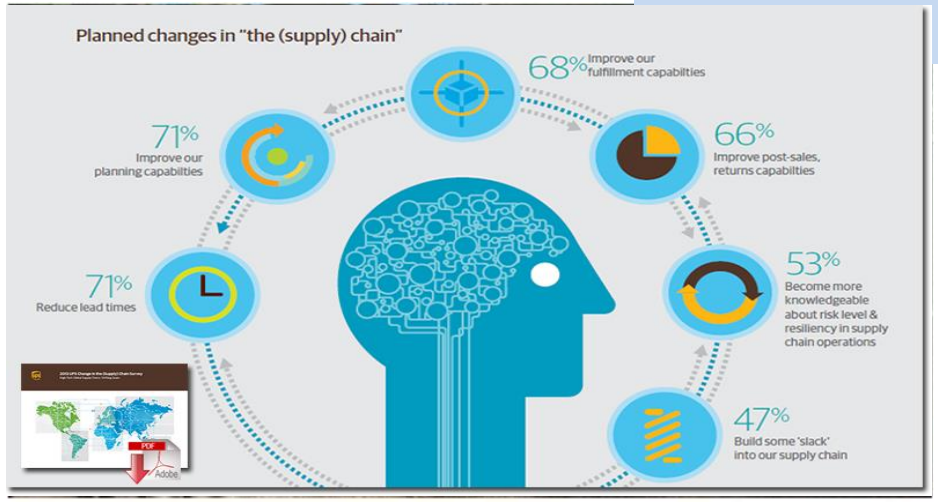
SUPPLY CHAINS AS A COMPETITIVE ADVANTAGE IN OMNI CHANNEL RETAIL



PROF.CHRIS ABRAHAM

INCREDIBLE WORLD

INNOVATIVE RETAIL CONCEPTS

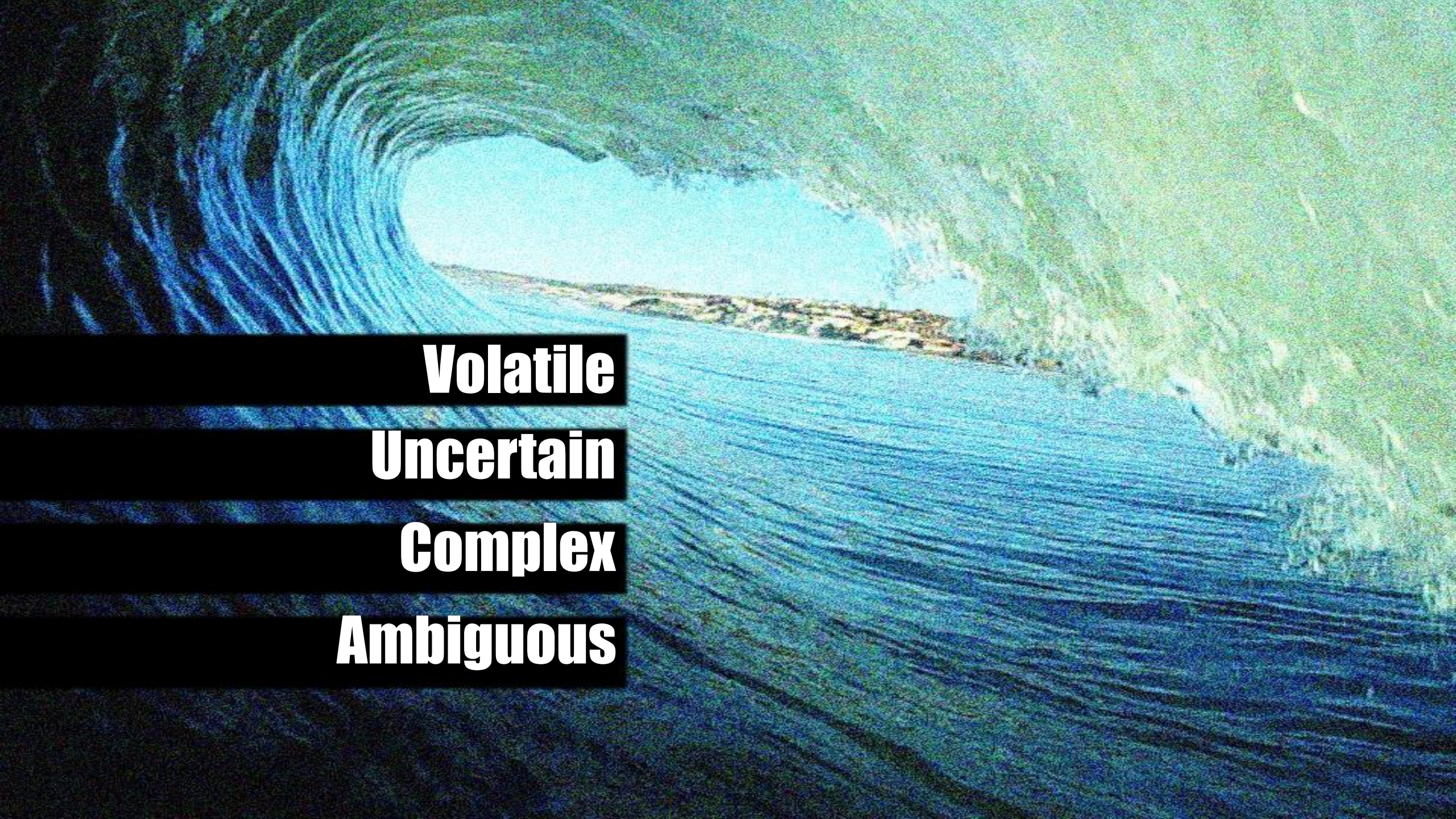
INNOVATIVE SUPPLY CHAINS

Welcome to the Future of Retail Supply Chains...

...Technology has changed the world

...but people still love to shop!

