The capable supply chain

Linked with strategy for superior performance
<table>
<thead>
<tr>
<th>City</th>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cleveland</td>
<td>Harry Hawkes</td>
<td>Partner</td>
<td>+1-216-696-1574</td>
<td><a href="mailto:harry.hawkes@strategyand.pwc.com">harry.hawkes@strategyand.pwc.com</a></td>
</tr>
<tr>
<td>London</td>
<td>John Potter</td>
<td>Partner</td>
<td>+44-20-7393-3736</td>
<td><a href="mailto:john.potter@strategyand.pwc.com">john.potter@strategyand.pwc.com</a></td>
</tr>
<tr>
<td>New York</td>
<td>Richard Kauffeld</td>
<td>Partner</td>
<td>+1-212-551-6582</td>
<td><a href="mailto:richard.kauffeld@strategyand.pwc.com">richard.kauffeld@strategyand.pwc.com</a></td>
</tr>
<tr>
<td>San Francisco</td>
<td>Doug Hardman</td>
<td>Partner</td>
<td>+1-415-653-3537</td>
<td><a href="mailto:douglas.hardman@strategyand.pwc.com">douglas.hardman@strategyand.pwc.com</a></td>
</tr>
</tbody>
</table>
About the authors

Rich Kauffeld is a partner with Strategy& based in New York. He develops supply chain strategies and supporting capabilities to enable growth and efficiency for consumer products companies and retailers.

Curt Mueller was formerly a partner with Strategy&.

Adam Michaels was formerly a senior associate with Strategy&.

Brian Sullivan also contributed to this report.

This report was originally published by Booz & Company in 2011.
Many of the world’s most successful companies have three things in common: First, they recognize supply chain excellence as a powerful profit driver, one that can help to deliver outsized performance. Second, they are strategically adept. They know well the type of company they are, they focus on their most profitable products and services, and they consistently target the preferences of their prime customers and markets. We call these strategies a company’s “way to play.” And finally, these companies focus on having the necessary capabilities to succeed while they avoid over-investing anywhere else.

When an organization’s supply chain capabilities are directly aligned with its way to play, the company enjoys a coherence premium — that is, superior performance and an extremely strong market position. Unfortunately, this coherence is all too rare. More often, companies’ strategic thrusts are divorced from their operational capabilities; as a result, supply chain organizations (and their executives) must contend with conflicting demands that either can’t be reconciled or substantially drive up costs.

In this report, we examine six company archetypes — Innovator, Premium Player, Customizer, Differentiated Green, Aggregator, and Value Player — and the supply chain capabilities needed to support each way to play. These capabilities span the supply chain life cycle from up-front design to ongoing continuous improvement. For example, critical supply chain levers for Innovators like Apple include product life-cycle management and rigorous make-versus-buy assessments, but not lower costs. Conversely, a Value Player like Ikea must invest in an optimal manufacturing footprint and strategic sourcing, in addition to producing products with features that consumers want most at a price point they would be comfortable with. Strategy& has developed a profiler that lets companies test the coherence of their supply chain capabilities against their defined way to play to ensure sufficient alignment for premium returns. And when alignment is lacking, the profiler provides customized recommendations for improvement.
**Key highlights**

- Supply chain management is a distinct profit engine for companies. When it is coherent with a strategic focus, or way to play, it serves as a differentiator to deliver superior returns.

- We have identified six puretone archetypes that, though not comprehensive, provide a framework for determining an organization’s way to play.

- To support its way to play, a company should focus on no more than three to five supply chain levers to maximize returns.

- The Supply Chain Capabilities Profiler allows organizations to test the coherence of their supply chain against their business model.
Avon Products has to be nimble. The cosmetics and fragrances giant primarily sells its many products through millions of sales representatives who go door-to-door to directly reach consumers around the world. To continually motivate representatives and entice customers, Avon must launch new marketing campaigns with fresh product brochures and promotions every few weeks. To be successful, these efforts must both anticipate and react quickly to market trends and customer preferences. For the past decade or so, Avon has more than risen to the challenge. Since 1999, when Andrea Jung was named CEO, the company’s revenue has more than doubled, with much of this growth in the most desirable developing markets of Latin America, eastern Europe, and Asia.

