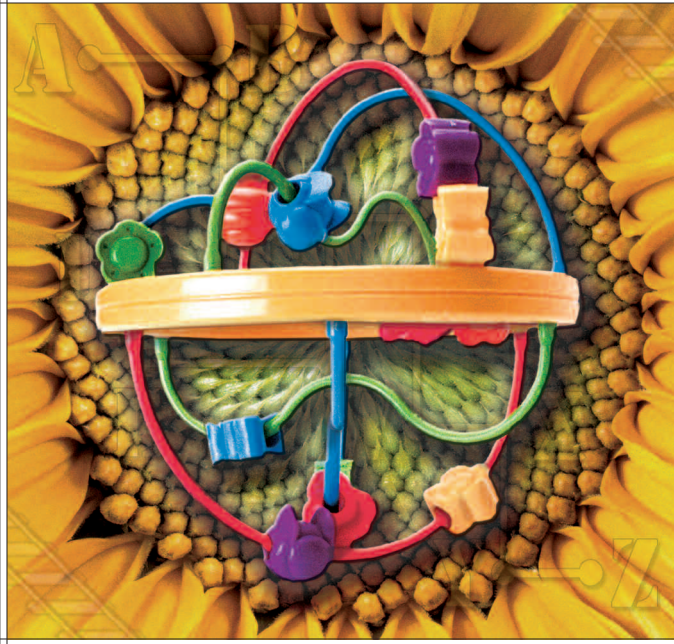


How Many Supply Chains Do You Need?

Matching Supply Chain Strategies

To Products and Customers



ATKEARNEY

Introduction

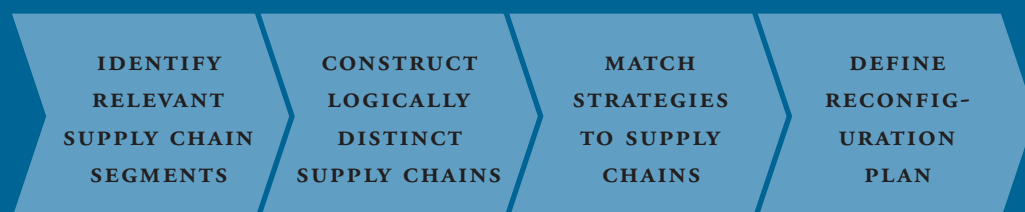
In the field of supply chains, there are many different strategies, fads and cures for a variety of problems. There is an abundance of information that outlines every new concept and idea on how to improve supply chain performance. But what works for one company or industry will not necessarily work for another. Given the diverse needs of different industries and businesses, one-size-fits-all or try-everything-until-something-sticks strategies simply do not work. Companies that indiscriminately adopt new supply chain strategies may find their efforts thwarted or, worse, they might be left with a cadre of look-alike supply chains that don't offer true advantages.

The key to supply chain success lies in dynamic management—matching the right strategies with the right situation. This is hardly a new concept. Most of us recognize that different industries tend to require different supply chains. For example, we know that grocery supply chains require drastically different strategies from fashion apparel supply chains. What few people realize, however, is that even within a single business there can be several distinct supply chains that require fundamentally different strategies. Furthermore, these supply chains often interact with each other in complex ways that complicate how strategies are developed and executed.

Unless supply chains are aligned properly, companies risk squandering cost-saving opportunities, revenues, competitive advantage and asset productivity. Today, executives are challenged to think and reflect on a new set of concepts. Among the most important is the choice of supply chain. Choosing the right chain for the right business requires thinking strategically about how your business operates and what your company needs, which includes how many supply chains it takes to serve your customers.

This paper describes a framework for identifying distinct supply chains within a business and offers a how-to approach for developing strategies that appropriately align with each supply chain. We discuss the issues, complications and benefits of determining just how many supply chains you really need.

