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SUPPLY CHANGE

How to transform your supply chain to
meet changing consumer expectations



A Meet the Boss ebook
in partnership with Publicis Sapient

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“We need global ambition and solutions. We must also make sure, in that journey, that we’re not missing the micro moments and experiences people will come back for”

Peter Brook
Senior Director Global
Omnichannel Solutions, Adidas



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INTRODUCTION

The way we shop was already changing, but COVID-19 compressed five years into five months. The importance of a seamless retail experience across all channels has never been clearer – and your supply chain is feeling the strain.

We met with ten supply chain and e-commerce leaders to discuss how the acceleration of omni-channel purchasing is impacting supply chain, profitability and ever-evolving customer expectations.

The answers are all here...



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CHAPTER 1:

The weakest link

A quick skim of results for the search 'retail trends 2020' returns a doom-mongers shopping list: retailers need to reduce costs and increase efficiency in a challenging market where consumer spending is being squeezed and costs are rising.

They need to invest in online, refresh core systems, and develop smarter, personalized offers. They need to rethink the role of their stores. They face increasing competition from consumer brands that want a closer connection with their consumers. They face Amazon. And then COVID-19 happened.

But reports of retail's death have been greatly exaggerated. Brilliant experiences are still curated and created every day, new channels blossom, new skills come to the fore. Supply chains may not be sexy, but they are a competitive advantage.

Shoppers today expect all of the best stores to be omnichannel, and the ability to deliver products quickly and painlessly is separating the strong from the weak. It's time to talk logistics – omnichannel logistics – and what shoppers really want: efficiency.

But first... What is standing in retail's way?



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Retailers' digital maturity

17%

INVENTORY VISIBILITY

Only 17% of retailers have full inventory visibility – including in stores in transit and in returns.

FULFILLMENT

Cost of fulfillment accounts for 9-12% of a retailer's revenue. Fulfillment costs have increased 12% over the last 12 months.

12%

WAREHOUSE AUTOMATION

Only 15% of retailers use automated packing.

Only 19% use automated picking.



RETURNS

Products ordered online are returned up to 3X as often as in brick-and-mortar stores.

Source: Publicis Sapient



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Q.What supply chain challenges are you facing in the (now pandemic accelerated) shift from brick-and-mortar to omnichannel?



KUAN YIN KNOLL

IT Director, Global Supply Chain Operations Business Solutions, Tapestry Inc.

The biggest challenge directly following the pandemic was to fulfil the volume of ecommerce orders. We are used to having our associates work with customers in the stores – now we have to shift our workforce to primarily fulfil ecommerce orders. We needed more space in the distribution centre and we needed more people trained there to pick- and-pack. And we needed to get all those things turned around quickly, globally.



MARCUS BURNS

Director of Supply Chain Global Technology, Walmart

We're going to keep learning what our customers need as this new normal continues to change. Shoppers who were hesitant to move to online pick up are going to become online shoppers long-term – and that is going to stress our supply chains, not just in this pandemic phase.

Walmart 



GUY BURGSTAHLER

Sr. Director E-Commerce Experience, Kroger

Social distancing in a fulfillment center is a difficult proposition, especially when you're in pick and pack mode. That has been another new challenge, that we never had to deal with before, and that we very quickly had to solve.

Kroger 

tapestry



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NEETU SEHGAL

VP of Global Sourcing & Supply Chain, Gap Inc.

The demand for product suddenly changed. People were buying suits and now – because of Zoom – everybody's wearing shorts. Being nimble and supplying to that demand quickly has been our biggest challenge.

GAP



HARRISON URASH

Senior Director, Supply Chain, Giant Eagle

Last mile delivery has been a strain. Companies like Uber and Shipt can't get enough people to do the deliveries, so how do you build a last mile network? Because we're probably not going back to the way things were (when 95-97% of sales came from the store). The consumer is going to want delivery and they're willing to pay a cost, but not as much as it's going to cost us to get it to them. We have to solve for that.

GIANT
EAGLE

What does the future of refunds and returns look like?