This performance is all the more noteworthy because Avon has little margin for error. For sales representatives to build repeat relationships with their customers, the company’s warehouses must have available the items that consumers want and ensure quick delivery, often to remote corners of developing markets that other distribution networks do not serve — a daunting task given the frequency of new products and campaigns, the breadth of Avon’s offerings, and potentially long sourcing and manufacturing lead times.

To tackle these obstacles, Avon’s management developed a bold supply chain excellence campaign designed to make its procurement, production, and distribution systems agile, lean, and modern. By establishing regional capabilities for demand planning and scheduling, the company greatly improved inventory transparency; Avon management can now view product availability across continents rather than merely in individual countries. Avon also simplified product and packaging specifications. For example, new standard diameter and length configurations reduced the number of different cosmetics tubes Avon purchases by 70 percent, from more than 250 to about 75, which has significantly simplified forecasting, sourcing, and production changeovers. In addition, Avon has reorganized its supply chain footprint, consolidating or shifting production to improve efficiency while building state-of-the-art distribution centers in Brazil, Colombia,
and Ohio to enhance pick-and-pack capabilities and flexibility for fast and accurate order fulfillment. As a result, labor efficiency has risen by as much as 30 percent.

Strategic sourcing improvements also helped, generating US$200 million in benefits in 2009. And while Avon has many suppliers in low-cost nations, the company has taken a discerning look at the potential unintended consequences of this strategy. In so doing, it found that buying glass bottles for Europe from a low-cost factory in Mexico resulted in exorbitant transportation costs when shipments had to be expedited to meet unexpectedly strong demand. Shipping the items more cheaply — an eight- to 12-week excursion by boat, according to Fortune magazine — was simply not an option. Consequently, after reevaluating its supplier network, Avon today pays a little more to buy bottles from companies closer to factories in Poland and Germany. The savings and potential sales gains from having responsive suppliers near plants and markets more than makes up for the higher cost of the bottles.

Overall, Avon’s supply chain excellence program more than delivered the capabilities the company needs to support its differentiated sales and marketing model. “Today’s senior leaders want it all — a responsive supply chain that is continually focused on driving productivity across the operation while never compromising high quality standards,” says John Owen, Avon’s senior vice president for global supply chain. “In a volatile environment where forecasting expertise is continually challenged, building capability in each supply chain function is an imperative. The real opportunity is how those functions work together in alignment with the commercial organization to drive high agility resulting in great service and cost productivity.”
Strategy& has studied dozens of companies like Avon that have wholeheartedly embraced the notion that supply chains are significant profit engines when they are well aligned with the organization’s business model and the needs of its marketplace. We have found that for decades some of the most successful companies — Toyota, Boeing, General Electric, and dozens of others — have repeatedly proven that supply chain excellence is a prerequisite to outsized performance. Moreover, this notion has been reinforced recently as globalization, the emphasis on low-cost operations, booming overseas markets in emerging nations, the impact of the recession, and the quickening speed of innovation have combined to raise the profile and value of supply chains in virtually every organization.

In fact, in this environment, even Girls Scouts of the USA has turned to supply chain improvements as a ticket to higher profits. This year, the organization slashed almost in half (to six) the types of cookies it offers in its iconic sales effort, in order to focus production costs on its most popular items and eliminate low-margin lines. It’s all in an effort to “teach the girls about supply chain issues and the need for efficiencies,” Denise Pesich, Girl Scouts vice president for communications, told TheAtlantic.com.

But it’s one thing to improve and even transform a supply chain and quite another to fully align the supply chain architecture with the company’s strategic goals and business model. Companies that achieve this further degree of alignment — in concert with other technological, systems, and organizational capabilities throughout the enterprise — can enjoy what we call a “coherence premium.” This premium (also called “essential advantage”) is the logical outcome of having the appropriate supply chain capabilities — interconnected processes, tools, people, know-how, and organization — to drive asset-, technology-, and scale-based performance improvements that go beyond what others in the industry are able to achieve.

In too many instances, however, a coherence premium is lacking. Companies often fail to marry strategic goals with supply chain
architecture, leaving supply chain chiefs to struggle with a myriad of often conflicting demands from manufacturing, marketing, sales, engineering, and procurement. With little agreement within the organization — and no way to make or manage trade-offs — issues of cost, customization speed, and price, among many others, are never addressed. But when a company is strategically coherent, the supply chain can be a linchpin of outsized performance.

