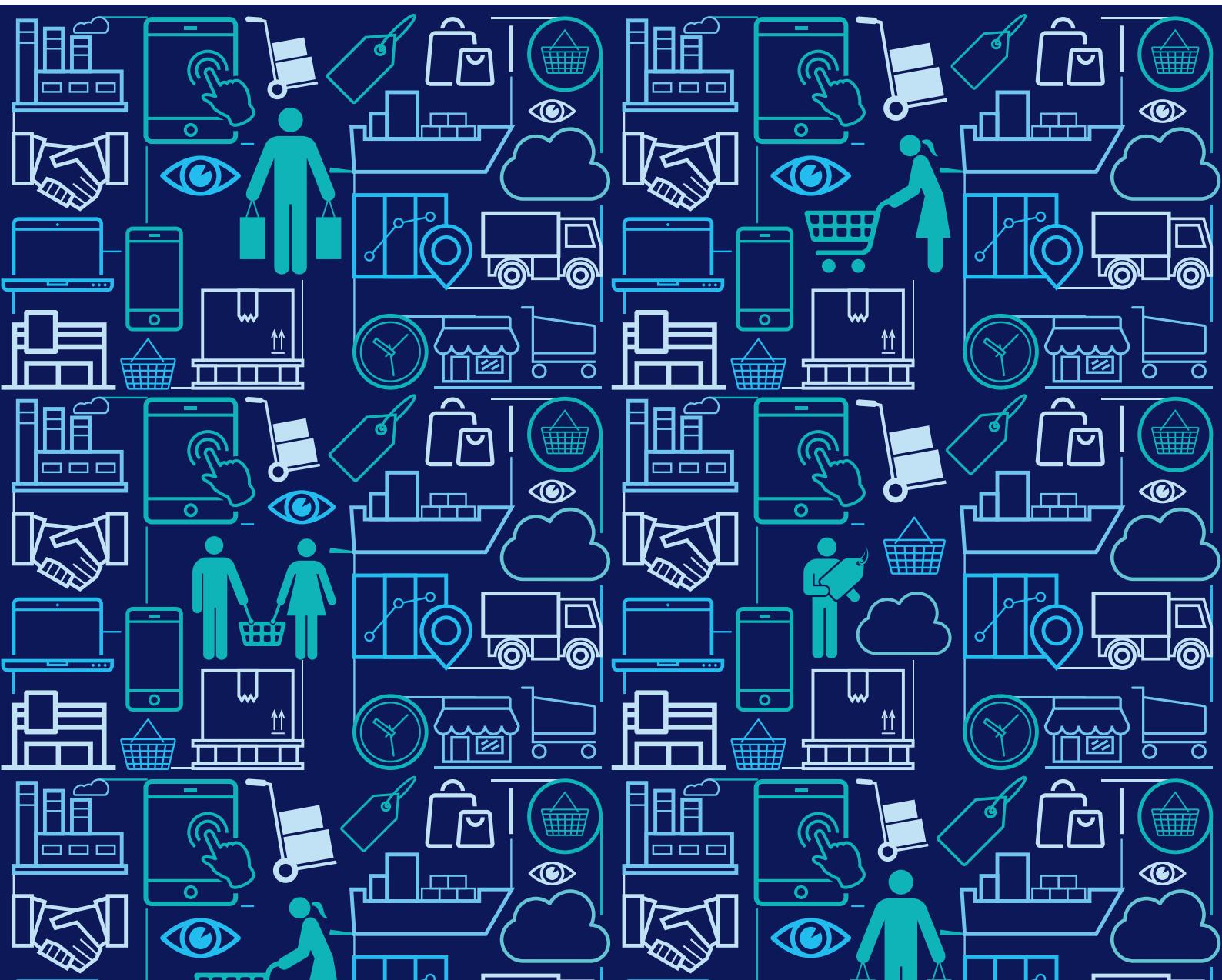


Delivering The Perfect Order

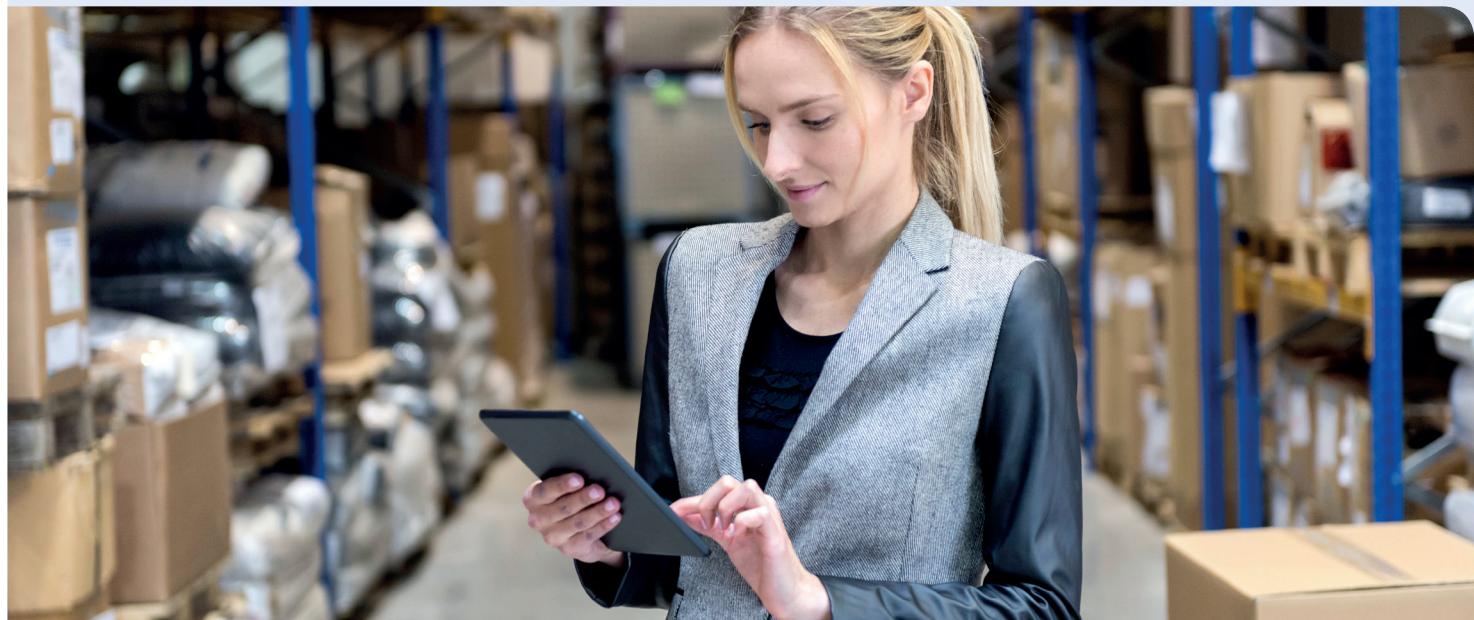
Placing customer demand at the heart of your transformed supply chain



Introduction



Supply chain transformation has turned out to be a lot harder to deliver than anyone thought, and many retailers are watching their original goals slip away, in a continually changing retail environment. Here we show what it takes to deliver the perfect order.



Three or more years ago, it was all so simple – as long as retailers committed to digitally transform and follow a timetable, they would eventually be perfectly structured to meet the needs of the new consumer. Now, the dream of the perfect order, where retailer, supplier and carrier are in perfect and profitable harmony around customer demand, remains just that.

First of all, many retailers turned out to be unwilling or unable to endure the relatively short-term pain of transformation in order to achieve the long-term cost savings and efficiencies associated with achieving the perfect order. Others simply did not expect the goalposts to

move quite so much, and put in systems and processes with limited flexibility. Some retailers proceeded at a very different pace, dictated by their culture, current status, market position and of course, cost. While a number of retailers simply rolled with the punches and tried to keep up but without making any significant changes.

Of course, not all retailers need to proceed at the same pace to achieve supply chain transformation in pursuit of the perfect order. However, we want to show that it is possible to build a supply chain that can deliver the perfect order, one that satisfies the needs of all parties.



What is the perfect order?



The ultimate aim of a fully transformed retail supply chain is to deliver the perfect order. Here are six key characteristics of a successfully transformed retail supply chain.

