



# IN SIGHTS

**March 2020:  
Supply chain digitization cannot be  
evaluated only by cost**

In recent years, the importance and opportunities of digitization for procurement and supply chain management have been repeated almost like a prayer wheel. Procurement is no longer seen exclusively as a cost-cutting or even ordering office, but rather as a strategic unit with its own value contribution to the corporate result.

In our view, however, traditional reflexes still stand in the way of fully exploiting the effects of digitization. Too often, new solution concepts and technologies are judged primarily by their short-term cost-cutting potential - and not by the long-term efficiency effects of a systematically digitized supply chain.

## Assessing digitization based on the costs incurred falls short

Unfortunately, our everyday consulting work shows us repeatedly that customers avoid the introduction of digital solutions for reasons of cost and/or effort. Whether it is the introduction of comprehensive collaboration platforms, digital storage concepts or even simple tools of Robotic Process Automation (RPA).

It is true that the cost-effectiveness of the individual solution can usually be proven, at least in the long term, even by calculation. However, the isolated cases can never encompass the long-term and complementary efficiency effects of a digitalized supply chain.

Effects that, incidentally, not only pay into the efficiency account, but also into the accounts of speed, validity and growth.

These target fields must also be considered in order to understand the full potential of digitization. We need to understand how to use the appropriate tools in order to benefit not only

on the cost side but also on the revenue side. The digital supply chain as a selling point.

## Permanently faster, better decisions and higher growth potential

The goal of the digital supply chain is the systematic, efficient and transparent generation and processing of procurement, production and sales data.

Which company does not want to be able to offer shorter delivery times at an extra charge?

Which company does not want to be able to trace and prove the origin, production method, eco-balance and sustainability of its products throughout the entire supply chain?

It is obvious that such capabilities offer direct customer benefits and increase sales.

To achieve such capabilities, a company must invest in numerous fields. Not every investment will be profitable separately, but they will be able to take the business to another level.

## Information in the digital supply chain: Create/Verify - Trace - Share - Process

Basically, every investment or digitization opportunity is about collecting (Create/Verify), tracking (Trace), sharing (Share) and analytically processing (Process) information in an automated and verified way. And that at every point of the digital supply chain.

For example, starting with the production of a foodstuff, time, place, temperature etc. could



be collected as information by appropriate sensor technology, which could be permanently monitored throughout the further logistics chain and further processing and updated in the cloud in a tamper-proof manner. This information can then be shared between business partners in real time and evaluated in a targeted manner. For example, for decision-making in inventory planning or quality assessment.

we at ADCONIA are happy to provide you with our expertise in the field of digitization and process automation. Please do not hesitate to contact us.

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## **Necessary investments not only isolated in the area of procurement**

However, it is obvious that corresponding structures and investments are necessary for this not only in the own company and there not only in procurement.

This is about a new way of doing business. Common paradigms have to be re-evaluated; skills have to be learned anew. Therefore, the relevant investment areas are widely spread. Beginning with data acquisition (sensor technology), via technologies (transmission paths, cloud computing), personnel (working environment, corporate culture, qualifications), production (autonomous production units, Internet of Things, smart products) and extending beyond company boundaries (collaboration platforms, blockchain), different skills, technologies, cultures and not least interests must be brought together.

These challenges must be assessed in terms of the long-term opportunities that arise - not in terms of purchasing costs.

## **Are you on the way to a digital supply chain?**

Whether synchronization of system solutions or selection and implementation of new solutions,