Figure 1: Developing a supply chain strategy



Purpose	<ul style="list-style-type: none"> • Understand logistical differences of customers and products 	<ul style="list-style-type: none"> • Define distinct supply chains based on serving unique needs of various segments 	<ul style="list-style-type: none"> • Make strategic choices according to supply chain type 	<ul style="list-style-type: none"> • Define asset structure and processes to support the new configuration
Approach	<ul style="list-style-type: none"> • Use relevant supply chain segmentation variables; obtain insights from customers and supply chain partners 	<ul style="list-style-type: none"> • Strike balance between customization and scale; define clear strategic focus for each supply chain 	<ul style="list-style-type: none"> • Focus on structural and policy issues, not processes or IT 	<ul style="list-style-type: none"> • Prioritize change based on degree of strategic mismatch and implementation difficulty
Result	<ul style="list-style-type: none"> • Customer-product segmentation matrix 	<ul style="list-style-type: none"> • Description of strategic focus and unique attributes of each supply chain 	<ul style="list-style-type: none"> • Definition of strategy in each decision area for each supply chain 	<ul style="list-style-type: none"> • Vision of the future supply chain flow, processes and economics; migration plan

ALIGN SUPPLY CHAIN STRATEGIES

Having the right products at the right place at the right time—and in the right quantity—is critical to meeting market demands and capturing sales. Yet providing customers with the right products and services all the time can be a complex, asset-heavy process, fraught with inefficiencies, waste and duplicate efforts.

The reason is clear. For most companies, supply chains evolve over time. Products change, companies expand, mergers are formed and companies are acquired. This evolution often results in increased complexity, pushing supply chains beyond their limits. Supply chains designed to meet ordinary requirements are suddenly forced to meet the extraordinary requirements of making and distributing thousands of products to perhaps millions of customers. The outcome for companies that cannot keep up is predictable: inferior customer service and poor use of assets.

The A.T. Kearney approach to aligning supply chain strategies is a four-step process designed to satisfy companies' changing and diverse customer and product needs (*see figure 1*). It is an insight-driven approach that requires fresh input from functions and partners along the entire supply chain. The following describes each step of the process and provides examples of its applications.

IDENTIFY RELEVANT SUPPLY CHAIN SEGMENTS

The first step in designing a supply chain, or various supply chains, is to determine customer requirements. This means beginning a dialogue with both customers and supply chain partners to define exactly what your customers want and need, as well as the logistics requirements of supplying different products and services.

Because there can be thousands of suppliers involved in a supply chain, you will want to begin by answering a few key questions: Who does what? Who should deliver goods directly to the company? Who should deliver goods to other suppliers? Will each supplier need to be managed differently?

Although there is no universal formula for all situations, experience shows that supply chains designed around traditional market segmentation variables such as size, location and type of business or products are not necessarily the best way to go. Instead, companies should consider designing their supply chains around customer-related variables—factors that are relevant to individual customers. For example, segmenting retail customers by their service expectations, such as next-day delivery versus second-day delivery, makes more sense than grouping them by type of business (supermarket versus wholesale club).

Even when products are identical, customers may have different needs. For example, automotive parts for vehicle assembly have tighter delivery windows than those destined for the after-market. Thus the automotive parts supplier may need two different supply chains.

Importantly, although we advocate designing each supply chain with a focus on customer service requirements, we do not want to overlook product-related factors completely. Factors such as volume, size, weight and perishability often have an impact on cost-to-serve and can have a major influence on the fundamental structure of the supply chain. Therefore, we recommend looking at all variables. Figure 2 on page 2 depicts customer-related and product-related variables that executives should consider when segmenting supply chains. Although the list is by no means exhaustive, it may serve as

How Many Supply Chains Do You Need?

