

# Putting the UK at the Heart of Global Supply Chain

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WMG



# 3 things...

1. What is the supply chain?
2. 5 ways to think about SCs differently
3. Keeping the UK at the heart of the global SC network

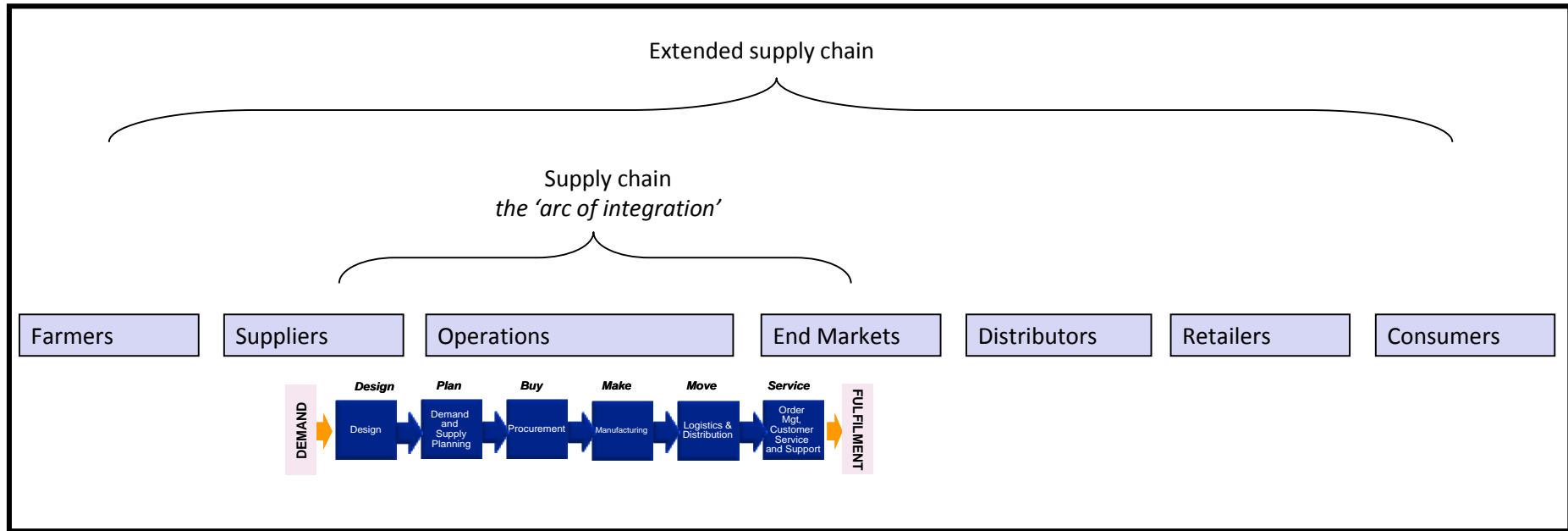


# What is the supply chain?

# Term supply chain was first used in 1982...

	Supply Chain	Value Chain
Originator	Oliver and Weber	Porter
Organisation	Booz Allen Hamilton	Harvard University
Year	1982	1985
Focus	Strategic	Strategic
Internal perspective	Holistic	Holistic
Internal scope	Brings together under one strategy the functional areas of planning, purchasing, manufacturing, distribution and sales	Activities that are performed to design, market, deliver and support a product
External perspective		Value chain of an individual firm is part of a broader value system of suppliers, channels and buyers