The returns from the coherence premium can substantially outpace those of a company’s competitors. One example: Propelled by a sharp focus on building supply chain capabilities — in particular, extremely sophisticated inventory management systems — the retailer Nordstrom moves products through its channels in half the time of Macy’s or Saks Fifth Avenue, while also leaving its rivals behind in profit margins and EBIT as a percentage of sales.
What’s your archetype?

The framework for building a coherent supply chain strategy begins with clearly defining your way to play — that is, how you win in the market. A consistently successful company has a clear understanding of what differentiates it as an enterprise: specifically, the way it creates value for the people who buy its products and services. This is its way to play in the market. A way to play is both realistic and aspirational. It recognizes the achievements and limits of the past, is oriented toward what the company hopes and expects to do in the future, and provides a clear rationale for the choices it will make between now and then.

We’ve identified six common “puretone” archetypes of companies (see Exhibit 1, page 12). (Though not comprehensive, this list is a good starting point for most companies.) We call these archetypes puretone because they are straightforward and generic business model strategies that allow companies to easily visualize how ways to play connect with the required capabilities; most companies are not perfect matches for every aspect of these archetypes, but rather a combination. Still, many of them can be broadly classified as leaning toward one of the archetypes. Avon, for example, is a Customizer; it applies customer intelligence to offer tailored products and stock levels that react to changing demands, managing complexity diligently to drive supply and logistics efficiency and placing manufacturing facilities in areas that provide the best service to growing customer regions.

Apple would be considered an Innovator because of its intense focus on launching new products and its uncanny ability to anticipate, create, and drive customer preferences. And General Electric could fit in the Differentiated Green category because of the conscious trade-offs the company makes to foster and support sustainable practices throughout its business (from design and sourcing to distribution and logistics).

The six-archetype model is valuable for determining company aspirations, but it’s equally important for what it tells us about the pitfalls that organizations fall into as they make choices around capability development. For example, though an Innovator may be able
to charge a premium for its novel line of products, supply chain efficiency cannot be neglected lest speed to market is hampered and sales are dampened. The right choices need to be made to reinforce those critical capabilities and reallocate efforts away from less critical ones. While Innovators lead consumers to new ideas, Customizers follow their customers’ often fickle preferences. Though paying close attention to the voice of the customer is vital to the success of a Customizer, that organization also needs to balance flexibility with profitability.
Exhibit 1
Six common company archetypes

Archetypes and their characteristics*

Innovator
Example: Apple
- Introduces new and creative products or services to the market
- Needs to balance innovation with practicality and user acceptance

Premium Player
Example: Nordstrom
- Offers high-end products or services and superior customer service
- Develops differentiated position in market
- Must understand cost of increased quality

Customizer
Example: Avon
- Leverages customer intelligence to offer tailored products or services
- Is able to flexibly adapt to market demands
- Must ensure balance between flexibility and profitability

Differentiated Green
Example: General Electric
- Focuses on sustainability as good business
- Addresses the supply chain needs of green products and low carbon emission; ready to invest in differentiated technology products
- Must understand cost of a green supply chain

Aggregator
Example: Amazon.com
- Provides convenience of one-stop solution
- Can either manufacture or subcontract
- Must ensure that value-add does not become commoditized

Value Player
Example: Ikea
- Develops a low-cost supply chain to pass savings on to customers
- Allows for additional investment elsewhere
- Cannot let low cost impact quality and service

* These six “ways to play” are “puretones” (generic archetypes). Most companies are not puretones, but rather a blend of multiple models.

Source: Strategy&
For the six puretone archetypes, there is a subset of 12 supply chain levers that companies need to choose from to maximize their supply chain capabilities and link them to the organization’s overall strategic thrust for the greatest returns (see Exhibit 2, page 15). These levers can be segmented into four types based on their role in the supply chain life cycle: the right to win, which helps the company prepare for success; design-driven efficiency, which involves developing advantageous supply chain management systems and tools; structure and processes, which covers the critical decisions about supply chain infrastructure; and execution efficiency, which encompasses ongoing supply chain management for long-term gains.