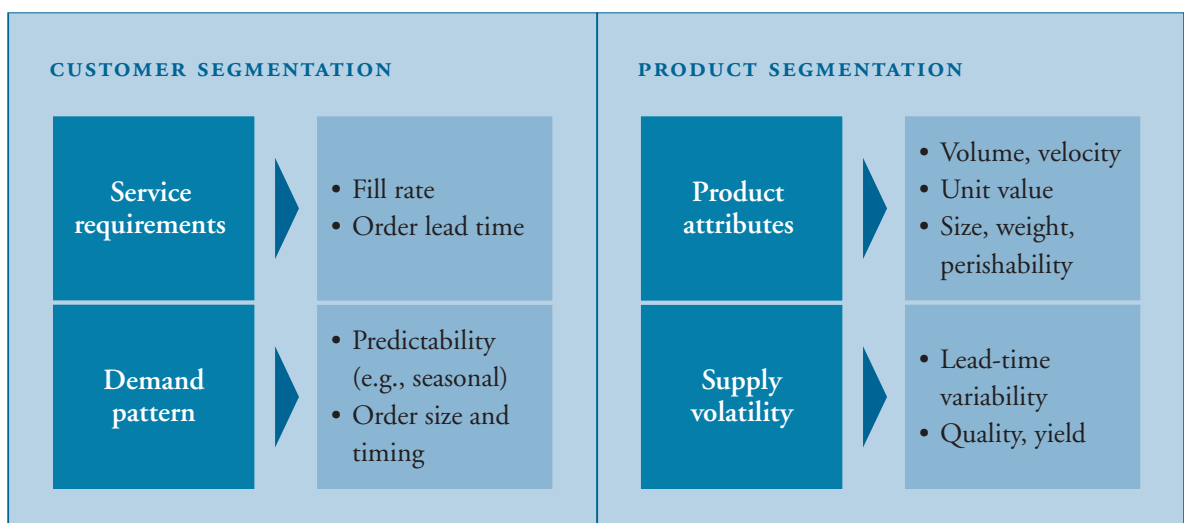
a useful starting point, and can be distilled into a more manageable set by combining closely correlated segments. In fact, some segments can be eliminated entirely because they are null or have extremely low volume.

Furthermore, segmentation is not a mechanical exercise and requires some original thinking. Indeed, part of the value of this exercise is in discovering unconventional segmentation plans that can lead to innovative strategies. For example, after executives at an aerospace company analyzed their supply chains, they were surprised to discover that instead of one customer group for the company's repair and overhaul business, they had three customer groups. In the first group were customers with products that had common configurations and therefore needed fairly common repair work. Customers in the second group required more variable work because their products had unique configurations. For the last

customer group, the scope of work was largely unpredictable; no two product configurations were the same. When we calculated the cost-to-serve for each customer group and compared it to the variation in price premium paid, the impact of these differences proved significant. Because each customer group had a different degree of attractiveness, it made sense for the company to devise entirely different service setups for each.

The aerospace example also illustrates the importance of understanding the relative attractiveness of each segment. Clearly, companies want to invest in a supply chain only if the segment it supports provides a sufficient return. When evaluating a segment—by size, growth, revenue potential and cost-to-serve—you may discover that certain segments need to be de-emphasized, outsourced or abandoned altogether. This was the case when a folding carton

Figure 2: Elements of supply chain segmentation



Source: A.T. Kearney

manufacturer discovered that certain customers did not provide sufficient margins to cover production and logistics costs associated with its products. As a result, the company reduced its emphasis on these customers.

CONSTRUCT LOGICALLY DISTINCT SUPPLY CHAINS

How many distinct supply chains do you need to serve your customer segments? The answer will depend on your products and customers. In

some cases, each segment will require its own distinct supply chain. In others, segments may be sufficiently similar in their requirements to warrant a common supply chain. The key is to strike a balance between the level of customization and complexity (*see sidebar: Crafting a Supply Chain Vision*). Each supply chain should be broad enough to have sufficient scale and narrow enough to avoid loss of focus.

The mistake many companies make is having too few rather than too many distinct supply

Crafting a Supply Chain Vision

Simultaneously managing complexity, relationships and change is a daunting challenge and raises tough questions: What can we do to get ready? Will our trading partners be ready? How do we manage the complexity of differentiation? How can we resolve the partnering paradox? Is there a way to make cross-enterprise synchronization and streamlining work?

To answer these questions, the first step is to craft a supply chain vision that is tailored to your company's strategies, objectives, needs and capabilities. This involves understanding the various needs along the chain of customers, from the immediate customer all the way through to the end user. It requires determining what various players and customer segments are looking for from the supply chains that serve them.

This also involves deciding which dimensions to differentiate on: product, market or geography. Decisions on differentiation will affect complexity and, as a result, the supply chain capabilities needed (not only by the company, but also by others in the supply chain). You will need to strike a balance among collaboration opportunities and flexibility and adaptability. You will also face the decision of which channel partners will be key to accessing your supply and customer markets. Finally, you must anticipate external change and examine how it affects your assumptions and options.

