Press contact:
Priyanka Roy
Tel.: +91 9004541119
Email: priyanka.a.roy@capgemini.com

Only one in seven organizations are able to scale digital supply chain initiatives due to a lack of focus, new Capgemini research finds

Large organizations are running an average of 29 different pre-deployment initiatives to digitize the supply chain, but 86% have failed to scale any of them

Paris, December 6, 2018 – A new study from the Capgemini Research Institute "The digital supply chain's missing link: focus", has identified a clear gap between expectations of what supply chain digitization can deliver, and the reality of what companies are currently achieving. While exactly half of the organizations surveyed consider supply chain digitization to be one of their top three corporate priorities, most are still struggling to get projects beyond the testing stage (86%).

Cost savings and new revenue opportunities are the top goals for supply chain digitization
Over three quarters (77%) of companies said their supply chain investments were driven by the desire for cost savings, with increasing revenues (56%) and supporting new business models (53%) also frequently cited. Organizations, especially in the UK (58%), Italy (56%), The Netherlands (54%) and Germany (53%) have supply chain digitization as one of their top priorities.

The broad enthusiasm for focusing on digital supply chain initiatives may be explained by the prospect of the return on investment (ROI) that they offer. The research finds that ROI on automation in supply chain and procurement averaged 18%[1], compared to 15% for initiatives in Human Resources, 14% in Information Technology, 13% in Customer Service and 12% in Finance and Accounting, and also R&D. According to the report, the average pay back period for supply chain automation is just twelve months.

Most organizations have spread their investments too thinly and are struggling to scale pilot initiatives
The organizations surveyed have an average of 29 digital supply chain projects at the ideation, proof-of-concept or pilot stage. Just 14% have succeeded in scaling even one of their initiatives to multi-site or full-scale deployment. However, for those that have achieved scale, 94% report that these efforts have led directly to an uplift in revenue.

The evidence from those who have moved to implementation suggests that companies are taking on too much, and not focusing enough on strategic priorities. The organizations who successfully scaled initiatives had an average of 6 projects at proof-of-concept stage while those who failed to scale averaged 11 projects.

There was also a clear gap in procedure and methodology between organizations that had and had not implemented digital supply chain initiatives at scale. The vast majority of companies to have successfully scaled said they had a clear procedure in place to evaluate the success of pilot projects (87% vs. 24%) and had clear guidelines for prioritizing those projects that needed investment (75% vs. 36%).

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[1] Capgemini Research Institute, "Reshaping the Future: Unlocking Automation's Untapped Value," October 2018

Dharmendra Patwardhan, Head of the Digital Supply Chain Practice for Business Services at Capgemini, added: *"While most large organizations clearly grasp the importance of supply chain digitization, few appear to have implemented the necessary mechanisms and procedures to turn it into a reality. Companies are typically running too many projects, without enough infrastructure in place, and lack the kind of focused, long-term approach that has delivered success for market leaders in this area. Digitization of the supply chain will only be achieved by rationalizing current investments, progressing on those that can be shown to drive returns, and involving suppliers and distributors in the process of change."*

Steps to unlock the value in supply chain transformation
As well as learning from organizations that have successfully scaled supply chain initiatives, the report recommends that companies looking to make progress should focus on three key areas:

- **Advocate and Align:** Ensure transformation efforts are driven by C-suite leadership and senior management. Supply chain digitization is a complex process that spans planning, procurement, IT and HR and as such it cannot be led by any one business unit and must be driven from the top to succeed. Leadership needs to advocate for this transformation, and to provide strategic focus on objectives and what to prioritize. Supply chain digitization is integral to achieving business objectives and must also be aligned with wider efforts – for example to increase transparency and improve customer satisfaction – so it is not considered solely as a cost-cutting exercise.
- **Build:** For supply chain digitization to be successful, both upstream and downstream partners (suppliers and distributors/logistics providers) need to be onboarded and made part of the digitization efforts. Breaking the silos among the various supply chain functions as well as the technology teams is also critical to the success of supply chain initiatives.
- **Enable:** While the above help in starting the digitization, in order to sustain it, organizations also need to invest in key areas of building a customer-centric mindset and developing a talent base. They need to devise approaches to attract, retain and upskill their employees.

Commenting on this approach, Rob Burnett, CIO of Global Supply Chain & Engineering at GE Transportation said: *"Management buy-in is a huge part of identifying and investing in the digital supply chain projects that can really drive improvement. Rather than a cost center, the supply chain can be a source of innovation and efficiency for the whole organization, but it's important to maintain a sharp focus on priority projects to get the ball rolling. There should be a wider appreciation that less is more."*

Robotic Process Automation (RPA) and Internet of Things (IOT) represent several viable use cases
In terms of specific use cases, Capgemini's report reviews the 25 most popular use cases for supply chain digitization today, analyzing each in terms of how easy it is to implement, and benefits realized, to produce the top recommended use cases that can become strategic wins. Of these, RPA and IOT feature more often, in use cases like order processing, smart sensors to monitor product conditions, and to update and maintain connected products. Based on working examples from across today's supply chain, these use cases have been shown to save time and money on supply chain processes.

A copy of the report can be downloaded [here](#).

Research Methodology
The Capgemini Research Institute surveyed supply chain executives from 1001 organizations across Consumer Products, Retail and Manufacturing industries, about their existing digital supply chain initiatives. Eighty percent of these organizations reported revenue of more than US$1 billion in FY 2017. This survey was conducted from April to May 2018. The team also conducted interviews with senior supply-chain executives.

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