GUY BURGSTAHLER

Sr. Director E-Commerce Experience,
Kroger

Due to the pandemic, we stopped accepting returns. This is mostly for the safety of our associates. We didn't want any potentially infected goods coming back in through our fulfillment centers. Going forward, we think we're going to adopt that for the same reason, but also because of efficiencies.

Kroger

MARCUS BURNS

Director of Supply Chain Global Technology,
Walmart

I think it challenges us all to think about our ecosystems, right. How do we create a seamless experience for the consumer who wants to return her product and keep our associates safe? We have all these apps online where people can sell things on. Can they help solve that problem for the consumer? Can we offset the cost of that somehow in the supply chain?

Walmart



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CHAPTER 2:

How to change

Most retailers understand the need for supply chain transformation. There is less consensus on how successful change can be achieved. We asked our experts about what they're doing in two of the most critical areas: inventory and fulfilment.



KUAN YIN KNOLL

IT Director, Global Supply
Chain Operations Business
Solutions, Tapestry Inc.

tapestry

Q.How have you adapted your inventory distribution to respond to online growth?

We are really creating a lot of data. From the supply chain side, it's a matter of saying, okay, as we're getting this up-to-the-minute data from our customers, how do we pivot the distribution of those goods on order to the right place at the right time?

In my opinion, not enough resources have been invested in the supply chain space, in terms of analytics and the Internet of Things, to help us, as supply chain leaders, leverage all the data out there – whether it's the metals markets, the raw material markets, the weather, etc. A lot of supply chain leaders are still looking at and curating that information manually on a daily basis, and we cannot ingest it like that, especially being so global now.

Supply chain analytics, supported by machine learning and IoT, could provide current and projected updates in minutes. Compared to leaders reading hundreds of articles and applying their learning manually to their business decisions.



MARCUS BURNS

Director of Supply Chain
Global Technology, Walmart



With brick-and-mortar we have a shared inventory, because everything lands in a space.

But when you go up a level, you don't have that shared inventory. Your distribution centers are siloed. And for us it's been trying to find that opportunity because, while Walmart is one company, a lot of our customers are in a Sam's Club as often as they are in a Walmart.

How can you create an experience where they can get both in the same shipment? It starts with having an inventory, but it's dependent upon end-to-end visibility and a lot of that is enabled by digital communication, if you can see it from on the water, from your suppliers, etc. One thing we're hoping comes out of this is deeper partnerships with our suppliers and having that visibility. Because that's critical to meeting customer demand.



GUY BURGSTAHLER

Sr. Director E-Commerce
Experience, Kroger



At Kroger, four groups – site experience, marketing, merchandising and supply chain – have always talked, but it's so much more important now because the lead times to get products have changed, the products that are available have changed, the need to discount or promote is changed. And a new business unit has been added to the mix: customer service.

We're relying much more on customer service to engage with the other business units and share with us what they're hearing from customers, both on the complaint and the recognition and reward side, and really drive into that level of analytics that are not algorithm-based, that are more person-based, to understand where the needs and opportunities are.