The second step is to assess your current situation. Understand your current supply chain capabilities: service levels, costs to serve, reliability, internal collaboration, agility and adaptability. Are the basics in

place? How ready are you to take on more advanced supply chain practices?

This step also requires analyzing the supply chain requirements placed unilaterally on you by your customers and determining what constraints—and opportunities—they provide. In addition, it's time to examine current relationships with key trading partners. Is there a foundation for collaboration, and do partners have the basics in place so you aren't at the mercy of their weak link?

The final step in managing complexity, relationships and change is designing and implementing a tailored program that will get you to your vision. By linking supply chain opportunities with business value, you can get senior management's blessing and support for the program.

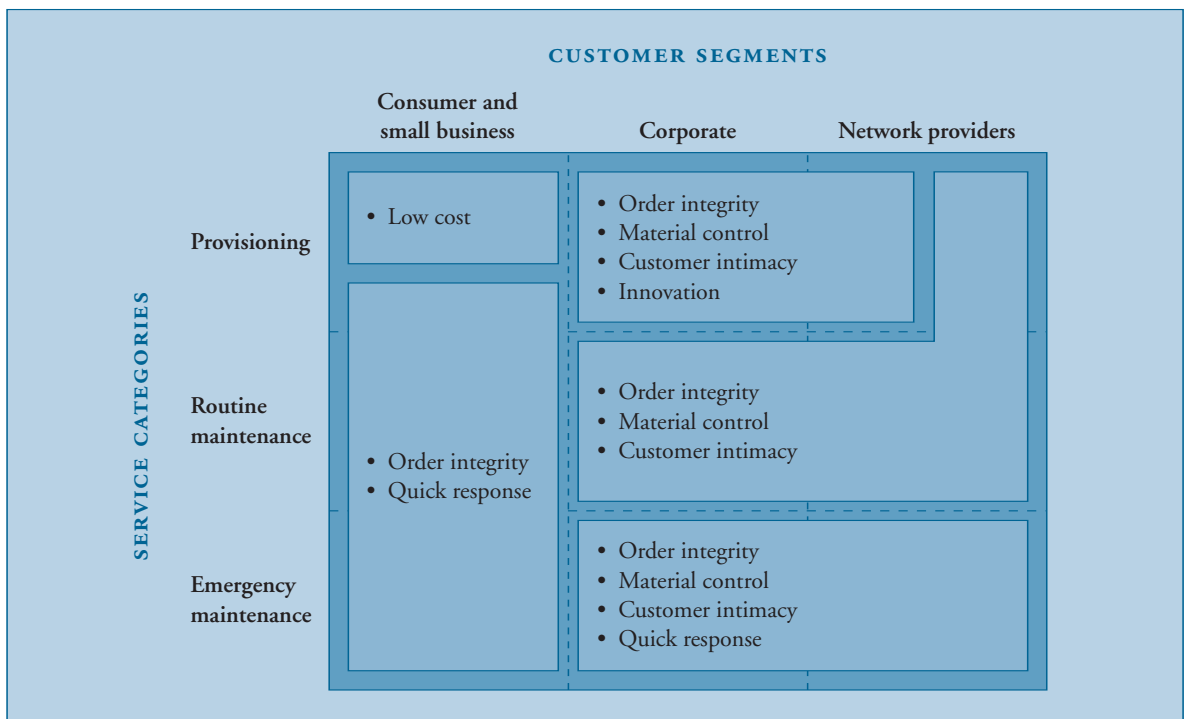
chains. This usually leads to higher costs and over-servicing certain segments. Consider the situation at a large U.S.-based telecom service company. The company provides more than 15,000 different products to some 8,000 technicians who support more than 10,000 business customers and 1 million households. Its products range from inexpensive technician tools and phone sets, to bulky network construction equipment and expensive data systems for corporate customers. The company stores materials in four warehouses, 4,000 remote locations, dozens of work centers and in 6,000 vans criss-crossing the country.

