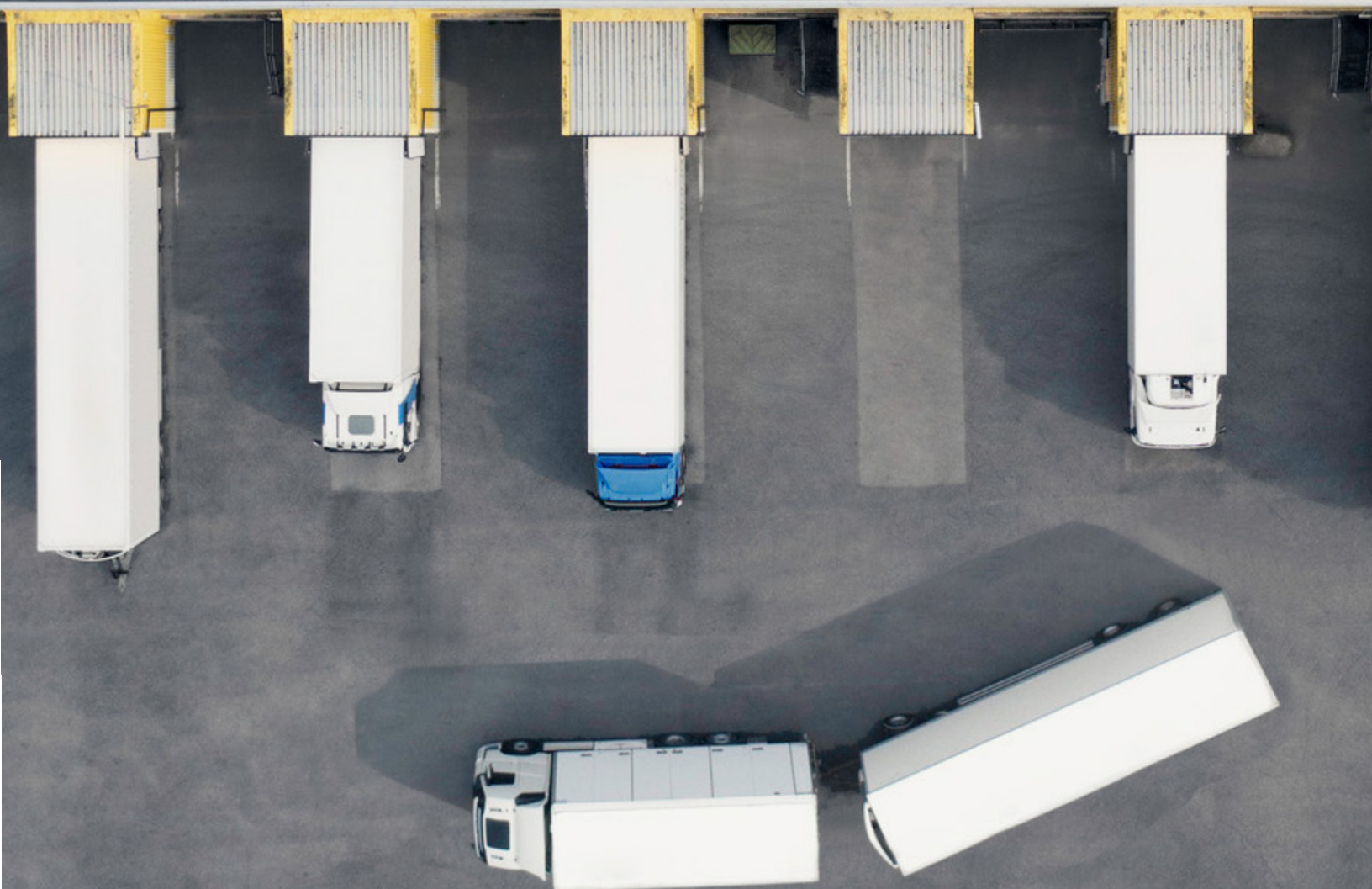


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Gartner for Supply Chain

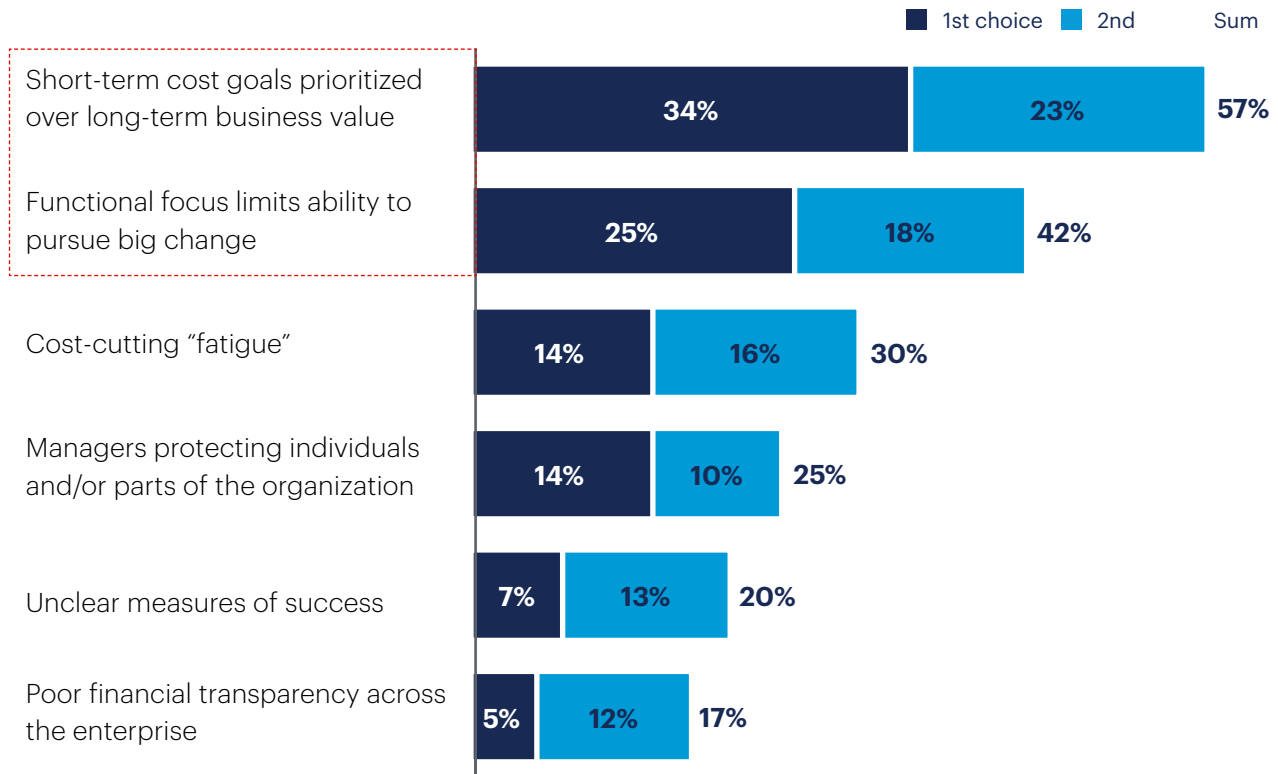
5 Levers for Optimizing Supply Chain Costs



Supply chain cost management models remain short-term and functionally focused. Short-term cost goals are prioritized over long-term business value, and a narrow, function-specific focus limits the ability to pursue big change and meet full performance potential. Reducing supply chain costs is further complicated by supplier substitution, outsourcing, supplier refinancing and inventory changes.

Cost management remains short-term and functionally focused

Percentage of respondents



n = 203

Base: All respondents

Note: Percentages may not add up to 100% because of rounding.

Source: Fall 2018 Agenda Poll Supply Chain Leaders

Q. Please select up to two of your most pressing problems for: Driving cost optimization across the enterprise.

Not only do the best supply chain leaders control supply chain costs in the face of disruptions like pandemics, recessions and geopolitical shifts, but they also consider the relationship between diverse resources and networks. Instead of reduction targets, these supply chain leaders and their key stakeholders focus on aligning and collaborating around key operating outcomes to optimize supply chain costs.