INCREDIBLE WORLD


Volatile
Uncertain
Complex
Ambiguous

Vibrant
Upbeat
Challenging
Astounding

& as long as there are people on this earth, this rule will exist

The internet has had an incredible impact on supply chains.

The Impact of the Omni-Channel on the Supply Chain

Digital Transformation
IoT
Automated Material Handling
Augmented Warehousing
Cognitive Computing/Artificial Intelligence
Wearable Technology

Global Omni-Channel Service Providers With Seamless Global Omni-Channel Experiences

…the only consistency during this time will be the accelerating level of change across organisations.
There will be more change in the next 10 years than in the last 25 years.

The ever changing retail landscape will see substantial changes to global supply chains by 2025 due to…

Global
megatrends

Mega trends will progressively influence retail supply chains…

Accelerating urbanisation

- Pop of 8.3b by 2025 ; 7.4b today
- Infrastructure stretch on ports, airports
- Mega cities outside of major cities
- Electric vehicles

Climate change & resource scarcity

- Scarce resources
- Increased regulation & taxes
- Sustainability
- 8.3b pop by 2025 will need:
  - 50% energy
  - 40%water
  - 35%food

Demographic shifts

- 21% by 2050 over 60
- Polarisation of haves and have nots
- Talent shortages
- New skills
- Ageing
- Gen Y individuals with digital shopping behaviour

Shift in economic power

- Asia powerhouse
- Shift in power to Asia
- Increase in wealth
- New markets & competitors

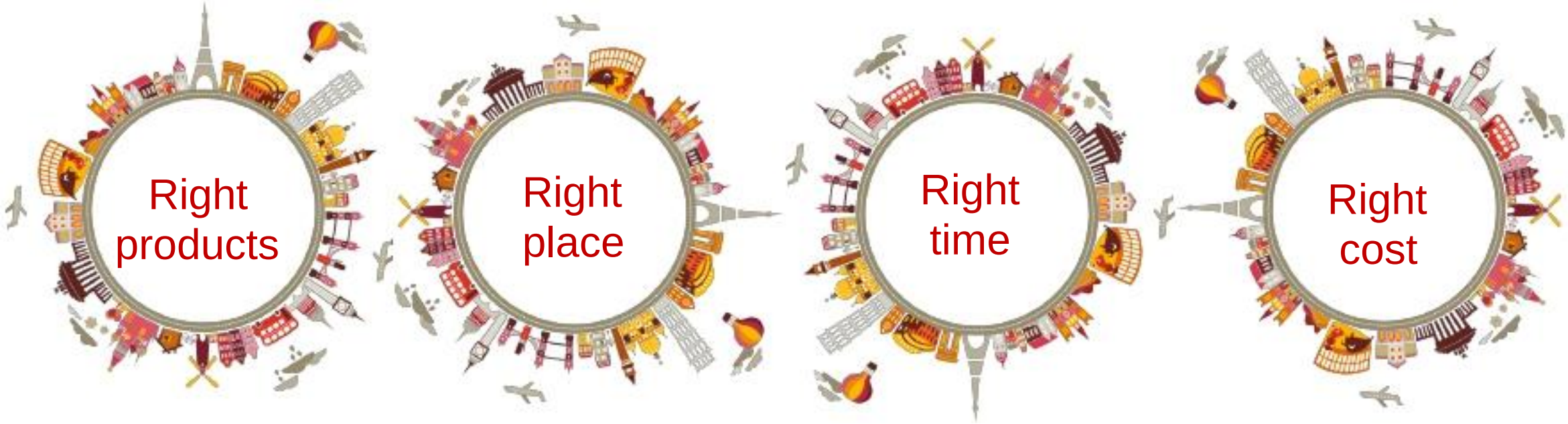
Technology

- Changing operating models enabled by technology
- New and more complex
- Data – expected growth
- Digital impacts
- Consumers using multiple connected devices
- Omnichannel to continue growth

…and these will drive substantial changes in supply chain

Consumer
& market
trends

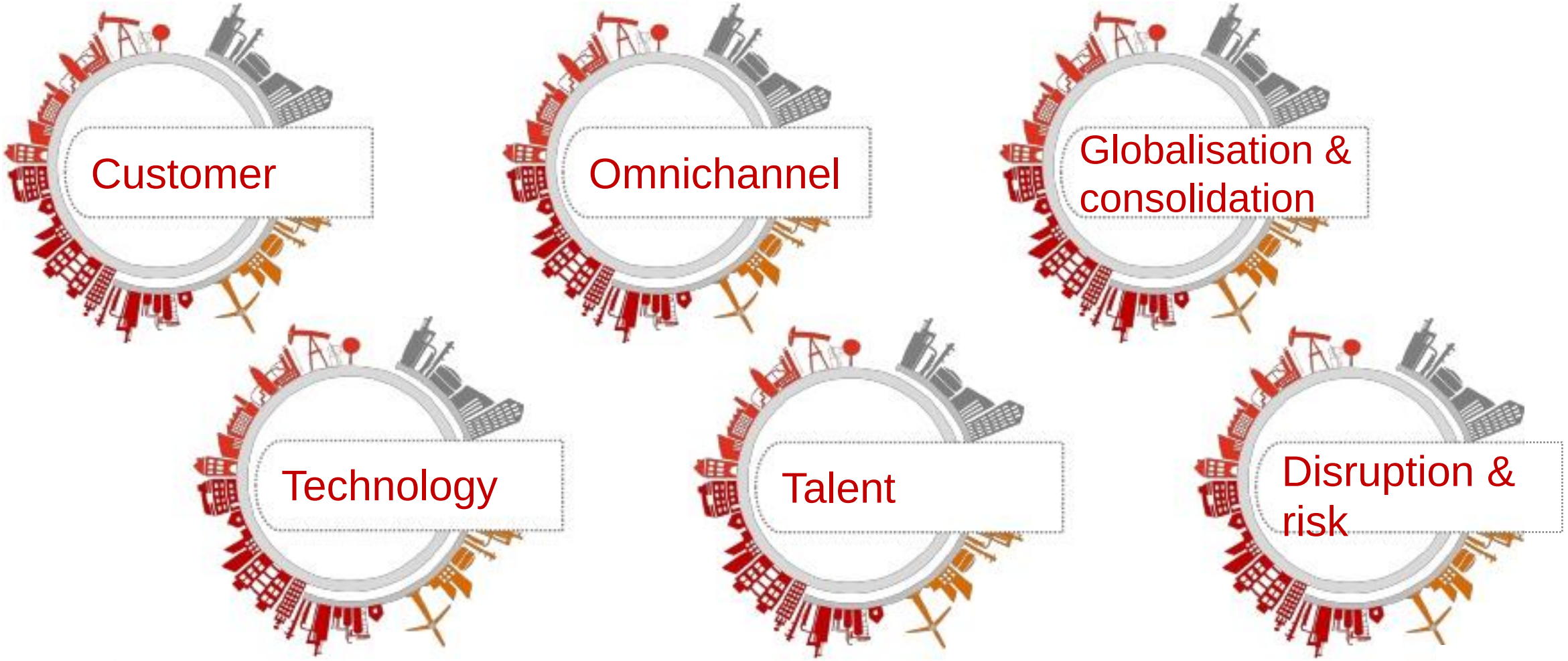
The supply chain fundamentals will not change…



