Moving Beyond Average: The State of the Supply Chain for SAP Customers in 2019

ASUG

dsi

Just OK Isn't OK for Customers

An efficient supply chain gives you a significant competitive advantage. Businesses with healthy supply chains are more productive and can manage their inventories well, mitigate risks, remain compliant with changing regulations, and generate consistent profits. Many companies, however, are not positioned to take advantage of these opportunities or reap their rewards. According to ASUG research from late 2018, only 1 company in 4 believes that it has a very efficient or somewhat efficient supply chain (Figure 1). This is a challenge that isn't going away. A 2019 study from ASUG and DSI found that fewer than 25% of companies consider themselves industry leaders when it comes to supply chain management.

If the current state of supply chain is average at best, that means companies might be delivering a mediocre customer experience and subpar customer service.

If the current state of supply chain is average at best, that means companies might be delivering a mediocre customer experience and subpar customer service. Because consumers expect businesses to meet their needs—now at lightning speed—average isn't going to cut it. Supply chain managers must implement and maintain strategies that deliver the greatest value to their businesses. Collaborative research from ASUG and DSI points to a few critical areas where companies can focus to strengthen their supply chains.

Figure 1: Supply Chain Efficiency and Leadership

Self-Assessment of Supply Chain Efficiency		Self-Assessment of Supply Chain Leadership	
	2018		2019
Very Efficient	4%		
Somewhat Efficient	22%	26%	
Average	64%		
Somewhat Inefficient	9%		
Very Inefficient	1%		

22% Industry leaders • 71% Industry followers • 7% Industry laggards

Source: ASUG research, 2018 and 2019

Getting Inventory and Logistics Right

Because the supply chain intersects with many business functions, including invoicing, distribution, and product life cycle management, it's difficult to pinpoint the areas that need the greatest improvement and where to start. When we asked SAP customers with supply chain responsibilities which functions could improve, two areas rose to the top: inventory/warehouse management (48%) and logistics (41%).

ASUG

This data underscores the need to get inventory management and logistics right. When these two functions don't perform optimally, it can stop a company from delivering value through its supply chain. Our research supports this observation; when we compare industry leaders to industry followers, we see that industry leaders struggle far less with inventory management and logistics than industry followers (Figure 2).

Figure 2: Top Areas Needing Improvement Within the Supply Chain

33% Industry leaders

47% Industry followers

Inventory Management

30% Industry leaders

42% Industry followers

Logistics

Source: ASUG research, April 2019

What this means for you: Because inventory management and logistics touch so many functions, it's important to look for opportunities to use shared systems and data that will improve communication and standardize processes among teams. In cases when logistics or warehouse providers are third-party companies, these hurdles intensify. That might be why these two functions become especially important for large businesses, which struggle with inventory management and logistics because of their sizeable workloads and the likelihood of using more external vendors. According to ASUG research from 2018, 78% of companies with more than $500 million in revenue per year listed inventory management as their top area of improvement. That was followed up by logistics at 73%.

Better communication and process improvements alone, however, won't solve every issue a company faces with its inventory management and logistics. It is important to be mindful of how easy new technology and systems are to use, whether processes are too manual, how systems integrate, and whether the right people have access to the right data. These are among the top challenges within supply chain management that ASUG research found in 2018. Companies must work with their employees to make sure they understand how to use the technology and tools that are vital to supply chain management. If workers don't know how to properly use tablets or smartphones in a warehouse, orders could be delayed, incomplete, or missing, which directly results in decreased customer satisfaction.

Companies must work with their employees to make sure they understand how to use the technology and tools that are vital to supply chain management.

ASUG

This is going to be increasingly important in the push for companies to adopt SAP S/4HANA by 2025. More than half of those surveyed are not completely sure what their inventory process will look like under the new system (Figure 3).

Figure 3: Will Your Inventory Strategy Evolve After Adopting SAP S/4HANA?

51%
Not Sure

44%
Yes

5%
No

"At this time, we aren't sure what kind of changes to expect with SAP S/4HANA."

"Our processes will become more standardized and streamlined between locations."

"No changes to underlying business processes or regulatory requirement to trigger it."

