

Supply chain exchange debrief

Productivity in today's supply chain

Overview of productivity in today's supply chain

In today's evolving economic landscape, the consumer products sector is fine-tuning its supply chain strategies. With inflationary pressures easing but capital constraints and consumer pushback against price increases persisting, the focus has shifted toward cost efficiency. This adjustment comes in the wake of the pandemic, which has introduced

labor shortages and fluctuating demand, prompting companies to streamline operations and boost productivity with the resources at hand. This strategic shift aims not only to navigate current challenges but also to pave the way for a more streamlined and resilient supply chain.

Solutions for chief supply chain officers

The second Chief Supply Chain Officer Exchange, co hosted by Ernst & Young LLP (EY US) and the Consumer Brands Association (CBA), provided a pivotal forum for industry leaders to explore the future of supply chain productivity. The event highlighted the importance of embracing innovation – not just through advanced technologies such as artificial intelligence (AI), machine learning and analytics

but also by fostering robust cross-functional discussions on enhancing supply chain efficiencies. Topics of focus included training, talent development, standardizing processes to minimize reliance on tribal knowledge and leveraging data to refine manufacturing efficiency, all aimed at fortifying the supply chain against future disruptions.

The dialogue at the exchange coalesced around a shared recognition: the imperative for a strategic revamp in managing an end-to-end supply chain. Participants explored the efficacy of contemporary vs traditional productivity tactics, distinguishing between innovations that drive significant progress and those with merely marginal impacts. Celebrated achievements included the refinement of worker training programs, improvements in

transportation and process efficiencies, and the value of setting collaborative objectives. Yet, the discussions also illuminated key areas ripe for improvement. These included integrated planning, more sophisticated data utilization, overcoming labor and IT limitations, and achieving a harmonious supply-demand equilibrium.


Streamlining for success: key supply chain themes

Seamless integration

Seamless integration in the value chain of consumer products companies is crucial for creating a cohesive, efficient and responsive operation that maximizes value from product conception to customer delivery. By leveraging technology to remove silos and enhance collaboration across departments, consumer products companies have achieved greater transparency, faster decision-making and improved customer satisfaction.

Despite the progress made, the journey toward a fully integrated, end-to-end value chain continues. The challenge lies in justifying the investments needed for such comprehensive integration,

as they often require extensive cross-functional collaboration and a clear demonstration of long-term value. To advance further, companies must develop compelling business cases that highlight the strategic benefits of an integrated supply chain, such as increased agility, cost savings and competitive advantage. Additionally, fostering a culture that embraces change and values cross-functional partnership is essential for driving the next wave of integration initiatives.



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Workforce development

Talent management and workforce development are pivotal in the supply chain management of consumer products companies, as they directly impact operational efficiency, innovation and customer satisfaction. Companies have been successful in developing enhanced training programs that improve the skills and engagement of hourly employees, as well as verifying that the workforce can meet the evolving demands of the supply chain effectively.

However, the industry continues to face significant hurdles

in attracting and retaining a skilled workforce, both at the hourly and salaried levels. To address this, companies must invest in comprehensive talent management strategies that go beyond traditional training. This includes offering competitive compensation, clear career progression paths and a positive work environment. Additionally, innovative support strategies, such as flexible work arrangements, mentorship programs and the use of technology to streamline tasks, can make supply chain roles more attractive and fulfilling.

Efficiency through standardization

Consumer products companies have increased efficiency through standardization of processes and production methods in their supply chains, resulting in streamlined operations, reduced costs and enhanced product reliability, which in turn leads to greater customer satisfaction.


Despite the benefits realized from optimization efforts, the full potential of standardization is often hindered by IT limitations and a reluctance or delay in adopting technological

advancements. Investing to modernize their IT infrastructure will enable more sophisticated data analysis and automation capabilities. Additionally, fostering a culture that embraces change and continuous improvement is crucial for the swift adoption of new technologies, while training and development programs should be implemented to confirm that the workforce is equipped with the necessary skills to leverage these tech advancements effectively.

Cost to serve refinement

Consumer products companies have been highly successful in reducing the total cost to serve their customers by linking route to-market strategies to logistics requirements and streamlining related transportation and warehousing expectations.

However, there's still the need to address environmental sustainability, enhance real-time tracking and visibility, mitigate the impact of global disruptions and translate these factors into incentives designed to drive customer-specific behavior changes that further lower the total cost to serve.



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Scale vs. resilience trade-off

