The Role of AI and ML in Revolutionizing Supply Chain Management

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Abstract
Artificial intelligence and machine learning are being implemented by a constantly growing number of companies to develop a more efficient supply chain. The immense volume of data that companies are producing and sourcing along the supply chain can now be analyzed in real time, enabling better decision-making processes. This paper will explore how the utilization of these technologies is revolutionizing supply chain management. Two specific areas, demand forecasting, and inventory management, will be explored in greater depth. The paper will then highlight the current trends and challenges of AI and ML in supply chain management and offer concluding remarks.

Supply chain management is a complex system that connects multiple companies and encompasses the flow of goods, services, information, and finances. To cope with its complexity, more and more companies are turning to technologies like artificial intelligence (AI) and machine learning (ML) to gain a competitive edge. ML is a branch of AI that consists of systems and algorithms that can learn from data to improve decision-making. The number of companies that claim to be using ML has grown by more than 300% since 2015, with the overall AI market considered to be worth around $2 trillion. In the supply chain industry, companies are using ML to optimize delivery routes and times, predict delays and detect variances in quality at an early stage. The use of AI technologies can optimize and execute supply chain tasks promptly, making it more capable than traditional supply chain setups.

Keywords: Revolutionizing Supply Chain Management, Industry 4.0, Internet of Things (IoT), Artificial Intelligence (AI), Machine Learning (ML), Smart Manufacturing (SM)

1. Introduction
The increasing globalization in the trade market has resulted in a growing number of links in the supply chain, leading to more complex supply chain processes. To help manage these complex processes, supply chain management is increasingly turning to Artificial Intelligence (AI) and Machine Learning (ML). In fact, with an increasing amount of data available along the supply chain, AI and ML are becoming essential components in managing and using this data efficiently.

The transformed discipline hereby is called intelligent supply chain management, and numerous approaches are being developed and implemented to solve challenges across different industries. This consolidation of knowledge has led to collaboration between research and industry, fostering the creation of specific AI and ML techniques that consider the peculiarities of supply chain models representing the different logistics, production, or transport processes either over time or at a specific instance. Research and individual implementations have shown that AI and ML not only can...
revolutionize how we manage supply chains in terms of decision-making across different scenarios but also how we execute these decisions through automation.

This systematic review analyzes AI/ML approaches specifically developed or tailored for supply chain problems, discusses insights regarding the implementation of AI and ML in the supply chain presented in the examined literature, and elaborates on the challenges faced by these intelligent supply chain systems.

The accompanying video provides an overview of the main concepts and results arising from the analysis of the identified contributions, driven by the research questions of the review, methodology, and protocol used to carry out the systematic review, along with the stage-based evolution of AI and ML in supply chain management.

The provided review sheds some light for both researchers and industry experts on the current state of AI and ML techniques in supply chain problems, the gaps, and the lack of integration, and it may guide future research in AI/ML as related to industry implementations.

1.1 Background and Significance

A supply chain includes several entities ranging from manufacturers and transporters to suppliers and retailers. The ultimate goal is to deliver products promptly and effectively to the end consumers. Consequently, supply chain management involves coordinating and overseeing these flows through planning and control activities. Over the last few decades, numerous advances in science and technology have revolutionized supply chain management. The integration of information technology covers a wide range of applications, from electronic data interchange and enterprise resource planning to internet-based technologies. In recent years, e-commerce marketplaces and intelligent agent technologies have begun to play important supporting roles. Subsequently, the advent of artificial intelligence, and more specifically machine learning, presents further opportunities for enhancement and improvement. Combining AI and ML technologies is a novel way to streamline supply chain operations. Predictions, forecasts, and estimations are essential to making decisions that optimize the flow of goods from the supplier to the end customer. These decisions range from inventory management and allocation to transportation, warehousing, and order fulfillment. The timely exchange of information (regarding production, inventory levels, demand patterns, transport conditions, etc.) enables supply chain members to make more accurate plans and react quickly to changes and disturbances. The sharing of data and knowledge can be facilitated by intelligent agents, which act on behalf of supply chain entities. These agents can be enhanced with machine learning techniques, helping to learn the most effective strategies when aiming to accomplish specific tasks.

FIG 1: Area of research interest.