Source: ASUG research, April 2019

Technology Can Connect the Chain

Businesses can use technology to fill gaps in their inventory processes. "Supply chains typically operate in silos, where the various stakeholders right from the suppliers, manufacturers, distributors, and retailers do not freely exchange the information related to the products and services. Digitization helps to bring the information out of these silos and create an integrated supply chain, where the information flows freely,"[1] according to Dr. Rajiv Aserkar, professor and head of logistics and supply chain management at the SP Jain School of Global Management. Donald Reimer, founder of The Small Business Strategy Group, said, "Industry averages suggest that a 20% reduction in inventory is achievable with a computerized inventory control system."[2] Being able to manage and control inventory provides value that filters down to the other functions within the supply chain.

> Being able to manage and control inventory provides value that filters down to the other functions within the supply chain.

Seeing the Supply Chain Forest for the Trees

Although most supply chain professionals agree that end-to-end transparency is a good thing, it's not easy to execute. That's why some companies prioritize this transparency and others do not. Regardless of the associated challenges, everyone wants to learn how to deliver transparency in a better way. When ASUG asked supply chain professionals to rate supply chain attributes on importance and how much they drive satisfaction, supply chain transparency was the only attribute they considered a critical factor—it was above average in both importance and driving satisfaction.

In fact, we're seeing the importance of this visibility grow over time. When we asked ASUG members about the importance of supply chain transparency in September 2018, 32% told us it

ASUG

1 "All About the Present State of Digital Supply Chain Maturity and the Future," *Entrepreneur India magazine*, August 14, 2018
2 Donald Reimer, Founder and President, *The Small Business Strategy Group*

was extremely important, while 25% rated it as not that important. In the 2019 ASUG and DSI study, 43% rated supply chain transparency as extremely important versus 9% who said it is not that important (Figure 4).

Figure 4: The Importance of Supply Chain Transparency

43% believe it's extremely important

48% believe it's somewhat important

9% believe it's not all that important

Industry leaders make up the majority of this group

57% Industry leaders

Source: ASUG research, April 2019

Emphasizing supply chain transparency has a direct impact on the quality of the supply chain. Industry leaders are more likely than industry followers or laggards to place high importance on transparency (Figure 4). Similarly, transparency also has implications on efficiency. Those who self-report having efficient supply chains are 33% more likely to consider supply chain transparency to be highly important. The more open you can make your systems, the easier it is for different teams to optimize their processes and workflows.

What this means for you: It would be easy to say you should push your team to bring transparency to supply chain functions. It's important, however, that your team first understands how mature its current supply chain visibility is. A company is not ready to adopt machine learning within its supply chain if there is no visibility into what assets exist and how they are managed. Performing a self-assessment on your supply chain's visibility maturity level will help you decide which systems would benefit the business most.

Performing a self-assessment on your supply chain's visibility maturity level will help you decide which systems would benefit the business most.

Keep in mind that having a less mature supply chain should not stop you from using technology to improve your processes. For example, a field inventory tool provides visibility into what's on hand at a warehouse and can provide persona-based user provisioning. This allows staff in the

ASUG
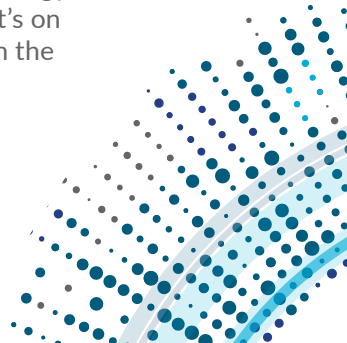
field to see what they need to so they can make requests from remote locations in real time. That technology will help you optimize your processes, regardless of your supply chain maturity. You shouldn't be afraid to reach out for additional support or tools.

Can You See It Now?

When we asked SAP customers in April 2019 about the importance of supply chain visibility within an organization, 51% of companies said they prioritize front-end results like customer experience over back-end processes like operational efficiency. Our research indicates this number is growing, because it was 43% in September 2018. This 8% difference suggests that SAP users are noticing trends in the industry and shifting their mindsets to pay closer attention to the kind of customer experience they're delivering. SAP customers across industries are starting to evaluate how to bring experience management (XM) to life in their organizations through functions that aren't always considered customer facing.

Taking Visibility into the Field

To improve the customer experience, companies need to find ways to help their employees adapt to on-the-fly changes. For example, employees in the field must have mobility options so they're equipped with the information they need to answer customer questions. Having the right equipment and technology in an employee's hands could make the difference between a successful customer experience or a complete failure.

> Having the right equipment and technology in an employee's hands could make the difference between a successful customer experience or a complete failure.