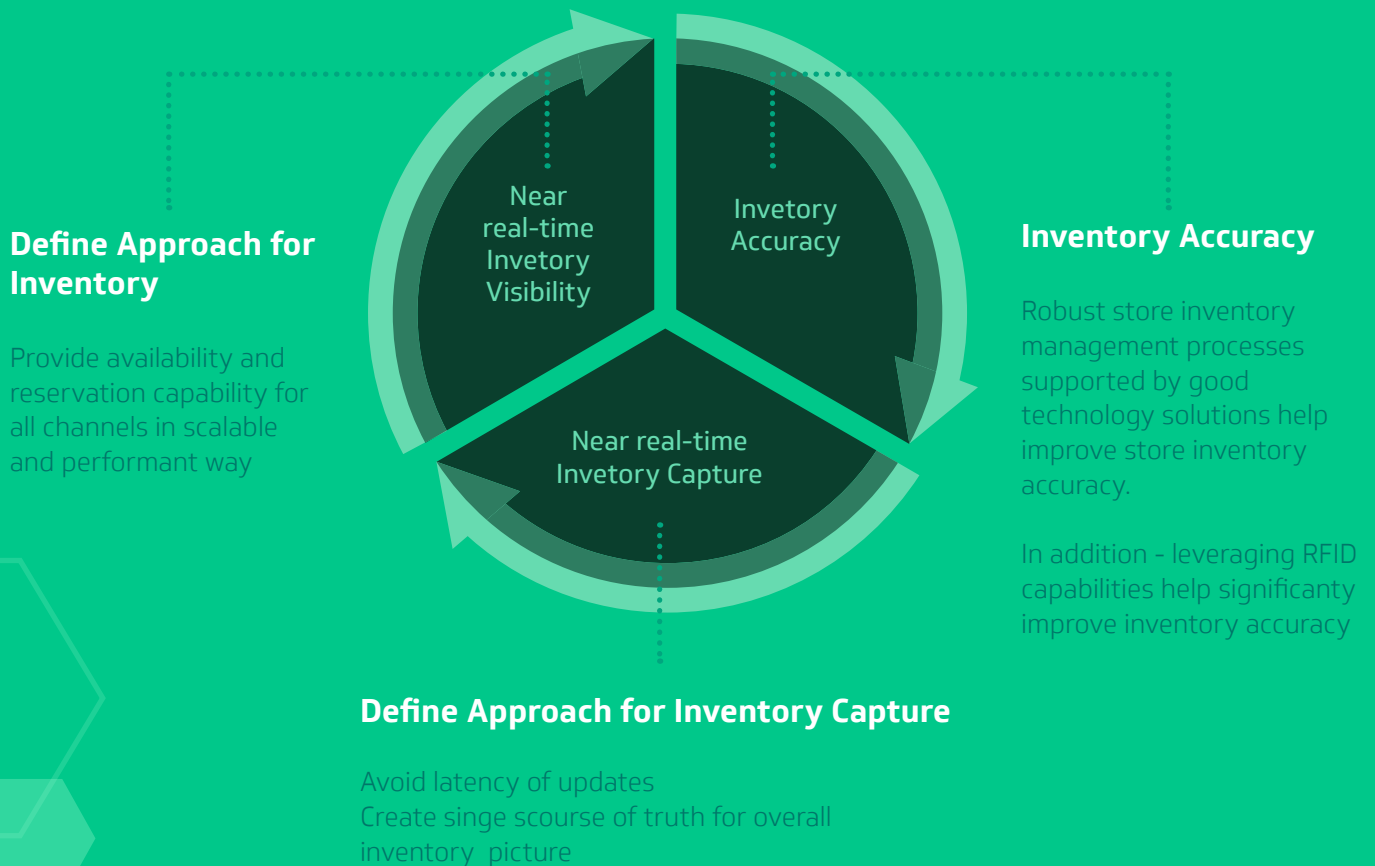
**Opening up those communication lines,
becoming much more transparent,
is a real opportunity.**



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Publicis Sapient approach for global inventory visibility



This global inventory visibility solution drives significant business benefits...

- Better customer experience
- Increase conversion rates
- Reduce safety stock and carrying costs, and increase inventory turns
- Reduce stock outs
- Reduce mark downs



Q. What steps have you taken to optimize your fulfillment, from customer promise to delivery?



STEVEN D. SMITH

Assoc. Vice President,
L Brands

We've even talked about doing some dark stores where you could do fulfillment, either to replenish a brick-and-mortar store or to supplement ecommerce.

I think the food and hospitality industries are probably a few years ahead of us, but it's the same concept – the space can be anywhere. That gives you a lot of agility.

Lbrands



DAVE PHILLIPS

Director, eCommerce Operations,
Barnes & Noble

We have been rolling out new order sourcing logic to different aspects of our business over the last several months, and the last piece of the puzzle was on the ecommerce platform. This helps us find the most profitable place to fulfill from.

Always be mindful of site performance and the platform that you operate from, because if you're going to utilize your inventory placement to determine something like your promise date, the platform you work off and your site's feed must be highly efficient to ensure you don't degrade the customer experience while they're still shopping.