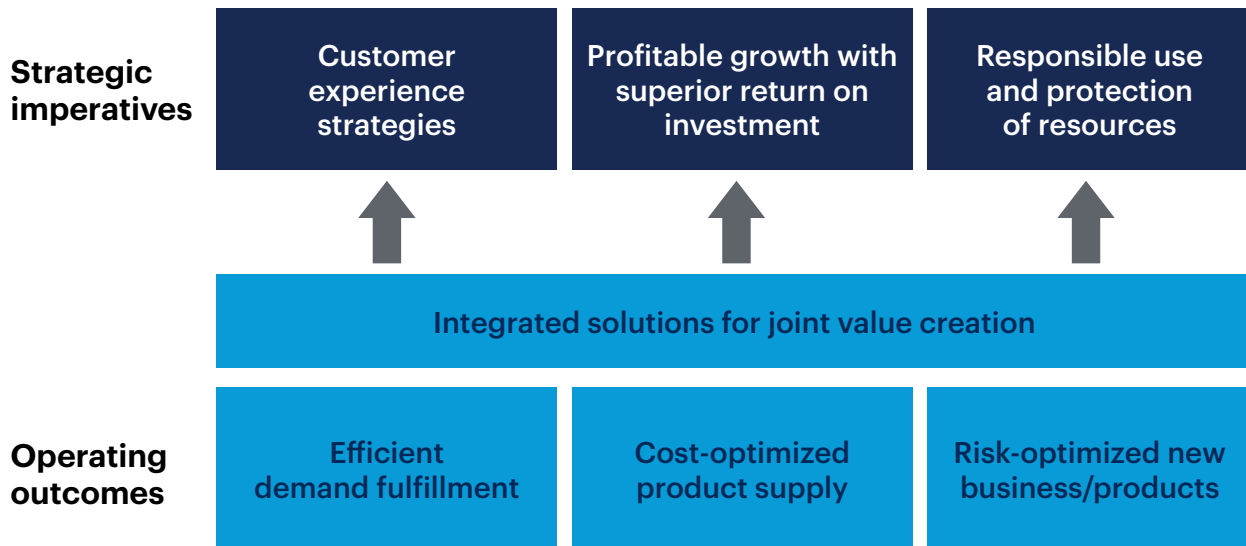
Align stakeholders on efficient operation outcomes



Source: Gartner

To optimize supply chain costs, it's important to align business value (customer experience, profitable growth, compliance and sustainability) with efficient supply chain operating outcomes (demand fulfillment, product supply and new products/business).

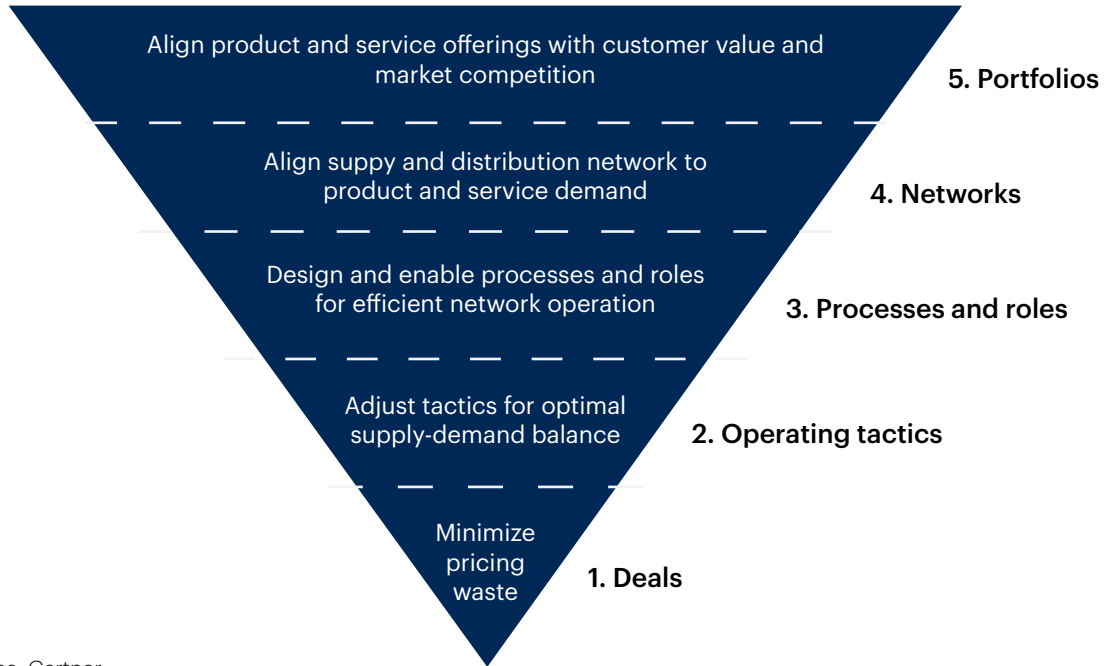
Optimize operating outcomes to support strategic value imperatives



Source: Gartner

Supply chain leaders must adjust how they engage with their key stakeholders and propose initiatives that achieve breakthrough cost improvements. Ground supply chain cost performance in the following framework, which identifies five levers to manage in pursuit of end-to-end cost optimization.

Five levers for supply chain cost optimization



Source: Gartner

Operationalize the framework by taking the following three actions:

1. Drive collaboration and innovation around cost-optimized operating outcomes.
2. Develop cost analysis models that align to the scope and performance objectives of specific operating outcomes.
3. Justify investments based on their potential to improve specific operating outcomes.

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