1.2. Research Aim and Objectives

The role of this research is to explore, comprehend, and validate the possibilities that AI and ML offer for revolutionizing the field of Supply Chain Management (SCM). To achieve this aim, the objectives of this study are to define and present the foundations of the current and future state of SCM; to define the core concepts and components of Machine Learning and Artificial Intelligence, as algorithms, applications, and technologies; to analyze and present the current and potential use of AI and ML in SCM, through real-world applications.
and examples; to identify and present the key challenges, issues, and requirements of using AI and ML in SCM; to validate and facilitate the practical use of AI and ML for revolutionizing SCM, and to present guidelines, best practices, and recommendations, and a conceptual framework that can support AI and ML-driven revolution of the SCM field.

The combination of Artificial Intelligence (AI) and Machine Learning (ML) is a rapidly evolving area with the potential to revolutionize the field of Supply Chain Management (SCM) in the imminent future. Applications of AI and ML technologies in the supply chain are already increasing and developing, utilizing advanced algorithms, large-scale data, and digital strategies. Despite the considerable potential benefits that AI and ML can offer to the supply chain, several challenges and issues need to be addressed to ensure successful implementations and operations. In this research concept, we aim to explore, comprehend, and verify the potential possibilities that AI and ML offer for revolutionizing the field of SCM. We aim to present a practical framework, supported by guidelines and best practices, that can allow for an effective, efficient, and sustainable revolution of the SCM field driven by AI and ML.

2. Fundamentals of AI and ML

Artificial Intelligence (AI) encompasses a broad set of technologies such as Machine Learning (ML), Natural Language Processing (NLP), Robotics, and Computer Vision. AI is capable of making smart machines that can perform tasks that typically require human intelligence. Machine Learning, which is a subset of AI, is recognized as one of the most powerful technologies in the business domain. ML has the potential to substantially transform the way business is conducted and is being implemented to solve business problems in different areas. The use of ML is not only limited to large companies, but it is rapidly growing in small and medium-sized enterprises as well.

ML is particularly helpful in enhancing supply chains by allowing data to flow seamlessly from one end of the chain to the other. ML technologies can handle a significantly large amount of data which was traditionally used to flow in a series of discrete steps. Such data can persist for an extended period and can be further used to make predictions. ML technologies help in reducing supply chain errors, allowing estimations of future needs and optimizing distribution networks. Prior use of ML technologies in enhancing supply chains has necessitated the development of an enhanced data-driven supply chain via the prognostication of outcomes, the offering of unique user experiences, the personalization of products and services, and the close monitoring of the life cycle of a product or service. The increased connectivity of systems can pave the way for the proliferation of new errors, and ML technologies can help abate such risks through enhanced data analytics techniques.

AI refers to the simulation of human intelligence in machines that are programmed to think and mimic human actions. It encompasses a wide range of techniques, including machine learning, natural language processing, robotics, expert systems, and more.

AI finds applications across various industries, including healthcare, finance, automotive, retail, and more. Some common AI applications include virtual assistants, recommendation systems, autonomous vehicles, and predictive analytics.

2.1. Definition and Concepts

Supply chain management (SCM) is a synchronized practice that manages the distribution of goods and services. It involves various interconnected functional areas, such as manufacturing, marketing, sales, and transportation. The interconnected or networked channels create value both for the end customer and the company stakeholders through an effective and efficient synchronization of materials, goods, and information flow. A supply chain links various processes from the production of raw
materials to the consumption of final products, acting as a conduit for goods and services. The primary aim of SCM is to meet customer requirements by providing the right product at the right place and at the right time, while also maximizing corporate profitability. Over the last 20 years, many companies have radically re-engineered their supply chains to create virtual organizations, which outsource their production and distribution. The development of information technology and e-commerce has facilitated these changes. Recently, innovations such as artificial intelligence (AI) and machine learning (ML) are leading to disruptive changes in supply chain processes and management - revolutionizing the way businesses operate and serve customers. AI and ML provide the ability to autonomously learn and improve from experience. With recent significant advancements in technology, many organizations have started incorporating AI and ML into their business processes. The application of such technologies in SCM can create wonders. However, while these technologies provide a substantial toolkit for revolutionizing SCM, the road to achieving high-performance levels using these tools is challenging.

