

MARKET VISION PAPER

Navigating the labyrinth: Neo Tangent's blueprint for collaborative supply chains

Authors:

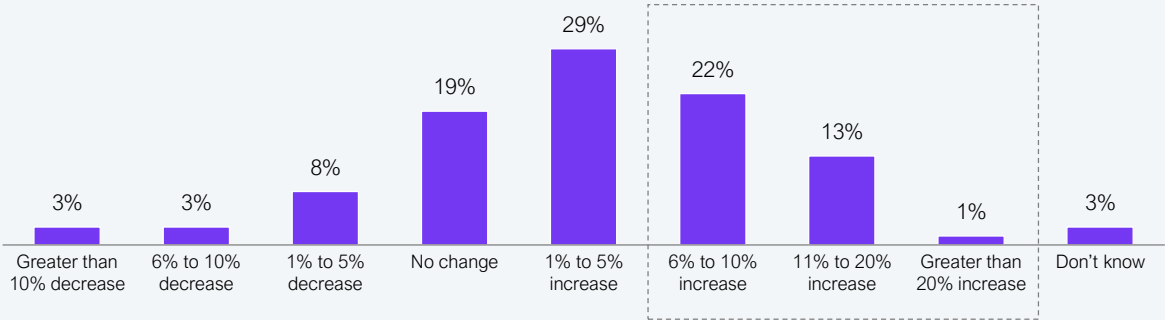
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After a tumultuous few years, the supply chain paradigm has reached a critical juncture. It was disrupted in 2020 due to the pandemic, saw recovery in 2021, and then experienced consolidation in 2022 and 2023. The year 2024 is characterized by an increase in enterprise investments (see Exhibit 1) and an increasing dependence on service providers (see Exhibit 2) to reimagine enterprises' supply chains, primarily driven by two key factors:

1. Market dynamics are becoming more complex due to a multi-country, multi-supplier strategy, reduced dependence on China, and constantly changing border shipping regulations, especially on the American coasts.
2. The pandemic propelled the supply chain discussion to the boardroom, as enterprises realized that their success or failure is directly linked to the strength of their supply chains.

Exhibit 1: More than one-third of enterprises are planning to increase their supply chain expenditure by 6% to 20% in the next two years

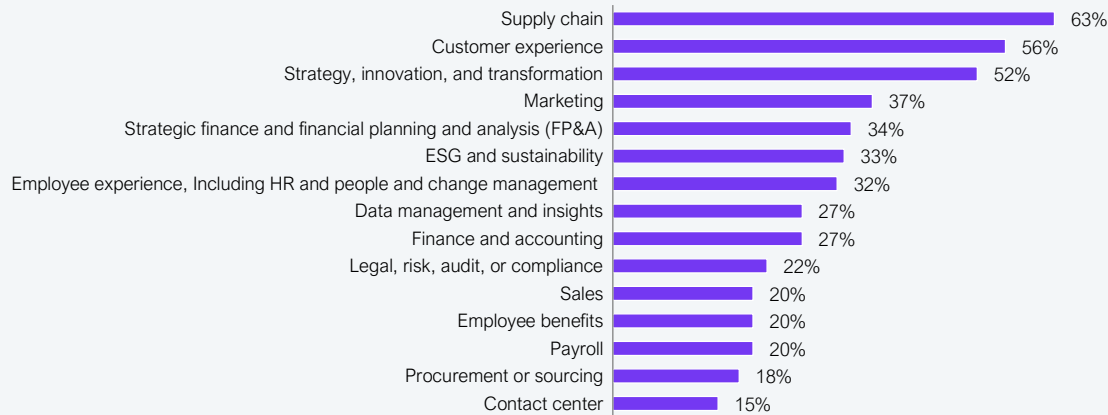
Expected investments in supply chain in the next two years



Source: 392 G-2000 enterprises from HFS Industry Pulse Survey 2024

Exhibit 2: Supply chain has become the numero uno function, where enterprise clients are leveraging service providers