- 1 **Full visibility** the length of the supply chain. Retailer and suppliers have a real-time view of customer demand, can monitor supply chain performance and can adjust ordering in real time accordingly.
- 2 **Full internal and external collaboration** for retailer and supplier, optimising supply chain ordering and flow.
- 3 **Digitised and automated processes** increasing efficiency and generating data that can be analysed to find further efficiency.
- 4 **Single view** of customer, stock and order.
- 5 **Full product traceability.** Ensuring product transparency and compliance.
- 6 **Supply chain ordering** processes driven by real-time retail consumer demand, not forecast.



\$300bn
– the global cost
of poor supply
chain visibility
(Stanford University)

Profits increase as Morrisons automates

UK supermarket chain Morrisons reported a 39.9% increase in pre-tax profits in 2017, and attributed some of this success to its ongoing transformation programme.

The retailer has automated in-store ordering and administration (including automating price reductions, and the introduction of a price-checking app) and distribution between manufacturing and retail.

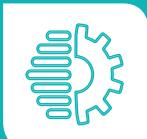
The retailer is also introducing increased automation into its warehouse management system, and says it expects this to improve its forecasting and demand planning.



“ Transformation means mobilising and coordinating people, processes, partners and technologies to dramatically improve supply chain performance” Gartner



The importance of delivering supply chain transformation



Consider the predicament of traditional retailers, working against the major sector disruptors such as Amazon, Asos and Alibaba, whose supply chains are founded on transformational technology and processes. For these disruptors, the supply chain, their end-to-end view of it and the data they automatically harvest is the beating heart of their business.

Their new customer-centric processes, which focus on demand and prediction rather than supply and forecast, have changed the face of the retail supply chain forever.



Customer-centric

Customers now expect an excellent, speedy and personalised service as standard whether they shop online, in-store or in combination the two. Their focus is the product. A fractured customer experience as the result of a retailer's siloed internal processes and legacy IT systems will simply result in lost sales and permanently alienated customers.

A transformed supply chain doesn't just result in contented customers. With retail margins ever more challenging, transformation unlocks efficiencies and value which can contribute significantly to the bottom line. Retailers ignore these compelling opportunities to gain a competitive advantage at their peril.



Emerging technologies

Investment in digital solutions is on most executive agendas and includes investments in cloud computing, supply chain visibility platforms/tools, big data analytics and a number of new and emerging technologies across all phases of the customer journey.

However, to be truly transformational this digital investment needs to be part of a wider, holistic plan encompassing and unifying the full length of the fractured supply chain.

The end goal, the retail nirvana of continually achieving the perfect order across the supply chain, is still very much aspirational. However, sector disruptors are significantly ahead of the pack and without action their lead could become unassailable.



Challenging the disruptors



Retailers are increasingly rising to the challenge and adopting transformational technology in order to transform their supply chains and catch up with sector disruptors. For example:

- Supermarket chain **Morrisons** has passed three years of sales and weather data for all **491** of its stores to AI provider Blue Yonder so it can predict stock requirements. During a trial, AI cut Morrisons' stock-outs by **30%**.
- High street chemist **Boots** has adopted a cloud service that enables store colleagues to check stock availability across the company using an iPad.
- Supermarket chain **Tesco**, a long-time technology and data pioneer, has up to 50 projects underway at any one time within its Labs division.

During a trial, AI cut Morrisons' stock-outs by **30%**.



19% - the level of operating margin uplift enjoyed by retailers adopting data analytics in their supply chains during the last five years.

(McKinsey)



A supply chain shock can hit brand share price to the tune of 6-12%.

Internal factors complicating supply chain transformation



Today, supply chains are still mostly analogue and transactional rather than value-based. The focus remains stubbornly, and almost exclusively, on order, delivery and invoice. Collaboration between retailer and supplier starts and finishes with the shared ambition of achieving a snapshot transaction to the detriment of the whole value chain.

Complex transactional data sets are rooted in the last millennia - paper-based or shared using tools such as Excel and email, which must be reconciled by multiple parties at multiple points in time. With no single shared digital view of the supply chain, data and labour are duplicated needlessly.

This inefficient, fractured and siloed process comes with a huge cost to brands. Recent estimates of disruption and lack of visibility in the supply chain are around **\$300bn** globally, according to Stanford University research. Furthermore, in an economy driven by trust, a supply chain shock can hit brand share price to the tune of **6-12%**.



Procure to pay – automation is the vital first step



Achieving a single, standardised and automated view of the 'procure to pay' process is a key internal challenge. Too much time, effort and cost is currently wasted on low-confidence, non-standardised, paper and manual processes.

