



# 11 Supply Chain Trends changing your Business in 2019.

“Great things are not accomplished by those who yield to trends and fads and popular opinion.” – Jack Kerouac

While we agree with the nucleus of Kerouac’s quote that following the pack will never lead to great innovation, and that trends are deeply rooted in popular opinion, there remains a need to acknowledge the existence of current trends.

Refusing to educate ourselves of trends is just as dangerous as the groupthink and buzzword epidemics that they can create.

Kodiak Rating is here to lay it all out on the line and prepare you for the road ahead in year 2019. But, before we advance to the trends that we can expect to impact our businesses and supply chains in 2019, it’s important to reflect on the trends Kodiak Rating identified in 2018!

Some of these trends will stick around on the list for 2019, whilst others have already begun to impact supply chains at scale:

- Blockchain, Blockchain, Blockchain
- AI and Machine Learning bringing about more intelligent analytics
- A new kind of SCM professional and Younger Talent
- Spend Analysis Software
- Data Driven Logistics
- Drone Technology
- Perfect Order Deliveries
- Elastic Logistics

Do these trends look familiar to you?

Let’s figure out what 2019 has in store for us and decide how to leverage it to our advantage!

# 1. Platformification of Procurement Systems

Look at the functionalities of CRM and Marketing Automation platforms such as HubSpot, Salesforce or Marketo. These are robust platforms that allow a user to customize their experience, centralize data and harmonize processes between various teams and data sets.



Platformification is going to be a big focus for technology vendors and supply chain management teams alike in 2019.

Procurement, when practiced most impactfully, requires the alignment of various stakeholders in order to create value. Platforms are the launching pad for a team's procurement rocket ship so to speak.

Collection of data is done at various touch points within a procurement organization in motion. Organizations have begun to apply innovative technology in the last few years to enhance capabilities of existing strategic and operational processes: RFI, RFP, Tendering, RFQ, Contract Management, Risk Assessment, Supplier Self-Assessment, Auditing, SPM, Spend Analysis, and so on.

In 2019, it's time for these solutions and processes to align.

This will be made possible by technology vendors beginning to work within a framework of API-driven architecture. One-size-fits all solutions will be obsolete in the near future. Smaller, more agile, solution providers are entering the market on a daily basis to support the journey from Source to Pay.

API's, while not the sexiest of technological topics, will be a big proponent of platformification. API (Application Programming Interface): "is a software intermediary that allows two applications to talk to each other" (MuleSoft). The 'conversations', APIs have together, impact the solutions you use in your private life on a daily basis. When you download a game, or post a picture to Instagram from your phone, APIs

are working in harmony to allow those actions; seamlessly communicating the threshold between the software's processing systems.

Software solutions in 2019, and the future, will require technology vendors to work in tandem to other solution providers to build value. This gives procurement teams the opportunity to work with niched vendors that are specialists, work in more agile frameworks, and align those solutions with other work tools or existing systems (ex. ERP Systems).

Value in procurement encompasses far more dimensions in today's world than it did once before, and our technology needs to reflect that.

## 2. Autonomous Trucking

This seems like a trend that has been around for years.

But, could 2019 be the year that where the rubber meets the road, without a driver behind the wheel?

Probably not at large-scale, but beta testing/small batch delivery of already existing autonomous trucks, ramped up production and new actors on the market will be the trend to look out for in 2019.

There are multiple benefits associated with the widespread impact of autonomous trucking:

- Lower Logistics Emissions
- Lower Fuel Consumption
- Reduced Travel Time
- More Perfect-Time Deliveries
- Reduced Traffic Accidents

Some organizations are proving that this is possible, in small-scale testing of their autonomous trucks.

Kodiak Rating had the pleasure of meeting Einride, another Swedish growth venture, at an event for the 'Nordics 50 most innovative companies' hosted by Serendipity. They're killing two birds with one stone, with their electric autonomous truck, and have brought in massive investments to support their growth and production.

According to an article from Supply Chain Dive, Einride believe there "is a \$1 trillion market for autonomous logistics aimed precisely at this market. [Einride's] electric truck has begun running pallets on a 10 km stretch between warehouses owned by German logistics company, Schenker, in the Swedish city of Jönköping" ([Ramsey 2018](#)).

This kind of small-scale beta testing shows that AVs (Autonomous Vehicles) can add value in an overall supply chain. But, when will it reach full scale operations, and what will it mean for traditional logistics providers?