Despite the complexity, this telecom giant maintains a one-size-fits-all supply chain. As

a result, customer service is not just poor, it is practically nonexistent. The company’s on-time order fill rate to business customers is less than 80 percent. To compensate for chronic delivery problems, technicians secretly stash parts and products in the field. The result? The company has US\$100 million in field inventory, which is almost twice the quantity held at regional warehouses, and operating costs that are more than 15 percent of material value.

The solution for this telecom company was to redefine its supply chain. The key was to avoid “variants without value” by understanding where complexity really benefits the customer and the company.

Figure 3: Segmentation strategy for a telecom company



Source: A. T. Kearney

We began by seeking answers to the most important questions:

- What is the primary focus of the supply chain? Is it speed of delivery, low cost, flexibility to volume shifts and product changes, minimum total cost of ownership, or some other theme?
- What are the service and cost targets needed for each supply chain so that it can compete effectively for its customers' business?
- What are the strategic breakpoints in performance that will yield a real advantage over the competition?

The answers to some of these questions involve trade-offs of complexity versus value, which play a key role in the balance between revenue and profit. The ideal lies somewhere between the simplicity of one-size-fits-all and the complexity of a market-of-one tailored service.

Armed with answers, the telecom company recognized that it needed to segment its supply chain along two dimensions: customers and core services. Figure 3 illustrates the company's newly defined strategy in which there are three customer groups: consumer and small business, corporate and network providers. The company also has three service categories: provisioning, routine maintenance and emergency maintenance. This results in nine segments, which have been further consolidated by considering common service characteristics among the segments. For example, when the company took into account the different needs of different customers and suppliers, it was able to segment the supply chain around common issues, including order integrity, material control, speed of delivery and need for customer intimacy.

Eventually, the company defined five distinct supply chains, each with a different strategic focus and each with its own performance goals.

The five supply chains are: retail operations, consumer and small business installation and repair, corporate market installation and repair, network provisioning, and critical spares and maintenance network. The impact of distinct supply chains on the company's overall performance has been impressive. The company increased its on-time order fill rate to 95 percent and reduced its operating costs and inventory by more than 20 percent.

Needless to say, these supply chains are not totally separate physical chains. They still share some common activities and physical assets. However, because each supply chain has its own success factors, and performs separate activities, each chain is able to achieve distinct operating goals.

MATCH STRATEGIES TO THE SUPPLY CHAINS

Every company wants to be strategic. But strategy is more than figuring out how to do things. It is first about choosing what to do, and then deciding how it can be accomplished. With this in mind, the next logical step in devising an overall supply chain strategy is to develop separate strategies for each supply chain. Success in this step depends on finding the best answers to the following questions:

How close to your customers do you need to be?

How your customers operate and the information they possess can be a major determinant of your company's performance. And the way you work with your customers, or integrate, is crucial to how well your supply chain is managed.

To illustrate this point, we can look at how Caterpillar operates. The heavy equipment

manufacturer has two major supply chains: the original equipment manufacturing (OEM) chain and the after-market spare parts chain. The OEM supply chain is fairly straightforward. It involves the design, production and distribution of earth-moving and other heavy equipment. The aftermarket spare parts supply chain consists of 23 distribution centers in 11 countries, and nearly 200 dealers. This one is far more interesting because it is co-owned by Caterpillar and its dealers, allowing Caterpillar to provide excellent customer service where necessary. The dealers have agreed to hold 80 percent of the parts that an end-customer wants immediately; Caterpillar holds the other 20 percent. In return, Caterpillar ships 99 percent of the parts a dealer does not have on hand the same day the order is placed. This joint-distribution operation is linked by a worldwide information system that tracks any machine in the world waiting for a part. Moreover, by using remote monitoring and diagnostics, the system is able to deliver a part before customers even realize they need it. Such tight supply chain integration ensures customer satisfaction and is one reason why Caterpillar's end-customers are so loyal.

But this is only one way companies join with their customers along the supply chain. Customer integration can also be achieved by organizing the supply chain in a specific way. Consider Li & Fung, a Hong Kong-based export trading company that specializes in fashions and accessories. In the fashion industry, where it is difficult to predict demand, manufacturers have to be willing and able to re-create their supply chains on a dime to meet customer demands. It's a high-volume, volatile industry where products have a short shelf life and cost, speed and flexibility are required to keep customers.