According to Zebra's 2017 Retail Vision Study, superior omnichannel support requires **90%** inventory accuracy. As a result, inventory accuracy is more critical than ever as products from both bricks-and-mortar and digital channels flow through the retail supply pipeline. Here are just some of the ways retailers are overcoming the challenges of automation and standardisation to improve their bottom line:



Advance shipping notices

Advance shipping notices (ASN), which provide detailed information about pending deliveries have still not been adopted by significant segments of the retail sector.

ASNs can be generated and issued automatically in a digital format to improve confidence in deliveries and as such they help retailers reduce their stock on premises and identify stock-outs early.



eInvoicing

Invoicing (including compliant cross-border invoicing) is another area ripe for digitisation and automation.

Automated invoicing solutions provide a detailed and standardised online payment schedule and automatically reconcile each payment along with flagging pending issues.

The appeal of e-invoicing platforms can be traced to the acceleration of retail supply chains, growing pressure to meet financial objectives and growing awareness of integrating financial data with information about production, transportation, sales and other key activities.

“ 90% - the level of inventory accuracy required for omnichannel retail



Automated exception processes

Connected systems that provide access to real-time supply chain information enable any interruption, issue or unexpected change to be automatically flagged to a manager who can intervene, assess the issue, and immediately correct it.

Implementing exception management processes and best practices makes sense to anyone that's been involved in making sure a product gets from A to Z. Better information helps make better decisions – and without that information, expensive problems can persist and go unsolved.



Cross docking

Armed with a single standardised and automated view of their supply chain, parties within the retail supply chain can confidently adopt money-saving strategies such as cross docking.

Direct trans-shipment of products to stores on an on-demand basis – instead of delivery from stock – can reduce manual labour by as much as **50%** and achieve **100%** accurate deliveries, while ensuring products get to customers faster.

Shipment tracking can also be built into the process, making the supply chain more visible. Automation also means the overall cross-docking operation can be effectively monitored and managed.



Drop-ship

Supply chain digitisation also enables the retailer to quickly and simply transfer customer orders and shipment details to either the manufacturer, another retailer, or a wholesaler, who then ships the goods directly to the customer. This is a practise known as drop-shipping.

The retailer may decide to do this if they run out of stock but want to keep fulfilling customer orders or if they do not want to keep an item in their warehouse for some other reason.

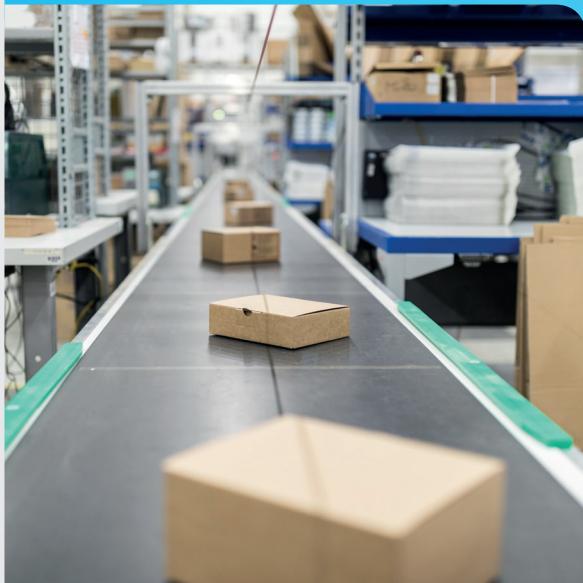




Supply chain disruption: how big is the problem?

Supply chain visibility is a major issue for all sectors, not just retail.

- 41% of supply disruptions occur at tier one suppliers
- Two in five companies do not analyse the original cause of supply chain disruptions
- 70% of companies experienced disruptions in the past 12 months.



