Supply chain reinvention

A demand-response network approach that helps improve operational performance
Improving supply chain performance to meet the demands of a changing world

Rising channel complexity, increasing volatility and the growth of emerging markets require new levels of agility and responsiveness, while pressure on costs and overcapacity drive the need for increased efficiency. These pressures are also driving the need to reinvent supply chains and how we look at them. This helps enable organizations to react appropriately and dynamically to the increasingly interactive flow of information between customer and supplier, balancing agility and cost, and helps unlock value from supply chain (SC) assets and, ultimately, drive competitive advantage.

Drivers for supply chain reinvention

<table>
<thead>
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<th>Key drivers</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>1. Growth is challenging</td>
<td>1. Superior volume growth</td>
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<td>2. Consumer behavior is changing</td>
<td>2. Improvement in new initiative success rates</td>
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<tr>
<td>3. Costs are harder to control</td>
<td>3. Below average internal and external cost levels</td>
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Reinventing supply chains around a new demand-response network

At EY, we aim to reinvent the supply chain with agile, profitable, technology-powered, demand-centric structures that we call “demand response networks” (DRNs). The DRN framework aims to alter the product-centric, sequential, plan-buy-make-sell-deliver-return view of supply chains to a demand-centric, networked, create-sense-shape-respond one.

With DRNs, we can help you effect a fundamental change in your operations performance to support sales growth, aid you to become more cost-competitive, help you minimize risk and improve operational resilience. Our approach works across a number of dimensions – overall strategic architecture, integrated operational excellence, supply chain risk and resilience, and operational talent and capability enablement – to address the big, complex issues and opportunities that help deliver better working outcomes.

Helping you deploy your vision from strategy to execution

We can help you unlock the full value of your supply chain and operations to improve your operational performance. Our DRN SC reinvention transformation framework supports you in improving your customer service levels, profits and competitiveness. Key to SC reinvention is to fundamentally revisit the role of SC and accurately restructure around the different commercial SC segmentations. We work with you to understand your organization, your business models and the different SC segments and their end-to-end requirements in order to define the right strategic SC structure. We then help you to deploy the right capabilities across the operating models, footprint, processes, organizations and technology to help support your business segmentation goals and drive profit.

Traditional supply chains are no longer fit for purpose

A new demand response network is emerging

of SC leaders say their SC is not fit for purpose for omni-channel.\(^1\)

of consumer products companies say they need to make a significant change to their operating models to maintain margins.\(^2\)

is the average decrease in stock price associated with companies that announced a supply chain disruption.\(^3\)

1. EY’s consumer products and retail executive surveys, 2015.
2. Ibid.
As part of the SC reinvention journey, we use performance management frameworks to help clients through their SC transformation process and help achieve a breakthrough in performance. Defining the level of maturity through a clear set of performance metrics helps allow markets and functions to proactively accelerate performance improvement by progressing from one phase to the next – with tools and assets to help support effective measuring and reporting.

Supply chains should be viewed as a source of competitive advantage

Today, supply chains and operations are seen by organizations as sources of strategic competitive advantage. Investing in the right operating models helps organizations to balance the need for agility and responsiveness while they seek to drive down costs and increase profits. At EY, we work with organizations to help them unlock the value from strategic assets by helping identify the optimal operating models to suit your current and future business needs and ultimately drive profitable growth.

Why EY?

- We can help you balance agility and cost to support your goal of unlocking value from strategic assets and ultimately driving competitive advantage.
- We connect you with seasoned professionals from our global ecosystem to identify and help address the big, complex issues.
- Our teams have market-leading commercial and supply chain experience.
- We bring deep analytical, operational, change management and financial skills, along with EY professionals from commercial, finance, tax, customs, risk and sustainability, supported by industry affiliations that support you in delivering operational excellence and know-how.
- We have successfully designed and delivered commercially led complexity reduction programs for several major fast-moving consumer goods companies.
- We have strong consumer product industry experience and knowledge.
- We have worked with 98% of the leading global consumer products companies in the top 500 of the S&P Global 1200 Index.

We have worked with:

- 26 of the 27 food companies in the S&P Global 1200
- 19 of the 20 beverage companies in the S&P Global 1200
- 17 of the 17 home and personal care companies in the S&P Global 1200
- 9 of the 9 tobacco companies in the S&P Global 1200
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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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About EY’s Advisory Services

In a world of unprecedented change, EY Advisory believes a better working world means helping solve big, complex industry issues and capitalizing on opportunities to help clients deliver outcomes that grow, optimize and protect clients’ businesses.

From C-suite and functional leaders of Fortune 100 multinationals to disruptive innovators and emerging market small and medium-sized enterprises, EY Advisory teams with clients – from strategy through execution – to help them design better outcomes and deliver long-lasting results.

A global mindset, diversity and collaborative culture inspire EY consultants to ask better questions. They work with the client, as well as an ecosystem of internal and external professionals, to create more innovative answers for our clients. Together, EY helps clients’ businesses work better.

The better the question. The better the answer. The better the world works.

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