…but the competitive market and operating environment will require supply chains to fundamentally change due to consumer demands, increasing length, complexity, cost and growth

Analytics
Sustainability
Transparency
Talent
& environment
Operating
Labour costs
Complexity
Sourcing
model
Technology
Automation
Customer
Risk
Internet of Things
Diversity
Costs
Collaboration & Trust
Consolidation
Government
Mobile
Consumer personalisation
Offshore/onshore
Safety
Digitisation
Big Data
Connectivity
Globalisation
Cyber security
Regulatory
Value equation
Omnichannel growth
Productivity
Social networks
Disruptive technology

Consumer and major market trends are and will continue to drive material change in future supply chains…



Customer: Everchanging, complex and promiscuous

Always connected and always on…

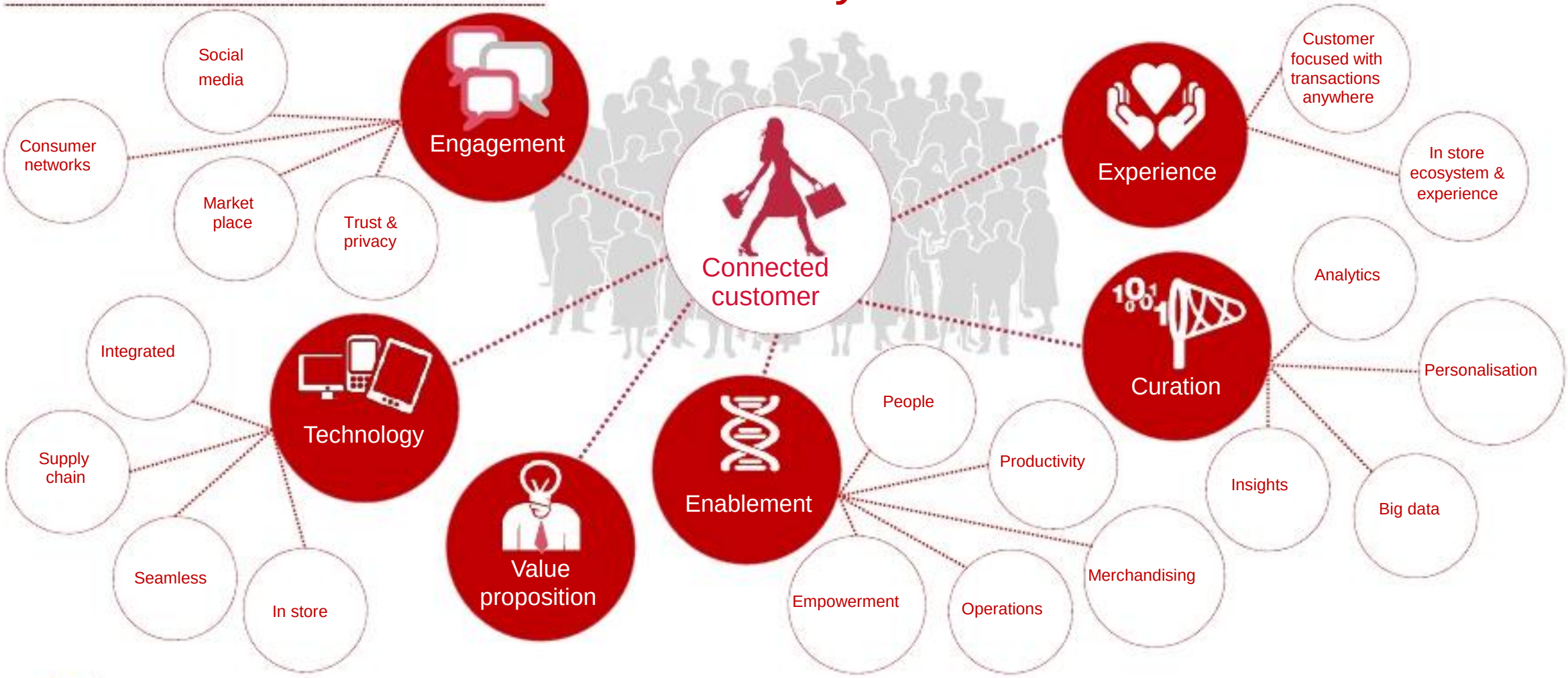
Image source: Google Images

Strong customer value propositions will continually change and be redefined

Customers now expect personalisation and curation

Image source: Company websites

Connected customers who are always on…



Source: PwC Connected Retail

The impact of this growth of omnichannel on supply chain and logistics has seen…

Greater complexity & cost to organisations due to:

