



Advantages of an Automated Global Supply Chain

Overview

With the ever-evolving global business environment, where the companies increasingly focus towards amplification of profit margins, reduction of costs, and expansion into promising new markets, analyzing their supply chain capabilities is imperative for every company in order to compete in the global markets. Thereby, innovation in the supply chain is as important as product innovations. Dynamic nature of the market prices has made it essential for the companies to re-design and enhance their supply chains to reach an end-to-end optimized level which would provide the following advantages:

Advantages

- **Tackling the dynamic market demand and supply situations**

Higher transparency in the market and greater price sensitiveness has led to increased volatility of market demand, which calls for an automation in the whole supply chain. By inducing the demand signals in supply chain management, companies can sense and respond to the changing needs of the customers in an optimized way. Automation in the supply chain would help the companies manage their supplies in terms of an automated order management system (below a certain inventory level), contract renewal with suppliers, and management of on-shelf time for the products.

Demand and supply volatility and poor forecast accuracy are the biggest supply chain roadblocks that most companies face. With an increasing capability and readiness of customers to find substitute supply sources, customer demands can move up or down rapidly. Moreover, there could be several issues relating to supply availability with a particular supplier, in which case the orders need to be placed to other vendors. Automated contract renewals (as per the conditions agreed upon by the users are met, these smart contracts automatically execute their terms – service payment, shipment authorization, etc.) and order management systems would improve the response time of the companies to demand and supply changes drastically.

- **Regionally customized regulations and cost-optimized configurations**

Globalization of the supply chains requires the companies to adapt to diverse quality standards, import and export regulations, safety and packaging regulations, and labeling regulations around the globe. Especially for companies involved in international trade, it is highly imperative to check if the materials provided by a foreign supplier meets all domestic entry regulations or not, or if the companies comply to all the relevant trade regulations and have complete knowledge of the trade duties involved in the process. An efficient and smooth running global supply chain would ensure that all these checks are made and thus help the companies avoid documentation, trade duties, and compliance risks

- **Increased transparency**

An efficient supply chain would provide global businesses with a single point of access for their supplier information. This would make the supply base more transparent and induce the identification of reliable suppliers anywhere in the world. Moreover, an efficient supply chain would also allow a company to quickly assess the ability of a particular supplier to meet financial, legal, safety, quality, and environmental regulations and thus ensure lower risk in the entire supply chain.

- **Adoption of innovative solutions**

As mentioned above, the innovation in the supply chain in global companies is as important as product innovations. An efficient and optimized supply chain platform would provide companies with not only traditional supply chain management systems but also account for adoption of new innovative offerings such as accommodation of taxation, invoicing and other critical functions into the supply chain.

- **Digitization to drive better procurement decisions**

An automated supply chain management would help companies to access information about their suppliers and thus make better procurement decisions. Globalized supply chain would increase the options that are available to procurement managers/category managers for services, materials, and products. Wide range of selection of high quality or lower cost options would provide a large room for cost optimization and eventually help in taking better procurement decisions

This is done through digitization which would allow for association of automation and analytics to increase flexibility, reduce operational costs, and improve margins. Digitization of information in the supply chain would help the companies share information easily, process it and analyze it to provide the companies with insights and values to adapt the changes easily and quickly; this would reduce time and cost involved in the day-to-day business processes. Additionally, better analysis would help companies to realize cost saving opportunities at each and every step of business operations such as sourcing, transportation, shipping costs, and duties and taxes.

- **Time and cost saving in financial transactions**

An efficient supply chain that accounts for currency conversions and fund transfers to countries across the globe through technologies, such as SWIFT, would save a lot of time in financial transactions and save huge costs charged by financial institutions for currency conversions.

Benefits of Blockchain Technology

- **Reduction in the transaction time**

Validation and time taken for transactions between suppliers and clients (contracts, signatures, orders, payments, etc.) can be drastically reduced which would lead to a real-time management of transactions and business flows.

- **Improved and secured documentation**

Technologies such as smart contracts, RFID tagging, and STORJ for saving detailed documentation relating to the origin, place of storage, authenticity, property certificates, records, etc. would help companies save time in accessing such information even after years of the actual contract. Additionally, these records are indestructible and constitute a tamper-proof evidence that guarantees the integrity of information. Moreover, the parties involved in the transactions have access to the same information which avoids duplicity of documentation. This would make the supply chain more secure and improve the traceability of goods and transaction flows.

About the advisor:

- ~4 years of experience in delivery of strategy and procurement-specific (both direct and indirect categories) and supply chain projects across retail and CPG sectors.
- Assisted clients in strategic sourcing decisions through detailed industry analysis/strategic business consulting, supplier assessment

and benchmarking, supply chain best practices, new supplier identification, and competitive intelligence.

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