SUPPLYCHAINBRAIN
ONE FORUM • ONE FOCUS • MANY MINDS

2024 Predictions: A New Era of Strategic Supply Chain Design

supplychainbrain.com/blogs/1-think-tank/post/38783-2024-predictions-a-new-era-of-strategic-supply-chain-design

Image: iStock.com/Chonlatee Sangsawang

From 2020-2022, companies weren't thinking about supply chain strategy or design at all. Everyone had shifted to short-term thinking. In 2023, companies began cautiously raising their heads to assess the situation and look ahead.

The time for pandemic-era thinking is over. This will be the year of strategic supply chain design — but companies must be shrewd in their technology and vendor selection.

Following are six predictions for the new era of strategic supply chain design in 2024.

A shift from short-term to strategic thinking. In 2023, businesses got their heads above water, logistically speaking, and cautiously began to look ahead. Now, they're ready to delve into strategic assessments, to focus on long-term supply chain resilience and efficiency.

According to a Gartner 2023 survey, 41% of supply chain organizations are currently deploying advanced analytics in the form of end-to-end network modeling, with an additional 48% planning to deploy in the next two years.

An end of the age of unlimited cheap suppliers. Companies are recognizing the need to diversify and reevaluate their sourcing strategies.

Deteriorating U.S.-China relations, in combination with an underperforming Chinese economy, are driving supply chain managers to reconsider their reliance on China as the primary manufacturing link in their supply networks. In fact, a Gartner study reported that “52% of industrials with operations in China are moving some sourcing or production away from the country to other cost-competitive locations in the attempt to de-risk their supply chains.”

These shifts are prompting companies to trade off the cost, service and risk of doing business in China and rethinking their near-shoring strategies. Sophisticated risk assessment algorithms help them to understand potential vulnerabilities before selecting suppliers to safeguard against disruptions and bolster stability and resilience.

Demand for vendor transparency. Customers are becoming more discerning, seeking transparency beyond product functionalities. They’re increasingly interested in the teams behind the technologies, and making more decisions based on the company’s mission and culture, and the expertise of the individuals involved.
Selecting a good partner requires due diligence. If a vendor is unwilling to discuss things like its investors, its partners and how and where its solutions are made, you can’t trust it. Prospective partners should engage with you and make you part of their journey.

Artificial intelligence exhaustion, and a return to old-school evaluation. Rather than relying on the mere claim of being AI-enabled, companies should be expected to showcase their capabilities, substantiate their claims with proof, and provide clear reasons for belief, signaling the return to a more traditional approach to purchasing decisions.

When engaging with vendors, beware of terms you don’t understand, and of vague and ambiguous language and unqualified assertions.

In 2024, the most prominent use cases for AI will be short-term planning decisions, and predictions like monitoring and adjusting inventory reorder points and replenishment quantity. This is because an AI-enabled “autopilot” approach is most useful when conditions aren’t changing rapidly.

Digital twin skepticism. Every supply chain technology vendor is clamoring to tell you about their digital twin capability, but the term “digital twin” is a marketing creation that can’t live up to its ambitious name.Companies don’t always have all the data (or quality data) relating to supplier orders and timelines, inventory levels and factory production in separate operational systems, much less a single location.

More discerning companies understand that a digital twin is a picture of some portion of your supply chain in a database you can query. Supply chain digital twins are not an exact match! In the design world, companies are creating different supply chains for the future. To do this, they create “digital twins” for each of these future-state supply chain alternatives, and analyze them to select the best one to implement.

Market turmoil and the rise of new leaders. The industry experienced a peak in 2021, with high venture capital investments in tracking, visibility and execution technologies. However, the wave of financial engineering approaches has now hit rough waters. This year is projected to witness down-rounds, market turmoil and a reassessment of strategies. Many technology suppliers will not survive, and new leaders will emerge.

As the new normal for businesses threatens to be a constant state of supply chain disruption, companies need to strategize ways to navigate these uncertain times and ongoing challenges. By building supply chains that are agile and resistant, leaders can gain more visibility into the entire supply chain, proactively mitigate potential threats, and detect — and correct — any potential deviations in real time.

Donald Hicks is chief executive officer founder of Optilogic.

Data Management (Big Data/IoT/Blockchain)Sourcing/Procurement/SRMSupply Chain Planning & OptimizationArtificial Intelligence