- Free and time driven delivery
- Same day/one day delivery
- Multiple delivery preferences
- Returns options
- Click and collect services
- Global delivery points
- Parcel points
- Predictive purchasing
- SKU proliferation
- Order processing speed and accuracy

And this complexity will continue and require a need for:

- Inventory accuracy and visibility
- Personalisation and curation

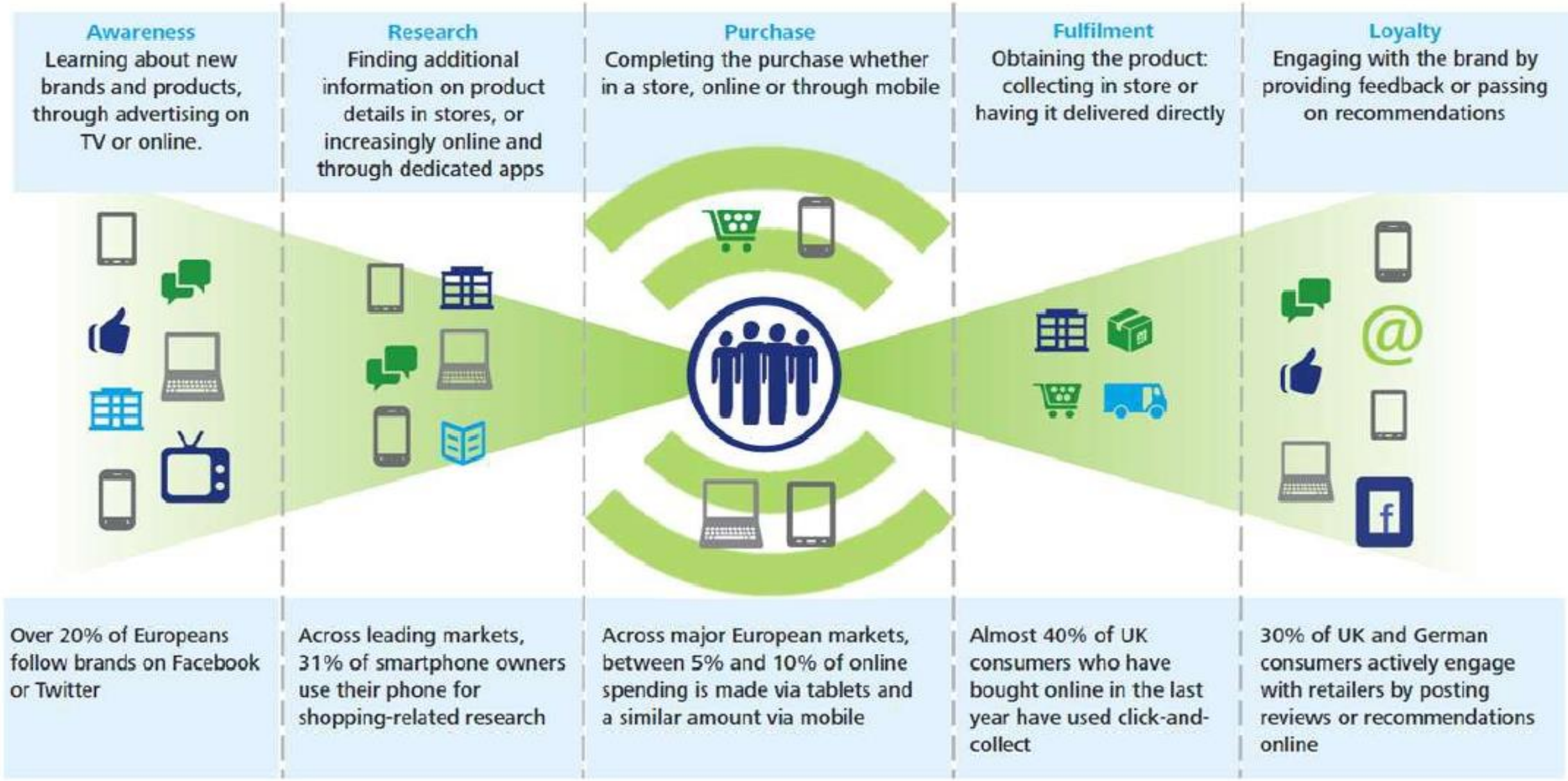