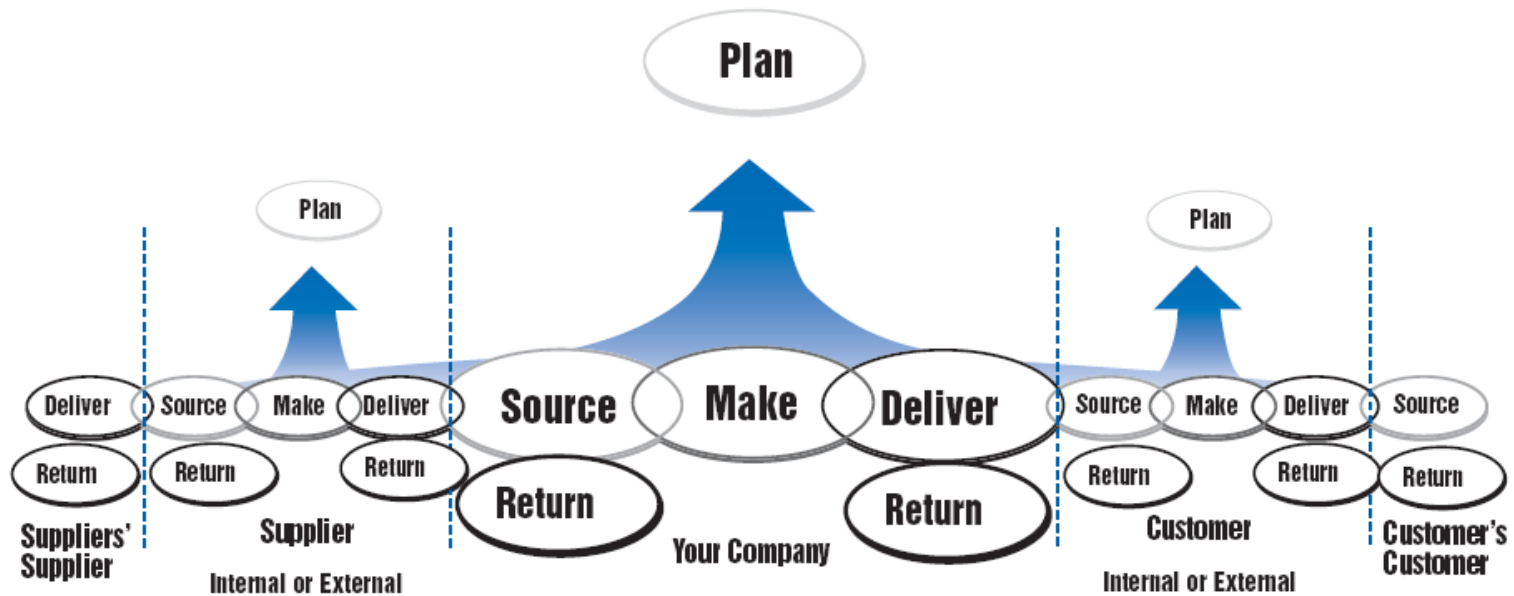
# Reaches beyond the bounds of the firm...



*'Competition is no longer company to company, but supply chain to supply chain'*