Instead of organizing by geography like most other trading companies, Li & Fung organizes around its customers. And rather than creating a technology-driven supply chain such as Caterpillar's, Li & Fung has a people-driven supply chain. Small, dedicated teams of people work closely with key customers. These teams are made up of specialists in technical support, merchandising, raw material sourcing, quality assurance and shipping. Essentially, Li & Fung has set up distinct supply chains tailored to meet the needs of each large account or groups of smaller customers with similar needs. This level of customer integration has resulted in enormous focus and flexibility in supplying products.

Clearly, both Caterpillar and Li & Fung have set up costly customer-integrated supply chains. Not every company can afford to do the same, nor should they. Close-knit, customer supply chains are not always the right answer. For example, the telecom services company would only need to integrate with its customers in three of its five supply chains—retail, small business, and corporate installation and repair. The other two supply chains (network provisioning and critical spares and maintenance) would not require such close ties with customers because they primarily serve internal employees.

Although not all relationships need to be collaborative, some relationships offer significant potential for product innovation, increased sales (greater availability and breadth of distribution) and operating efficiencies by working together to tighten the supply chain.

Do you need to focus on value creation?

After determining the best way to integrate with your customers, the next issue to consider is who should do what. This is more than a

Supply chains designed to meet ordinary requirements are suddenly forced to meet the extraordinary requirements of making and distributing thousands of products to millions of customers.

make-versus-buy question because it addresses different roles to be performed by supply chain partners, both upstream and downstream.

For example, a few years ago, U.K.-based supermarket giant Tesco redefined its own activities in relation to its product manufacturers. Before the redesign, Tesco ran its own distribution centers that supplied its retail stores. After analyzing the economics of the process, Tesco decided that it would be more cost effective to turn its distribution centers into cross-docking operations where products from different suppliers, destined for the same store, are consolidated. The inventory holding and order picking activities previously performed at the distribution centers are now performed by the manufacturers. As a result of this change, Tesco reduced its inventory by one-third and supply chain cost per case by 20 percent. In the case of Tesco, the CEO recognized that the company was focusing too much energy and resources on activities that did not create much value for the company.

A similar scenario might apply to the telecom services company noted in our earlier example. The company would simply have to determine what it does best relative to its five supply chains. For example, for the supply chain that provides provisioning services for the corporate market, the telecom company would want to retain activities that affect customers directly, including developing its own product solutions, configuring orders and tracking items. It could let go of inventory management because it is not very strategic, or valuable, to its overall performance in the corporate market. And by transferring inventory management responsibilities to its suppliers, the company could then refocus resources on the more critical aspects of

its supply chain—those that matter to increasing customer satisfaction and shareholder value.

When looking at its other supply chains, the telecom company will likely want to control inventory management. For example, for the consumer and small business installation and repair supply chain, the company will want to retain inventory management because it is a vital internal activity that requires tight controls. Remember, this is the same company that had technicians hoarding parts in order to deliver them to customers in a timely manner.

Do you choose your suppliers wisely?

In recent years, supply chain management has received increasing attention. One reason is that more companies realize they need to leverage their supply base to meet both their cost and customer service objectives. Even Toyota, long regarded as the gold standard in supplier management, was forced to reexamine its exclusive relationship with its keiretsu suppliers.

When Toyota discovered it was paying significantly more for some key components than its competitors, it launched an initiative to source from companies and locations that are globally competitive—even if it meant disrupting its once-cozy keiretsu. Nissan did the same, only in a more dramatic fashion, as part of its revitalization plan in the late 1990s. It halved its number of suppliers and, in the process, moved away from its traditional keiretsu model toward a set of globally competitive suppliers. The transformation of supply chain structures at Japanese companies such as Nissan and Toyota illustrates that a specific supply relationship should not be taken for granted, even if it has been in place for decades.

