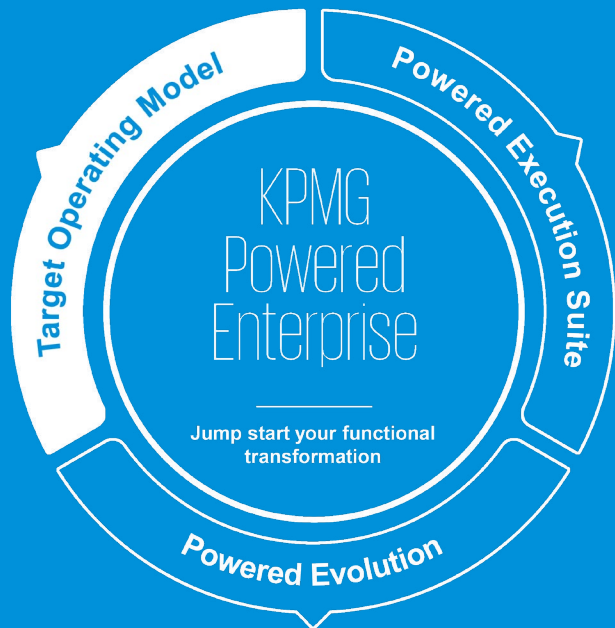
Given these realities, this global toy manufacturer sought out innovative demand planning solutions for its signature brands. Simultaneously, the company was interested in future-forward business processes and transformative IT systems to establish the agile and responsive supply chain model it needed to serve over 50 global markets from numerous manufacturing plants and fulfillment models.

KPMG in the US worked with the company to create a nimble, reactive, customer-centric supply chain organization that could respond swiftly to demand changes and trends. KPMG professionals support has helped them improve planning, inventory, and speed to market, and will empower them to create the future of play in the digital world.

# Building the new supply chain







**KPMG Powered Enterprise | Supply Chain** brings together industry-leading practices and processes, pre-configured, cloud-based technology applications and a next-generation delivery framework to help clients jump start their supply chain transformation journey.

Leverage customer-centric business models, pre-built KPI libraries, data models and reports to align your supply chain to your customer experience. This is all underpinned by the KPMG Target Operating Model, fine tuned to derive value from your chosen technology platform and based upon six layers of change.

1. **Functional process:** Hundreds of predefined, leading practice processes sit within this layer.
2. **People:** Managing the supply chain workforce, including upskilling for the digital age.
3. **Technology:** From advanced analytics and tracing predictive analytics to cognitive decision centers and intelligent automation, technology can streamline processes and change how the supply chain operates.
4. **Performance insights and data:** KPIs, process performance indicators and enhanced reporting are all critical components of this layer.
5. **Governance:** Focuses on the risks in the supply chain process, as well as duties and policies.
6. **Service delivery model:** The overall architecture of the delivery model.

“As well as establishing the future architecture and the processes that sit underneath it, the future supply chain target operating model establishes robust governance practices and identifies the spans of control,” says Liddell.

“First, however, existing processes need to be fixed, and we need to ensure the right level of data is flowing in to support key decisions.”

Ultimately, every facet of a business’s operation needs to be focused on the customer. By undergoing a functional transformation supported by leading technology solutions, companies can build a seamless, flexible supply chain that’s integrated across the entire business.

One that can survive and thrive, regardless of the challenges that lie ahead.

# Key takeaways

1. **The customer has changed dramatically** and the supply chain function needs to be transformed.
2. **It is important to recognize that the supply chain in most businesses is disconnected** from the rest of the organization, and this is not sustainable in a customer-centric environment.
3. **Supply chain has a significant opportunity to become a critical enabler of the 'front office' business** – using customer insights and data to enhance demand forecast and fulfillment strategies.
4. By introducing a supply chain target operating model, **businesses can transform their supply chain with proven ways of working**, integrated across the organization and designed to deliver value to customers and the business.

# Discover more

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- 🔗 **A new vantage point**
- 🔗 **KPMG Powered Enterprise**
- 🔗 **KPMG Target Operating Model**

## Insights from KPMG:

- 🔗 **Shaping the future**
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