



Supply Chain Hot Trends

Q1 and Q2 2016



Introduction

This research includes responses from 400 industry executives comprising of 35% logistics providers, 32% retailers and manufacturers and 33% solution providers. We have supplemented the survey analysis with information gained from qualitative research eft has conducted over the last 6 months with industry executives from each of the above segments.

Supply chain is undergoing some of the most radical changes it has faced in years. To help keep pace with some of the changes taking place, we've been examining some of the hottest trends set to rock the industry.

For example, in the last few months alone, we've seen Lyft partner with GM and Uber discuss a partnership with Fiat. We've also seen Google's driverless car rack-up millions of miles and Tesla introduce 'autopilot' to its vehicles. All the while, driver shortages, shrinking margins and free delivery have all strained under the weight of the current transportation system. As such, driverless vehicles have huge transformative potential in the industry.

On the other hand, the US Election has been all over the headlines during the last few months. While regulation has often come-up in discussions on supply chain, is a change in government going to really effect how supply chains operate?

Consumer-Driven Supply Chain

- A consumer-driven supply chain has become the dominant strategy as eCommerce, driven by mobile and social technologies, have put consumers in the driver seat
- The US lags behind the rest of the world in terms of consumer-centrism in its supply chains when comparing consumer-centrism with Europe and Asia
- 50% of consumer-driven supply chains are reporting better customer retention. However, margins are getting squeezed and costs are increasing to achieve consumer-centrism

Driverless Trucks

- 51% of the industry is expecting driverless trucks in their operations by 2025
- However, 59% of non-North Americans are expecting driverless trucks in operations by 2025 with only 45% of North Americans expecting the same

The US Election

- 50% of North Americans see Republicans as most beneficial for their operations. This is likely due to a desire to ensure minimum amounts of new regulation
- 33% of Non-North Americans see Democrats as most beneficial for operations
- However the majority of the industry see no party as beneficial for operations

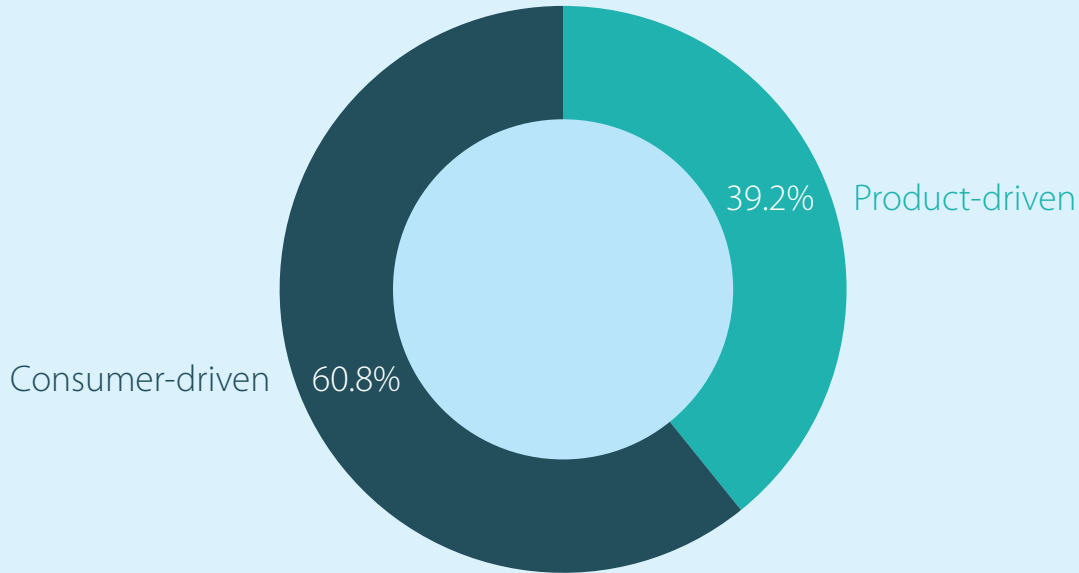
Robots and Chatbots

- Only 24% of respondents have robots in their supply chain
- 20% of those using robots are using them for warehousing picking
- 40% of organizations using robots are using them for manufacturing
- Chatbots are only used by 7% of the industry
- However, 17% of the industry is looking to invest in Chatbots

The Rise of the Innovation Center

- 54% of the industry has an innovation center in their organization
- 20% of those with innovation centers are already seeing ROI
- Most are using their innovation center for creating new solutions or products
- 50% of respondents expect to see ROI from their innovation center within the next 24 months

How would you define your supply chain?