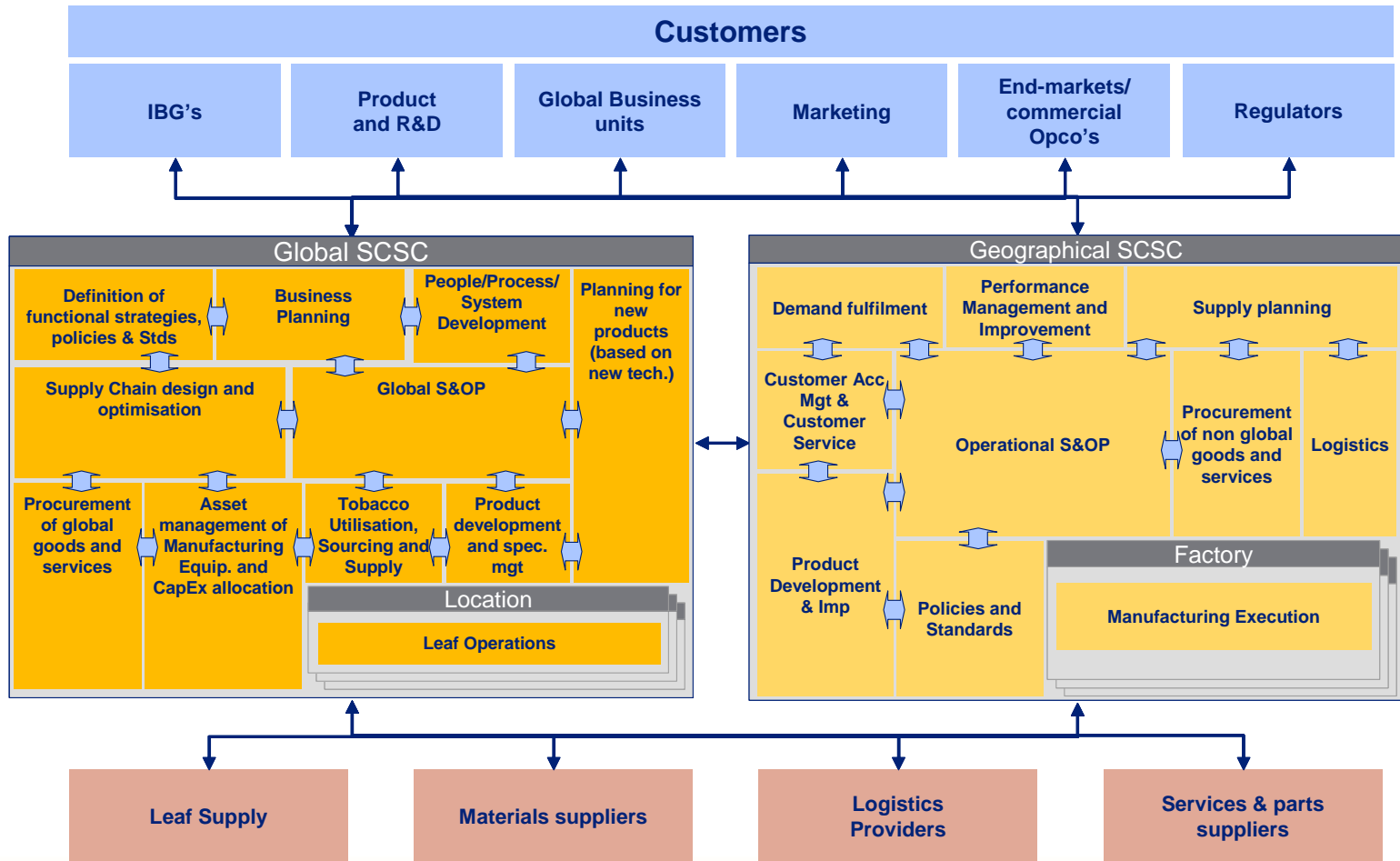
# 5 ways to consider the supply chain differently

# 1. From a functional to holistic perspective



Supply chain council ([www.supply-chain.org](http://www.supply-chain.org))

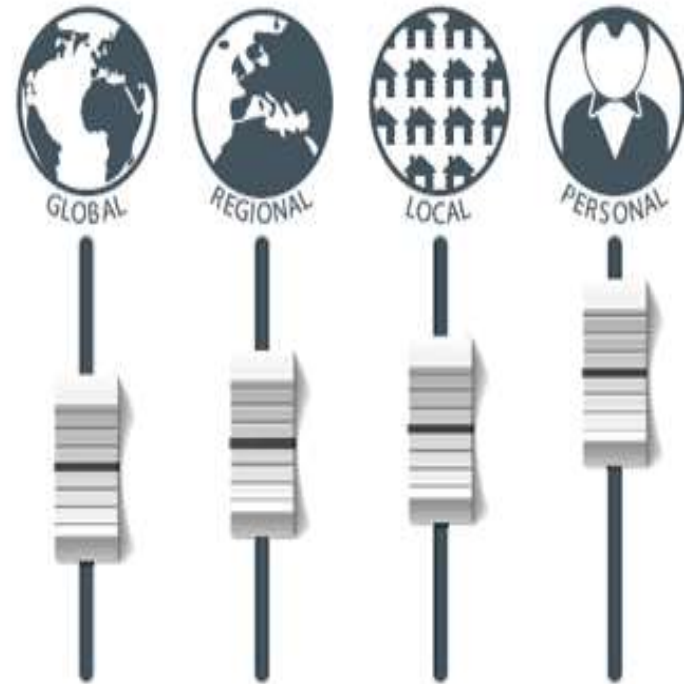
# 2. From manufacturing to planning centric