The three main causes of supply chain disruption are:



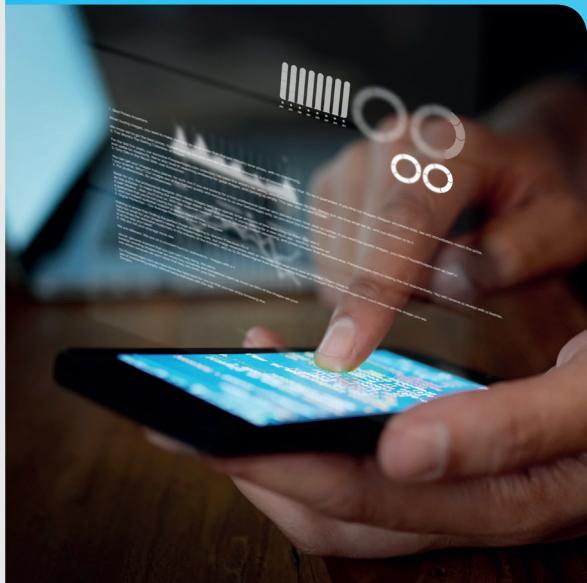
Unplanned IT and telecommunications outage (60%)



Loss of talent or skills (45%)



Cyber attack and data breaches (39%)





External factors complicating supply chain transformation



The pursuit of the perfect order is anything but straightforward. A diverse range of external challenges stand in the way of successful supply chain transformation.

The ultimate external challenge facing retailers is to ensure their supply chain becomes truly demand-driven. This enables a 'pull' business model in which all supply chain activities are focused on consumer demand, fulfilling their expectations and delivering a truly responsive, personalised service.

With this approach, retailers and consumer products companies can better read and react to real-time customer purchases and can achieve better accuracy and control over inventory and improved success in merchandising.

Consumer expectations should drive a transformed supply chain. This includes their demands for individual personalisation, customisation and quality at the lowest cost, to name but a few.

The transformed supply chain should also be able to cope with the increasingly compressed lifecycle of products – for example increasingly perishable fashions that remain on-trend for weeks rather than months or years.

It should also take the omnichannel retail model in its stride, switching from store to online as the customer dictates.

Where is your organisation on the supply chain transformation journey?

Supply chain transformation in complex omnichannel retail organisations is rarely a set of linear steps, however, here are four questions organisation should be asking themselves.



Are you transaction-focused, with low supplier collaboration, manual processes and poor visibility?



Are you working towards a single, standardised and automated view of 'procure to pay'?



Are you developing systems to capture data to ensure clear, real-time visibility of supply chains?



Are you enlisting transformational technology to harness data and create a demand-driven supply chains?



Ten major benefits of supply chain transformation:

- 1 Increased responsiveness.** Improved supply chain visibility means it is possible to identify delays, slowdowns or changing trends – so supply can be adjusted before the bottom line is affected.
- 2 Real-time inventory tracking.** Tracking inbound and outbound inventory in real-time enables organisations to follow where and when inventory will arrive – this increases efficiency and gives organisations an opportunity to react to issues.
- 3 Proactive problem solving.** Real-time information makes it easier to identify, prevent and fix inefficient processes as they're happening, rather than months after the fact.
- 4 Excellent final mile experience.** Real-time information enables retailers to keep online customers continually informed on the delivery time of their order.
- 5 Enhanced planning capability.** The connection of data sources means that organisations can collect, sort and analyse data better than before. This means they can create more accurate forecasts and plan for different scenarios.
- 6 Greater collaboration.** Thanks to digitisation, there's a greater opportunity to share data along the supply chain. This increases collaboration on important initiatives.
- 7 Improved supplier relationships.** Digitising invoices and payments reduces costs and makes it easier to pay suppliers on time, improving supplier relationships and reducing supplier turnover.
- 8 Superior data retention and security.** Data on all interactions, including invoice timing, approval status and past payments, can be stored for future reference. This eliminates wasted time and money searching for proof of payment.
- 9 Greater organisational insight.** Data can provide unparalleled insights into the strengths and weaknesses of a company and its supplier relationships. For example, historical data on the timing and holdups of each step of the payment approval process can help an organisation pinpoint and correct bottlenecks in the system.
- 10 Improved security.** Digital systems, especially those stored on the cloud, keep sensitive information more secure than traditional databases and paper-based systems.



Rising to the challenge of supply chain transformation



In many ways, digitisation and real-time visibility lie at the heart of supply chain transformation. Retail sector organisations that have engineered systems to ensure clear, real-time visibility of their supply chains will benefit from a significant competitive advantage over their peers, and meet the demands of the modern omnichannel consumer.

This requirement for visibility extends the full length of the supply chain – from the manufacturer and supplier to retailer and customer and every step in between.

The first and arguably the most important step is to achieve real-time visibility of your own internal processes, wherever you fit in the supply chain.

