2019 SUPPLY CHAIN DIGITAL AND ANALYTICS SURVEY

How are digital and analytics being deployed across the supply chain marketplace? Our survey findings break down investment and adoption trends across four key areas: governance, talent, current adoption, and future outlook.

GOVERNANCE

Companies acknowledge the importance of developing digital and analytics capabilities, but could ownership issues derail progress?

76% of respondents said developing digital and analytics capabilities was most important/very important to delivering the overall supply chain strategy.

However, 56% of respondents indicated they invest $5 million or less in digital and analytics capability development annually.

Bottom line: Businesses identify digital and analytics as a top priority but do not necessarily show ownership of the strategic investment.
There’s a disconnect in the funding of the digital and analytics agenda as well:

25% of respondents—the highest single response—said supply chain is driving the digital and analytics agenda.

But 62% said the IT organization or individual business units are funding a large portion of the initiatives.

**Bottom line:** This disconnect causes challenges in aligning on strategic initiatives to pursue, securing funding and, executing effectively.

While 24% of respondents said the chief supply chain officer is the most common single owner of the digital and analytics agenda, 45%—nearly twice that number—indicated that multiple people/business units own digital and analytics capability development.

This “decentralized” ownership of the digital and analytics agenda is driven primarily by respondents’ concern for the ability to deliver effectively:

- 73% made ownership/governance decisions based on ability to deliver
- 64% made decisions based on functional understanding
- 53% made decisions based on technical understanding

**Bottom line:** Companies should centralize ownership and governance of the digital and analytics agenda and leave execution of initiatives to the people who are closest to the issues.

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TALENT

How can companies bridge the digital and analytics talent gap?

21% of respondents—the highest of eight answer options—said their companies rely most heavily on existing supply chain resources to execute digital and analytics initiatives.

However, 82% identified internal expertise as the No. 1 talent challenge, indicating that these existing supply chain resources are not equipped with the required technical and analytical skillsets to successfully deliver digital and analytics initiatives.

To bridge this talent gap in the short term, many companies are seeking support from third-party consultants and technology vendors:

- 61% have made investments in technology to make digital and analytics more accessible.
- 21% indicated they rely most heavily on third-party solution providers or consultants to deliver digital initiatives.
Long term, however, many companies plan to build a more technically and analytically savvy workforce:

- 61% plan to increase hiring of personnel with deep experience in functional and/or technical topics
- 43% plan to retrain existing supply chain personnel to develop digital and analytics skillsets
- 26% plan to increase new hires with technical backgrounds

While these plans sound promising, 61% of respondents identified cost as a significant talent challenge, which calls into question their ability to commit to the required investments.

**Bottom line:** The competition for technically and analytically savvy talent is high and will only increase in the future as companies in more traditional industries look to diversify their workforces. Companies should strike a balance between new and experienced hiring and less costly internal training programs that build requisite skillsets.
CURRENT ADOPTION

Why adopt and will it pay off? We asked more than 150 supply chain and technology leaders about their experiences with 25 digital and analytics capabilities spanning the entire value chain.

While cost reduction remains the primary driver for investing in digital and analytics capabilities, improving the customer experience is becoming increasingly important:

- 81% of respondents named cost reduction a primary driver of digital and analytics investment.
- 60% of respondents are turning to digital and analytics to improve the customer experience.

While companies recognize that digital and analytics can create value across the supply chain, a handful of specific use cases have emerged as the most promising:

- **Real-time product intelligence**
  - 22% have made significant investment
  - 12% have seen very positive ROI

- **Control tower-enabled visibility**
  - 27% have made significant investment
  - 18% have seen very positive ROI

- **Strategic sourcing and optimization**
  - 26% have made significant investment
  - 16% have seen very positive ROI
On the other hand, a smaller percentage of respondents experienced lower-than-expected returns on advanced capability investments:

**Additive manufacturing**
- 18% of respondents

**Aftermarket management**
- 18% of respondents

**Cognitive spend analytics**
- 16% of respondents

**Predictive replenishment**
- 16% of respondents

**Digital design and simulations**
- 15% of respondents

**Cognitive-enabled decision making and automation**
- 14% of respondents

**Bottom line:** Companies are doing well in areas that are lower on the complexity curve, but struggling with the high-tech/advanced capabilities. They should start small in the relatively mature areas, bring those areas to scale, and then advance to more cutting-edge initiatives.
How will companies continue to invest in digital and analytics capabilities?

FUTURE OUTLOOK

To enable a competitive advantage in digital and analytics over the next three years, respondents believe they need to:

- 55% define a digital and analytics strategy
- 53% align ongoing/planned initiatives
- 49% integrate existing data, technologies, and processes

47% of respondents expect an 11-20% ROI for digital and analytics investments
While companies plan to continue to invest in the capabilities that have achieved positive ROI to date, many respondents have plans to expand into new areas as well, including:

- 16% Differentiated customer experience
- 15% Real-time supplier collaboration
- 14% Manufacturing equipment optimization
- 13% Customer connectivity and engagement

When evaluating potential digital and analytics investments, business fit and cost are the two most important factors, followed closely by suppliers’ experience because they can then bring lessons learned and best practices from implementations at other companies:

- 81% Business fit
- 57% Cost
- 44% Supplier experience

Bottom line: Companies should balance their investments in areas of proven ROI with those in higher-risk, but potentially higher-value areas. Working with experienced third-party technology and service providers can help companies explore these new investment areas with greater confidence and cultivate stronger ROI from these initiatives.
DEMOGRAPHICS OF SURVEY RESPONSES

Total number of respondents: 156

Sector/industry breakdown:
- Industrial products and construction: 17.9%
- Healthcare: 16%
- Consumer products and retail: 14.7%
- Technology: 14.1%
- Auto, transportation, hospitality and services: 12.8%
- Oil and gas/chemicals: 12.2%
- Telecom, media, and entertainment: 3.2%
- Banking and capital markets: 1.9%
- Government and public sector: 1.9%
- Insurance: 1.9%
- Life sciences: 1.9%
- Power and utilities: 1.3%

Global revenue:
- $1B–$5B: 25%
- > $25B: 22.4%
- $5B–$15B: 21.2%
- $25M–$500M: 14.1%
- $500M–$1B: 9%
- $15B–$25B: 8.3%

Respondent role:
- Decision maker: 58.3%
- Influencer: 41.7%

Respondent functional breakdown:
- Sourcing and procurement: 23.7%
- Supply chain strategy: 17.9%
- Manufacturing: 16.7%
- Logistics and distribution: 13.5%
- Product development: 10.3%
- Supply chain planning: 7.1%
- Designated digital/innovation function: 5.1%
- IT: 4.5%
- Business strategy: 0.6%
- Finance/executive: 0.6%
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