% of enterprises leveraging service providers by business services



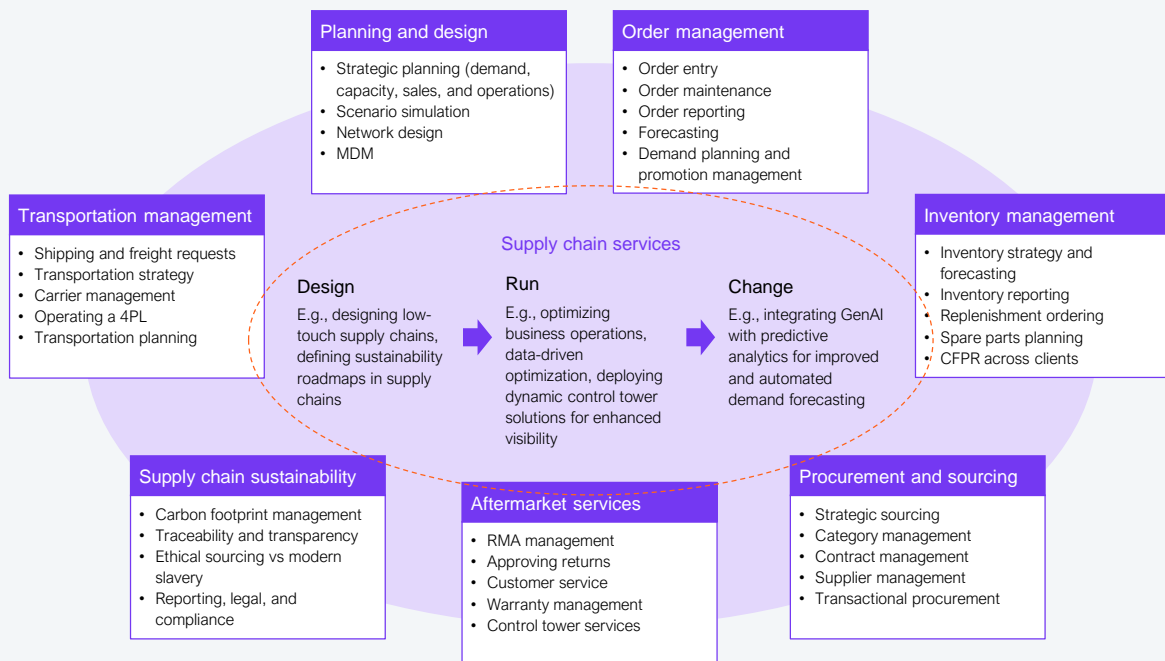
Source: 392 G-2000 enterprises from HFS Industry Pulse Survey 2024

Service providers are becoming direct beneficiaries of these investments, helping their clients simplify, digitize, and reimagine their supply chain processes.

The role of service providers has evolved from simply helping the client carry out processes or adopt new technologies to fundamentally rethinking supply chain structures, partner interactions, and value creation across the connected ecosystem (see Exhibit 3). To thrive in the future of business operations, building an integrated network that leverages collective strengths to drive innovation, efficiency, and resilience is essential.

Neo Tangent, a promising business services provider from the Li & Fung stable, is actively embracing these changes by banking on the trifecta of ecosystem-driven services, value partnering, and end-to-end service design to meet the new demands of modern supply chains. This paper will explore how these principles are crucial for Neo Tangent to effectively meet the needs of modern supply chain customers, providing insights into the tangible benefits and competitive advantages they confer.

Exhibit 3: HFS' view of supply chain services: a network, no longer a linear value chain



Source: HFS Research, 2024

The three-pronged approach to value—ecosystem-driven synergy, value partnering, and end-to-end services strength

Neo Tangent's proposition hinges on the combined use of the following three aspects of its business:

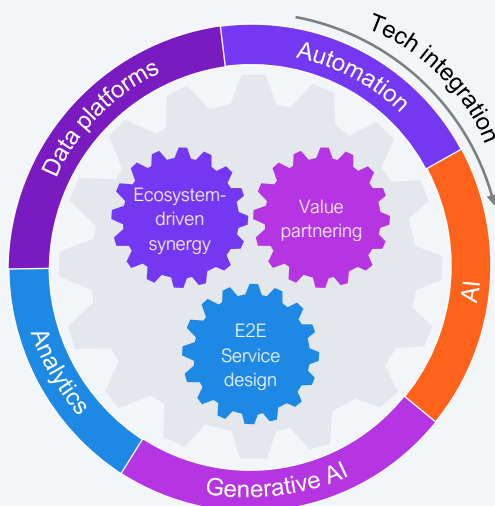
1. **Ecosystem-driven synergy:** Neo Tangent delivers a majority of projects in collaboration with its parent company, Li & Fung, and partner companies from the same ecosystem, including VOICES, LFX Digital, LFX-Data, and Global Freight Services (GFS). The aim is to analyze various dimensions of a client's supply chain and bring ecosystem entities together, generating ecosystem-driven value and forming a collaborative supply network.
2. **Value partnering:** As a business strategy, value partnership goes beyond basic collaboration and involves a strategic alignment where all involved parties are invested in mutual success, contributing to and benefitting from shared goals. This model

is particularly important in complex and interdependent supply chains.

3. **End-to-end service design:** The extensive range of service offerings covers essential activities for modern supply chain management. These include product development, sourcing, procurement, production tracking, data management, order processing, warehousing, and transportation solutions. Each component is designed to integrate with others, providing a cohesive service experience that enhances overall supply chain performance.

The strategic use of AI (and GenAI), analytics, automation, and data platforms complements the approach to streamline operations and provide critical insights and data-driven decision-making tools for teams on the ground.

Exhibit 4: HFS' assessment of Neo Tangent's three-pronged approach to supply chain engagements integrated with emerging tech



Source: HFS Research, 2024

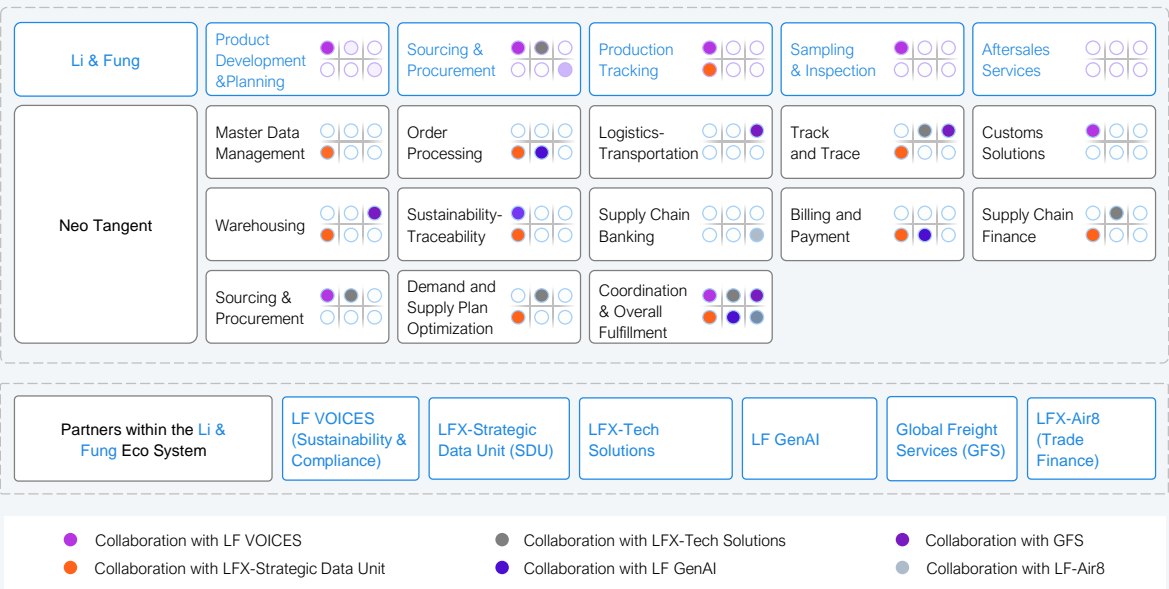
Ecosystem play to work toward a connected supply network

In today's rapidly changing market, orchestrating an ecosystem of partners, suppliers, and technology solutions is critical for staying ahead. HFS' "ecosystem play" leverages diverse capabilities and resources across multiple entities to drive collective efficiency and innovation. Incorporating ecosystem strategies into business operations is vital to enhancing agility, scalability, and responsiveness. This approach moves beyond traditional linear supply chains to dynamic, interconnected systems that adapt to changing conditions and capitalize on new opportunities. This long-predicted arrangement by HFS demonstrates how

businesses can transcend traditional boundaries, creating a hyperconnected network suited to the demands of the modern digital economy. Success relies on effectively managing and integrating the diverse capabilities of all ecosystem participants, contributing optimally toward the shared objectives of efficiency, sustainability, and customer satisfaction.