A capability is not simply a function or practice. It is the ability to reliably and consistently deliver a specified outcome in support of a way to play. The most important capabilities are distinctive. Many businesspeople think of capabilities as intangible assets: employees’ skill sets or the quality of work done by a corporate function such as R&D or supply chain. Others associate the term with the competency models administered by human resources departments or with learning and development efforts. But we use it in a more specific and strategy-related way: Capabilities are the defining strengths — the people, processes, tools, and know-how — that your company must have to win.

Typically, a company will focus on three to five levers that span the life cycle of a supply chain strategy, from go-to-market model, to complexity management, to process effectiveness, to manufacturing excellence and continuous improvement. Explicit choices for where to limit development and investment are as important as choosing where to focus bets on critical capabilities. Companies don’t have to be best in class at everything; they must determine what kind of organization they aspire to be — what their archetype is — and develop a supply chain strategy that matches this aspiration.

Ikea, for example, is classified as a Value Player because its goal is to lead the market through relentless attention to managing costs in both manufacturing facilities and supply chain processes and techniques.
As such, it should perfect these levers in order to unlock the coherence premium:

- **Effective complexity management:** In Ikea’s case, furniture is designed to be flat-packed to reduce shipping costs. The design process may take longer than that of Ikea’s competitors because additional time is spent on making sure that the new product conforms to existing manufacturing processes and, thus, can be offered at a relatively low price.

- **Low-cost manufacturing footprint and an efficient distribution network:** Factories are placed in developing nations, and relatively inexpensive logistics approaches, such as railroads and container shipping, are adopted.

- **Mature strategic sourcing approaches:** Supplier relationships are cultivated so that they last a long time, are beneficial in cost and volume to both partners, and are cooperative so that processes at all stages of the supply chain can be constantly analyzed for areas of improvement.

- **Manufacturing excellence:** A strong emphasis is placed on implementing lean manufacturing techniques in all facilities.
### Exhibit 2
Each way to play requires unique supply chain levers to excel

<table>
<thead>
<tr>
<th>Lever</th>
<th>Innovator</th>
<th>Premium Player</th>
<th>Customizer</th>
<th>Differentiated Green</th>
<th>Aggregator</th>
<th>Value Player</th>
</tr>
</thead>
<tbody>
<tr>
<td>Go-to-market model</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product launch/life-cycle management</td>
<td>⬤</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complexity management</td>
<td></td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process technology choices</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Make-vs.-buy assessment</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing footprint</td>
<td></td>
<td>⬤</td>
<td>⬤</td>
<td>⬤</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution network</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systemic planning/replenishment</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic sourcing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>⬤</td>
</tr>
<tr>
<td>Manufacturing excellence/continuous improvement</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>⬤</td>
</tr>
<tr>
<td>Network policies</td>
<td>⬤</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Process effectiveness/execution</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>⬤</td>
</tr>
</tbody>
</table>

- ⬤ Right to win
- ⬤ Design-driven efficiency
- ⬤ Structure and processes
- ⬤ Execution efficiency

Source: Strategy&
To forge the alignment between capabilities and archetypes, Strategy& has developed the Supply Chain Capabilities Profiler. This diagnostic tool identifies the supply chain characteristics required for specific ways to play and provides a graphic depiction of how close to a coherence premium the organization is. Moreover, the profiler offers recommendations for improving coherence by focusing on the supply chain levers that close critical gaps. (To see how your company stacks up, go to Supply Chain Capabilities Profiler: www.strategyand.pwc.com/global/home/what_we_do/services/operations/ops_thought_leadership/supply_chain_capabilitiesProfiler.)

For example, the Value Player in Exhibit 3, page 18, is not in a particularly advantageous position. Its current skills — process effectiveness and execution, strong network policies, the ability to assess make versus buy, process technology choices, and systemic planning and replenishment — are decidedly out of sync with its business model. If this Value Player hopes to thrive in its market, it must improve in manufacturing excellence, strategic sourcing, complexity management, distribution network, and manufacturing footprint.

As is evident from the Value Player described above, it is not unusual for a company to learn from the Supply Chain Capabilities Profiler that the skills needed to compete in its market are actually in short supply in the organization. This disconnect would limit the chance for a coherence premium and minimize the benefits that a company would get from supply chain improvements.