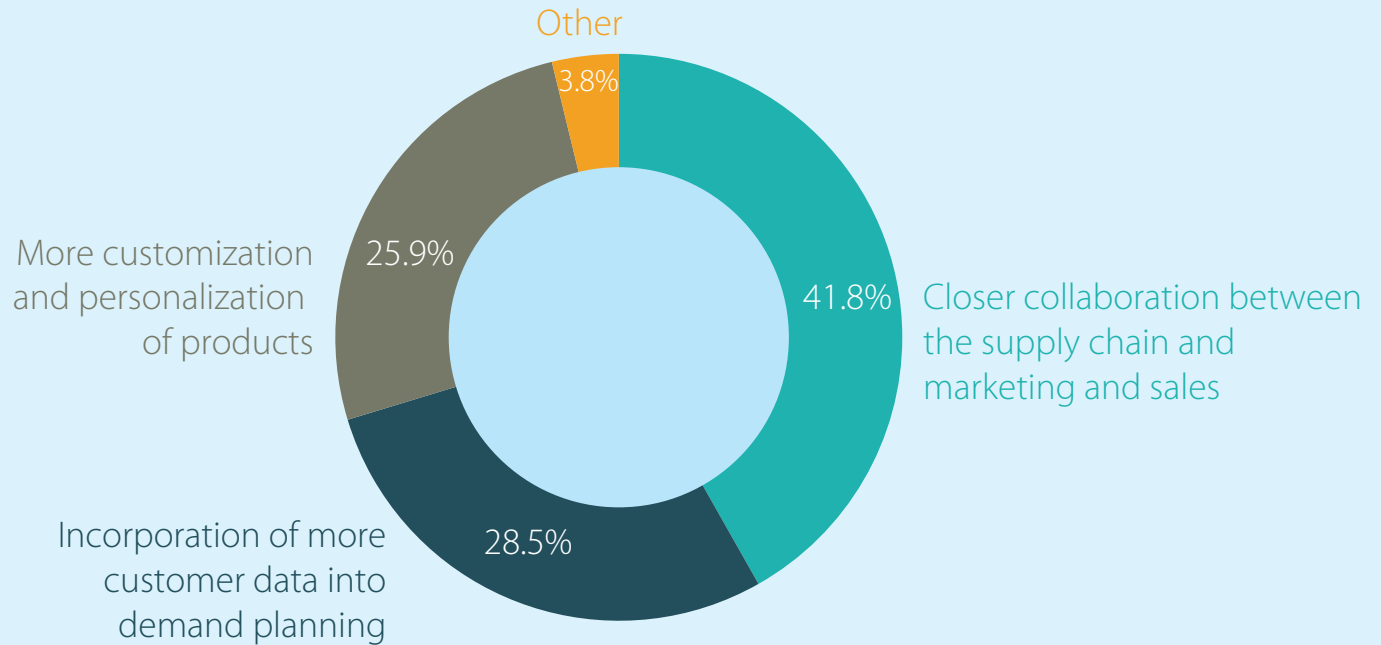
A combination of eCommerce and the technologies that enable the consumer to access eCommerce (smart phones, social media, the internet, etc.) has given them an unprecedented level of control.

Traditional back-office divisions within organizations are increasingly consumer-facing or consumer-interacting. This has meant a whole-sale change to supply chain strategy: do you put the product first or the consumer first?

A few years ago the results would have been vastly different, but today it's pretty clear that the industry is now structuring itself behind a consumer-driven model. In fact, according to these results, it appears that North America is dragging down the world average. 68% of respondents outside of North America reported a consumer-driven supply chain.

Only 60% of North Americans reported their supply chain as consumer-centric.

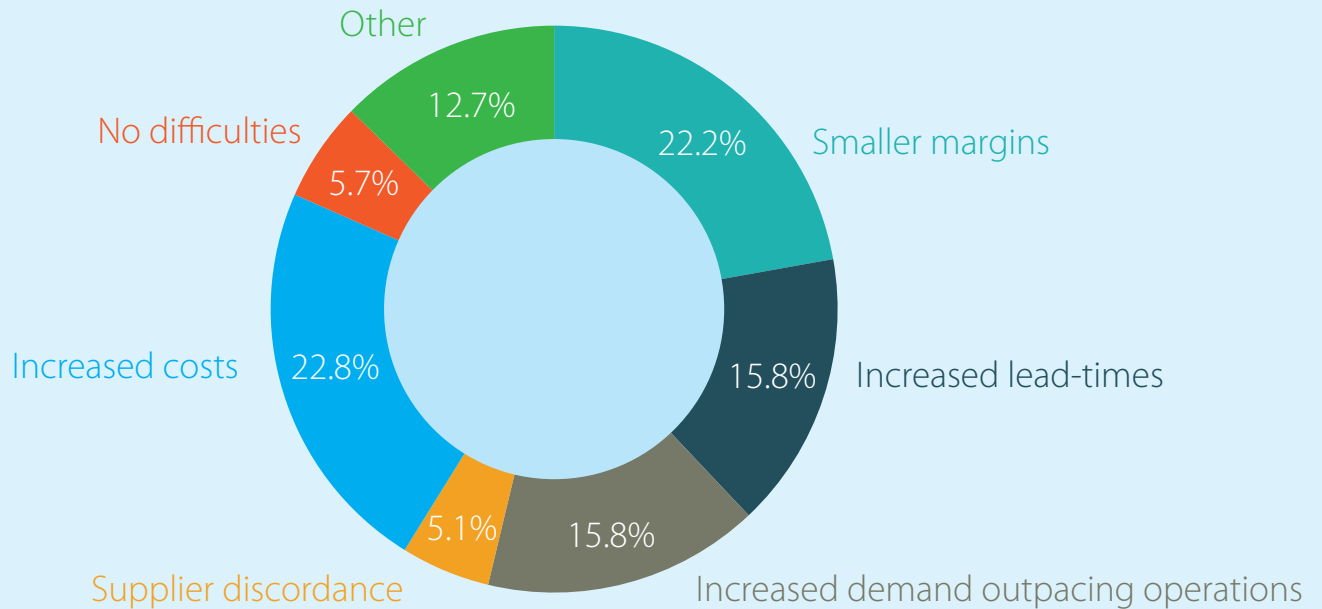
What effect has having a consumer-driven supply chain had on your operations?