Maintenance, repair and operation (MRO) supply chains are notorious for their inefficient

structures. Companies with MRO supply chains deliver materials such as industrial supplies, cutting tools and machine spare parts for manufacturing companies. It is not uncommon to find as many as four tiers of suppliers involved in a typical MRO supply chain—ranging from manufacturers and master distributors to tier 1 and tier 2 distributors. The more complex the supply chain the more price discrepancies will be found. For example, at one manufacturer, we discovered the price for the same MRO item varied by as much as 30 percent depending on the supply tiering structure involved. In effect, the manufacturer was burdened with four different types of supply chains, each requiring a different level of mediation by the suppliers.

The solution was to segment the manufacturer's MRO materials. We grouped them according to lead-time requirements, level of local technical support, break-bulk economics and OEM-distributor arrangements. In doing so, the company was able to determine the optimal tiering structure for each material category by plant location. This resulted in significantly lower markups for some materials and markedly improved service levels in others.

The structure of supply chains must be guided by strategy, not supplier relationships. Finding the answers to two key questions provides some direction:

Are you properly managing capacity?

When we hear the word capacity, most of us think of production capacity or warehouse capacity. But when it comes to supply chains, we are talking about these plus the strategic buffers needed to cushion against potential uncertainties.

Companies must determine what type of buffer will best guard against the unknown. The

choice is among three: inventory, throughput capacity and time. Unless there is pure waste, you will need to increase one buffer if you reduce another.

A good example of strategic buffer management can be found at Zara, a European clothing manufacturer and retailer. The key to success in this business is the ability to change products quickly in response to shifting consumer tastes. Zara maintains two strategic buffers: one in the form of uncut fabric inventory and the other in surge capacity in its sewing operations to handle a sudden upswing in production demand. These two buffers enable Zara's supply chain to react quickly to consumer trends without incurring the high cost of obsolescence. Zara's revenue tripled over four years, partly due to the success of its particular approach to fulfilling volatile market demand.

Automaker BMW provides another good example of using supply chain buffers strategically. To compete against other carmakers in the European market, BMW slashed delivery lead time for its custom-order vehicles. For example, for its 7 Series cars, BMW reduced order lead time from an average of 28 days to just 12 days. And the automaker reengineered its production sequence to allow customers to alter their custom orders up to one week before vehicle assembly begins. Customers can change the engine, the color and equipment options and still receive the final vehicle on the predetermined delivery date, as promised.

How does BMW have the flexibility to handle last-minute customer changes? The automaker keeps an inventory of painted auto bodies that are held back from final assembly. These painted bodies are treated as vendor parts and placed in intermediate storage in high-rise

Figure 4: Match strategies to supply chains

STRATEGY	EFFICIENT SUPPLY CHAIN	QUICK RESPONSE SUPPLY CHAIN	INNOVATIVE SUPPLY CHAIN
Customer integration	<ul style="list-style-type: none"> Basic, efficient order fulfillment; limited and highly selective direct customer contact and support 	<ul style="list-style-type: none"> Joint inventory management processes and information systems 	<ul style="list-style-type: none"> Highly focused account and order-centric organization structure
Value-add focus	<ul style="list-style-type: none"> Manufacturing and physical distribution 	<ul style="list-style-type: none"> Strategic inventory planning and deployment 	<ul style="list-style-type: none"> Product design and supply chain management
Supplier structure and relationship	<ul style="list-style-type: none"> Low-cost; consistent quality and delivery 	<ul style="list-style-type: none"> Short, consistent lead time; high quality service 	<ul style="list-style-type: none"> Global network of trusted partners and specialists; flexibility
Capacity	<ul style="list-style-type: none"> Maximum capacity utilization of plants, warehouses and transportation 	<ul style="list-style-type: none"> High surge capacity in operations and transportation for quick response 	<ul style="list-style-type: none"> Minimum inventory and bricks and mortar investment; leverage suppliers' capacity
Asset deployment	<ul style="list-style-type: none"> Consolidated distribution services; inventory held at few, large centralized facilities 	<ul style="list-style-type: none"> Distributed multi-echelon system; stock points close to customers 	<ul style="list-style-type: none"> Minimum finished goods and WIP inventory; suppliers hold raw materials; highly dispersed supplier manufacturing assets
EXAMPLES	<i>Staple grocery goods</i>	<i>Emergency spare parts</i>	<i>Fashion apparel</i>

Source: A.T. Kearney

warehouses. When vehicle assembly begins, the part is then called in from storage.