Image source: DHL, Google Images

5 FACTS about Omni-Channel

Customer Experience

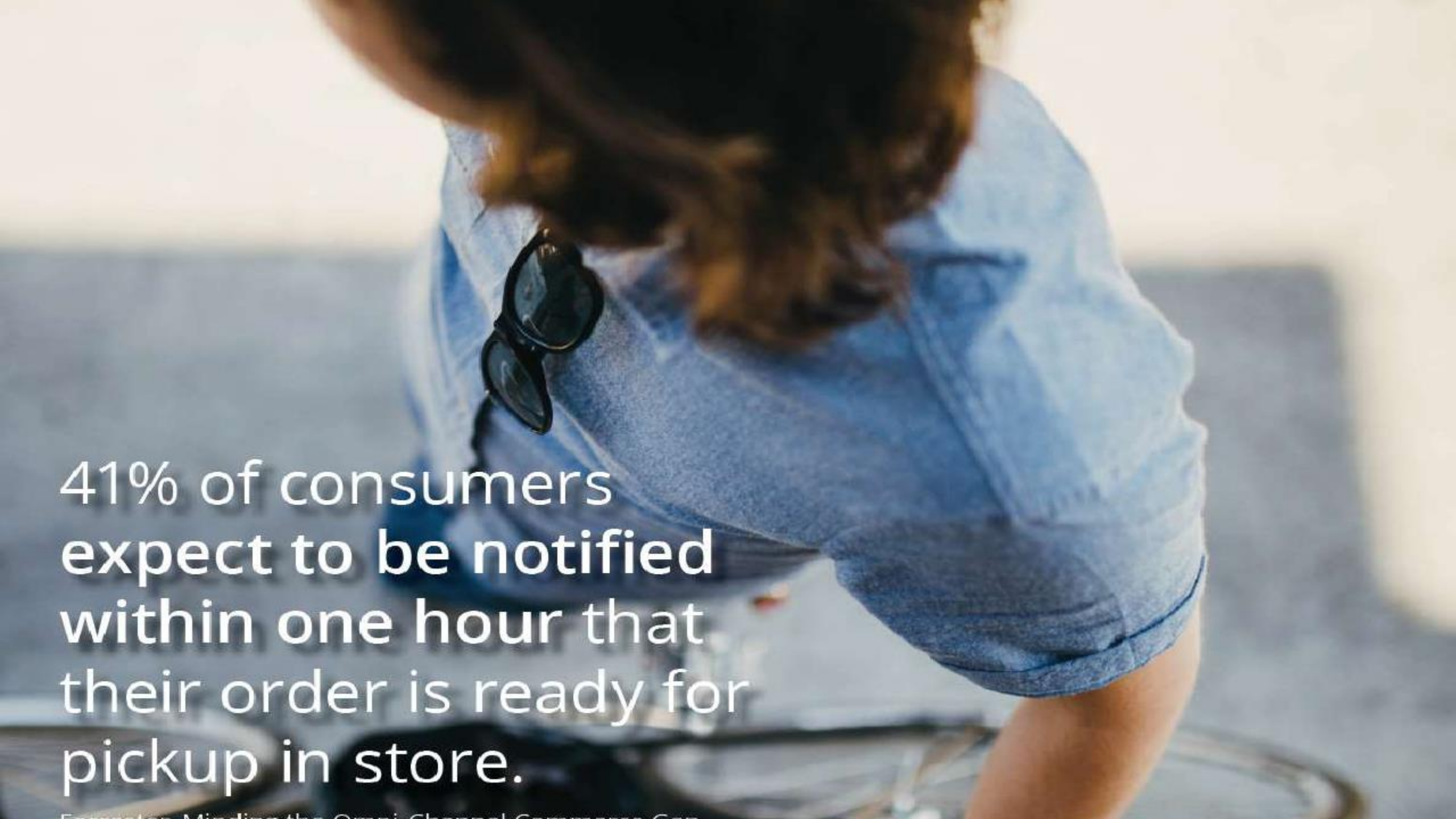
Omni-channel
shoppers spend 50% more than
single channel shoppers

Figure 6. The Omnichannel Purchase Journey



Sources: The Economist; Planet Retail; Planet Retail; Mintel; Deloitte consumer survey

23% of consumers
purchase more items
when picking up an
online order from stores.
AT Kearney, On Solid Ground

