

“There’s more of a psychological barrier to digitisation these days than a cost barrier”, says supply chain advisor Deborah Ellis

E-commerce has already changed what people expect from supply chains - not only on an individual level but also on an industrial level. In this Trans.INFO exclusive interview, supply chain advisor Deborah Ellis explains how digitisation cannot be a burden today, and why transparency is a must for survival.

Trans.INFO: Thanks for taking the time to talk to us, Deborah! You have been conducting supply chain consulting projects in Australia, Asia, Europe and the US for more than a decade, and are the co-author of the renowned book “Transforming Supply Chains”. Naturally, you need no introduction. That said, can I ask you about how you got into logistics and how your career has evolved?

Deborah Ellis: I started in the practical world of logistics, coming through as a graduate trainee into what we now call a third-party logistics company; one that had warehousing and transport sectors, and large contracts with retail customers. So, in those very early days, I was on the supplier end of logistics.

Then I went to one of the Mars Group companies, where I learned about how to work with customers, suppliers, and providers within a set of guiding principles. We didn’t want to work with thousands of logistics providers. Indeed, our focus was on finding a few good providers to work closely with and grow our mutual business together. So I would say I was taught in my very early days that you have to enter into arrangements in logistics or the wider supply chain, with a set of principles always in mind. And then you filter your own decisions through those principles. This approach has stood me in good stead ever since.

In our consulting [at Gattorna Alignment] we have applied the same approach; you really have to establish what the guiding principles are first, have a clear stance, and then proceed to design your path forward.

Trans.INFO: The title of your book published in 2019 is “Transforming Supply Chains”. What was the central reason you and Dr Gattorna thought that supply chains needed to be transformed?

Deborah: From mid- 2016 we had been tracking three significant shifts.

Firstly, there was a shift in the market that was changing both demand patterns and

mindsets - and that was driven by the onset e-commerce.

It was not just directly the e-commerce impact itself and its effect on retail, but the way it was changing people's thinking about supply chains and logistics, and their own expectations - even for managers in large industrial companies.

As individuals we were receiving these small, next-day deliveries from Amazon or other e-commerce sites, with full tracking details, and then at work we were placing multi-container orders on suppliers with a three- or four-week lead time and little visibility. If its achievable at the most difficult, most expensive end of the logistics spectrum – the consumer end, why can't we do better at the industrial end?

Secondly, there has been a quantum shift in the capabilities available to businesses. At every level of planning and operations – strategic, tactical, operational and minute-to-minute execution, we now have a vast array of tools to help us make better decisions, faster. So, for example, we now have the capability for an order at risk of being late to be identified early and triaged through its final stages. And a senior executive should be able to get a profile of what has happened in the last day, month or year of the operation on one or two dashboards that are being constantly refreshed in real time. There are now more capabilities available to support our decision-making than most of us can actually conceptualise!

The third trend is increasing volatility. Even before COVID, we had shifting demand dynamics as people moved to different styles of buying, from bricks and mortar to e-com, and from automatically buying locally to searching and sourcing globally. We've also had geopolitical shifts and trade disruptions. And on the supply side, commodity price instability and a series of natural disasters impacting major sectors including floods, a tsunami, volcanic ash and fires, that have all impacted the supply chain.

Of course, supply chains and the people behind supply chains, have always had to accommodate change, but in the past the rate of change was slower and disruptions more singular – and we could sometimes get away with 'set and forget' strategies. But it became clear, even before Covid, that we now need supply chains that have a high level of embedded 'flex'; and that we also need to be able to continually adjust and adapt, because so many of the variables impacting the supply chain are shifting both gradually, and at times, suddenly.

We felt that we had some things to say about all these aspects and that they would be of value to the new Transformation teams that were emerging, as well as those wondering where to go next with their operation. That was the thinking behind the book. And we gave it the title "Transforming Supply Chains" just to push the mantra of continuous change.

Trans.INFO: Digitisation - AI, IoT, Blockchain - they all sound very expensive. Therefore, many companies don't even think about implementing them. Is digitisation for everyone, or is there a threshold in size or profit that needs to be met in order to be worth the money?

Deborah: I don't think there is a threshold or anything like that. If you look at where much of

the digitization is coming from - such as IoT, blockchain and in even AI - many of the initiatives, and many of the new systems, are coming out of start-ups or smaller firms.

They're not going in for the big, very expensive multi-year implementations, quite the contrary; a lot of them are coming through with low cost, subscription models, or even per-unit pricing. Many have small entry points, with confined scope, to enable value to be proved before proceeding to a larger scale.

And at the more complex level, the 4PL's are heavily investing to provide their clients with high levels of digital capability, without the associated burden of high capital investment and extensive training. So, in my view, digitisation is incredibly accessible. And it's mandatory for future survival.

I have another angle of insight here; two of my sons have a smallish e-commerce business. I'm astounded at what digital capabilities they can bring to the table. They have an app for this, an app for that, and even Shopify itself provides more up-to-date information and visibility than many ERP systems I have seen. If they want to re-lay the warehouse they use a slot optimisation app! These small e-commerce companies have access to similar, if not better, capabilities than many bigger firms.

I really think the barriers are down with regards to digitisation. Probably, there's more of a psychological barrier these days than a cost barrier.

Trans.INFO: Implementing digital platforms ultimately needs transparency. Do suppliers want to be transparent? And hauliers? What are the benefits of being transparent?

Deborah: It's not a problem for the big global logistics companies. They all know they need to be transparent - it's just a matter of resources and time. They are developing quickly and many of them are doing a very, very good job at it.

