Aberdeen*Group*

Global Supply Chain Benchmark Report

*Industry Priorities for Visibility, B2B Collaboration,
Trade Compliance, and Risk Management*

Executive Summary

Most companies are woefully inadequate in their automation and staff support for global trade. To keep up with global trade growth and increased competitive pressures, corporations are finding they must make significant changes in how they run their global supply chain operations. According to Aberdeen best practice research, among the most critical areas that companies are revamping are:

- **Supply chain visibility** to increase the transparency and velocity of global activities

- **Business-to-business collaboration** to improve supply/demand synchronization

- **Trade compliance** to ensure undisrupted movement across borders and take advantage of preferential trade agreements to lower total landed costs

- **Risk management** to ensure resiliency in face of supply chain disruptions

This report looks at these key improvement areas and how large, mid-market, and small companies are building game plans for success. Trends in strategies for increasing logistics agility are also addressed. The findings are based on benchmarks in May and June 2006 of more than 150 companies. Fully 45% of respondents were vice president or C-level executives, with most others at a director of supply chain or manager level.

A Critical Lack of Global Supply Chain Automation

A lack of automation and visibility is handcuffing companies with longer lead times, bigger inventory buffers, budget overruns, and continued demand-supply imbalances. Three-quarters of respondents report they don't have enterprise-wide automation for global supply chain processes (Figure i). ***On average, large companies report that their global supply chains are only 50% as automated as their domestic supply chains.***

Figure i: Technology Maturity Remains Dismal for the Global Supply Chain
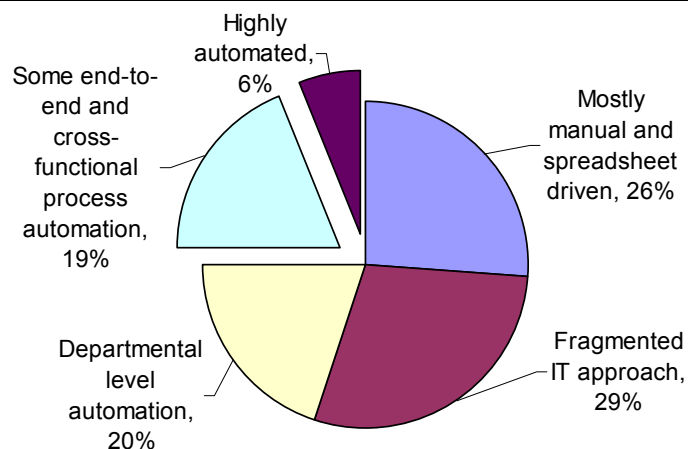
Source: Aberdeen*Group*, June 2006

Some 79% of large companies say that the lack of supply chain process visibility is their top concern. An astounding 90% of all enterprises report that their global supply chain technology is inadequate to provide the corporate finance organization with the timely information it requires for budget and cash flow planning and management.

To address these inadequacies, companies are moving away from building in-house applications and toward using commercial applications from a varied set of vendors, ranging from software specialists to managed service vendors and logistics service providers. In fact, custom-built applications rank first in current usage for global supply chain technology but drop to last place in popularity for *new* IT implementations. By comparison, on-demand applications (also called "software as a service") are used today by the least number of respondents but rank second in popularity for future adoption.

Human Resources Shortages

Fully 87% of large enterprises and 64% of all respondents say their company's staffing for managing global supply chain and trade compliance processes is inadequate. This is triggering increased attention on how to leverage business process outsourcing, managed services, and logistics service provider expertise.

The Supply Chain Risk Management Gap

While 82% of companies are concerned about supply chain resiliency, just 11% are actively managing this risk. This action gap is one of the greatest weaknesses of current corporate global supply chain strategies; it threatens the continuity of a company's business and sets the stage for gross margin erosion due to under-managed supply chain uncertainty and risk. An emerging set of technologies and solution providers are helping companies better assess risk and create contingency plans.

Recommendations for Action

- **Extend supply chain visibility:** Move to exception-based management of global supply chain activities and slowly increase the number of milestones you monitor. Start executing against a longer-term roadmap that adds escalation policies, inventory pipeline visibility, mobile asset management, root cause analysis, and financial settlement and financing integration.

- **Scale business-to-business collaboration:** The most productive collaboration processes are collaborative forecasting, inventory management, and replenishment, so focus on scaling those first.

- **Go corporate-wide with trade compliance:** Move toward a single corporate-wide trade compliance platform and comprehensive origin and trade agreement management. Smaller companies should look to on-line tools for restricted party screenings and total landed cost calculations.

- **Institutionalize risk management**: Make risk assessment and contingency planning part of your standard operating procedure. Institute supplier remediation programs for high-risk providers, and increase logistics and supply agility to improve recovery capabilities.

Table of Contents

Figures

Tables

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Aberdeen*Group*

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To be the trusted advisor and business value research destination of choice for the Global Business Executive.

Our Approach

Aberdeen delivers unbiased, primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help Global Business Executives accomplish the following:

- IMPROVE the financial and competitive position of their business now
- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
- LEVERAGE information technology for tangible business value.

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- CREATE DEMAND, by reaching the right level of executives in companies where their solutions can deliver differentiated results
- ACCELERATE SALES, by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- EXPAND CUSTOMERS, by fortifying their value proposition with independent fact-based research and demonstrating installed base proof points

Our History of Integrity

Aberdeen was founded in 1988 to conduct fact-based, unbiased research that delivers tangible value to executives trying to advance their businesses with technology-enabled solutions.

Aberdeen's integrity has always been and always will be beyond reproach. We provide independent research and analysis of the dynamics underlying specific technology-enabled business strategies, market trends, and technology solutions. While some reports or portions of reports may be underwritten by corporate sponsors, Aberdeen's research findings are never influenced by any of these sponsors.

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