McKinsey and Company believes Autonomous Trucking will begin to create medium level impact between 2025-40 (McKinsey). So why is it important now? 2019 and many years following will see a lot of investments in organizations trying to realize autonomous trucking technology, considering it's market value of "\$1,004 million in 2020, and is projected to reach at \$1,669 million by 2025, growing at a CAGR of 10.4% from 2020 to 2025" ([Poddar & Baul 2018](#)).

But, until then, the future of Autonomous Trucking is a very speculative.

One thing that is for sure... should it roll out at scale, it could have a serious impact on many organization's bottom-line, and this would mean jobs lost. "Where drivers are restricted by law from driving more than 11 hours per day without taking an 8-hour break, a driverless truck can drive nearly 24 hours per day. That means the technology would effectively double the output of the U.S. transportation network at 25 percent of the cost" ([techcrunch.com 2016](#)).

### 3. RFS Replacing RFP

Have you sent out an RFI, RFP or RFQ lately?

Of course you have because it's an integral element when selecting and sourcing from suppliers.

But, have you sent out an RFS yet?

Request for Solution (RFS) is a new outlook on the traditional process of Request for a Proposal. RFS differs from an RFP mainly in the engagement on the part of the supplier or 'prescriber' of the proposal.

An RFS is a far more collaborative process than that of an RFP. An RFP is typically sent with clearly set terms and conditions and is rather detailed within questions and requirements. An RFS, on the other hand, is a looser proposition sent to a potential/existing supplier.

Why would one want to request a proposal from a supplier with looser guidelines or requirements?

RFSs are best utilized when you're looking for the supplier to reply with an innovative proposal, or solution. It's sometimes better to let the supplier, or marketplace, offer a solution rather than narrowing down the proposal to a list of desired specifications for a procurement. Your supplier-base contains an incredible potential for innovation, but sometimes engagement and openness to change is needed on the part of

the buyer to support a vision for supplier-driven innovation. Stop trying to run over your suppliers in negotiations, but rather begin to listen and leverage their expertise.

## 4. Customer-Driven Supply Chain

Seen in the infographic below, 66% of global consumers are willing to pay more for sustainable goods. Supply chain operations and production lifecycles need to mirror these growing consumer concerns about sustainable industry.



Supply chain professionals are combatting and meeting these consumer demands on two main fronts:

1. Enhancing Technology for better supply chain transparency and visibility
2. Rollout of Corporate Sustainability Initiatives

It will be increasingly important in 2019 that sourcing, procurement, purchasing and logistics professionals align their activities and strategies with marketing and sales in order to not only implement processes for sustainable development, but to market these initiatives their end customers. Consumers are a driving force, and largely determine the global supply chain landscape.

Demands on transparency and visibility are being solidified by information hungry consumer bases. The ability to gain instantaneous access to information in our private lives has permeated into our expectations upon consumer brands. Companies (especially food, beverage, textile and e-commerce retailers) are changing the way they work to meet customer needs, and this can be seen in order tracking, supply

chain mapping, supplier certification within quality and sustainability, sustainable farming, shipping bonuses and advantages, or proof of non-corruption.

"Unless businesses can respond to consumer demand for supply chain visibility, they can resign themselves to a future of firefighting press disasters sourced from their own supply chain" (Webb 2015).

But, as consumers become accustomed to the luxuries of the customer-driven supply chain, there's no guarantee that a new set of demands won't be waiting right around the corner.

## 5. Sustainable and Responsible Sourcing

As stated, customer demands have put a new pressure on companies to provide proof of sustainable production practices, and this means that procurement and sourcing teams will have new demands for implementing responsible sourcing strategies and initiatives in 2019.

The growing complexity of supply chain networks have made sustainable and responsible sourcing very difficult to complete from the level of the head buyer-organization. Procurement teams will have to be prepared to engage their supplier stakeholders as a means of ensuring sustainable business practices beyond tier-1. Supply chain activities at an agent/trader, producer and/or farmer level are equally as important in the overall sustainable development of a company's sourcing efforts as the activities at their direct suppliers.