Neo Tangent demonstrates ecosystem play (see Exhibit 5) in its partnership with the Li & Fung network, extending across product development, planning, logistics, and after-sales services.

Exhibit 5: Neo Tangent plays the ecosystem orchestrator role while working with the Li & Fung ecosystem



Source: Neo Tangent

Integration with partners such as LFX-Data and LFX Digital enables Neo Tangent to offer sourcing, procurement, production tracking, warehousing, and customs solutions. These partnerships built on co-creating value. Neo Tangent's orchestration of a partner network highlights the importance of collaborative relationships in driving supply chain efficiency and innovation. By leveraging the strengths of each partner, the company offers more comprehensive and adaptable solutions that respond effectively to market demands. For example, collaboration with VOICES enhances its capability to address critical sustainability and compliance issues in global supply chains.

"Neo Tangent brings a unique suite of services based on an ecosystem of partners in core supply chain domains ranging from technology to sustainability, supplier network, compliance and regulatory, as well as trade financing and global freight forwarding."

— Yash Chauhan, Global Head, Neo Tangent

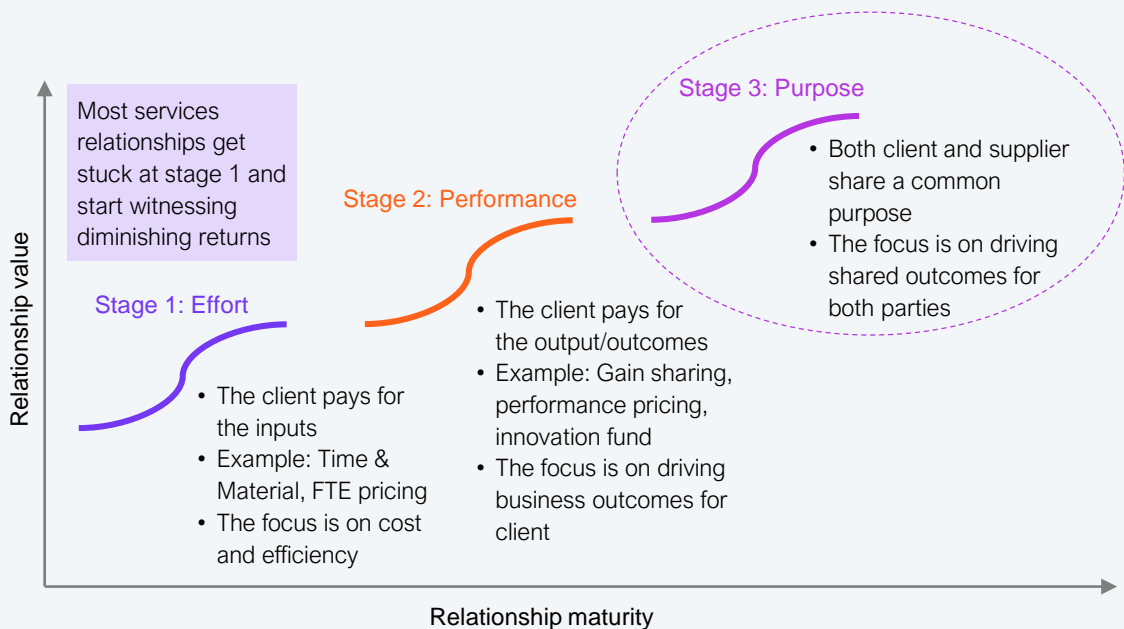
Value partnering involves multiparty value creation in increasingly complex client environments

HFS Research highlights the significance of moving from effort-based relationships to purpose-driven partnerships for achieving sustainable business growth. These partnerships prioritize long-term value creation over short-term gains, encouraging stakeholder collaboration, innovation, and transparency.

