

## Value Chain collaboration in the Telco Industry

### The Panel session at EDIFICE Plenary 111

For over 90 minutes the invited panel comprised of representatives from Celestica, E2open, Motorola, RIM and Vodafone described and debated many of the keys issues that arose during the previous day.

#### Market analysis

They began by reflecting upon some of the market statistics offered by Gartner and how that might help shape the winners and losers in the next few years. A complex picture emerges with changes in revenue models, the role of the application store, challenges in distribution channels, the role of subsidies and the characteristics or experience of various handsets. All the speakers agreed the level of innovation was staggering and that here was a blurring between the enterprise and the consumer and often between your competitor and collaborator. The audience questions focused upon mergers and acquisitions and offered some exciting combinations of content and carrier.

#### Supply chain excellence

The panel decided that as they weren't market strategist it was largely conjecture on their part and we moved on to discuss more supply chain related topics. One strong discussion point was around the role of recognition of supply chain excellence. Research by the analysts AMR often cited handset providers as being top performers with their supply chains. RIM, they noted had made excellent progress. Yet no Telco operator was on the list. A wide ranging debate concluded that it may simply be due to the Telco's immaturity, it may be the metrics employed or the poor return on assets inherent in a Telco operator. An excellent debate ensued to be marred ever so slightly at the end, by the news that the AMR rules specifically excluded Telco Operators.

The panel ran with the theme of complexity and started to discuss the different aspects of handsets and traffic. We concluded that the handsets were mainly a means to an end. However, it was clear the high levels of subsidy and promotion caused problems for the supply chain. As one panelist opined "isn't it odd that that this is the only business in the world where the manufacturer doesn't know how much the product sells for."

#### Improved information flows

There was however certainty around the thought that improved information flows could help the supply chain. "We are transforming from a marketing company to a retailer" was the view of Vodafone "And as we become retailers we need to look at new issues, one of which is the role of information and demand management." As one panel member put it "it's the dilemma of selling very expensive, complex, highly subsidized but ultimately fashion items in a long lead time industry."

#### Managing complexity in demand

The complexity of demand management was addressed by asking the panel their views on variety and volatility. The suggestion was that both added significant cost to the supply chain. Celestica countered by arguing that addressing complexity in the manufacturing process could help product innovation and actually reduce subsequent costs. The thought was that products had to be designed for the supply network and there was the opportunity to design out local customization.

The panel subsequently discussed the role of forecasting. E2open felt some form of forecasting was inevitable and that "it was not a waste of time". RIM suggested that whilst aggregate forecasts tended to be good, accuracy at the line item became a struggle. The panel felt that better information and collaboration with chip manufacturers, contract manufacturers, retailers, distributors and even media could help. Collaboration they all agreed was the key and we need to deepen and broaden our collaboration to avoid the demand and supply shocks.



The audience asked the panel to briefly comment on their best and worst experiences of B2B implementations. The consensus view was a need to resolve process issues before implementing solutions, a need to communicate and not over rely upon system based solutions and never to forget that different parts of the world such as China have different bandwidth capabilities.

### **Best practices**

The panel concluded by reflecting on the two days and offering opinion on the way forward. The dynamic and scale of change was visible. The challenges of a short selling cycle and a long and global supply cycle were profound. The panel were challenged by the audience to suggest where best practices might come from. References were made to improvement models ranging from Six Sigma, SCOR through to individually recommended handbooks. A strong argument was made for recruiting talent from outside the industry and broadening the process understanding, benchmarking capability and experiences of say promotional activity in retailing. So the event concluded with a wide ranging and detailed discussion that covered the major topics. The insights were profound, the references and real world tales informative and the improvement suggestions highly thought provoking. The audience were grateful and appreciated an excellent conclusion to a highly engaging and interesting event.

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