# 3. From re-shoring to right-shoring

**Right-shoring** is the placement of a business' components and processes in localities and countries that provide the best combination of cost and efficiency. Right-shoring does not require a company to move business processes overseas. Rather, it is a strategy in which a business analyzes the complexity and importance of required tasks and entrusts their completion with the most suitable workforce, regardless of location













Source: <http://www.investopedia.com/terms/r/right-shoring.asp>

# A total SC cost perspective can favour regional or local manufacture...

PRODUCT UNIT COST	 CHINA	 MALAYSIA	 INDONESIA	 MEXICO	 HUNGARY	 UKRAINE
 Smartphone	\$149.60	\$150.64 (+0.7%)	\$152.94 (+0.9%)	\$151.40 (+1.2%)	\$153.80 (+2.8%)	\$ 148.4 (-0.8%)
 Infrastructure	\$20,493	\$21,005 (+2.5%)	\$20,902 (+2.00%)	\$20,546 (+0.2%)	\$20,340 (-0.1%)	\$20,083 (-2.0%)
 Printer	\$79.50	\$80.48 (+1.24%)	\$80.48 (+1.24%)	\$80.30 (+1.1%)	\$80.69 (+1.5%)	\$78.3 (-1.5%)
 Desktop PC	\$421.60	\$427.90 (+1.5%)	\$427.90 (+1.5%)	\$421.60 (0%)	\$423.70 (0.5%)	\$413.16 (-2.0%)

