

## living in a (de)material world

FOR DECADES MARKETERS HAVE WORKED TO devise eye-catching packaging. The bolder, the brighter and especially, the bigger the package, the better. So why are supply chain leaders choosing to move away from a materialized world to a “dematerialized” supply chain that downplays—or even eliminates—physical product and presence? Were the marketers wrong?

Probably not. But retailing today is about much more than emblazoning an attention-getting slogan on a package. There are also points to be earned by making operations cheaper and easier. Dematerialization of the supply chain—basically, reducing components and materials—does just that by providing flexibility, mitigating execution risk and reducing total supply chain costs. In industries ranging from chemicals to consumer products, from food products to electronics, logistics leaders are pushing their companies to remove mass from their products using techniques like the ones outlined below.

■ *Think small.* Apparently operating on the premise that good things can also come in small packages, Procter & Gamble has led the consumer packaged-goods pack in shrinking the packages used for its detergent, dish soap and diapers. For example, P&G downsized its dish soap products by two-thirds with the introduction of the “Ultra” format. The result was an immediate drop in supply chain costs.

Or take software. A decade ago, the credenza behind your desk was probably lined with software boxes corresponding to the programs loaded on your computer: MS DOS, WordPerfect, Lotus 1-2-3. Each box contained a thick manual and the floppy diskette used to install the software on your computer. But open a box containing, say, Microsoft Office or Intuit’s Quicken Deluxe today and you’ll find far fewer components. Voluminous documentation has been replaced by a reference disk or a slim “getting started” manual. Intuit reports that product weight declined by 66 percent, with a significant decrease in freight costs.

■ *Don’t ship: digitize.* One of the most effective means of dematerializing the supply chain is digitization. In the high-tech world, electronic download-

ing is rapidly becoming a common method of delivering software, music and even books.

■ *Postpone where possible.* Dematerialization through “blending” is a standard practice in the chemicals industry, where manufacturers ship active ingredients to regional distributors, which then mix the final compound using locally sourced components. Coca-Cola, a food and beverage company, mirrors this practice by manufacturing its syrup centrally and distributing it to local bottlers to blend with “fizzy water.” Whatever the industry, postponement allows companies to shift final finished-goods manufacturing to local markets, slashing transportation costs.

■ *Standardize.* Procter & Gamble, for one, has standardized packaging for key product lines such as dish soap and laundry detergent. Packages for its core laundry detergent brands, Tide, Cheer, Gain and Bold, were redesigned to incorporate a standardized container opening, thus reducing the time required for brand and size changeovers on the assembly line and cutting the number of components to stock and manage.

Are we moving away from a materialized world to a “dematerialized” supply chain? We believe that over the next decade more companies will realize that less is often more. Fewer components, fewer SKUs, less packaging, less weight to ship ... all of these will translate into lower costs and better margins. Savvy leaders will actively pursue ways to leverage the concept of dematerialization and enjoy the benefits of living in a (de)material world. □



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