Practices surrounding sourcing have moved from traditional sourcing values (selecting suppliers based upon cost) and have begun to take into account a larger scope of value (sustainability, environmental friendliness, quality and ability to innovate). The price point of a product is becoming less important to the end consumer, as there are new demands on the sustainability of a product, and procurement teams are beginning to mirror/answer the market's demands with responsible sourcing practices, even if that means higher prices for them, and their end customer. Responsible sourcing is a methodology rooted in choosing the right supplier from the start, based upon various parameters of ethicality and sustainability at a supplier and their sub-suppliers.

A report in 2016 by GT Nexus, "showed there is a demand for ethically and sustainably sourced products. The survey of more than 1,100 U.S. consumers found 52% said they would pay more for food and beverage products that were sourced under ethical and sustainable means. When it came to clothing and footwear, 45% of consumers would pay more for such products and 44% of consumers would pay more for ethically sourced over-the-counter pharmaceuticals" (McAvoy 2016).

Consumers are clearly willing to pay more for responsibly sourced products, so procurement teams have seen the need to change their practices to create product-market fits.



The responsibility of sourcing responsibly is shared between stakeholder, supplier, buyer and society at large. Will you be taking responsibility in 2019?

## 6. Change Management driving Digitalization

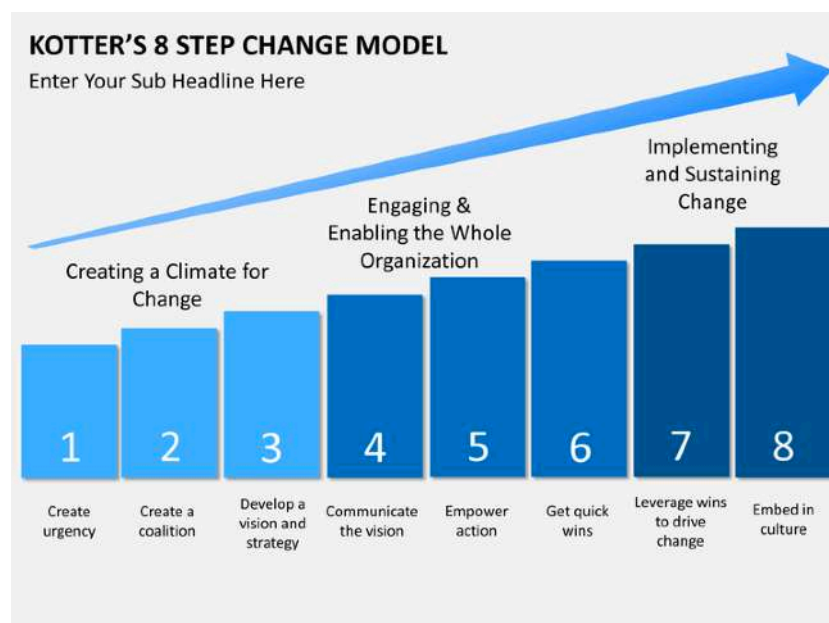
Change is never easy to deal with.

Put it in the context of applying change to existing business practices... 'Forget about't!'

The digitalization of supply chain management has been an uphill battle in certain organizations, filled with reluctance and concerns. Senior stakeholders doubt the impact of digitalization, traditionalists scream 'but, we've always done it this way and it works', organizations lack quality supply chain data sets, and all the while the gap grows bigger between those who dare to change and those who dare to sit idly.

Change doesn't need to be disruptive, or revolutionary to an organizations' processes. But, it does need to be managed properly, and for that reason will be a trending strategy to put digitalization projects into motion in 2019.

Magnus Carlsson, author of *Strategic Sourcing and Category Management: Lessons learned at IKEA* suggests that change occurs in a supply chain management team (more specifically a procurement or sourcing team) with a clear process in place. Having a process, or infrastructure, for change in place is instrumental for reaching goals and developing organizational processes.



Carlsson utilizes John Kotter's 8-step change model as an example for building an infrastructure for change. Utilizing this concrete, yet flexible, model for implementing

a change process allows the ability to plug-and-play, making it customizable to the specifics of an organization's desired change project.