With its “value partnering” model, Neo Tangent is striving to reach stage 3 of the three stages of evolution (see Exhibit 6).

The retail case study after Exhibit 6 illustrates how the “value partnering model” operates.

Exhibit 6: Effort, Performance, and Purpose: The three “traditional” evolutions of supply chain services



Source: HFS Research, 2024

Case Study—value partnering for a leading US-based retailer

Li & Fung Markets USA, a prominent sourcing company, provides services to a major US-based clothing and home decor retailer, with Neo Tangent, its wholly owned subsidiary, managing the fulfillment. The retailer encountered traceability issues with its apparel products, leading to financial and reputational concerns. These problems stemmed from suppliers' lack of awareness of supply chain requirements, fragmented processes, and complex document requirements in the 7-tier traceability process involving stakeholders such as ginning, spinning, and dyeing.

To address these challenges, Neo Tangent introduced the “value partnering model” to unite core parties and drive continuous value creation. This initiative involved Neo Tangent, its partners (VOICES and LFX Digital), the clothing and home decor retailer, and Li & Fung Markets USA. This collaboration formed a cohesive three-party model focused on value creation, with each partner playing a vital role.

Neo Tangent, leveraging its expertise in traceability, executed the following actions:

- Developed a comprehensive training program for the end customer's vendors, implementing a vendor prioritization approach and selecting suppliers from multiple origins.
- Designed and delivered an end-to-end training program tailored by Neo Tangent for approximately 250 participants from various tiers (T1-T7) of the traceability chain.
- Integrated the LF Traceability Platform – Transparency for Supply Chain (T4S) to provide seamless analytics for visibility and eliminate manual processes.

As a result of these efforts, suppliers and stakeholders received training on traceability, leading to optimized processes, seamless supply chain operations, and enhanced brand reputation. The successful completion of Phase 1 has paved the way for Neo Tangent to extend the initiative to Phase 2, Phase 3, and beyond with its partners across other customers.

“Neo Tangent’s Value Partnering model breaks away from transactional engagements and embraces transformational relationships. It’s a strategy that has proven successful and has positioned us as leaders in the supply chain sector, driving unparalleled impact.”

— Yash Chauhan, Global Head, Neo Tangent

End-to-end services can pave the way for an impactful overall outcome

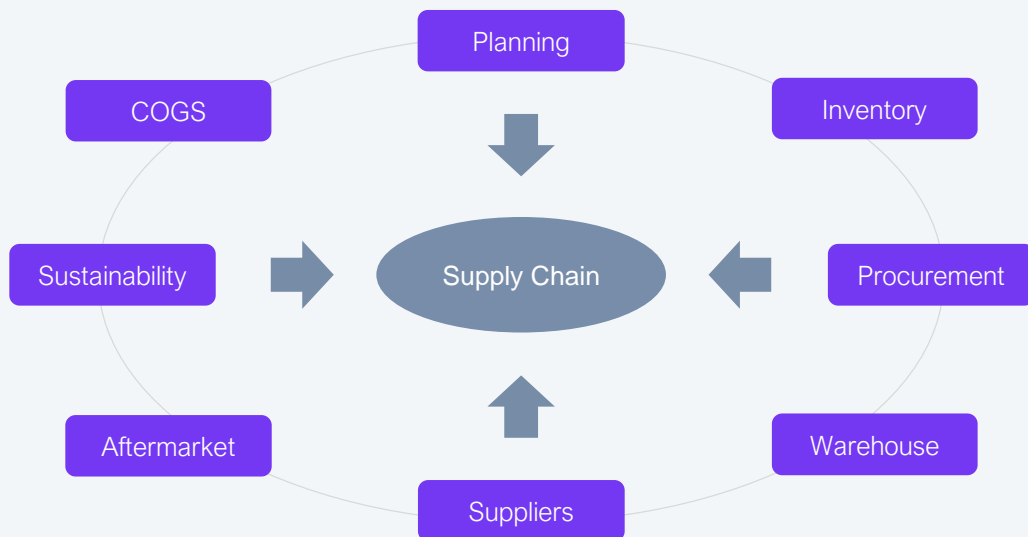
In today's complex global commerce landscape, it's crucial for companies to have end-to-end capabilities to manage modern supply chain challenges effectively. This comprehensive approach ensures that every stage of the supply chain—from product conception to final delivery—is optimized for efficiency, responsiveness, and innovation.