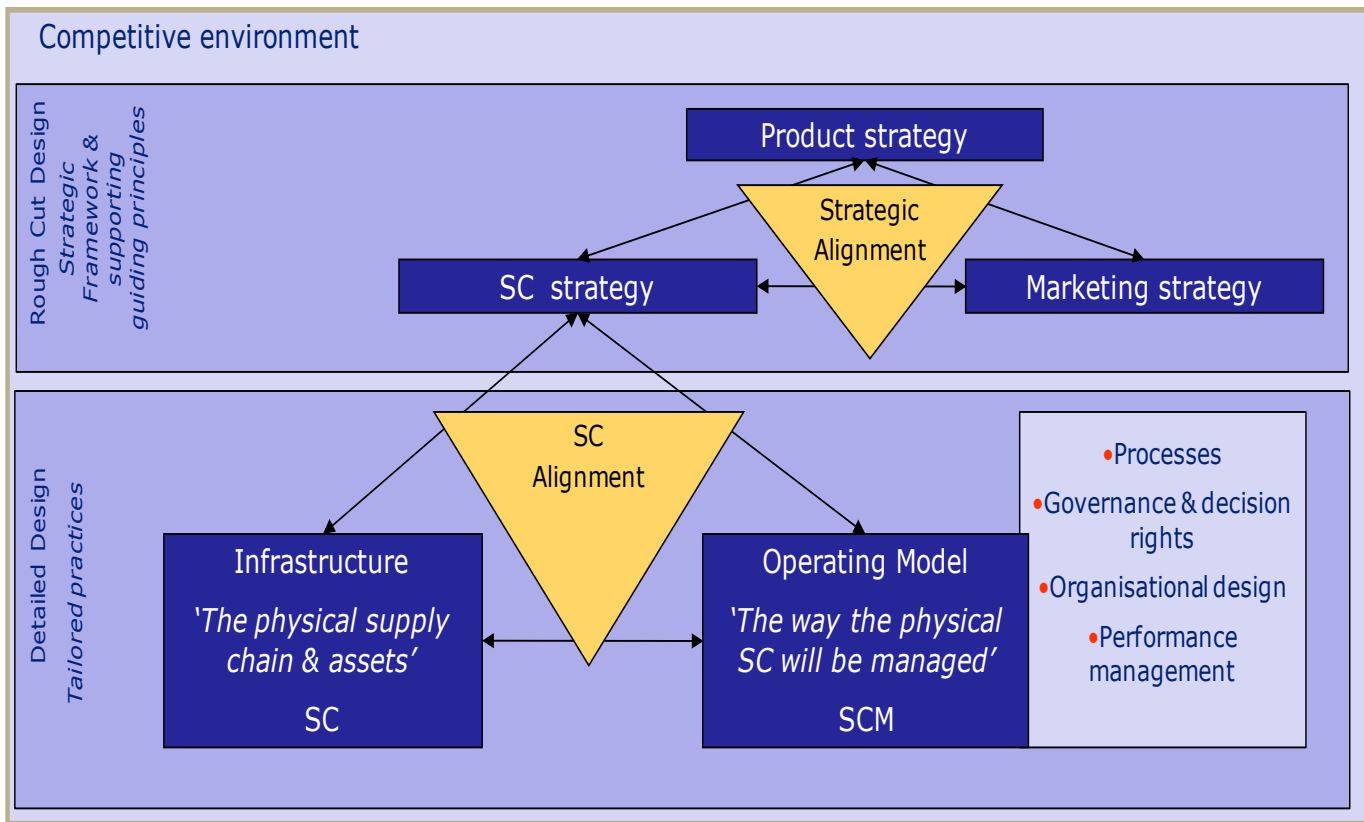


# Regional or local manufacturing can lower inventory holding costs

PRODUCT UNIT COST	 CHINA	 MALAYSIA	 INDONESIA	 MEXICO	 HUNGARY	 UKRAINE
-COGS \$150  Smartphone	\$1.56	\$1.48 (-5.3%)	\$1.56 (0.0%)	\$0.49 (-68.4%)	\$0.50 (-68.4%)	\$1.2 (-23%)
\$20K  Infrastructure	\$383.5	\$350.0 (-8.6%)	\$383.5 (0.0%)	\$109.5 (-71.4%)	\$110.0 (-71.4%)	\$153.4 (-60%)
\$80  Printer	\$1.53	\$1.40 (-8.6%)	\$1.53 (0.0%)	\$0.44 (-71.4%)	\$0.45 (-71.4%)	\$0.6 (-60%)
\$420  Desktop PC	\$9.67	\$8.98 (-7.1%)	\$9.67 (0.0%)	\$2.30 (-76.2%)	\$2.4 (-76.2%)	\$3.2 (-65%)

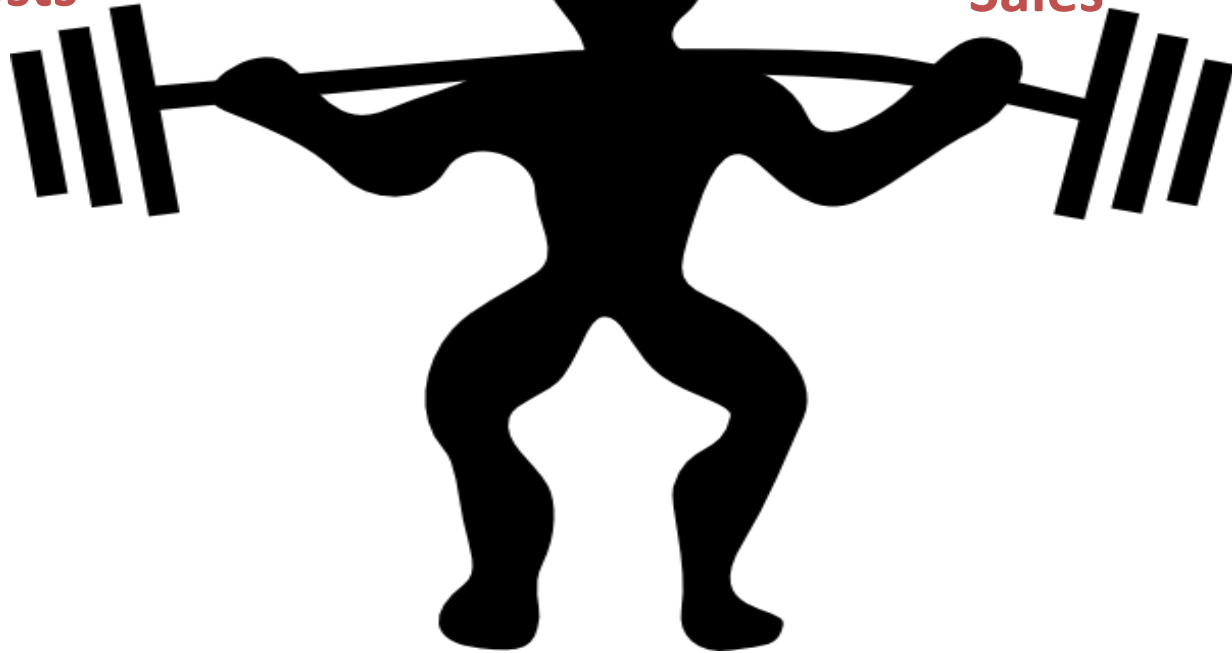
Up to 60-70% lower!