The biggest effect a consumer-driven supply chain has had on the industry has been closer collaboration between marketing and sales. This process has also been aided by updates to the technology companies are using to manage their enterprise resources. That is, the increased availability of data has meant that organizations have an unprecedented level of visibility over consumer behaviour.

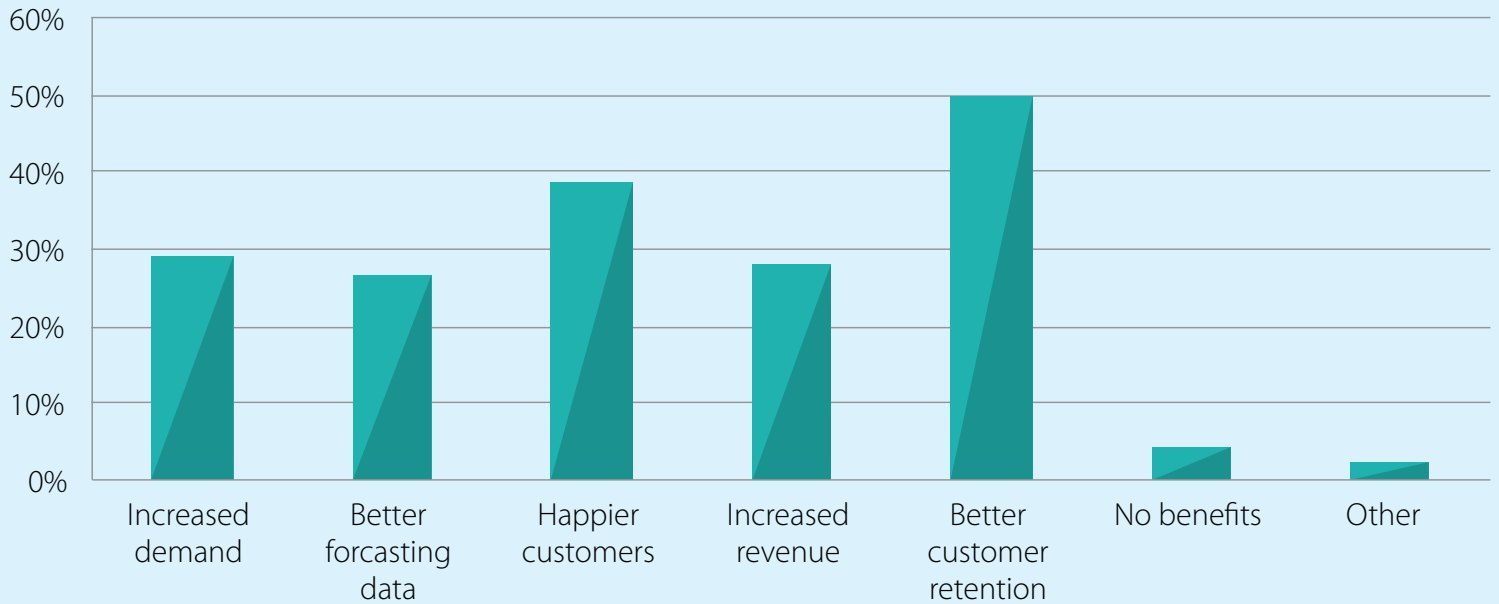
One area that eft has seen arise in its research over the last few months has been in customization and personalization. Look for this slice to grow as this shifts from being a differentiator to the norm.

What is the primary difficulty you're facing meeting consumer demands?



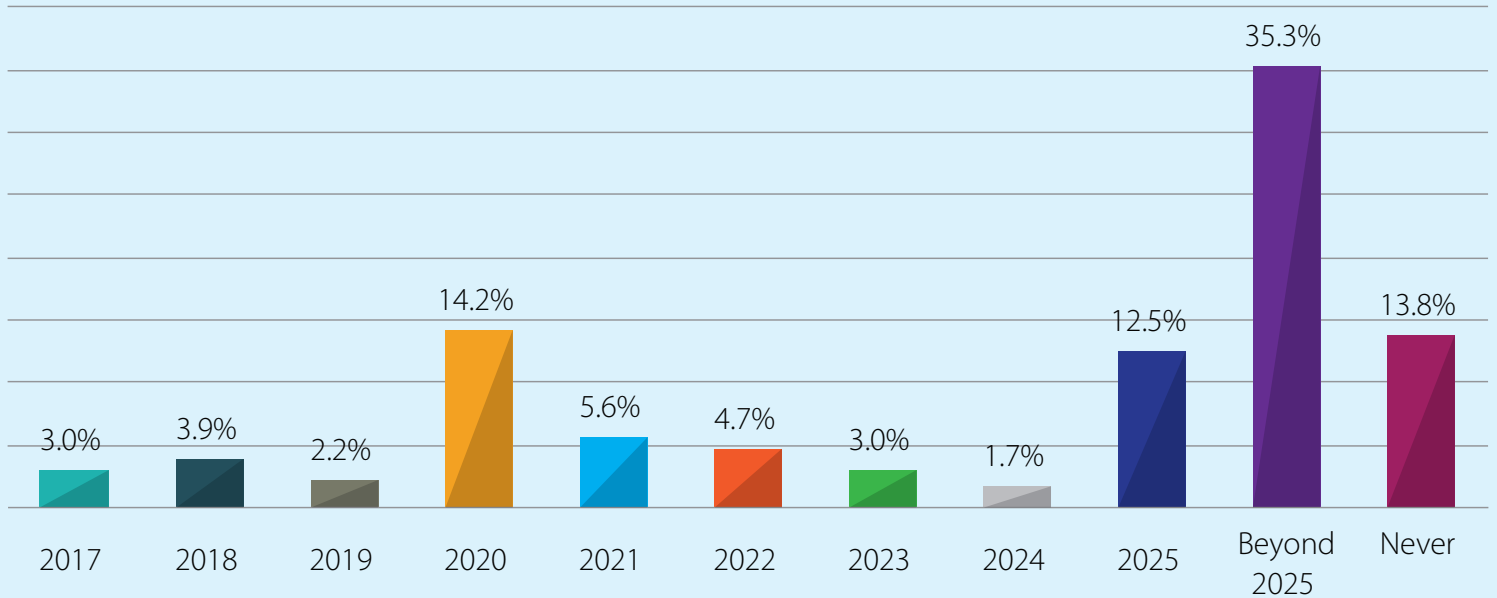
A consumer-driven supply chain also means a number of challenges. The biggest, as reported by respondents have been increased costs, smaller margins and increased lead-times. There is a clear correlation between consumer-driven and this decrease in resource and time efficiency. Essentially, consumers are shifting their shopping behaviour. Retailers are needing to invest and modify their traditional processes to create a consumer-centric supply chain. Because consumers are price-sensitive and not necessarily driven by store loyalty, retailers are going to be expected to achieve this shift to be consumer-driven on their dime.