HFS Research recommends a model (Exhibit 7) in which service providers can provide holistic solutions that address the eight key aspects of supply chain management.

When discussing end-to-end services, it's important to consider three key aspects:

1. Does the business provider have the capabilities to integrate your supply chain with other organizational functions, such as procurement, finance, and sales?
2. Can the business provider go beyond business process management to undertake tasks that can make an organization more resilient?
3. Can the provider support the entire value chain from planning to fulfillment?

Exhibit 7: Sustainability and COGS optimization are becoming an integral part of the modern supply chain



Source: HFS Research, 2024

The Li & Fung ecosystem has helped Neo Tangent achieve collaboration across various departments of an organization, where the benefits transcend what a traditional BPM provider can offer.

In addition, Neo Tangent has been actively involved in initiatives that go beyond the scope of a typical BPM vendor. For example, in 2023, Neo Tangent not only helped clear a \$500 million shipment for a large US retailer stuck due to compliance and regulations on the American coast but also conducted education programs for its suppliers to prevent similar situations in the future.

Neo Tangent has a relatively broad portfolio that includes product development, sourcing, procurement, production tracking, data management, order processing, warehousing, and transportation solutions. Each component is designed to integrate with others, providing a cohesive service experience that enhances overall supply chain performance.

An integral part of Neo Tangent's comprehensive capability is its sophisticated approach to finance management in the supply chain, particularly through its cost of goods sold (COGS) optimization tool. This tool provides a clear, analytical view of cost structures associated with different supply chain elements, enabling more strategic financial planning and decision-making.

For example, Neo Tangent leverages product development and planning partnerships to ensure a comprehensive understanding of market demands and supply chain realities. This proactive approach enables better alignment with customer expectations and smoother transitions into production.

Neo Tangent uses its global network and industry insights to secure materials and services at optimal costs and conditions in sourcing and procurement. The COGS tool plays a critical role by analyzing cost impacts across various sourcing scenarios, maintaining cost efficiency, and ensuring the sustainability of supply sources.

Further down the supply chain, Neo Tangent's production tracking and data management capabilities ensure clients have real-time visibility into their operations, enabling them to make informed decisions quickly. This transparency is crucial for managing the complexities of modern supply chains, where delays or disruptions can have significant downstream effects.

Lastly, the integration of logistics and transportation solutions completes Neo Tangent's end-to-end capabilities, ensuring efficient and effective product delivery. By managing this critical phase, Neo Tangent not only closes the supply chain loop but also ensures a positive final customer experience, enhancing the client's brand reputation and market success.

“Neo Tangent’s services are not only end-to-end but also interconnect the supply chain business services with technology, consulting, and a circular supply chain. By bundling these services, we create a synergistic effect. This approach amplifies the value we deliver, ensuring every aspect of the supply chain is optimized, sustainable, and aligned with our clients' strategic goals.”

— Yash Chauhan, Global Head, Neo Tangent

Here’s a client example where Neo Tangent worked at different supply chain nodes, achieving positive results at multiple levels.

Client type: Electronics manufacturer

Problem statement



Struggled with high operational costs and inefficiencies in its supply chain, affecting overall profitability

Solutions



- 1. COGS optimization tool**
Implemented to analyze and reduce costs across the supply chain
- 2. Production process reengineering**
Streamlined production lines and integrated AI for predictive maintenance
- 3. Logistics and supply chain optimization**
Improved logistics routes and warehouse management using AI-driven insights

Outcome



- Reduced operational costs by 15%
- Enhanced production uptime and speed
- Improved product availability and delivery times, leading to higher customer satisfaction