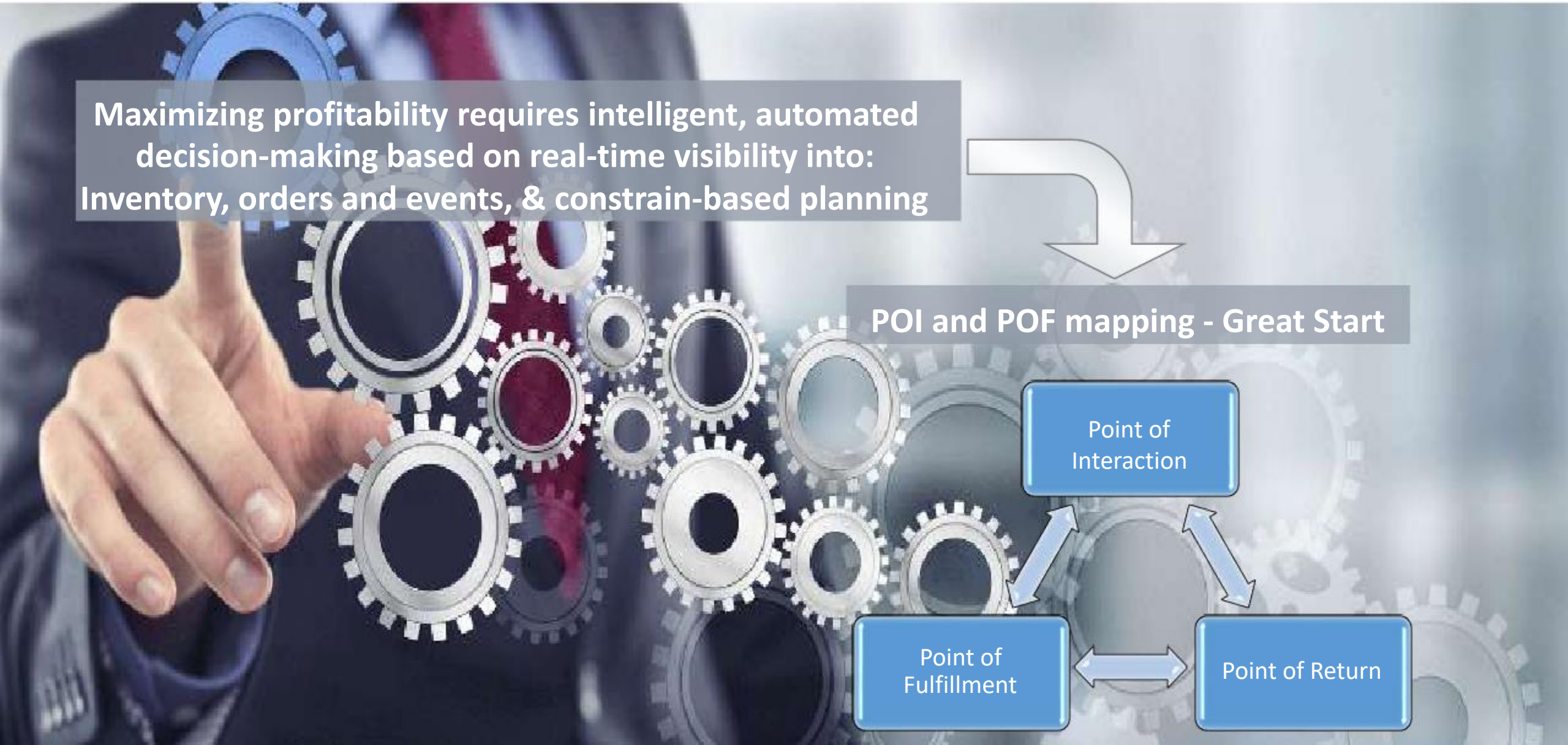

41% of consumers
expect to be notified
within one hour that
their order is ready for
pickup in store.

71% of consumers
expect to view
in-store inventory
online.
Forrester, Minding the Omni-Channel Commerce Gap

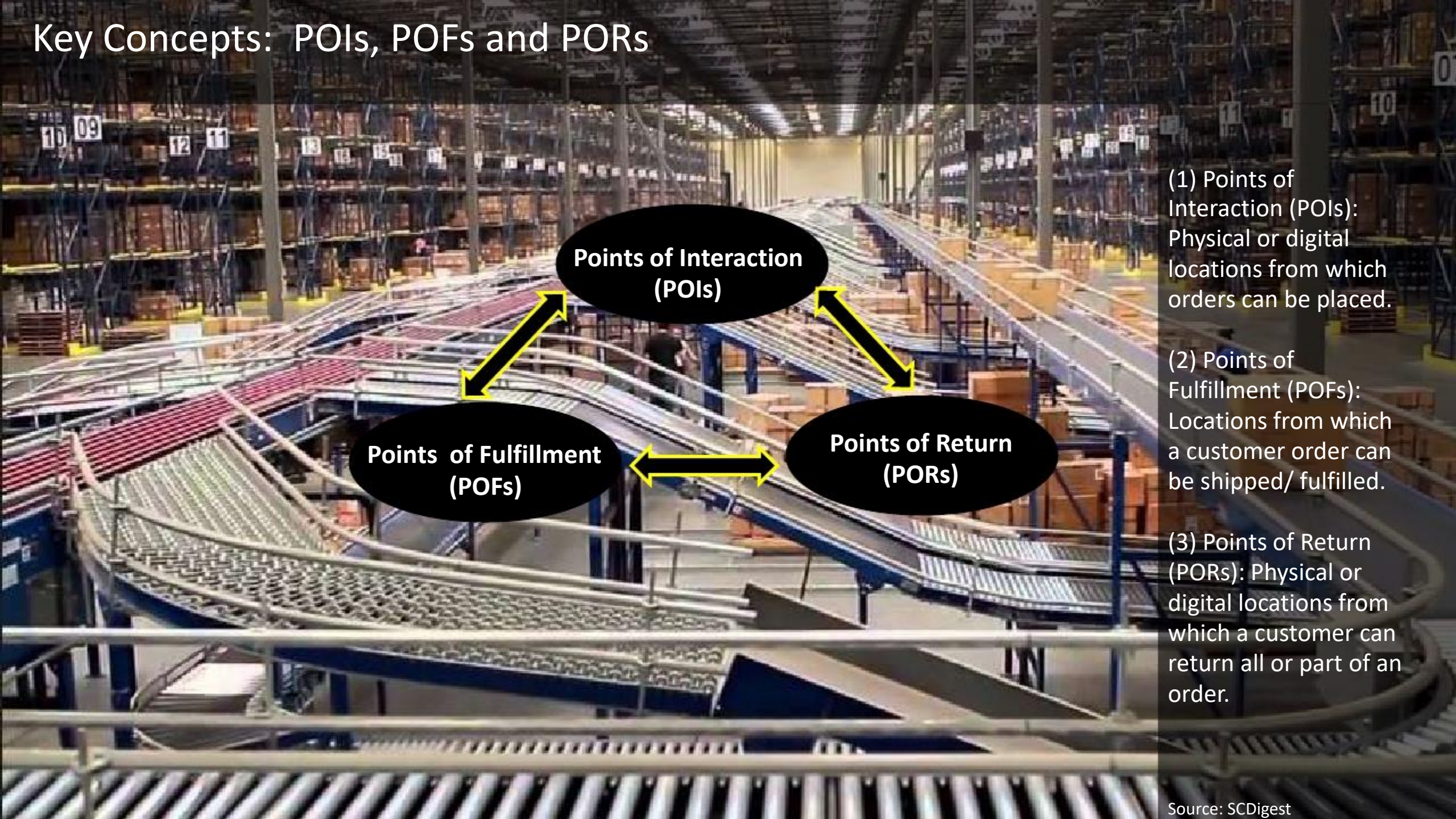
86% of consumers want more retailers to add “buy online, pickup in-store” to their arsenal of shipping methods – WD Partners report

Benefit: Customers can be re-engaged creating additional sales once they enter the store

Omni Channel Supply Chain Strategy



Key Concepts: POIs, POFs and PORs



(1) Points of Interaction (POIs): Physical or digital locations from which orders can be placed.

(2) Points of Fulfillment (POFs): Locations from which a customer order can be shipped/ fulfilled.

(3) Points of Return (PORs): Physical or digital locations from which a customer can return all or part of an order.