What benefits are you experiencing from being consumer-driven?



All is not lost, however. Half of respondents reported that creating a consumer-centric supply chain has helped them increase customer retention. A further 28% saw increases in revenue. As such, while costs are born by retailers, those that are successfully achieving consumer-centrism are also reaping the rewards. In fact, only 4% saw no benefit from being consumer-driven.

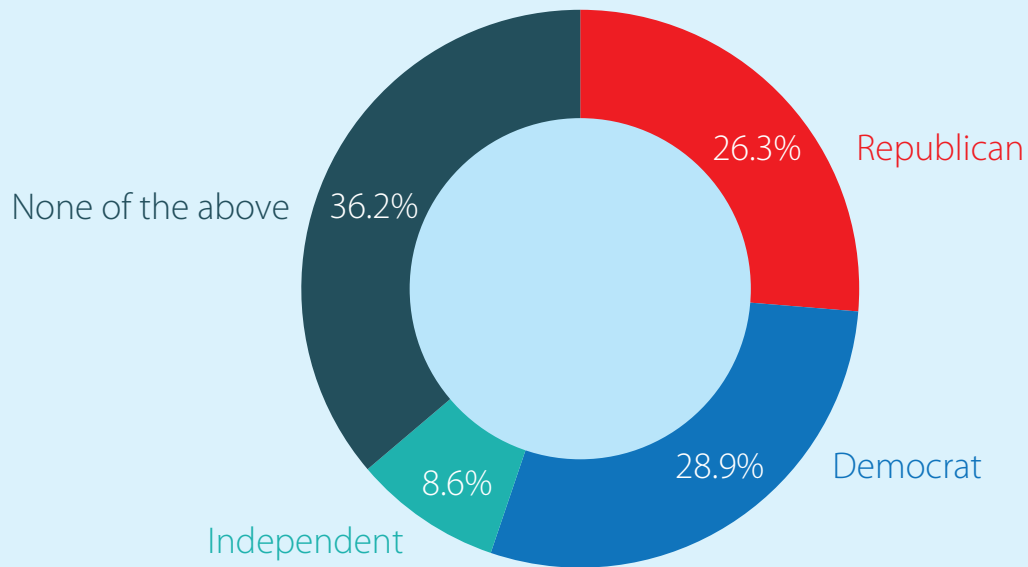
When do you expect to see driverless trucks appear in your operations?



The concept of driverless trucks has been on the industry's radar now for years. It is in the last year, though, that this concept seems closer than ever to reality. This is on the back of a number of high profile tests in conjunction with the announcement of driverless truck initiatives by many of the major vehicle manufacturers and technology companies. Overall, the industry is on-board as well. 51% believe they will see the first driverless truck in their operations between now and 2025. Only 14% of respondents don't imagine ever seeing the technology.

In Europe, where a recent driverless truck convoy made it across the continent, respondents are significantly more bullish on the technology with 59% expecting it in their operations in the next 9 years.

