

SUPPLY CHAIN TRENDS AND ISSUES

A few weeks ago, SCDigest once again published its annual review of the supply chain predictions from a number of leading supply chain pundits, which as usual drew very favorable comments from our readers. (See [Supply Chain Guru Predictions for 2010: Full Comments.](#))

In those articles, we lightly referenced some of the predictions from the supply chain analysts at **IDC's** Manufacturing Insights group, but felt those prognostications were interesting enough to merit their own focused article.

The predictions come from IDC analysts Simon Ellis (formerly of Unilever) and Kimberly Knickle (formerly at AMR Research).

Before the official predictions, IDC makes some more general statements for each of the four supply chain **"meta-types"** it uses to define the dominant drivers of a supply chain:

- Asset-oriented value chains (chemicals, paper, metals, **etc.**) **look to be "lean and sustainable."** Most have smartly rationalized assets to develop more economically sustainable infrastructures.
- Brand-oriented value chains (e.g., consumer goods) will focus on rebalancing supply and demand: These companies must respond to the new dynamics relative to consumer behavior (**read "lower prices are key"**), as retailers put still more responsibility on manufacturers for manag-

A graphic featuring a pair of hands holding a glowing blue globe against a dark, starry background. The text "IDC's Manufacturing Insights Supply Chain Predictions for 2010" is overlaid in a white, sans-serif font.

IDC's Manufacturing Insights Supply Chain Predictions for 2010

SCDigest Editorial Staff

ing replenishment.

- Engineering-oriented value chains e.g., (e.g., aerospace and defense, auto) will focus on lean innovation: IDC believes this group will benefit first from economic recovery, but **"buyers will have new expectations for performance, cost, and environmental impact."**
- Technology-oriented value chains (basically high tech and consumer electronics) will pay most attention to penetrating global markets: Increasingly, **"the growing affluence of a young middle class in emerging markets"** will shape

demand.

With that as an intro, below you **will find a summary of IDC's ten** supply chain predictions for 2010. We should note the IDC practice, as the name suggests, focuses on manufacturing, with not much direct predictions for other sectors.

"Dynamic Optimization," will dominate capability investment to support redefining of the supply chain: **Though it's** been projected before, IDC believes 2010 will really be the year of supply chain optimization technology to further drive out costs and waste. Key to this will also be the ability to respond to market and environmental

changes rapidly and optimally.

S&OP will re-emerge as the synchronizing process for reconciling supply and demand: This one confuses us a little, as we didn't see S&OP disappearing and thus requiring "re-emergence," but IDC says that while always important, effective Sales and Operations Planning is even more so in dynamic times. **"Manufacturing supply chains are not going to suddenly become simpler, as increasingly available data sets make business planning and execution more complex, not less,"** IDC says.

Balancing supply and demand across the value chain will prompt a strategic redesign of supply networks: The need to penetrate emerging markets and increasing analysis of labor versus logistic costs will continue to drive changes to network strategies.

Supply chain and product lifecycle management (PLM) applications will increasingly converge as manufacturing companies focus on delivering innovation: Innovation today is critical to market success, but **"the new product development and introduction process (NPDI) in many companies is poorly executed, with generally low levels of cross-functional involvement,"** IDC says. Better integrating PLM tools into supply chain processes can help.

Intelligent supply chains will put broader supply chain visibility burdens on supply chain organizations, both owned and outsourced: **"2010 will be the year that network visibility comes of age,"** IDC says. Essential for managing increasingly virtual supply chains.

Supply chain organizations will invest in capabilities that facili-

tate global operations: As we've noted before, the growth in globalization has in most cases outpaced corporate investment in global supply chain technology. **"While it remains to be seen how closely integrated global trade management needs to be with more traditional transportation management capabilities, we do think that this will be a hot application for manufacturers in 2010,"** IDC says.

Transportation capacity will tighten, causing supply chain organizations to rethink fulfillment strategies: The current excess capacity in transportation markets, and by extension depressed lane rates, **"are not sustainable and will not last,"** according to IDC. **"Shippers should prepare for higher rates as we move into 2010, and expect capacity shortfalls for next year's holiday season."**

The increasing pace of supply chain outsourcing/offshoring will keep risk management high in the strategic agenda: Investment though will be focused on building risk awareness: Due to the economic crisis of 2009, most companies put supply chain risk management on the back burner, **says IDC. "Leading manufacturers continue to find ways to develop the right combination — risk awareness and early detection, followed by rapid response, but for now, with minimal new IT investment,"** it adds.

Smart services and the need for persistent assets will create the inflection point for RFID, sensors and M2M (machine-to-machine): Ad-

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vances in technologies, experience, and operational need will lead to major advances in companies building "sensory networks."

Armed with metrics, manufacturers will move from sustainability reporting to **"intelligence":** While many companies have started carbon emissions reporting, **"The next step is to create intelligence — to apply the information to make better decisions about their material selection, sourcing, use of limited resources, product life cycle, supply chain, and more. Companies are showing an increasing willingness to make changes to fundamental business processes, design for sustainability and cradle to cradle, or greening the supply chain."**

You can agree or disagree, but we know how hard supply chain prognosticating is, and give IDC kudos for the effort.

What's your reaction to the IDC 2010 supply chain predictions? What would you add? Let us know your thoughts at the Feedback button below.

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