ML is widely used in various domains, including healthcare (diagnosis, drug discovery), finance (fraud detection, algorithmic trading), marketing (customer segmentation, personalized recommendations), and more. Here is a wide array of algorithms and models used in AI and ML, each suited to different types of tasks and data. Examples include decision trees, support vector machines, neural networks, and deep learning architectures like convolutional neural networks (CNNs) and recurrent neural networks (RNNs).

FIGURE 2: key applications of AI in Supply Chain Management

2.2. Key Techniques and Algorithms
In Magento e-commerce development if you want to enter the world of data science and artificial intelligence, then you have to know these fundamental techniques. They are the following:

1. Supervised learning techniques: These techniques are trained over labeled data. The labels are the right outcomes for each observation. Then, the algorithm tries to predict the outcome, and the prediction error guides the adjusting of the internal parameters of the model. The common models used for this are decision trees, K-nearest neighbors, support vector machines, and deep learning models.
2. Unsupervised learning techniques: These algorithms work with unlabelled data. You have to use a predicted structure in the data. Their only guide is to find the internal structure in the input data. The main models used to perform these are K-means for clustering and principal component analysis for dimensionality reduction.
3. Reinforcement learning techniques: In this type of learning, an algorithm interacts with its environment. Then, it has to learn how to achieve a goal. It gets a reward each time if it performs a good action. This technique is used for gaming, robotic control, and recommendation systems.
4. Natural Language Processing Techniques: These techniques allow the interaction between computers
and humans using natural language. The most common model used for this purpose is the deep learning model.

5. Deep learning: This technique is a branch of machine learning involving artificial neural networks. Algorithms attempt to model high-level abstractions in data using architectures composed of multiple non-linear transformations. The most commonly used deep learning model is the convolutional neural network and the recurrent neural network. This model is highly used in recommendation systems. These techniques are the fundamental techniques of artificial intelligence. If you know these, then you can excel in the field of data science in the world of e-commerce development.

3. Applications of AI and ML in Supply Chain Management

AI is intelligence demonstrated by machines, which in essence is the simulation of human processes by machines, especially computer systems. ML is a subset of AI that provides the ability for a system to learn from data and improve from a task without being explicitly programmed. ML functions like a human brain and allows a system to make self-directed decisions based on various degrees of certainty. Therefore, several organizations are moving their big data projects to ML. Contrary to popular belief, AI is neither completely novel nor something that has suddenly appeared. AI began in the mid-20th century and has evolved into the cutting-edge technology development of today.

The impact of AI and ML can be seen in several industry applications. However, in the context of this paper, the application and implementation of AI and ML in the area of supply chain management are discussed. Owing to the rising dependencies and complexities in supply chain networks, the implementation of AI is greatly enhancing how supply chains are managed. AI and ML are making remarkably accurate probabilistic predictions regarding future states of the supply chain. Additionally, they handle a large amount of data, automatically discover intricate patterns, and are capable of presenting optimized supply chain decisions. In general, with both supervised and unsupervised ML techniques, vast amounts of data can be handled, complex patterns can be discovered, and the quality of decision-making in supply chain operations can be improved. Moreover, AI is not a singular pervasive technology; instead, it is a combination of several technologies like planning, executing, learning, and robotics. The following are a few prominent AI technologies: knowledge representation, automated reasoning, natural language processing, deep learning, reinforcement learning, and robotics.

3.1 Demand Forecasting

Demand forecasting is crucial in any supply chain management. It gives an estimation of the demand for a product shortly. Even though extensive research has been conducted to solve this problem, it is still considered highly challenging, especially in unpredictable economic environments and for products with short life cycles. Performing demand forecasting involves various factors such as marketing, seasonality, and economic conditions. Artificial Intelligence and Machine Learning have been shown to greatly improve the accuracy of demand forecasts. They can incorporate a vast number of factors and work with various types of data, providing a more realistic prediction. For the supply chain, having a more accurate demand forecast can lead to many benefits. It can lower product costs, reduce the amount of inventory, prevent stockouts, and create better production schedules.