#### *Breaking Down Kotter's 8-Step Change Model:*

1. **Establishing a Sense of Urgency:** 75% of your team needs to be on-board with the proposed change.
2. **Creating the Guiding Coalition:** Finding the 'go-to' advocates to lead the change project.
3. **Develop a Vision and Strategy:** Unify your team behind a vision, and reiterate the vision by leveraging your coalition's influence.
4. **Communicate Vision:** A lot of the unification and communication of a vision will go into a focus on messaging. Condensing and simplifying a message will need to be a key focus from your change advocates.
5. **Empowering Employee's for Broad-based Action:** It's necessary because if your organization is able to reach steps 3&4, you will soon experience doubt, identification of lacked competency, managers who serve as obstructions and conflict. Treat naysayers with respect and listen to their concerns. There may be value in their concerns.
6. **Generating Short-Term Wins:** "Kotter states that quick wins must be directly related to the change and that they are essential both to motivate the efforts and to keep the opposition at bay" (Carlsson 2015 p. 168).
7. **Consolidating Gains and Producing More Change:** Winning in the short-term is crucial, but the allocation/reallocation of resources needs to be defined/redefined after wins, and the urgency for change will need a revamping as well.
8. **Anchoring New Approaches in the Culture:** You will see consequential culture shifts in your organization after properly managing a change process. This could be something that has shifted within a single team, an entire business unit, an entire company, or an entire group. One way or the other, change will be apparent if you've managed the process correctly.

## 7. Millennials impact on Traditional Procurement

In the 2018 CPO Survey by Deloitte, 87% of participants agreed that talent should be held as one of the key indicators of driving procurement performance.

Digital transformation, data-driven procurement, implementation of cloud-based technology and shifting ideologies of value are forcing procurement organizations to look towards younger generations to shake up their teams, and this coming year you can expect to see a lot more millennials filling entry-level positions in your procurement team.

Procurement organizations have historically had trouble recruiting new talent, and the millennial generation is no different. Laura Formigo, a procurement transformation analyst at UCB sees the marketing towards young talent as a major issue for enticing young procurement professionals.



“Procurement isn’t promoted well enough. From my experience, there wasn’t an option to study the function itself. In some universities, you could get some insight, but there isn’t enough focus on procurement. For this reason alone, young people don’t know about it. If it was better promoted and more visible, the function would be really appealing. Especially nowadays, where everything is evolving so fast and we need everyone to be connected to the market constantly, I think procurement will be really attractive to Generation Y,” Formigo remarked.

Existing management teams are beginning to understand the necessity of recruitment, and this new wave of talent might be the perfect fit for procurement, especially millennials.

Millennials come from a fast food world rooted within quick decision-making, instant gratification and a restless attitude. While this can cause issues within a function where experience and risk assessment is valued, it can also create circumstances for a complimentary fit.

Procurement, as a business function, is in the midst of a digital transformation. Hungry millennials are looking to make their mark professionally, and what a better way to leverage their technological competencies—and interests in social and environmental impact—than to let them run with transformation projects. “The best procurement professionals and organizations are always looking forward to diverse cutting edge solutions. Directing millennials’ impatient tendencies towards finding these solutions will keep them focused on growing within their companies rather than looking for opportunities elsewhere” (Jagger 2017).

Below, listed an infographic by McKinsey & Company, are some of the traits that they have been identified in the new wave of millennial talent.



Things will begin to look a bit younger in 2019.

## 8. Supplier Performance Management (SPM)

A need for SPM in 2019 is a culmination of the accessibility of supply chain data, the requirements of creating a consumer-driven supply chain, globalization, and the platformification of procurement solutions.

Procurement and Sourcing teams have begun to adopt solutions for creating quality supplier master data. Now, it's time to put that master data to work, and drive collaboration and performance!

Supplier Performance Management is a process that requires an alignment of your goals with your suppliers', locating and setting expectations together, an implementation of supplier development programs and a basis for collaborating in order to enhance top-line and stakeholder value.

SPM can only be successful when built on a strong foundation of buyer-supplier trust, transparency and governance. It is best practiced with strategic or core value supplier partners, rather than suppliers from reactive procurements or project procurements.

Technology will aid SPM to materialize as a trend in supply chain management during 2019. But, it all starts with the manual work of identifying the scope for supplier performance, defining clear KPIs for performance, and locating internal stakeholders (ex. category managers, SQM) that can gauge supplier performance.

Where technology comes in is aiding, and streamlining, the compilation of data from various supplier touch points. Platformification, or API-driven software, will be a cornerstone of this kind of data compilation. SPM could require data from multiple sources in order to create holistic and comprehensive analytics about a supplier's performance, quicker (*Example of Data Sets needed:* ERP data, Product Quality Data, Spend Data, Governance Data, Qualitative Stakeholder Observations, Auditing Data, etc.).