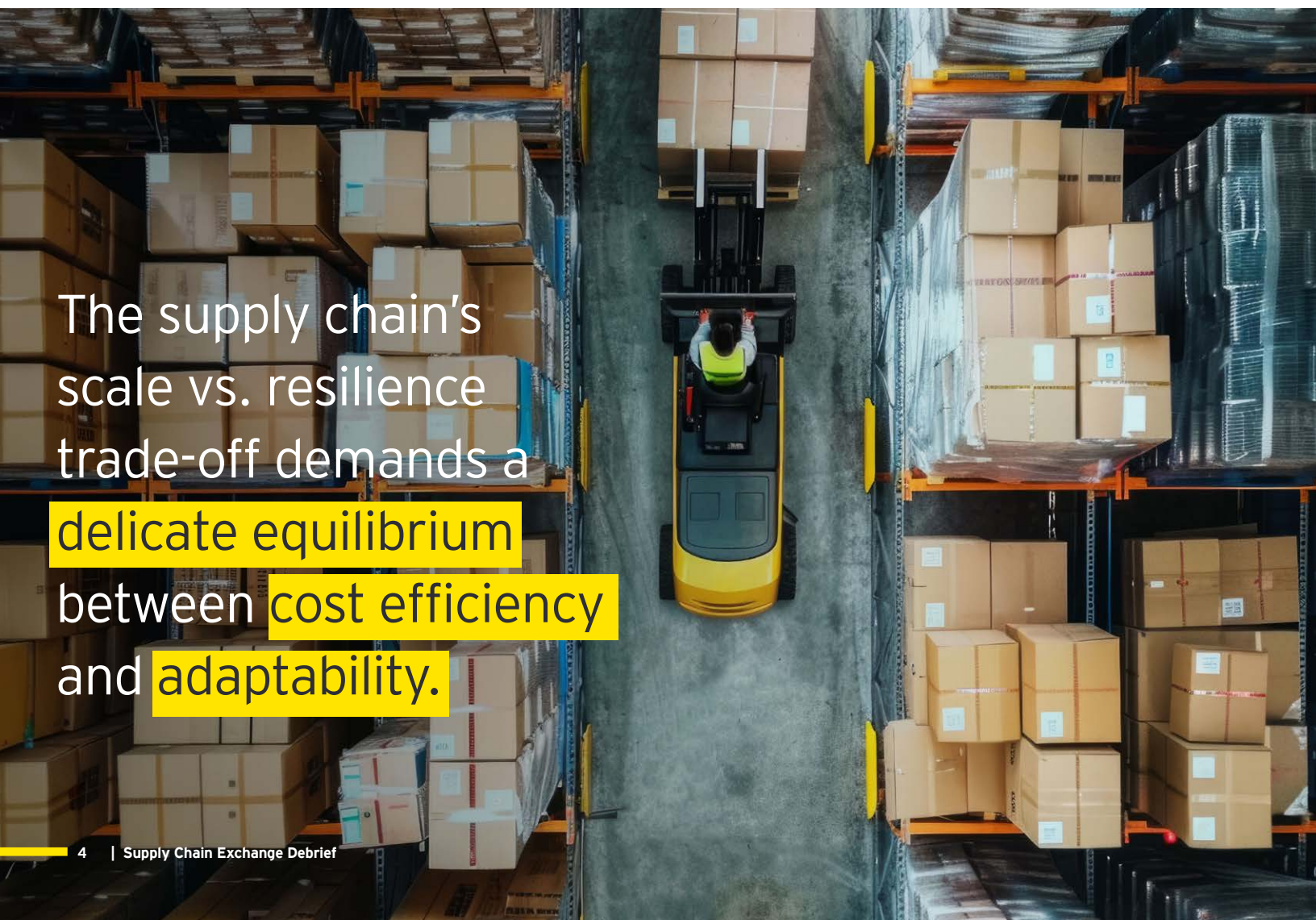
The supply chain's scale vs. resilience tradeoff demands a delicate equilibrium between cost efficiency and adaptability. In pursuit of lower expenses, firms have traditionally favored large-scale operations, with lean inventories and single-source suppliers. Yet, the post-pandemic landscape has shifted priorities toward resilience – the capacity to swiftly respond and rebound from disruptions.

Embracing strategies such as multi-supplier sourcing may raise costs by reducing economies of scale, but it fortifies the supply chain against interruptions, distributing risk and confirming continuity in an era of uncertainty. The right balance for each company requires sophisticated scenario planning to understand the implication of these choices on their P&L and balance sheets.

Innovation to unlock next generation productivity

Consumer products companies have been successful in using innovation as the key to unlock next-generation productivity by striking a balance between meeting immediate operational demands and investing in transformative projects that propel long-term growth. This dual focus verifies that current performance is sustained while simultaneously laying the groundwork for future advancements.

However, what is needed is a continued commitment to research and development, fostering a culture that encourages experimentation and tolerates calculated risks. Additionally, upskilling the workforce to manage new technologies and processes is essential to fully harness the potential of these advancements and maintain a competitive edge.



The supply chain's scale vs. resilience trade-off demands a delicate equilibrium between cost efficiency and adaptability.

Master data integrity and the technology infrastructure

Companies have been successful in developing strong technology infrastructures, including cybersecurity solutions, for protecting master data and the systems that manage supply chain processes.

But there's more work to be done. Companies must continually invest in data quality initiatives to prevent and rectify data inaccuracies. Additionally, as cyber threats evolve, companies need to adopt leading-edge security technologies and train employees to recognize and respond to potential threats.

Balancing the near and the long term

Companies have been successfully meeting immediate operational demands while also investing in transformative, innovative projects that secure future growth and competitiveness. This dual approach confirms that companies remain responsive to current market conditions and customer needs, while also positioning themselves for sustainable success through foresight and strategic planning.

However, there's opportunity to enhance this balance further. Companies can refine their agility in responding to short-term market fluctuations while strengthening their commitment to research and development for long-term innovation. They can also improve strategic forecasting to better anticipate future trends and challenges. Additionally, fostering a culture that values both operational excellence and visionary thinking can drive continuous improvement.

Action items

In an era where digital transformation is not just an advantage but a necessity, Chief supply chain officers (CSCOs) must take the helm with a clear and decisive vision. The mandate is to reimagine strategies, harness innovation and address workforce dynamics with creativity. This is the path to steering supply chains through the intricacies of the current market landscape and securing a prosperous future.

To catalyze this journey, CSCOs should engage in critical introspection and dialogue, asking probing questions that challenge the status quo and ignite sustainable productivity enhancements, including:

- How are current productivity levers in your supply chain evolving, and how do they differ from past practices?

- Which strategies are making significant impacts, and which are yielding only marginal benefits and why?
- What labor-related challenges are emerging, and what innovative solutions are being implemented to address them?
- How is the integration of technology, automation and digitization driving exceptional productivity, and how is the investment case being articulated and validated?
- In what ways are you cultivating and perpetuating a culture that not only values but actively pursues year-over-year productivity improvements?

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