However, for smaller logistics companies it can be a paradigm shift. We do some work in Mexico, for example, where transport is more fragmented and companies there do have trouble getting their transport providers to give them the level of transparency that they need.

However, there's no way to get around it! End customers expect it, and eventually a lack of transparency and an inability to provide tracking and visibility will cost providers business. So, one way or another, they have to face up to it, if they want to survive. Transparency is not going to be negotiable; it's just going to be table stakes.

Trans.INFO: You have mentioned what a serious impact e-commerce can have on industrial supply chains. E-commerce has been closely tied with social media recently; customers share their experience about the product they bought, the delivery they used, they can even encourage or discourage others. Is this kind of behaviour influencing bigger supply chains?

Deborah: You could say that social media to the supply chain is like the canary in the coal

mine - an early warning. For quality and stock availability issues, social media can ring a bell earlier than some of the commercial signals that will come back through say an industrial B2B supply chain.

It also has value as an input to demand planning and forecasting, because it can allow you to identify issues and trends or shifts in patterns. Especially if connected with other data, such as weather data, it can improve the accuracy of predictions. AI is making it more feasible to combine what would once have been considered 'weak' signals, to produce much stronger indicators of future demand.

Trans.INFO: Since your book has been published, the coronavirus pandemic has hit. Do you think that coronavirus has changed the priorities of how supply chains should be transformed?

Deborah: Yes, it has changed the priorities most definitely. Executive teams now more than ever want to know how resilient their company supply chains are. They want to know what the vulnerabilities are; and they're expecting strategies and actions to tackle any perceived weak points.

Companies are now desperate to surface and address vulnerabilities such as single source - a single supplier, or a single region supplying all of your items; or perhaps when you are very dependent on a single manufacturing plant.

And thus, there's a different agenda for people managing supply chains now. It's always been there! We've all recognised that there are both known and unknown risks, and we've all had risk strategies in place, but the focus on these things is more intense now. This is very much a watershed moment and it is quite likely that it will last for a long time.

It's also clear to us that large organisations need a specialised capability for managing supply chain disruption. Not just a set of Contingency Plans that sit in the bottom drawer; but a group of people who are ready to go at any time and capable of making decisions quickly, and have the networks and resources to get it right in these atypical situations. They can do scenario testing and quickly assess what the options are, and then put them in front of management to decide how to move forward; speed is of the essence. In the book we call this the 'Fully Flexible' Supply Chain.

Also, governments are paying much more attention to supply chains and the critical logistics services that support their population. That's likely to continue! The health vulnerabilities have really been highlighted with PPE shortages, for example. Countries like Australia, that are far away from a lot of pharmaceutical manufacturing, are seeing much more government focus on stockpiling strategies for critical goods. The Australian Government has also intervened to subsidise airfreight to get our high-value agricultural products into export markets; and to bring in medical supplies.

It's going to be an interesting period as governments decide what level of involvement their strategic supply chains need, what kind of practices to follow, and how and when to intervene. All these factors are now in play.

Trans.INFO: We were speaking about uncertainties and transforming the supply chains. Is there a good time to start transforming? Would you start to transform a company's supply chain now, in the middle of the coronavirus crisis?

Deborah: Yes, I think it's a good time to start right now. If either your market is changing, or you haven't picked up on the many new capabilities that are around, it is probably time to do something. But it doesn't have to be a very dramatic change. Overcoming organisational inertia is key.

We've moved away from the idea of the big Five-Year Transformation programmes; we are rather thinking more in terms of a transformation direction or vision, which is pursued via a series of smaller projects that build on each other. This is much more akin to the 'agile' project methodology that has changed software development; and is lower risk, more palatable for employees, and more suited to the volatile operating environment we find ourselves in these days.

Trans.INFO: We have been speaking about transforming a supply chain. But what is the ideal way that we would like to achieve a transformation?

Deborah: Well, we very much think that the ideal supply chain has to be a flexible one that can adapt as the situation changes - which it is inevitably going to. As the market shifts, you need to have a suite of capabilities that allows you to do different things in different parts of the target market and easily move between them. In our book, we say that, in most businesses, you need four or five different capabilities in other words a portfolio of offerings.

You need to closely align yourself to the key drivers that your customers respond to. To understand who your collaborative customers are, for example, and how to respond to their longer-term perspective and leverage their willingness to share information and work closely with you.

We know that there are some customers who will always buy on price, so you've got to make sure that you are, or can match, the lowest cost supplier if you want to work with those customers. Supply chains need to be lean – which translates to low cost and reliable for this segment.

There's a part of the market that values speed, flexibility, and responsiveness. That's a specific capability, and it usually costs more.

If your customers are project or tender-driven, you might need a different sort of supply chain, where you're able to mirror their project plan and accumulate stock and deliver it on the due date, not later or earlier, but at a specific time.

And, then we mentioned the Fully Flexible supply chain that is needed in times of extreme disruption, or to lead the way when launching with new products or starting up new channels.



These different solutions imply that you will need different service levels, operations, and inevitably different cost profiles to underpin and align with different market strategies. Going with one approach, or trying to customise your service around every customer, are both fraught. The one-size-fits-all approach usually doesn't fit anyone that well; the all-customized approach is costly and will make you jump around all the time. The tailored supply chain approach we've outlined in the book attempts to define a more rational solution that will allow you to align with a much bigger component of your target market.

Find the original interview [HERE](#).