# 4. 'After thought' to an integral part of strategy



# How to make more money...

Reduce  
Costs



Increase  
Sales

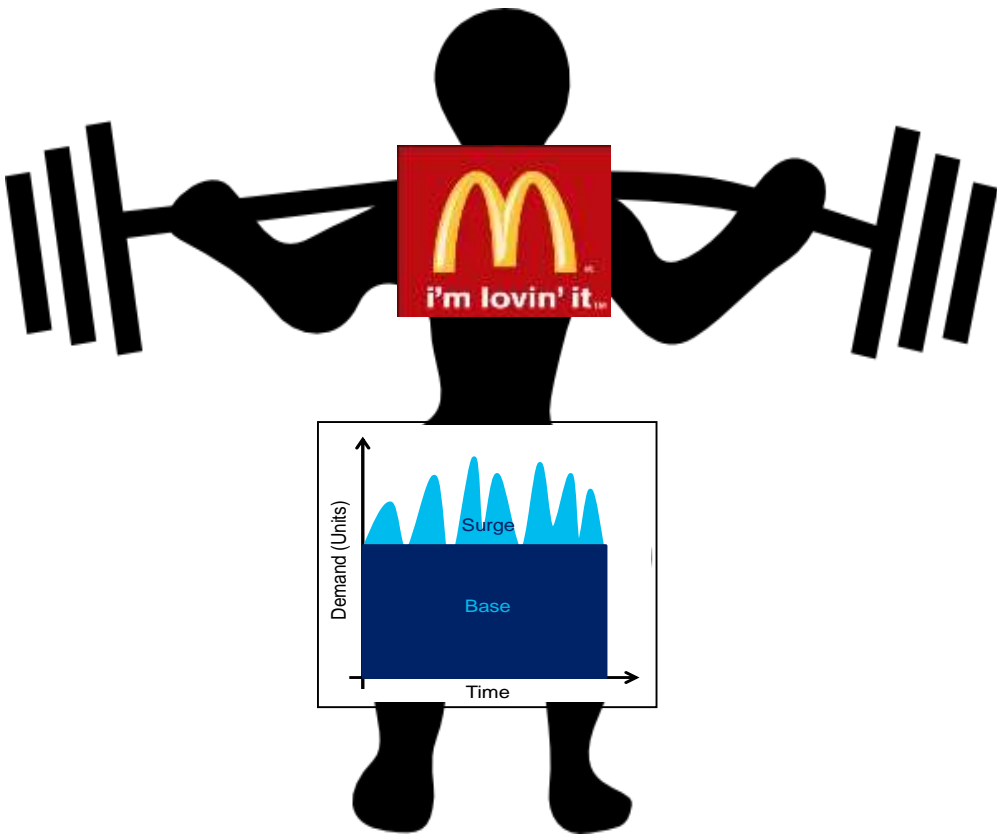
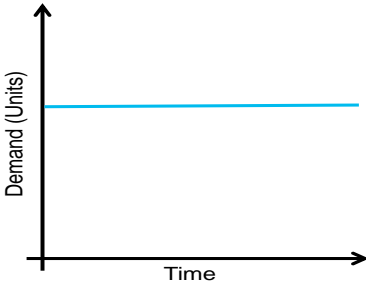
Simultaneously