Even when a company’s capabilities and market needs are aligned, the job is not over. Company management must continue to measure the ongoing health of the supply chain and constantly be alert to any conditions that might put the supply chain out of sync with the organization’s strategic aspirations. This is an important ongoing task, that requires effective business intelligence to identify and track key drivers of value and supply chain performance.
Each archetype has its own metrics to determine whether the adoption of the appropriate supply chain levers is at peak levels. For example, a Value Player like Ikea would be considered successful if both its gross margin and its brand perception were high, reflecting lean operating costs, substantial product quality, and strong customer loyalty. Focused on an entirely different set of concerns, a Differentiated Green company like General Electric would be more interested in its level of carbon footprint reduction, the percentage of materials that are recycled and reused in the manufacturing process, and declines in paper or packaging usage.
Exhibit 3
Value Player archetype

Capabilities and the value player*

* 4 = Best in class.
Source: Strategy&
What’s your archetype?

Although not an exhaustive list, our six puretone archetypes — or ways to play — are those usually adopted by companies that view their supply chain as a critical profit engine and competitive differentiating factor. Here’s a breakdown of the three most common archetypes, including the supply chain capabilities needed to enjoy a coherence premium.

Archetype: Innovator
Company: Apple

Archetype characteristics:
It doesn’t take much imagination to understand why Apple fits the Innovator archetype perfectly. Like all Innovators, the company is a consistent leader in introducing new and creative products that appear to deftly match customer needs and expectations. Because of their product launch track record, Innovators can command price premiums. But they must maintain clear control of their supply chains to ensure that ideas, design, and product features drive the production process and that new products are developed quickly enough to meet market demand at a high level of quality.

In Apple’s case, strategic supply chain management has recently begun to include substantial vertical integration, primarily to address shortages of computing memory, in newer products like the iPad — from chip making to packaging and even retail outlets. This vertical integration includes product assembly in the computer maker’s own factories around the world; relatively high stock levels to secure substantial point-of-sale availability, because the loss from stockouts in a premium-priced item is potentially significant; and excellent sales channels, including exclusive deals with AT&T, hundreds of proprietary Apple stores, and iTunes.

Required capabilities:
- **An effective go-to-market strategy** including, among other things, a strong dealer network, extensive company-owned or external retail outlets, fully automated data sharing across the sales cycle, and a broad, efficient, and reliable distribution and warehouse system.
- **Strong product launch and life-cycle management**, which means having dedicated suppliers and manufacturers and other vertical integration strategies to ensure the quickest time to market and substantial control and visibility of manufacturing processes.
- **A workable make-versus-buy assessment plan**, which involves assessing components early in the design phase to see where to best source them. If current options do not meet design needs, in-house/custom production is considered.

Things to watch out for:
Although Innovators must continually introduce novel products and be assiduously creative, they must at the same time be sure that their offerings are practical, with features that closely match or inspire evolving consumer preferences; this can be a difficult balance to strike.

Measuring coherence:
Supply chains and business models are aligned when Innovators (a) are quick to market with new products, (b) generate a high percentage of revenue from new products, and (c) kill design and development projects frequently.
Archetype: Premium Player  
Company: Nordstrom

Archetype characteristics:
Nordstrom has been around more than 100 years, and in that time its business model has scarcely wavered. Since opening its first store in Seattle, the retailer has consistently carried the Premium Player banner by offering high-end products and superior customer service.

The role of the supply chain in Nordstrom’s Premium Player strategy is best illustrated by the inventory system that was implemented a decade ago but is continually updated. This set of databanks provided virtually full transparency throughout the supply chain, including the availability of products in stores and warehouses as well as items on order and their precise arrival date. With this information, Nordstrom could for the first time plan inventory to match sales forecasts and focus fewer resources on basic inventory management and more on improving customer service (an essential facet of a Premium Player) and on developing strategies for revenue growth. In its latest iteration, the inventory system provides Internet shoppers with access to all Nordstrom inventory online, in-store, and in distribution centers — a first for retailers. Since the rollout of the inventory system, Nordstrom’s margins have increased to 10 percent from about 3 percent, placing the company well ahead of rivals like Macy’s, Saks, and Neiman Marcus.

Required capabilities:
Strong product launch and life-cycle management: For a retailer, this translates into a large variety of products that are continuously refreshed and the strategic management of markdowns and promotional activity.

