AN IDC INFOGRAPHIC

GEARING UP FOR RESILENT SUPPLY CHAIN TRANSFORMATION

In today's disrupted business landscape, an optimised supply chain that is seamless, transparent and connected helps companies control costs, enhance quality and ultimately, build resilience. This IDC Infographic looks at five predictions that will shape the supply chain in the next few years, and that will potentially be accelerated in adoption due to recent conditions. Read on to find out how IDC's essential guidance helps Asia-Pacific manufacturers rebuild through digital transformation, and leverage on the resulting opportunities.

1 Improved Supply Chain Performance

60%

Almost 60% of ASEAN (Association of Southeast Asian Nations), and ANZ (Australia & New Zealand) manufacturers said their top priority in the next 3 to 4 years is to **improve supply chain performance**.

Investments will be driven by growing competition, demand variability and declining sales – conditions further heightened by the impact of the coronavirus.

IDC Prediction

By the end of 2023, **40%** of all manufacturing supply chains will have invested in supply chain resiliency and artificial intelligence (AI), resulting in **15%** productivity improvement.

Drivers

- **The age of innovation** – Driving the future enterprise
- **Intelligence everywhere** – AI's opportunity and implications
- **Economies of intelligence** – AI, human, and organisational "learning" fuels asymmetrical advantage

Impact on Business and IT

- AI – requires investment in IT infrastructure, manpower, and support services.
- Real-time data monitoring and analytics – critical for an efficient AI platform.
- IT security - vital in building confidence in connected people and operations.

2 Logistics Automation

In Asia Pacific, the focus for supply chain digital initiatives over the next 2 years is on **logistics automation**.

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1 in 5 organisations in ASEAN and ANZ is investing in **connected engagement technologies** as part of its supply chain digital initiatives.

IDC Prediction

By the end of 2021, **35%** of all large manufacturers will have automated supplier and spend data analysis, resulting in a **15%** procurement productivity gain.

Drivers

- **The age of innovation** – Driving the future enterprise
- **Sense, compute, actuate** – Maximising data value
- **Economies of intelligence** – AI, human, and organisational "learning" fuels asymmetrical advantage

Impact on Business and IT

- AI-driven decision-making framework – beneficial to the entire organisation, particularly manufacturing and procurement.
- Automated processes, improved visibility, accelerated cycle times – require the adjustment of procurement and manufacturing processes.
- Reconciliation of AI based recommendations – requires integration with service level agreements (SLAs) and business policies across the organisation.

3 Enhanced Inventories and Warehouse Management

50%

Over 50% of organisations in ASEAN and ANZ plan to overhaul or **upgrade their supply chains** to enhance inventory or warehouse management efficiencies within the next 3 years.

13%

With 13%, the Asia Pacific **spend on warehouse management systems** will constitute the highest among the overall supply chain management IT spend.

17%

Almost 17% in ASEAN indicated that **reducing costs** was the most important area driving change in their supply chain.

IDC Prediction

By 2023, **50%** of warehousing activities will use robots and situational data analytics to enable storage optimisation, increasing capacity by over **20%** and cutting work order processing time in half.

Drivers

- **Sense, compute, actuate** – Maximising data value
- **Rising customer expectations** – More convenience, customisation, and control
- **The platform economy** – Competing at hyperscale

Impact on Business and IT

- IT leaders need to act as digital enablers across the organisation.
- Robotics and sensors generate and use massive amounts of data – secure storage infrastructure investments are critical.

4 Demand Variability

Demand variability is among the top three business concerns for Asia Pacific manufacturers.

Lower total supply chain costs is the No. 2 driver to improve manufacturers' supply chains in ASEAN and ANZ.

IDC Prediction

By 2022, the number of companies offering flexible warehousing options will have increased by **60%**, which helps address seasonal demand challenges and reduce fixed overhead costs by over **20%**.