AI can balance and optimise inventory in real time without sacrificing supply chain transparency to reduce lost sales due to product unavailability by up to 65%, and to reduce inventory by 20-50%.



For retailers, supply chain visibility should ideally mean the discipline and practice of capturing:

- Data related to materials (items or SKUs for sale or components for assembly/production from vendors and suppliers)
- Capital (accounts receivable, payable, cost of capital)
- Organisational information (demand forecasts, actual sales, margins, BOM, production capacity, distribution capability).

The process of capturing these components is relatively straight forward compared to the process of analysing the raw data and transforming it into intelligence which can enable business decision making.

Digitisation is the key to real-time supply chain visualisation. Digital tools can help make visualisation a reality, while technologies such as data analytics and artificial intelligence enable retailers to make sense of the massive amounts of raw data they generate, identify trends and patterns before forming effective retail decisions.

Digitisation creates systems and processes to collect accurate and robust data across the supply chain. Similarly, each of the following technologies has powerful transformative capabilities in isolation, but when they are used in conjunction their power is amplified.



Cloud computing

Cloud computing solutions, for example, have key capabilities that make them ideal tools to enable supply chain visibility.

Run-anywhere: armed with a mobile device, a readily available app and a password, colleagues anywhere in an organisation located anywhere in the world can access business critical supply chain systems.

Always up-to-date data: Forget the laborious and insecure process of emailing spreadsheets, cloud computing provides access to one single, real time view of supply chain data – eliminating fears about document version control.

Quicker and cheaper to update systems: the automatic scalability of cloud computing systems means supply chain innovation is easier, faster and more cost effective.



Big data analytics

Big data analytics is now being applied at every stage of the retail process – working out what the popular products will be by predicting trends, forecasting where the demand will be for those products, optimising pricing for a competitive edge, identifying the customers likely to be interested in them and working out the best way to approach them, taking their money and finally working out what to sell them next.





Artificial intelligence

Artificial intelligence can dramatically improve supply chain ordering.

Retailers source thousands of SKU's from thousands of suppliers, and no forecast is perfect. AI can balance and optimise inventory in real time without sacrificing supply chain transparency to reduce lost sales due to product unavailability by up to **65%**, and to reduce inventory by **20-50%**.



The importance of robust data capture



1. Capturing data: In retail, the key is to capture the data as it is created in the supply chain, in real time or near real time, and share it across stakeholders. To minimise bottlenecks and poor decision-making, retailers need strong data governance that ensures a single source of truth.



2. Inter-relating data: Retailers must create strong capabilities to inter-relate data in different formats from different sources. Making available the right data at the right time to the right stakeholders is the key.



3. Supporting decision-making: Providing stakeholders (organisation, suppliers and trading partners) the ability to review the data and take instant action.

The digitised supply chain not only increases efficiencies but also leads to improved customer experience and revenue growth as it becomes customer-driven, personalised, agile and responsive.

A small number of companies with the highest levels of supply chain digitisation maturity are already moving ahead of the pack and reaping tangible rewards. Others need to catch up or risk falling further behind.

To function in a connected, informed, smart and automated way, the digitised supply chain will be further and further embedded into every other

function. This includes integration into functions such as finance, procurement or marketing.

The ultimate aim of digitisation, visualisation and all the processes associated with the perfect order, will continue evolving from the nuts and bolts – agility, resilience and smart processes – to focus on the ultimate objective, which is placing the customer at the centre of the retail universe in order to predict and satisfy their demands. This is how the majority of forward-thinking retailers, no matter where they have reached on the transformation journey, already see the role of their supply chain.



Case studies: transformative technology in action

Tesco increases visibility of clothing supply chain

Tesco's clothing arm F&F has introduced RFID tags to its garments in all 300 of its stores across the UK.

The technology helps Tesco track items of clothing from the moment they enter a store all the way through to replenishment.

The tags, added by manufacturers, often in the Far East, give the company a much-improved real-time view of its internal product flow and they have helped improve out-of-stocks by up to 99% in some of its stores.



Automatic ordering with AI

OTTO, a German online retailer, manages inventory with AI software that automatically orders from its distributors. It is 90% accurate at forecasting what the company will sell every 30 days, cutting surplus stock by 20% and reducing product returns by more than two million items a year. The AI system has proven so successful that the company lets the technology order 200,000 items a month without human intervention.