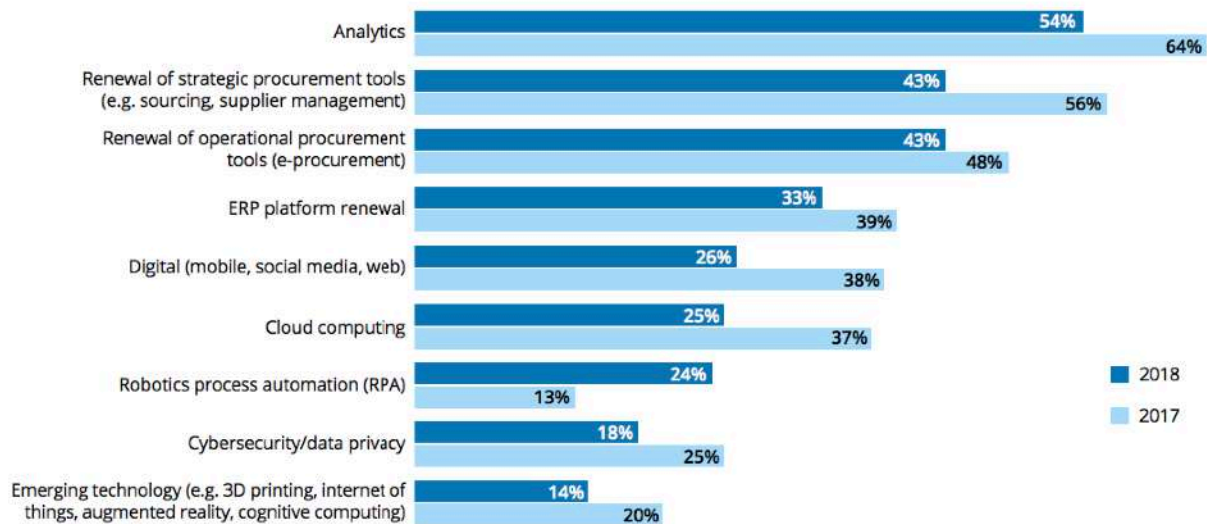
Not working actively with Supplier Performance Management? You will be soon.

## 9. Robotic Process Automation (RPA)

AI. Blockchain. Machine Learning.

These 'disruptive' buzzword technologies have taken a firm position in media, and the minds of supply chain management teams, during 2018. But, there has been a shift in the thinking of Supply Chain Professionals (see image below).

## Technology areas with most impact on business in the next two years



Source: Deloitte CPO Survey 2018

Contrary to popular belief – perpetuated by overbearing media coverage – the numbers show us that Blockchain and AI will have little impact in the next few years, whereas RPA implementation is expected to be realized much sooner.

Though the survey above has a narrowed scope of procurement, the technology trend of RPA can be expected to ripple into various functions of supply chain management. “RPA is an application of technology aimed at automating business processes. Using RPA tools, a company can configure software, or a “robot,” to capture and interpret applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems, according to the [Institute for Robotic Process Automation and Artificial Intelligence](#)” (Boulton 2017).

It differs from ML and/or AI in the sense that “RPA can include ML or AI, but it is governed by set business logic and structured inputs, and its rules don’t deviate, whereas [ML and AI technologies can be trained to make judgments about unstructured inputs](#)” (Boulton 2017).

The ‘R’ or Robotic in RPA can create confusion, and worry, about its complexity. Really, it’s process automation; whatever the process may be. What’s required from a supply chain management team to implement RPA is a clear definition of a process, and all possible input and outcomes of that process.

Some potential application areas that experts have begun to locate in SCM are:

- Vendor Selection, Sourcing and Procurement (credit checks, quality checks, analysis of certifications and required documents)
- Shipment status communications (automating communication to the end customer or recipient of goods, upon arrival, archiving, logging pick-up and sending confirmation of pick-up)
- Supply & Demand Planning (gathering and merging the necessary information from various sources, running data cleansing tools, as well as transforming the final data)

into a plan and providing the necessary communication to partners, customers, transporters, and logistics teams.)