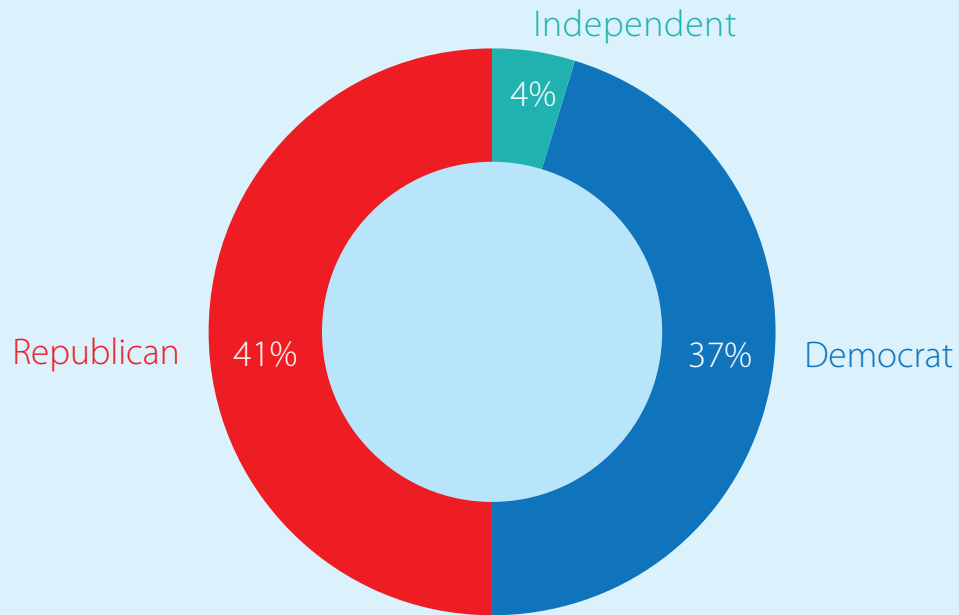
Given this year's candidates, which party do you think will help create a better environment for your operations?



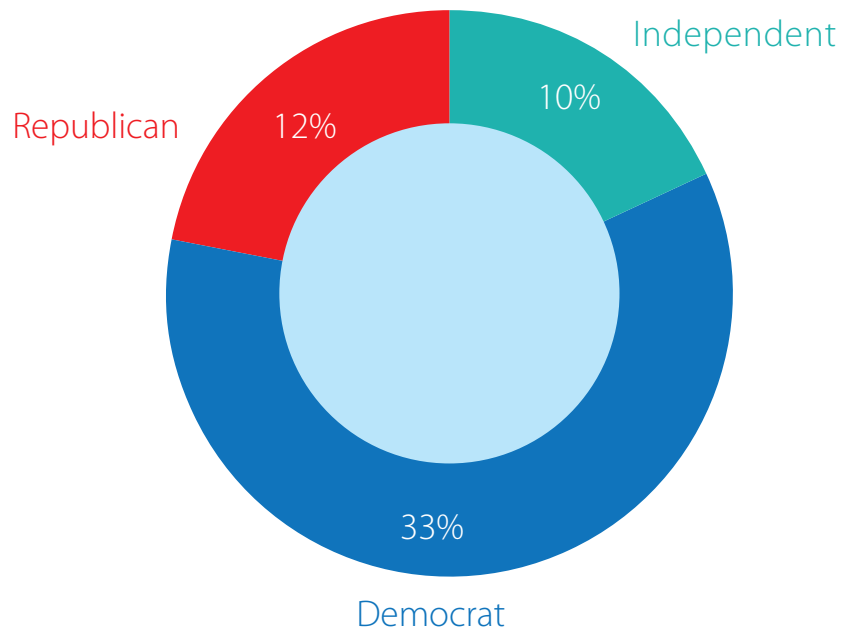
This chart shows all respondents

Every 4 years, it's something the world has its eye on: who's going to win the US Election? In terms of supply chain, one of the major forces that has the potential to impact the supply chain is government regulation. With the potential of a shift in parties at the help of the world's biggest economy, there is the potential for an impact deep into the supply chain. In North America, the Republicans are expected to create the best environment for respondents' operations. Outside of North America, Democrats take the lead. These are not necessarily surprising results.