Excellent process technology choices: In Nordstrom’s case, this is clearly evident in the recognition that technology (a powerful inventory management system, among other things) was needed to match product availability with customer needs.

Customer-focused network policies: This could include placing distribution centers near a concentrated store footprint, as well as a “customer-first” mind-set that lets salespeople pull inventory across the network to meet any and all customer needs.

Things to watch out for:
Premium Players must chiefly ensure that their emphasis on quality does not introduce new levels of complexity that in turn drive prices up beyond what customers are willing to pay.

Measuring coherence:
Supply chains and business models are aligned when Premium Players (a) score high in brand perception, (b) can charge a premium for products while maintaining customer loyalty and increasing sales, and (c) achieve high gross margins and point-of-sale availability.

Archetype: Aggregator  
Company: Amazon

Archetype characteristics:
Amazon recognized early on how critical supply chains are to success. Indeed, the online bookseller set up shop near Seattle in 1995 primarily because the largest book distributor was located there. And it didn’t take long for CEO Jeffrey Bezos to enunciate the new company’s strategy as an Aggregator: “We think (fulfillment) is going to be a very meaningful business for us one day,” Bezos said in a November 2006 Business Week article.
For Amazon, being an Aggregator means using the e-tailer’s impressive supply chain capabilities — specifically, its skills in warehousing and shipping products quickly and with an extraordinary degree of reliability — to provide other marketers with an accurate system for completing their own e-commerce transactions. This aggregation strategy has worked so well that Amazon’s non-media sales (including all of the supply chain activities that Amazon is managing for dozens of other retail outlets) were 68 percent higher than its revenue from books, CDs, and DVDs in the third quarter of 2010.

To succeed as an Aggregator, Amazon is constantly improving in-plant processes, seeking greater efficiency, less complexity, and lower operational costs. For example, by using automated pick systems in distribution centers, Amazon has been able to speed up its fulfillment program while actually reducing costs. In addition, the company has adeptly played the operating costs of different service options and what customers are willing to pay for them to its advantage by offering a range of fulfillment plans that deliver different volume levels through different channels with different estimated delivery times.

**Required capabilities:**

- **An effective go-to-market strategy:** Amazon has access to a huge and varied customer base through numerous digital channels, including its own website, search engine results, links to Amazon merchandise on non-Amazon sites, and mobile apps.

- **An efficient distribution network:** Amazon has placed its central distribution centers near package carrier hubs, such as its facility in Louisville, Kentucky, adjacent to UPS’s Worldport.

- **Manufacturing excellence and process effectiveness:** Amazon’s advanced supply chain technologies are capable of handling the varied distribution and logistics needs of a wide array of retailers.

**Things to watch out for:**

Aggregators must ensure that the costs of the incremental work to provide supply chain services are more than covered by what customers are willing to pay. And it’s important that service offerings are distinctive and not in danger of becoming commoditized.

**Measuring coherence:**

Supply chains and business models are aligned when Aggregators (a) rank high in customer and supplier service scores based in part on the percentage of perfect orders, and (b) are able to provide a variety of offerings while managing complexity well.
**Conclusion**

Only a company with its eyes firmly on both its way to play and the importance of its supply chain will have the opportunity to reap substantial rewards from a coherent business model. But to fully drive top-line and bottom-line gains — and sustain premium performance — companies need to build their supply chain capabilities around explicit choices for the right way to play. When those two aspects of the business are in sync, the supply chain will be a keystone and an indispensable contributor to the organization’s ongoing, sustainable success.
Additional reading


Strategy& is a global team of practical strategists committed to helping you seize essential advantage.

We do that by working alongside you to solve your toughest problems and helping you capture your greatest opportunities.

These are complex and high-stakes undertakings — often game-changing transformations. We bring 100 years of strategy consulting experience and the unrivaled industry and functional capabilities of the PwC network to the task. Whether you’re charting your corporate strategy, transforming a function or business unit, or building critical capabilities, we’ll help you create the value you’re looking for with speed, confidence, and impact.

We are a member of the PwC network of firms in 157 countries with more than 184,000 people committed to delivering quality in assurance, tax, and advisory services. Tell us what matters to you and find out more by visiting us at strategyand.pwc.com.

This report was originally published by Booz & Company in 2011.

www.strategyand.pwc.com

© 2011 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. Disclaimer: This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.