Drivers

- **The age of innovation** – Driving the future enterprise
- **Sense, compute, actuate** – Maximising data value
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Impact on Business and IT

- Flexible warehousing solutions require integration between the demand, inventory, and production application systems.
- Analytics and computing platforms will be essential in understanding the impact of warehouse locations with regard to customer demand hotspots.
- Real-time data capture enables faster and accurate execution. Ensure enterprise systems are in place to route and capture data to achieve this.

5 Modular Platform

Factory network model changes (now vs future) show increased complexity – with 1 in 3 manufacturers across ASEAN and ANZ over the next 3 to 5 years relying on **modular platforms** centrally produced by suppliers, and customising the final product on demand. In an era where increased local production and resiliency is essential, the success of this change requires a framework that allows data visibility, transparency and establishes provenance in cross-border supply chain transactions.

Improving supply chain visibility and product traceability is in the top 3 priorities of manufacturers in ANZ and ASEAN.

IDC Prediction

By 2024, for transparency and efficiency, **40%** of customs agencies will join private blockchain and API-powered trade platform ecosystems to achieve a **50%** increase in cross-border compliance.

Drivers

- **The platform economy** – Competing at hyperscale
- **Sense, compute, actuate** – Maximising data value
- **Rising customer expectations** – More convenience, customisation, and control

Impact on Business and IT

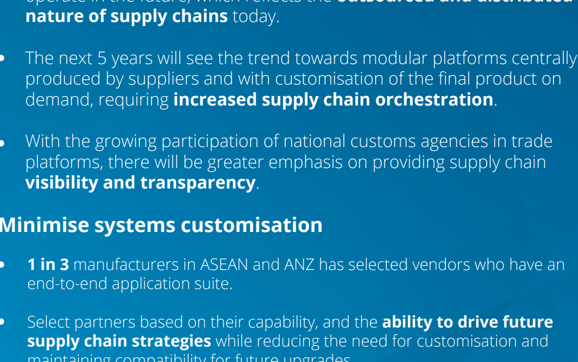
- As customs agencies increase their connectedness, IT and business leaders need to consider combining platforms to take advantage of speed and cost efficiencies.
- Evaluate platforms - which will provide the most benefits in terms of the number of useful border crossing integrations versus the cost of in-house integration?
- Security and control will be critically important – balancing that with easy and timely access to data will be critical for IT.

Essential Guidance

IDC has the following recommendations for supply chain professionals:

01 Focus on inputs to sales & operations planning (S&OP) and integrated business planning (IBP) processes

- With growing supply chain complexities, consensus planning is more challenging because of larger forecast error and lack of full insight into supply opportunities and constraints.
- Address the digital chasm through **data-driven technologies and supply chain planning** for increased productivity and efficiency to:



02 Leverage supply chain ecosystem orchestration in cross border trade

- IDC has observed for some years the potentially transformative impact of multi-enterprise, cloud-based networks on how supply chains will operate in the future, which reflects the **outsourced and distributed nature of supply chains** today.
- The next 5 years will see the trend towards modular platforms centrally produced by suppliers and with customisation of the final product on demand, requiring **increased supply chain orchestration**.
- With the growing participation of national customs agencies in trade platforms, there will be greater emphasis on providing supply chain **visibility and transparency**.

03 Minimise systems customisation

- **1 in 3** manufacturers in ASEAN and ANZ has selected vendors who have an end-to-end application suite.
- Select partners based on their capability, and the **ability to drive future supply chain strategies** while reducing the need for customisation and maintaining compatibility for future upgrades.
- The **right technology partner** provides direction on the technologies to adopt and has the capability to support the business, thus opening up new possibilities for business process improvements in the short term, and new business models in the future.

The time is now for businesses to gear up for supply chain transformation.

Click here to find out more.

Sources:
1. IDC Asia/Pacific Manufacturing Insights Survey 2019 (survey covers Australia, China, India, Indonesia, Malaysia, Philippines, New Zealand, Singapore, South Korea, Taiwan and Thailand).
2. Worldwide Manufacturing Supply Chain IT Spending Guide, 2018H2. Released on May 5, 2019.
3. IDC Worldwide 2020 Supply Chain Survey.

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