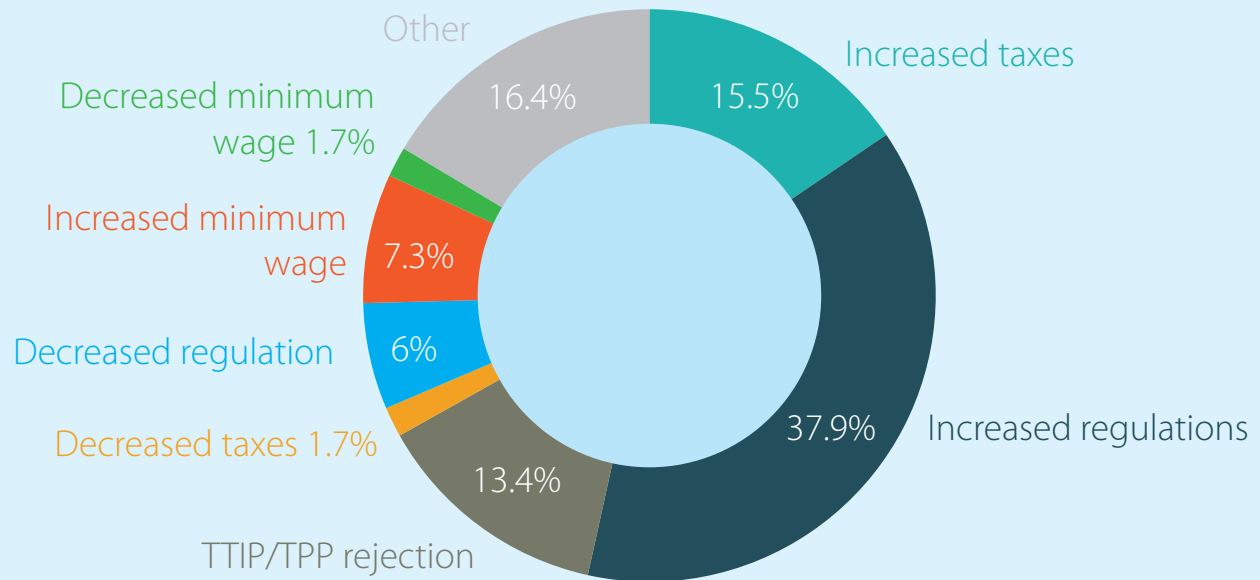
North America



vs. Rest of World

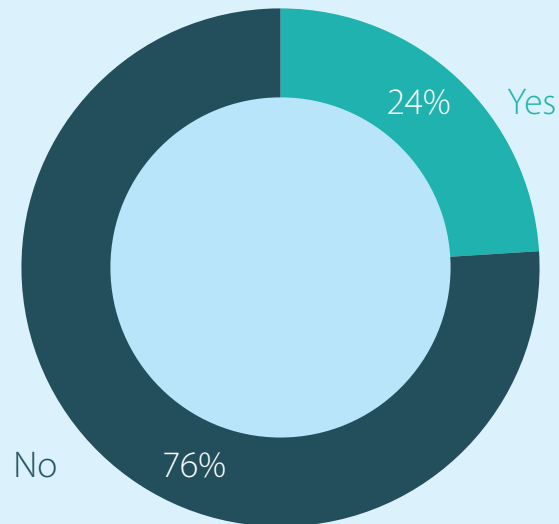


***What is your biggest concern - from a supply chain perspective -
on the outcome of the election?***



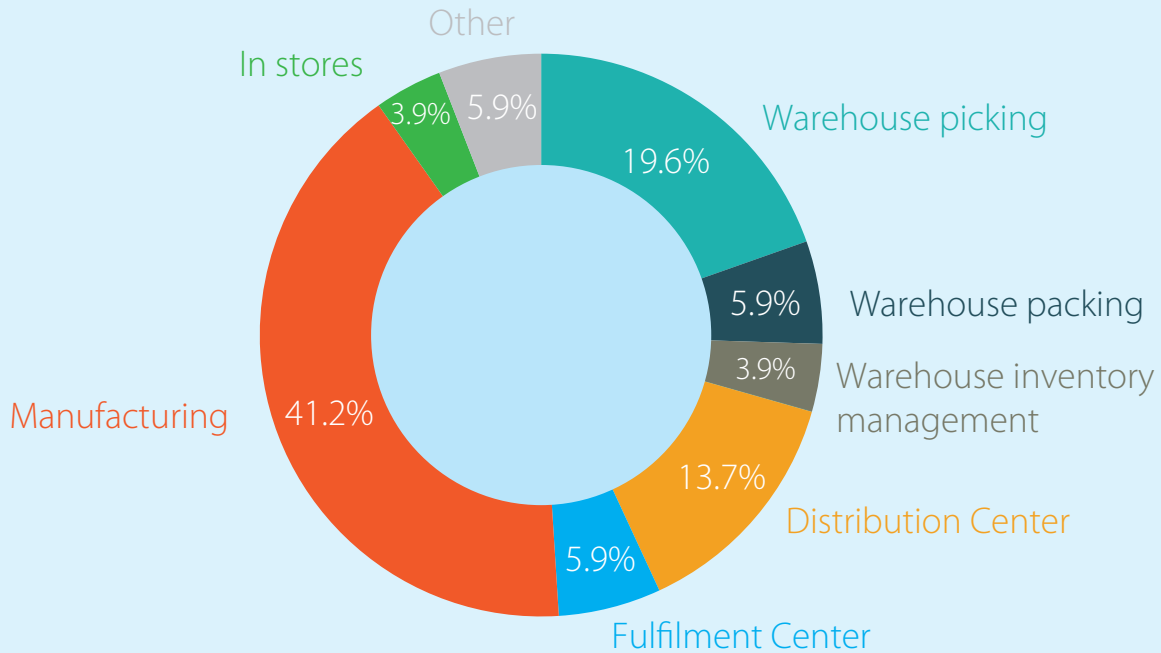
However, what is interesting is that in looking at overall results, the majority of respondents don't think any party will create a better environment for supply chain operations. This is indicative of a number of things: the US' blunted global economic leadership, a general lack of faith in government driving a better regulatory and economic environment for supply chain operations and the fact that there are other forces currently playing a much bigger role in supply chain than government at the moment. Naturally, the biggest fear respondents had on the outcome of the election, was the possible increase in regulations.

Do you have robots in your organization?



Automation has been one of the most transformative aspects of supply chain over the past decade. Two technologies have the potential to accelerate this: robotics and Chatbots.