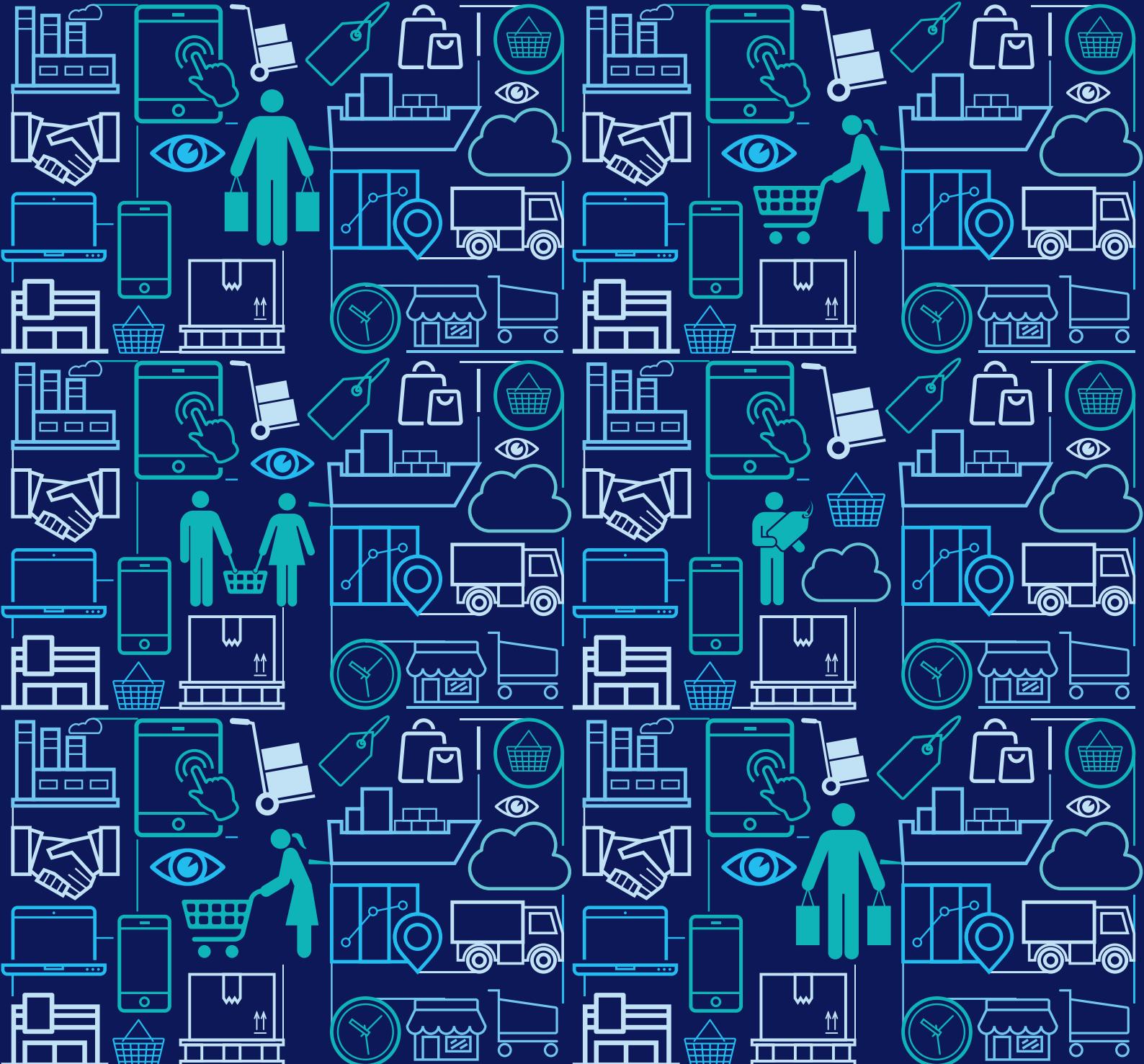
Boots gets cloud cover

High street chemist Boots has introduced cloud technology in its stores in an effort to integrate its digital and in-store experiences.

Customer-facing colleagues, equipped with 3,700 iPads, can use a system to look-up inventory availability and location, make recommendations based on online analytics and access product information – all from the shop floor.

If a product is not immediately available in one store, a Boots colleague can locate and order the item so it can be collected the next day.





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