The ongoing digital revolution is changing the dynamics of work across the globe in unprecedented ways. Particularly in the arena of digital supply chains, the opportunities for significant transformation, and thereby growth, of
adaptive, innovative businesses are immense. At the core of this is the ability of artificial intelligence (AI) and machine learning (ML) to change the way businesses can address supply chain management as a powerful strategic tool. To honor the current trends and the new directions that AI and ML are providing for the realm of supply chain management and its digital evolution, this chapter aims to explore the role that both AI and ML play in demand forecasting, inventory optimization, and sales and operations planning (S&OP), and the overarching supply chain management.

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AI and ML enable real-time, autonomous, and decentralized decision-making across the entire supply chain on a vast scale. In terms of supply chain management, AI and ML are best applied as advanced decision-support capabilities within existing systems. These technologies, in combination with digital connections, can create intelligent digital supply chains that can learn and optimize themselves. Through autonomous enterprise, AI and ML can optimize traditional supply chain functions, whether that be manufacturing, inventory, logistics, or purchase. AI, through its subsidiary technology machine learning (ML), has the power to make truly dynamic inventory management a reality for many companies. With ML algorithms, companies can consider vast amounts of data, such as a wide array of demand pattern variables and even external factors, to set optimal stocking levels and make more accurate lead time decisions. Additionally, ML brings decision-making capabilities to software so that inventory planners can focus on more crucial tasks. The software can make estimates and then continuously improve upon them, effectively learning the best parameters over time. These capabilities represent a significant advancement over traditional inventory optimization solutions, which have been limited to more simplistic and static models.

3.3. Logistics and Transportation Management

Furthermore, visibility can be offered using IoT plus blockchain. The vehicle can continue broadcasting its location and other details, and the information can be packed in blocks by different members of the supply chain, including the carrier at different points in time. Then, the blocks can be chained. When the vehicle is within the range of a particular member's IoT devices, the information can be stamped, encrypted, and then sent to that member's node in the network for storage as part of that member's copy of the blockchain. In this way, the members can maintain integrity over the information they jointly own while allowing each
other to validate content for new members entering the network. With AI, it is also possible to offer personalized predicted transit time.

Transport and warehouse management is a critical aspect of supply chain management. Traditional transportation systems are gradually performing poorly in the present digitized world. AI has provided a beautiful way forward for making transportation and logistics management smoother. AI is providing considerable help in real-time visibility (RTV), which is currently the most significant avenue in the transportation sector. Many tech companies have come up with innovative platforms to offer RTV of vehicles from the time they are loaded until they reach their destination.

4. Challenges and Limitations

With the plethora of advantages that AI and ML offer in the field of supply chain, the technology is still in its nascent stage. Several challenges and limitations need to be addressed before we can fully harness the power of AI and ML in supply chain management.

One of the biggest roadblocks in the implementation of AI and ML in the supply chain is data quality issues - a challenge faced by all data-driven technologies. Algorithms are only as good as the data provided to them - and when dealing with a large number of disparate sources of data, it is extremely difficult to ensure that the data being fed to the ML model is clean, relevant, and of high quality. In addition to this, data privacy and security concerns, high initial setup costs, and the lack of digital culture within organizations are other significant challenges that need to be addressed. Furthermore, despite the immense potential that AI and ML have in optimizing supply chain functions, the technology cannot, as of now, provide a centralized end-to-end solution that can connect all the disparate parts of a supply chain - from CRM and SRM systems to production and logistics.

Another key limitation is the lack of human oversight. While the goal of implementing AI and ML is to replace heuristic decision-making with data-driven and more optimized decision-making, organizations mustn't rely solely on AI and ML to make key supply chain decisions. As we have seen, several unpredictable events can occur - and technology is not adept at adapting to such events. Human intervention and oversight are necessary to handle such disruptions. Despite these challenges and limitations, organizations must start taking steps towards harnessing the power of AI and ML in revolutionizing their supply chain functions - and in collaborating with technology vendors and researchers in addressing these challenges. Only then can organizations progress toward creating dynamic, adaptable, and truly optimized supply chains that have the potential to drive competitive advantage.

4.1. Data Quality and Availability

While AI and ML have the potential to revolutionize supply chains, certain foundational elements must be in place for these technologies to work as intended. Specifically, we must address data quality and availability by investing in technology that enables data integration.