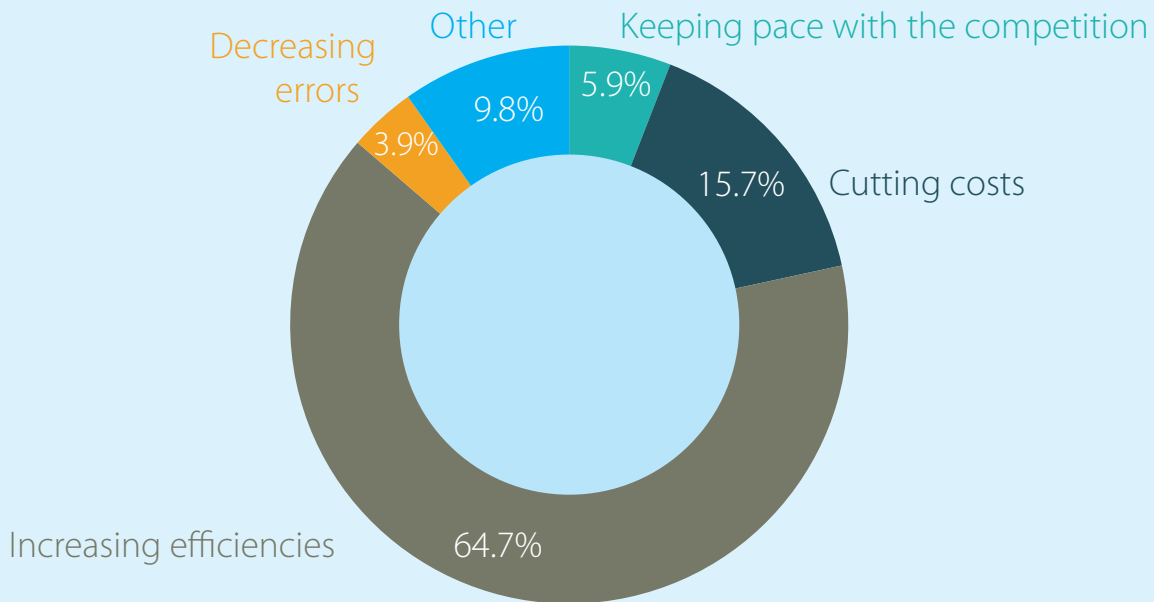
Where are you using robots?



Robotics have already played a significant role already automating segments of manufacturing. However, only 24% of organizations have robots in their supply chain.

A number of new developments with the technology – namely smart algorithms enabling robots to do much more complex tasks – have meant that it's at a stage of tackling a whole new set of tasks in the supply chain. Outside of manufacturing, the most interesting areas of usage has been with the 20% of respondents using robotics for warehouse picking. An additional 14% are using the technology to automate their distribution centers.

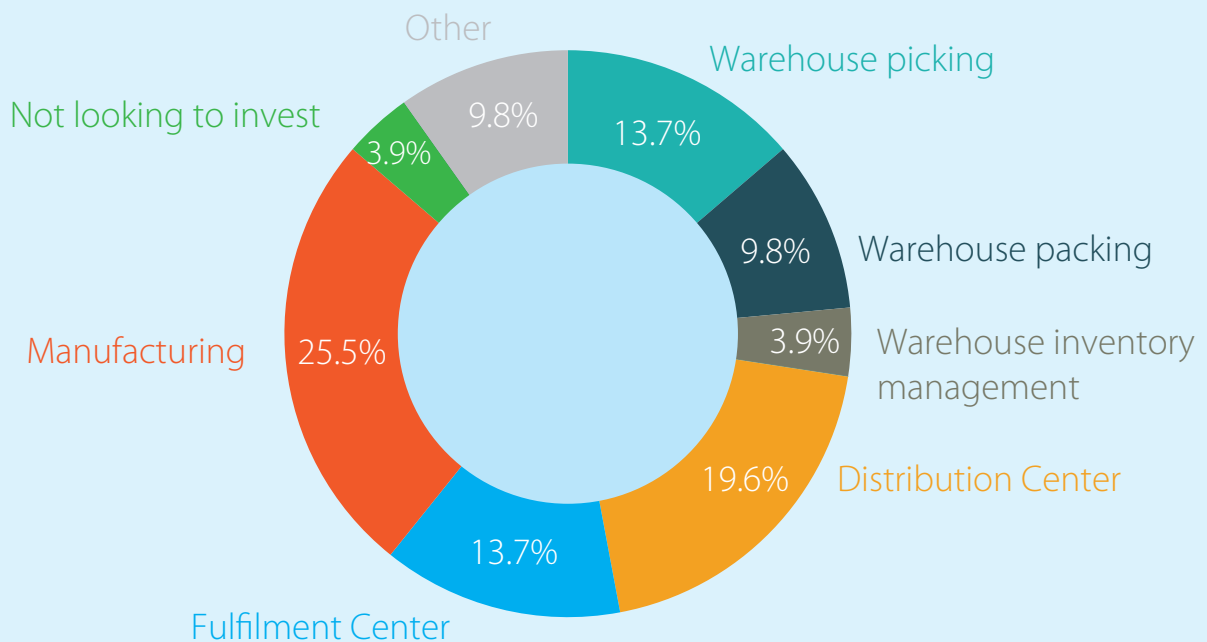
What is the biggest driver for you to invest in robotics?