# Strategic alignment is critical for success...

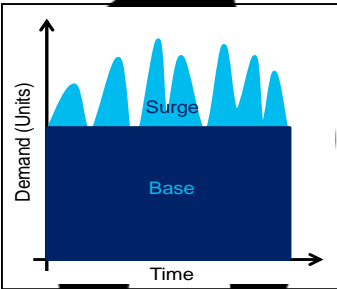
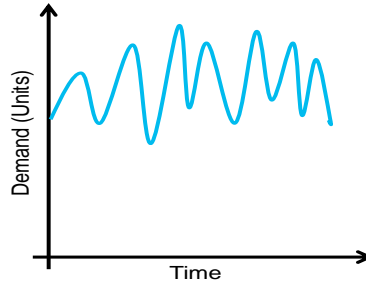
**COST REDUCTION**

Minimise Operational Costs



**GROWTH**

Create Consumer Interest



# 5. Specialist function to a pervasive part of our social fabric

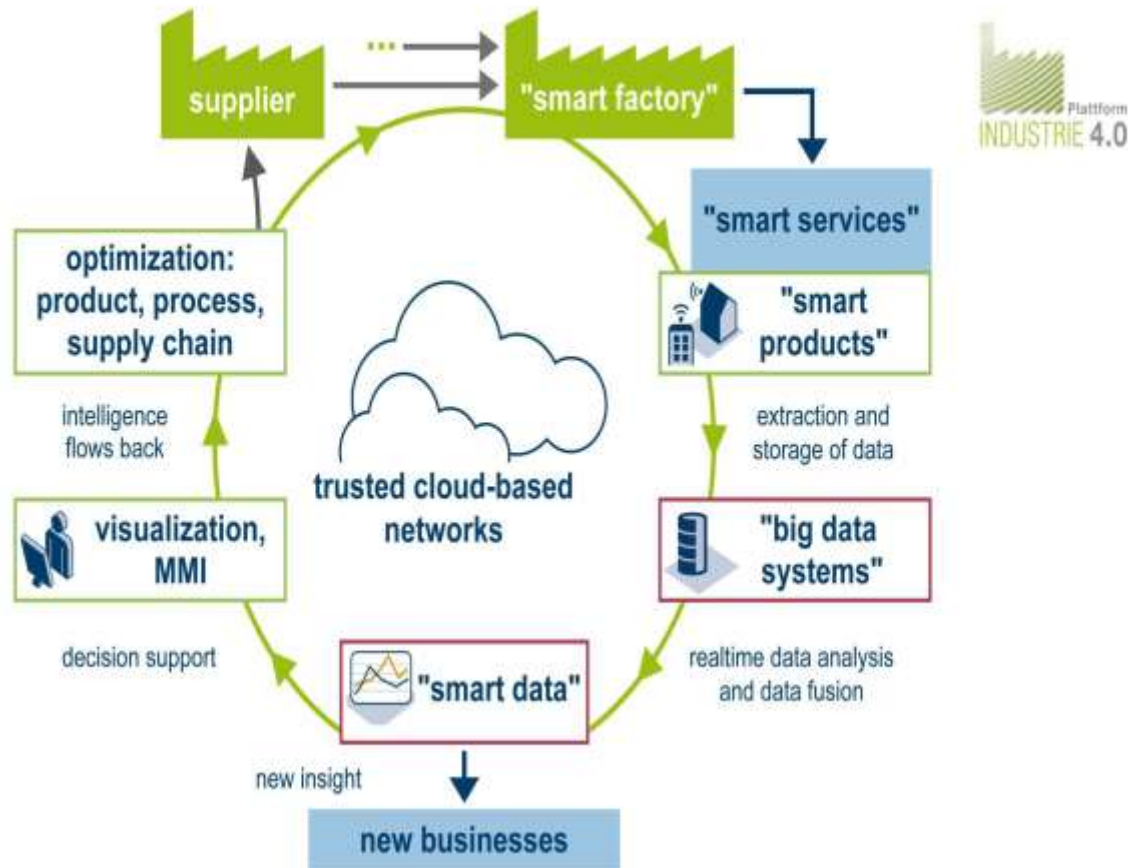


*'A supply chain is only as strong as its weakest link'*

# Keeping the UK at the heart of the global supply chain network



# The internet is driving the next generation of business models...



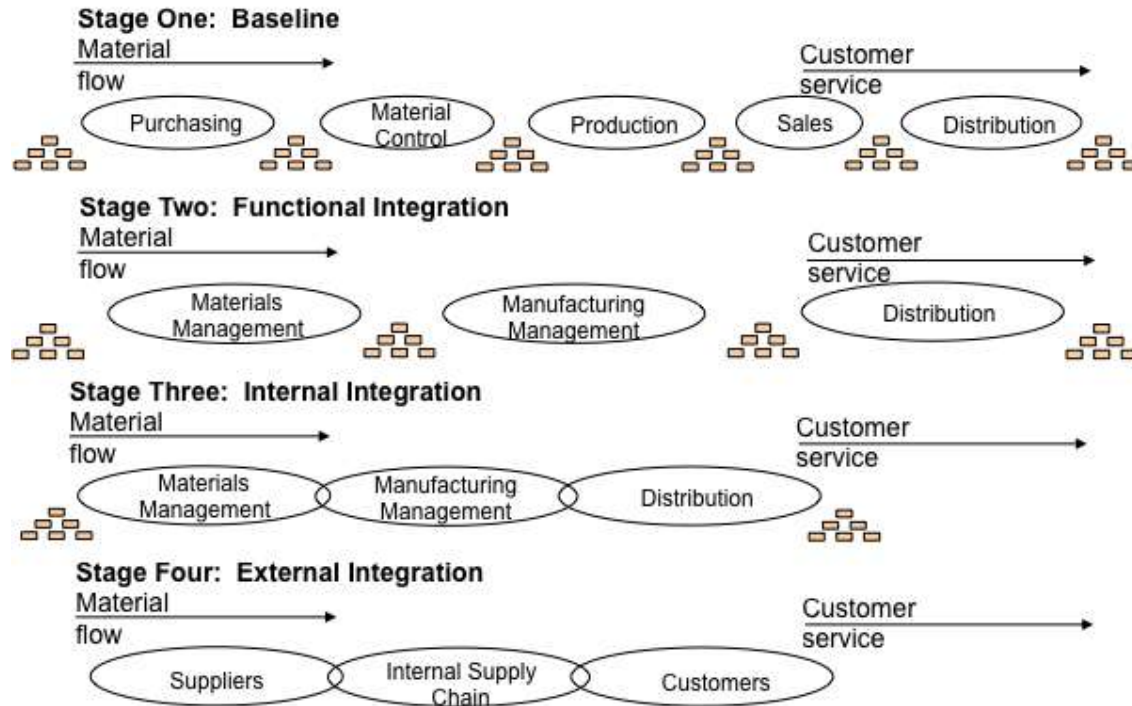
# Enabled by a more contemporary approach to the supply chain...

	Traditional supply chain	Contemporary supply chain
Driver	Cost	Customer
Cost orientation	Manufacturing cost	Total landed cost
Batch size	Large	Of one
Manufacturing location	Global	Local
Social and environmental sustainability	Low visibility	High visibility
Customer quality	Limited to conformance of product to quality standards	Superior quality delivered through fully personalised products

*'personalisation at mass-production prices'*



# Lack of integration is a key business issue and limits productivity...



Stevens (1989)

**Opportunity for a step change improvement in productivity by improving the integration across the extended supply chain**

# The opportunity: to position the UK at the heart of the global SC network...

To do this we need to consider supply chains differently...

1. Functional to holistic perspective
2. Manufacturing to planning centric
3. Re-shoring to right-shoring
4. 'Add on' to an integral part of strategy
5. Specialist function to a pervasive part of our society

*...to be at the forefront of contemporary supply chain design and orchestration enabling productivity*