BARNES & NOBLE



MARCUS BURNS

Director of Supply Chain Global
Technology, Walmart

Delivering on our customer promise, to me, is all about establishing trust. And the two fastest ways to erode that trust are poor visibility and poor reliability. That's why we've optimized our focus on the last mile delivery, which is traditionally where supply chains ended. Now our supply chain goes all the way to somebody's trunk or doorstep.

To feel good and to have that trust, consumers want to know where their items are at all times throughout the supply chain. They want to know that they're going to get what they need when they need it.

Walmart ✱



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Supply chain transformation

For most retailers, meeting the promise of fast, free, convenient, personalized and safe delivery is a daily challenge. To solve it, they take a team approach. But what if this solution is also part of the problem?

Retailers have traditionally taken a team approach to the problem of supply chain optimization. One team may be focused on delivering the best possible customer experience, such as convenient online transactions and seamless experiences across multi-channel touchpoints. A second team may be responsible for planning order fulfillment across the retailer's network of fulfillment centers (e.g., stores and warehouses), and a third team may be focused on the actual fulfillment process. Yet another team may handle the actual shipping plan and last-mile delivery.

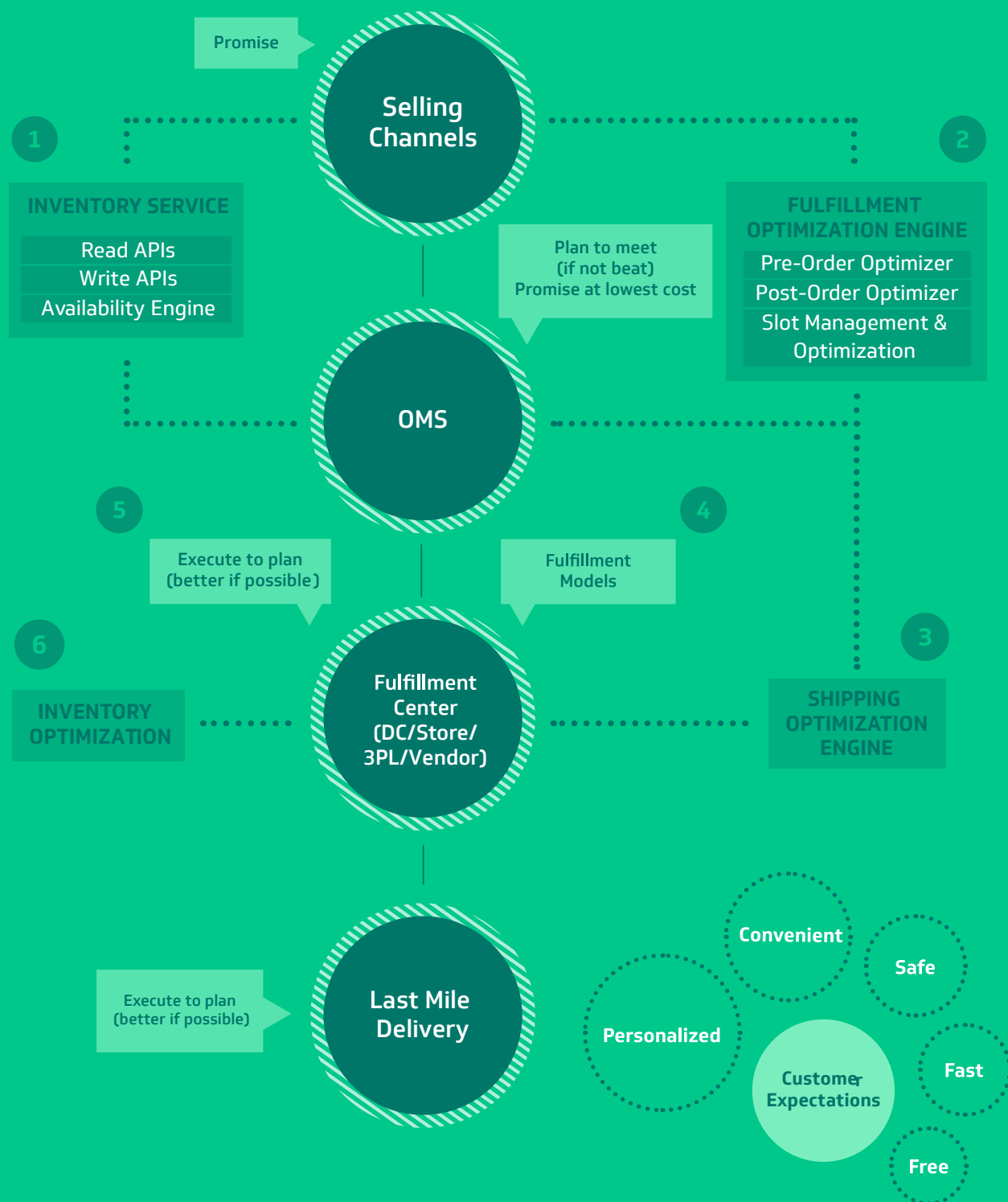
This siloed approach to the supply chain is anything but optimal. Instead, it can lead to delayed shipping, stock outs, and higher-than-expected shipping costs – broken promises and lost revenue.