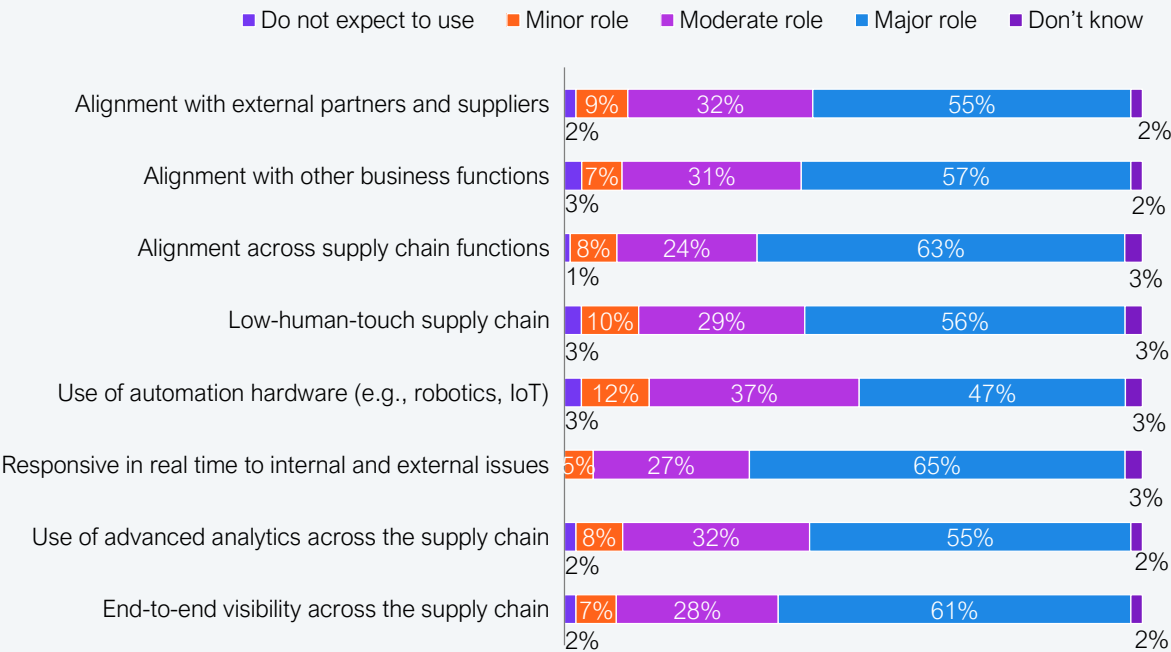
Transferring the vision from 'paper to reality' requires technological expertise

Incorporating advanced technologies, particularly artificial intelligence (AI), into supply chain operations is revolutionizing how businesses anticipate, respond to, and adapt to market dynamics. HFS Research emphasizes the strategic use of technology as a pivotal element of modern supply chain management, facilitating not only improved efficiency but also innovation and competitive differentiation.

In a recent HFS study on the adoption of GenAI in the supply chain, the majority of enterprises stated that GenAI has the potential to positively impact the building blocks of their future supply chain.

Exhibit 8: GenAI is expected to positively impact the building blocks of future supply chains

Q. By 2030, what role do you expect GenAI to play in achieving the following for your supply chain?



Source: HFS-EY GenAI survey of 460 senior supply chain executives

Neo Tangent has effectively embedded AI across various segments of its operations by closely collaborating with partners such as Li & Fung and utilizing platforms such as LFX-Data and LFX Digital. This integration has led to significant improvements in areas such as design ideation, tech pack management, document processing, and overall supply chain transparency.

- **AI in Design and Development:** At the outset of the supply chain, Neo Tangent employs AI to aid in design ideation and tech pack management. AI tools assist designers and product developers in swiftly prototyping and iterating designs by automating the generation and modification of tech packs. This accelerates the design phase and ensures that designs are optimized for production feasibility and cost-effectiveness.
- **AI in Production and Tracking:** During the production phase, AI contributes to more efficient tracking and operations management. For instance, AI-driven analytics platforms can forecast potential disruptions by analyzing patterns in production data, enabling proactive adjustments to the production schedule. This capability ensures that potential issues are addressed before they impact the supply chain, maintaining the flow of goods without interruption.