Data Integration Technologies: Data integration technologies connect information from different source systems and applications to provide a unified view of the data. When it comes to supply chain information, implementing data integration technologies can help link internal computing systems with business partner and cloud systems, and combine structured data (e.g., inventory levels, shipment schedules, and transaction records) with unstructured data (e.g., supplier performance feedback, demand forecast assumptions, and weather reports).

A combination of AI/ML and the revolutionary advances in big data technologies will provide the decision-makers with unprecedented capabilities to make better decisions and, ultimately, supply chains more intelligent. The ever-increasing capabilities of
AI/ML frameworks rely heavily not only on the vast amounts of data being generated but also on the data being of sufficiently high quality. Poor quality data may lead to erroneous models and, consequently, undesirable – and possibly unexpected – outcomes (not so intelligent!). The key here is to identify the areas in your supply chain where AI/ML implementation can help the most and focus data refinement efforts on those specific areas – a data refinery approach. The overarching objective is to achieve data refinement that delivers intelligence on supply chain processes. Succeeding in this objective is the pathway to building intelligent supply chains that will be ready to withstand future disruptions.

4.2. Integration with Existing Systems
AI and ML may require time investment up front to properly integrate with existing supply chain systems. This step cannot be understated, as the technology functions most efficacious when it ingests large volumes of both internal and external data. This is the only method through which AI and ML can provide accurate predictions and insightful recommendations. Nevertheless, integration is an area at which supply chain managers may feel trepidation, as it involves connecting and enabling intelligence across a vast array of systems and touching many stakeholders across the enterprise. As a result, supply chain leaders must define a clear implementation roadmap and change management strategy. Supply chain professionals should first identify areas where AI and ML can offer the greatest value to the existing supply chain organization. They must then develop a comprehensive integration strategy, taking care to incorporate both internal and external data sources through which the technology can support its intelligence capabilities. To fully maximize the potential of AI and ML, supply chain managers will have to collaborate with a wide variety of stakeholders, from data scientists to external partners and customers. The goal is to facilitate seamless integration, address potential challenges, and ensure the technology is positioned to reap the benefits of the insight that it can bring to the supply chain functions.

4.3. Use Cases for Supply Chain Management (SCM)

5. Conclusion
In conclusion, the cost of supply chain goods accounts for up to 75% of national income. The expense of moving goods through supply chains is a major determinant of the competitiveness of companies. Artificial Intelligence (AI) and Machine Learning (ML) can cut the cost of moving goods through supply chains in areas such as low transaction order costs, prediction maintenance, and self-learning supply chain optimization. AI and ML have also increased supply chain visibility by order tracking and segregation of scanned images. In disaster and transportation management, AI and ML help to detect problems and provide solutions. Robots have been deployed to move materials through supply chain warehouses. Drones have been used to control inventory, and self-driving vehicles are being developed to move materials. AI and ML can also bring revolutionary changes in control systems through the use of cyber-physical systems. This integration simplifies the design of control systems that can enhance the management of supply chain networks from the shop floor to the warehouse and beyond, to wide area networks. AI and ML have great prospects in cutting supply chain costs by learning from the big data of supply chain operations and then using this knowledge of the data in an informed manner to optimize supply
chain operations. This is a new era of self-learning supply chain AI/ML optimization.

5.1 Future Trends
The previous sections have detailed the current best practices, tools, and methodologies for applying AI and ML to supply chain processes, including some more nascent developments, and importantly outlined the definition of the relationship version of the supply chain and how AI/ML can play a role in optimizing that. Going forward, some of the developments present a complex and pressing challenge; for instance, personalized manufacturing and delivery commitments as discussed in Section 4.5. These are also the kind of challenges that are unique to the revolution enabled by AI and ML where these technologies are to change the very nature of products and the associated supply chains themselves at a very rapid pace.

For many supply chains, a primary function of AI/ML will soon be to continually readjust them. Production, storage, and transportation are not typically the simple repetitive activities that they were in the 20th century, and neither can the AI/ML models that optimize them. Indeed, even the concept of a supply chain gets rather simplistic if every product is to be made uniquely and delivered at some individually promised time. Many of the innovations will come, therefore, from ongoing next-generation optimization, prediction, and planning over complex supply chain versions – the supply neuronal networks – that learn and evolve, and in doing so also provide strategic insights to the human experts who design the fundamental logistics network structures.

7. References