When retailers have limited visibility into the supply chain process, so do their customers, which can result in negative experiences. Those experiences have a direct effect on revenue, as more than half of all customers (54%) report that clear, accurate order tracking is a key factor in their purchasing decisions.

To meet customer expectations and compete with supply chain superstars like Amazon, retailers need to start with end-to-end visibility across their entire supply chain, from initial order to the last mile of delivery – unifying the six key components of a complete retail supply chain: inventory services, fulfillment optimization (including pre-order optimization, post-order optimization, and slot management/optimization), shipping optimization, fulfillment models, and last-mile delivery and inventory optimization.



Publicis Sapient's Promise-to-Delivery Solution Framework takes an end-to-end view, unifying six key components of the complete retail supply chain.



CHAPTER 3:

How to win

Optimize for the short-term, focus on the customer, and seize this opportunity to drive your digital agenda – because that particular genie is never going back in the bottle.

The way we shop was already changing, but COVID-19 has compressed five years of gradual transition into five months of adapting and learning on the fly.

So, what is working?

Our supply chain leaders agree that, whilst optimizing for the short term is key (you have to maintain your brand presence), what's most important is using this opportunity to build on your relationship with your customer.

Peter Brook is the Senior Director Global Omnichannel Solutions with Adidas. He says that supply chains play an increasingly important role as they become both more visible and closer to the customer. 'We definitely see a

difference in our NPS (Net Promoter Score) where we have made a delivery promise that is realistic – even if it's longer than normal. And that's driving a lot of conversation about how we get even more proactive in terms of accurate delivery promises across the entire supply network.'

Nothing frustrates customers more than not knowing. Of course, you don't want to bombard them with constant updates – but you do want to offer good, accurate information that allows you to meet, and maybe even exceed, expectations. Our panel believes that's important for ecommerce now, and can even see it adding something to in-store experience in the future.

“The holy grail is radical transparency, end-to-end, everywhere in the value chain.”

Peter Brook
Adidas



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While every situation is unique, there are three key areas that nearly all retailers can benefit from as it relates to supply chain optimization:



1.Demand planning & inventory optimization

How to enable growth and optimize costs through more precise demand and inventory predictions.



2.Fulfillment optimization

How to drive faster and more expansive fulfillment.



3>Returns optimization

How to rethink models to deliver a circular economy.



Publicis Sapient supply chain optimization framework:



In a nutshell...

We asked our roundtable of supply chain leaders for their key takeaways from the conversation. Here are the top three.



PETER BROOK

Senior Director Global Omni-channel Solutions, Adidas

We need global ambition and solutions. We must also make sure, in that journey, that we're not missing the micro moments and experiences people will come back for.



MARCUS BURNS

Director of Supply Chain Global Technology, Walmart

Shoppers who were hesitant to move online are going to become online shoppers long-term. We need to change our way of working to make sure we can compete on end-to-end experience.



SATYENDRA PAL

Vice President, North America Omni Fulfillment Practice, Publicis Sapient

Customer experience is vital. Where is the customer communication and visibility across your supply chain?



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