Source: SCDigest

Points of Interaction

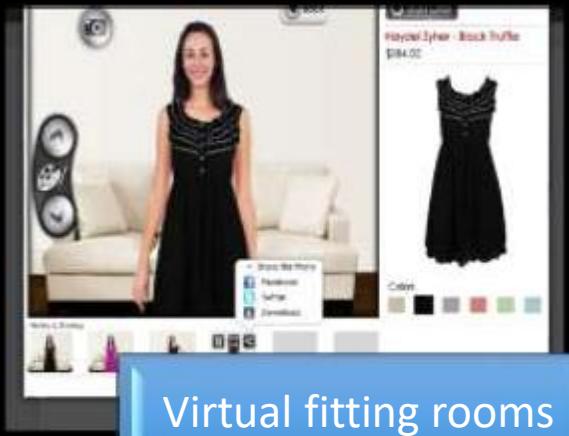
Physical

Store

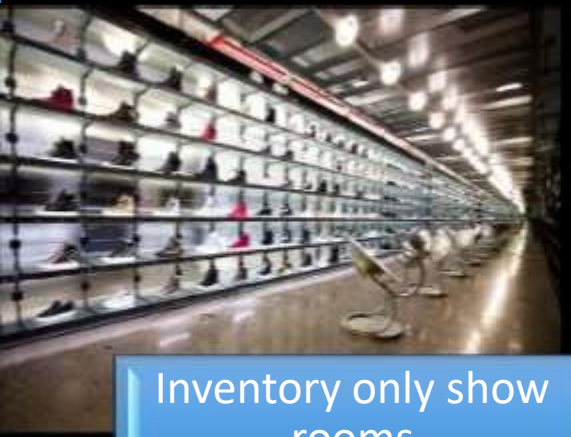
Guideshops

Virtual

Virtual reality stores



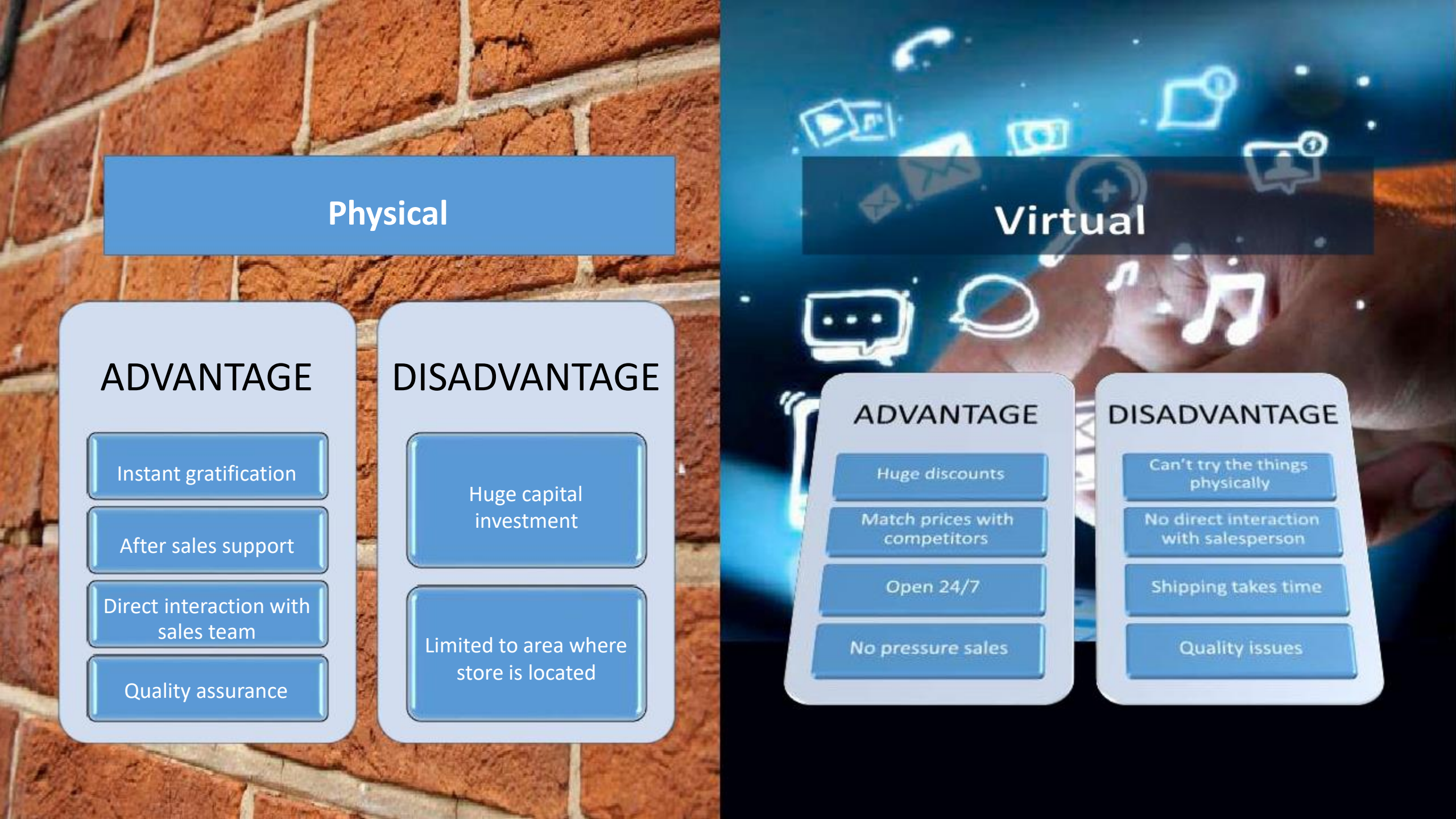
Virtual fitting rooms



Inventory only show rooms

Pop up movable store

Website


Physical
ADVANTAGE
Instant gratification
After sales support
Direct interaction with sales team
Quality assurance
DISADVANTAGE
Huge capital investment
Limited to area where store is located
Virtual
ADVANTAGE
Huge discounts
Match prices with competitors
Open 24/7
No pressure sales
DISADVANTAGE
Can't try the things physically
No direct interaction with salesperson
Shipping takes time
Quality issues

Point of Return

~~ON ONE HAND~~

~~ON THE OTHER HAND~~

By 2019 projected e-commerce sales will reach $540 Billion…Projected retail returns will be equivalent to $460 Billion

People who return….