- **AI in Logistics and Transportation:** In the final stages of the supply chain, Neo Tangent leverages AI to improve logistics and transportation management. AI algorithms optimize route planning and freight management, reducing delivery times and costs. These systems analyze historical traffic data, weather conditions, and other environmental factors to recommend the most efficient shipping methods and routes.
- **AI in Risk Management and Compliance:** Neo Tangent utilizes AI to bolster compliance and risk management processes. AI tools monitor and analyze transactions and communications across the supply chain to ensure adherence to regulatory requirements and internal policies. This not only helps prevent compliance issues but also enables swift responses to any that may arise, safeguarding the company against potential fines and reputational damage.

The strategic integration of AI across these areas illustrates how Neo Tangent is not just using technology to enhance existing capabilities but is fundamentally reshaping its supply chain operations to be more responsive, efficient, and attuned to the needs of its customers. As AI technology continues to evolve, the potential for further integration into supply chain operations promises even greater improvements in operational efficiency and customer satisfaction.

Providers must imbue a set of additional practices in their 'modus operandi' to thrive in the fast-changing supply chain landscape

Today's supply chains are about forming partnerships around understanding and advancing mutual business objectives. HFS emphasizes the significance of aligning service offerings with client goals to not just meet but surpass expectations, ensuring tangible business outcomes that nurture long-term relationships and sustainable growth.

Here are some key recommendations:

- 1. Strategic alignment with client goals:** Collaborate closely with clients to understand their strategic goals, challenges, and market forces. This will enable providers to tailor end-to-end supply chain solutions to meet specific client needs such as enhancing operational efficiency, reducing costs, and improving supply chain transparency. The COGS optimization solution by Neo Tangent is a good example of an offering built using this approach.
- 2. Customized solutions that focus on specific client problems:** Leverage a range of services and technological capabilities to create customized solutions that address each client's unique challenges. For example, by integrating AI-driven analytics and forecasting tools, Neo Tangent helps clients optimize inventory levels and production schedules to reduce waste and improve turnaround times.
- 3. Feedback sharing and continuous improvement:** Maintain an ongoing dialogue with clients, collecting feedback and conducting regular reviews to adjust services in response to clients' changing needs. This adaptive approach is crucial for staying relevant and effective in a rapidly changing business environment.
- 4. Quantify results over time:** Track key performance indicators (KPIs) relevant to each client's goals, such as cost savings, lead time reductions, impact on topline/bottom line, and improvements in customer satisfaction levels, and report these outcomes to the client at regular intervals, demonstrating the value of its services.
- 5. Show-and-tell:** The impactful work carried out for one client must be socialized with other clients, both potential and existing. Most supply chain solutions are applicable across industries; socializing these stories can open new doors.

The Bottom Line: The future of supply chains will be based on customer-centric solutions, ecosystem vendor collaboration, and driven by mutual business objectives.

Providers' critical drivers of success will focus on technological integration, a collaborative mindset, managing complexities, sustainability, and customer-centric solutions.

The exploration of Neo Tangent's strategic alignment with HFS Research's philosophies on ecosystem play, value partnerships, and end-to-end capabilities has revealed a comprehensive approach to modern supply chain management. This alignment not only enhances operational efficiencies and customer satisfaction but also positions Neo Tangent as a budding player in the evolving landscape of global supply chains.

As we look to the future, the importance of integrating ecosystem partners, technological advancement, and strategic partnerships into supply chain operations will only increase. For companies such as Neo Tangent, continuing to invest in these areas will be crucial for maintaining competitiveness and attractiveness in the market. The ability to adapt to and anticipate future trends in supply chain management will define the success of businesses aiming to meet the ever-evolving demands of global supply chains.

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Ashish Chaturvedi is a practice leader for HFS Research. He covers supply chain operations, the retail and CPG industry, and the quadfecta of AI, analytics, data platforms, and automation (AADA). He is an accomplished IT industry analyst who is featured regularly in various IT news articles and is part of RetailWire BrainTrust. With more than 15 years of technology research experience, Ashish has authored more than 100 research reports covering retail technologies, enterprise modernization, platform economy, future supply networks, and digital-driven growth.



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