This build-to-order supply chain represents a major departure from traditional make-to-stock supply chains, and illustrates how the right supply chain structure plays a crucial role in supporting customer-based strategies.

How are assets deployed?

Closely related to the issue of capacity is asset deployment—companies must match their asset deployment strategies to their different supply chains. At this point, lean thinking must be introduced to the organization. Today, more than ever, companies must eliminate everything in their supply chains that does not matter to the customer: driving waste out of processes, eliminating non-performing assets, and improving velocity.

How do companies deploy assets and resources effectively? Flexibility is key. Whether it's because equipment is multipurpose and easily reconfigured or your people are cross-trained, being able to respond quickly to changing circumstances enables businesses to match production to meet shifting demand.

Companies that want to respond quickly to their customers favor a speculation strategy—committing inventory before it is needed to achieve service objectives. Inventory and stock points are either closer to customers or the company relies on premium transportation to get it to customers quickly.

When considering where to put your inventory, do not make the mistake of equating high service with quick response. From a service standpoint, providing consistent or time-definite delivery is more important than quick response. For example, most consumers value time-definite delivery of large appliances more

than quick delivery. If this is the case, the focus should be on having a predictable supply and conventional shipment schedule rather than a decentralized inventory.

To illustrate how a company might match its asset deployment strategy to its different supply chain segments, we can use our earlier example of an after-market spare parts supply chain. Most spare parts supply chains can be segmented into two sub-supply chains: a quick response chain for urgently needed parts and a normal service supply chain for parts used in routine maintenance and for less urgent repairs. For the normal service supply chain, after-market operators typically store parts in a small number of central warehouses and repair depots. For the quick-response chains, the operators will want to store parts in numerous locations close to key customers.

By designing production and distribution networks around the concepts of flowgistics—this is the continuous flow of goods to minimize cycle times and inventories—companies such as Dell, Sony and UPS synchronize customer delivery of made-to-order computers with in-stock monitors. Using postponement techniques—from slip-in color panels on appliances, to inserting country-specific documentation and power packs just before shipment of printers—will mitigate the negative effects of variety.

Once strategies are defined for each of these five areas, they should be evaluated for internal consistency and fit according to the type of supply chain being addressed. Figure 4 shows how all five areas work in three different supply chains.

DEFINE A RECONFIGURATION PLAN

Finally, with a strategy in place, the last step is to turn concepts into practical, detailed plans. As in the BMW example, companies cannot

Companies must eliminate everything in their supply chains that does not matter to the customer; driving waste out of processes, eliminating nonperforming assets and improving velocity.

afford to have a dedicated factory just to make build-to-order cars.

We complete this story by reconfiguring the various supply chains. Determining how much reconfiguration is necessary will depend on two steps:

Determining the current mismatch

Eventually, companies must reconcile any inconsistencies, overlaps and redundant processes in their various supply chains. All mismatches can be assessed by comparing current performance levels against targeted performance levels in key areas. For example, targeted supply chain cost per unit of product can be compared against the best-case cost per unit, assuming there has been no change in the underlying design of the supply chain. A significant gap would suggest the problem is structural and will require systemic changes, not just more productive operations. The company can then prioritize reconfiguration

initiatives according to the degree of mismatch and ease of implementation.

Estimating the necessary degree of sharing

The degree of sharing across supply chains will depend on the trade-off between economies of scale and value of customization. In general, candidates for sharing include assets, activities and systems that are not directly affected by the strategies defined in the previous step. But be careful not to over-customize any one supply chain. For example, information systems are usually flexible enough to accommodate different supply chain management approaches and can be shared without sacrificing uniqueness. An economic analysis will quickly point out areas that are too tailored.

Once the degree of mismatch and the level of sharing are clear, the remaining tasks of defining the network, process, IT and organizational changes are relatively straightforward.

Conclusion

Strategic customer and product alignment is too often overlooked as a source of superior supply chain performance. The approach outlined in this paper can lead to breakthrough insights and supply chain innovations. It also offers a perfect opportunity to engage all functions and partners of the supply chain to envision a new way of delivering value. Many leading companies have already applied this approach and achieved exceptional results. It is time more companies do the same.

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