- Buy more stuff
- Spend more money
- Feel satisfied with returning to the store

Reverse Logistics

Omni-channel strategies may also help in reducing returns.

The omni-channel experience encourages customers to utilize multiple channels to assure they’re making the right purchase

Contact with the customer after the sale is also important

Access to better information leads to better purchases and fewer returns.

Technology & Supply Chains

- Technology infrastructure and integration
- Systems integration
- Internet of Things (IoT)
- RFID
- Big data and analytics
- Cognitive insights
- Mobile and digital
- Payments
- Wearables
- Cloud

Technology: IoT & Supply Cains

- Inventory management via RFID
- Fleet & asset management
- Risk mitigation
- Health & safety
- Infrastructure sensors
- Real time routing
- Connected workforce
- Pay as you go
- Autonomous vehicles
- Predictive asset lifecycle management

Internet of Things (IoT): sensing and sense making

Successful implementation of IoT will require a clear vision, strong collaboration and trust by all stakeholders within the supply chain, standardisation of systems/components, and also the ability to invent as required.

Image source: Cisco Consulting

Technology: Automation & robotics

Image source DHL Self-driving vehicles in logistics

Technology: Beacons, Wearables, Mobile

Image source:Forbes, DHL, zdnet

Talent & Supply Chains

- Operating model changes
- Supply chain talent will require:
  - Demand, skills, image, training
- Changing needs in next 10 years will require different:
  - Leadership
  - Executives and team skills
  - Skills – technical, analytical, commercial and collaborative
- Acquire, retain and develop

What can you do?

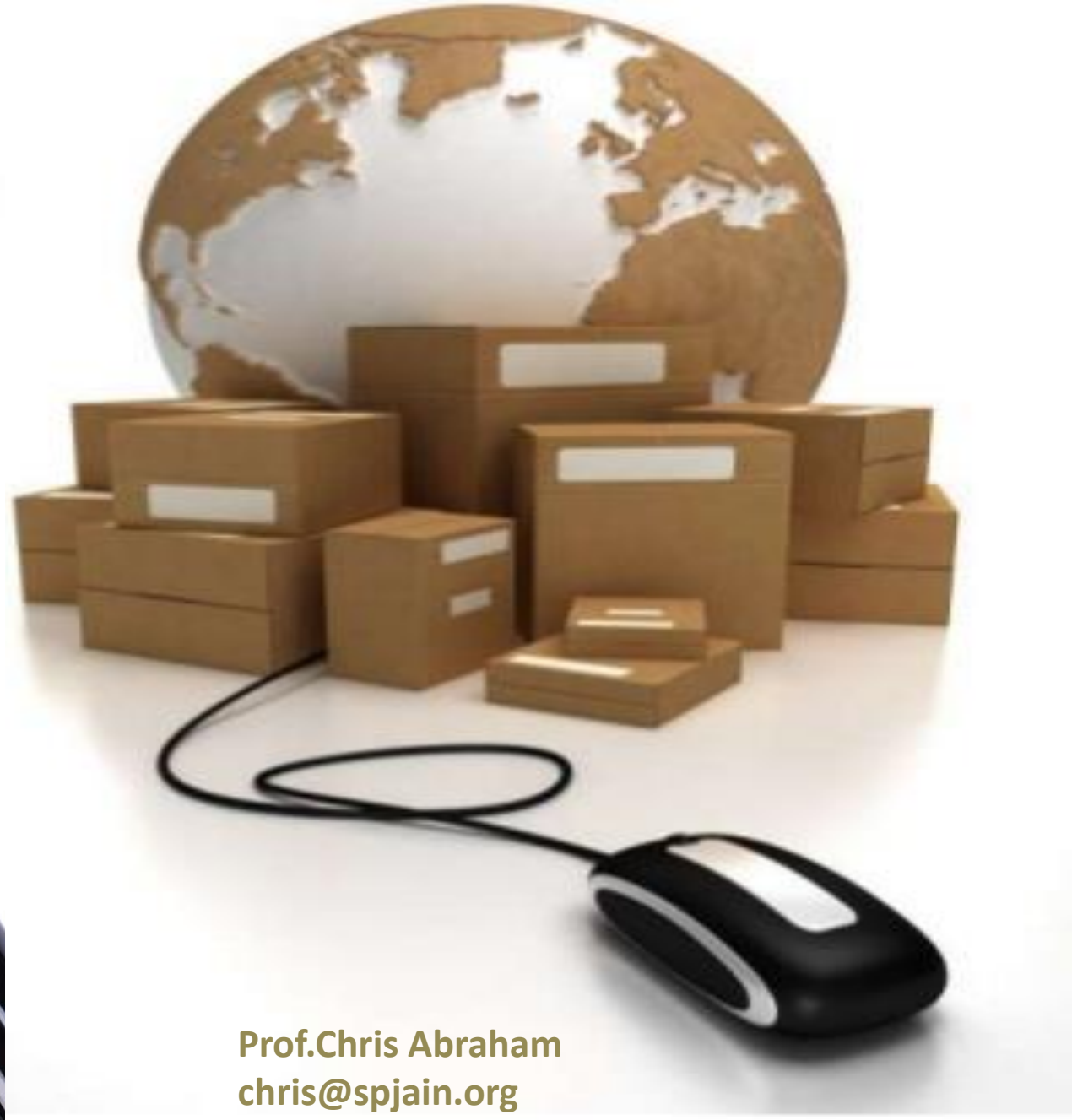
In summary, supply chains in the future will have the following characteristics…

…and will need to be agile, transparent and connected if retailers are to be efficient, competitive and relevant to their customers

…which will drive the “connected and transparent” supply chain of The future and will be built around…

Find your space to create a better future

Thank you



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