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One in two companies lack a future-proof supply chain strategy – Supply Chain Planning 4.0 enables much higher efficiency levels

Munich, February 2018: Half of all companies consider their own supply chain strategy to be outdated and unsuited to the demands of future business. Many firms, therefore, have no choice but to tackle process renewal, given that an inefficient supply chain organization can send costs rocketing and gnaw away at earnings. Modernizing their supply chain planning is not just a way to increase companies' efficiency; it is also financially worthwhile, as corresponding investments have a payback period of just two to four years with an internal rate of return of 15 to 25 percent. This is among the findings of the latest Roland Berger study, *Supply Chain Planning 4.0* ([Download study here](#)).

, for which the experts polled more than 200 companies worldwide.

"The purpose of supply chain planning is to accurately estimate the needs of customers to ensure that they receive the right product, through the right channel, in the right quantity and at the right time," explains Sven Siepen, Partner at Roland Berger. In an ideal situation, this would result in 100 percent forecast accuracy, zero stock-outs and a highly efficient and responsive supply setup. "But that is not reflected in today's reality," says Siepen, explaining that, "New and disruptive technologies, political and economic uncertainty, the trend toward customization, and various other factors are causing unpredictable changes on a radical scale and making business forecasting increasingly difficult. This calls for agility, responsiveness and adaptability on the part of companies. And their supply

chain planning must be able to accommodate that."

Half of all firms are playing catch-up

According to the latest Roland Berger study, two-thirds of respondents believe that their companies' supply chain strategies are effective, and three out of four are confident that they meet current business requirements. But when asked whether those supply chain strategies are suitable for future business needs, at least half (56%) admitted that they will need to adapt their supply chain strategy, especially when it comes to demand planning. Three-quarters of respondents, on the other hand, are happy with the state of their production planning.

"Outdated supply chain planning practices reduce businesses' operational efficiency – partly because poor forecasting accuracy often means making adjustments at short notice," says Carsten Bock, Partner at Roland Berger, who warns that, "This will always impact productivity, even if it does not affect factory uptime directly."

Three steps to the best supply chain strategy

The Roland Berger experts propose a three-phase approach for companies to supercharge their supply chain planning performance. Step one involves precisely analyzing the firm's current position and identifying any shortcomings. Step two is about shaping a vision of the future, including the target processes, organizational setup and systems. One of the main requirements here is digitization, as there is still too little of that around: For 56 percent of survey respondents, their current SCP IT system landscape is not capable of effectively supporting supply chain processes. Only one-quarter of firms have even digitized their demand planning processes.

The third step is all about implementing this new vision – a gradual process that can take years to complete, depending on the maturity of the company's existing system. But all the effort and investment pays off, as Sven Siepen explains: "Generally, we expect to see a payback period of two to four years, with an internal rate of return of 15 to 25 percent."

The benefits of implementing SCP 4.0 are clear: Companies can achieve a 20 to 30 percent reduction in short-term planning changes, higher capacity

utilization, a shorter time-to-market and increased supply chain agility and responsiveness all round.

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