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Using A3 Business Plans, Segmentation and Collaboration to identify, protect and grow business value

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Extended Abstract

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Short abstract
Whilst there appears to be ever-competing demands and complexity on todays' supply chains to improve customer service and responsiveness whilst minimising costs, the use of A3 Business Plans, segmentation principles and collaboration techniques can be used to simplify the end-to-end value chain and identify, protect and grow business value, both within the organisation and with its customers and other supply chain partners.

Keywords: Customers, Segmentation, Collaboration

Topics: Supply chains

Methodology: Other

Introduction:
The ninth, and largest-ever, PwC Global Supply Chain Survey 2013[1] drew on the insights of over 500 supply chain executives across North America, Asia and Europe to identify which key trends they saw as reshaping the supply chain. This survey identified that the most important value drivers in all business categories surveyed were minimised costs, maximum delivery performance, maximum volume flexibility and responsiveness, and complexity management. So the question for today's Supply Chain Manager's is – how can an organisation strive to improve on what appears to be ever-competing forces to drive overall business value? This paper identifies 3 simple techniques that businesses can adopt to grow business value and improve supply chain performance.

Business Planning:
Creating a 'line of sight' from an organisation's vision and strategy into the culture of the organisation is essential if business targets are to be identified and achieved. Structured idea-generation techniques such as Reflective Thinking workshops can be used to develop current and desired (3 year future) views of the organisation. When coupled with the organisation's strategies, the key challenges and priorities of the organisation are identified. Capturing these within a 1-page A3 format as 3 Year Business Plans ensures that only the most crucial opportunities are identified, thus providing a clear focus on the 'imperatives' for all stakeholders across the organisation's value chain. In order to avoid 'silo behaviour', these Business Plans should be centred on themes that transcend departments, eg People, Customer, Productivity, Quality, Health & Safety and Sustainability.

Segmentation:
Segmentation is a simple but very effective technique for identifying where the true value lies within the business. Whilst a business might have more than 1,000 customers,

often less than 10 customers will contribute up to 40% of the revenue and the profitability. And 30 – 40 customers will contribute 70% of the revenue – it's the 80:20 rule taken to an extreme! Customer segmentation allows the organisation to identify those customers that bring the most value to the organisation, and allows Key Account plans to be developed that protect and grow those customers' businesses. Customer segmentation should also include other factors, eg

- customer market share (existing and potential),
- the customer's willingness to collaborate and
- the customers willingness to partner in innovation

Having identified the key customers, customer surveys are an important next step in understanding the customers' requirements and behaviours. They can be global, regional or domestic in nature and cost anywhere from $5K to >$100K, depending on scope. However, the 3 key deliverables are (1) information relating to those attributes that the customer deems as most valuable, (2) your company's performance against those attributes, and (3) your company's performance against your competitors – valuable information indeed!

Segmentation is also used to identify the products that contribute the most value; note it might be necessary to aggregate products into logical family groups to allow meaningful product segmentation. Having identified the key products, vendor segmentation is used to ensure the key raw materials/components of these high value-creating products are protected. Typically vendors will be segmented into one of four categories according to the uniqueness of the products being supplied, eg bottleneck, strategic, leverage and shop. Strategies are then developed to 'derisk' the supply chain, without necessarily impacting working capital. Category management plans can then be developed to ensure an ongoing supply review capability for these materials.

Collaboration:

Having aligned the organisation with a shared vision, and having identified where the value is created in the organisation, the third step is collaboration with the stakeholders in the value chain to grow value. By working together in a structured manner, both customers and suppliers can align their service delivery requirements whilst simultaneously minimising costs. Where organisations create additional value through joint initiatives, this value can be shared between the parties. However, to be successful, collaboration must be driven from the executive, and successful collaboration will often involve an initial cultural/behavioural alignment (eg clarification around IP) as part of a formal process. Personnel involved in the collaboration opportunities should also be unencumbered of the financial implications on each organisation – transparently sharing the financial benefits is the domain of both organisations' accountants!

Conclusion:

Whilst there appear to be ever-competing demands on the supply chain to improve customer service and responsiveness whilst minimising costs, the use of A3 Business Plans, segmentation principles and collaboration techniques can be easily used to simplify the end-to-end value chain and identify, protect and grow business value, both within the organisation and with its customers and other supply chain partners.

References

1 www.pwc.com/GlobalSupplyChainSurvey2013 April 2014