Mobility is one area where supply chain functions are lagging. Although 51% of participants in the ASUG and DSI survey say they have an accurate, real-time view into their inventory across all locations—a number that could increase to improve inventory management—only 25% say they can view inventory via a mobile device (Figure 5). Additional ASUG research validates this finding. Only 32% of supply chain professionals say they are using mobile devices to complete supply chain tasks.

Figure 5: The Supply Chain Mobility Gap

51% have access to accurate, real-time inventory across all locations

25% have access to current inventory via mobile devices (e.g., tablets)
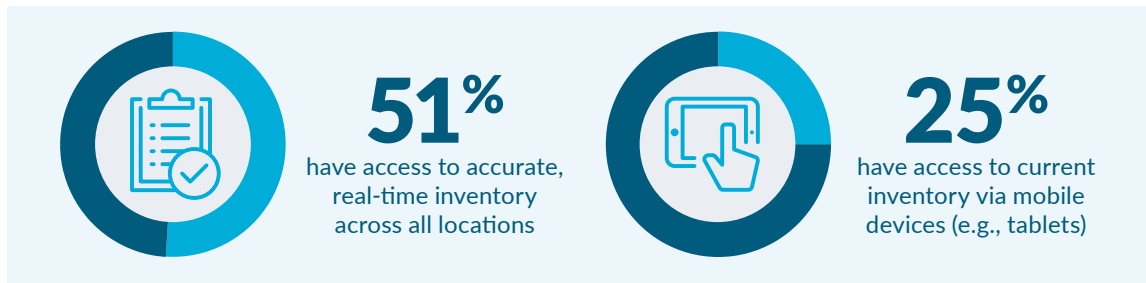
Source: ASUG research, April 2019

ASUG

> **What this means for you:** If you don't have mobile access to your inventory, you don't have visibility across locations. The same ASUG research that identified transparency as a critical factor also identified field operations as something supply chain professionals want to know more about. The research calls this out as a hidden motivator—a factor that respondents do not overtly state as important, though it drives their interest and satisfaction.

If you don't have mobile access to your inventory, you don't have visibility across locations.

Use this opportunity to evaluate the types of tasks you can improve with mobile systems. Our research indicates that 46% of employees are using mobile devices to scan inventory, which they often do in the warehouse setting. Far fewer are using these devices for additional field-related tasks like querying inventory information while in the field (23%), capturing and providing proof of delivery (17%), or printing labels or revised invoices at the point of delivery (16%). Providing more flexibility with these types of tasks will prepare your company to adapt to the changing needs of your customers. Additional support tools are available to help identify and optimize these opportunities within your supply chain. An improved customer experience empowered by the supply chain is an initiative you can start working on immediately.

No Need to Settle for Average

Author and businessman Robert Kiyosaki said, "Most people are happy being average. Most are happy being faceless in a sea of faces." But businesses can't afford to be faceless because a faceless organization is an irrelevant one. Now is the time to begin the self-evaluation process to determine where your company's supply chain is strong or has weak links. You should be able to answer the following questions:

> Are your inventory and logistics functions as visible and adaptable as they should be?

> Is your company's supply chain mature enough to allow visibility into the assets within your business and to begin setting the stage for automation and other emerging technologies?

> Are you giving your professionals in the field the tools they need to go above and beyond in satisfying customer expectations?

If you answer these questions honestly and are not satisfied, don't be afraid to look for the support you need to turn your supply chain weaknesses around. Being above average is achievable. Your customers don't want to feel like they're settling, and you shouldn't have to either.

ASUG

About ASUG

Founded in 1991, Americas' SAP Users' Group (ASUG) is the world's largest SAP user group, serving 2,300-plus businesses via company-wide memberships. ASUG's mission is to help people and organizations get the most value from their investments in SAP technology. The Chicago-based organization accomplishes this by connecting and educating people through in-person and virtual events, delivering customer feedback to SAP, and advocating for its members. Find additional information at https://www.asug.com/about

About DSI

DSI is the Digital Supply Chain Platform™ company that creates Cloud Inventory® solutions and mobile-first supply chain apps for the digital economy. DSI enables digital transformation through mobile-first, customer-focused apps that optimize end-to-end visibility and execution across the extended supply chain. DSI's solutions perform on or offline, empowering organizations to capture, share, analyze, and act on information from any mobile device. With apps for warehouse management, the last mile, and everything in between, DSI helps extend ERP capabilities with flexible solutions that meet unique challenges.