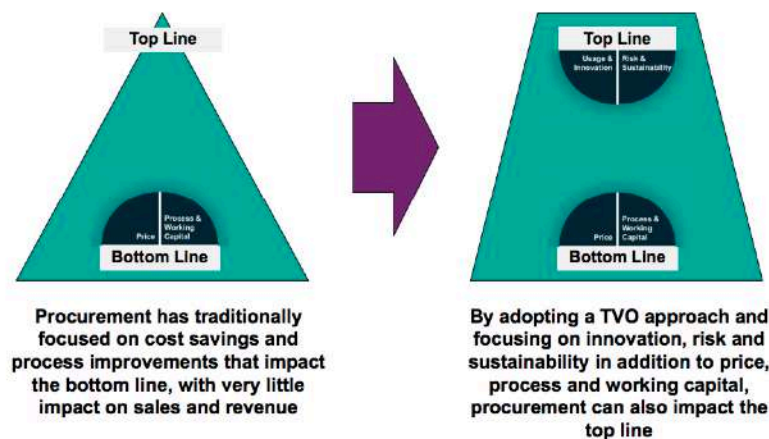
A study by Information Services Group, published by Chartered Institute of Procurement and Supply, shows that automation technology is allowing for a 43% reduction in resources needed for order-to-cash processes, 34% for invoicing, and 32% for vendor and talent management ([UiPath 2018](#)).

RPA has been estimated to reach a \$1B market value by 2020 (Gartner).

## 10. TVO, Not TCO

Total Cost of Ownership (TCO) is traditionally defined as “an estimate of all direct costs and indirect costs associated with acquiring and operating an instrument throughout its lifetime” ([Abbott](#)). TCO is a widely recognized parameter for gauging the value of a supplier.

An emerging ideology that proves complementary to the contemporary views of value in procurement is Total Value Ownership (TVO). TVO differs from TCO because it is not solely focused on cost, but several dimensions of ‘total value’, such as societal, environmental and also financial aspects.



“An exceptional procurement team focuses on driving total value of ownership (TVO) to reduce costs, increase revenue, improve operational efficiency, mitigate risk, enhance sustainability, and foster innovation” ([accentureacademy.com](#)).

The two elements of this new perspective of ‘Value in Procurement’ that are rather revolutionary are to take into account sustainability and innovation. Traditional procurement practices were less interested in the outward impact of their suppliers on their top-line value. TVO takes into account the leveraging of suppliers to drive value by mitigating risk, creating supplier enabled innovation and furthering sustainability



The Total Value of Ownership (TVO) approach fundamentally changes relationships with suppliers from “cost focused” to “driving value”

initiatives. Value that is measured, encompassing sustainability and innovation—in tandem with cost savings and process improvements—creates a more complete understanding of the value that a supplier is providing for an overall value chain.

## 11. Geopolitics and Globalization

Globalization is one of the star supply chain buzzwords of the 2010’s, but with an increasingly tense geopolitical ecosystem, it’s potential for impact on a global supply chain is greater today than ever before.

In the new risk reality of 2019, resilience in the global supply chain will become increasingly difficult to achieve. The mixture of Globalization of Trade and the impact of Geopolitics makes for a cocktail of supply chain barriers, risks and increased tariffs/tax.

Some of the tensions within geopolitics are impact the global supply chain with direct intention, whilst others are a side-effect of the geopolitical landscape.

“While politicians tend to focus on the direct impacts of tariffs, the knock-off effects can be just as significant as business confidence drops and investment commitments are delayed or cancelled. Unintended consequences are already emerging. Of the initial US\$34 billion of U.S. tariffs coming into effect, it is estimated that 60% will fall on foreign companies operating in China, some of which are American” (Brown 2018).

These numbers warrant a question that will be on everyone’s mind in 2019...

How many organizations will be caught in the crossfire of this game of geopolitical chicken?

In parallel to global tariffs, certain countries have implemented Climate legislation, affecting environmental impact of supply chain activities. In 2017, China “announced a national emissions trading market and a new ESG disclosure law for companies, and furthered global collaboration through the Ministerial on Climate Action coalition, consisting of the EU, China and Canada” (CDP 2017). This ESG legislation puts a

new pressure on supplier bases to report back with information regarding environmental and social impact, consequently making it harder to cut corners and easier to eradicate a supply chain of a non-compliant supplier.

If you're not already looking to do so, you should look to add geopolitical risks/country resilience into your overall supply chain risk assessments in 2019.

## Last Word...

Well. That's the trends.

Whether you want to believe them, follow them, or choose to ignore them all together, they're here to stay.

2019 is still a mystery, but luckily, you're one step closer to the future. Take the trends head on, and leverage their existence to your benefit.

Until next year.