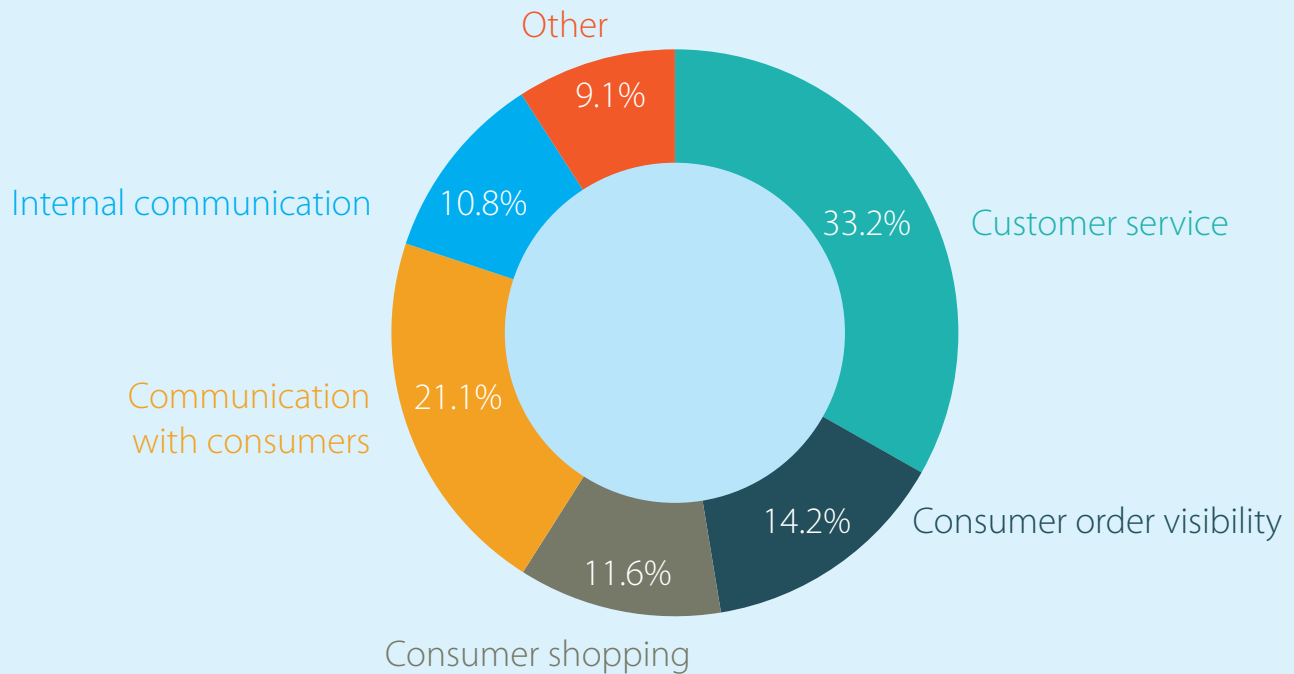
As consumer-centrism engrains itself into the supply chain, we can expect to see retailers and their suppliers shift more and more to robotics to run the eCommerce arms of their operations. In fact, the main reason organizations are looking to invest in robotics

is to increase efficiencies. Outside of manufacturing, warehousing picking, distribution center and fulfilment center automation were the top investment priorities for respondents.

Where are you looking to invest in robotics?

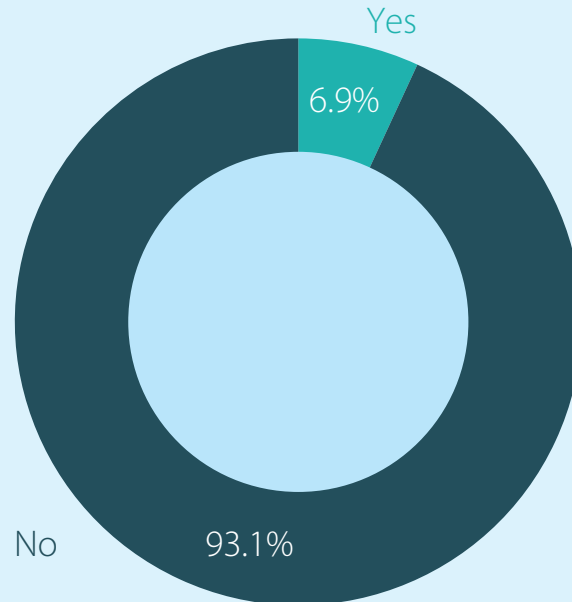


Where do you think Chatbots might have the greatest impact on the supply chain?



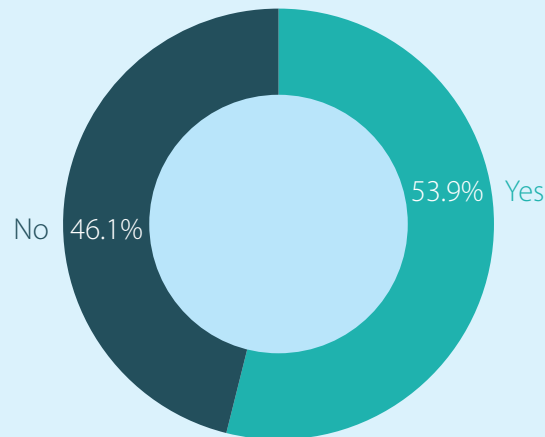
A Chatbot is an application designed to imitate intelligence conversation. It is increasingly being used in consumer-facing applications such as eCommerce to provide a level of personalized customer service generally considered impossible outside of the brick and mortar store.

Is your organization using Chatbots in any capacity?



Only 7% of respondents are actively using Chatbots in any capacity. However, 17% are considering investments in the area with customer service, consumer order visibility and communication with consumers considered top drivers. Chatbots are clearly not about to take supply chain by storm, but the fact that there is some early adoption and interest in investing in the technology suggest that we are just at an early phase of the technology. Consumer-centric supply chains are going to require more engagement with consumers. When coupled with the domination of online marketplaces, it would seem that the introduction of Chatbots for order placement, management and communication with consumers is a natural progression of the trend. Despite its nascent stage, we can expect to hear more about Chatbots in the coming months and years.

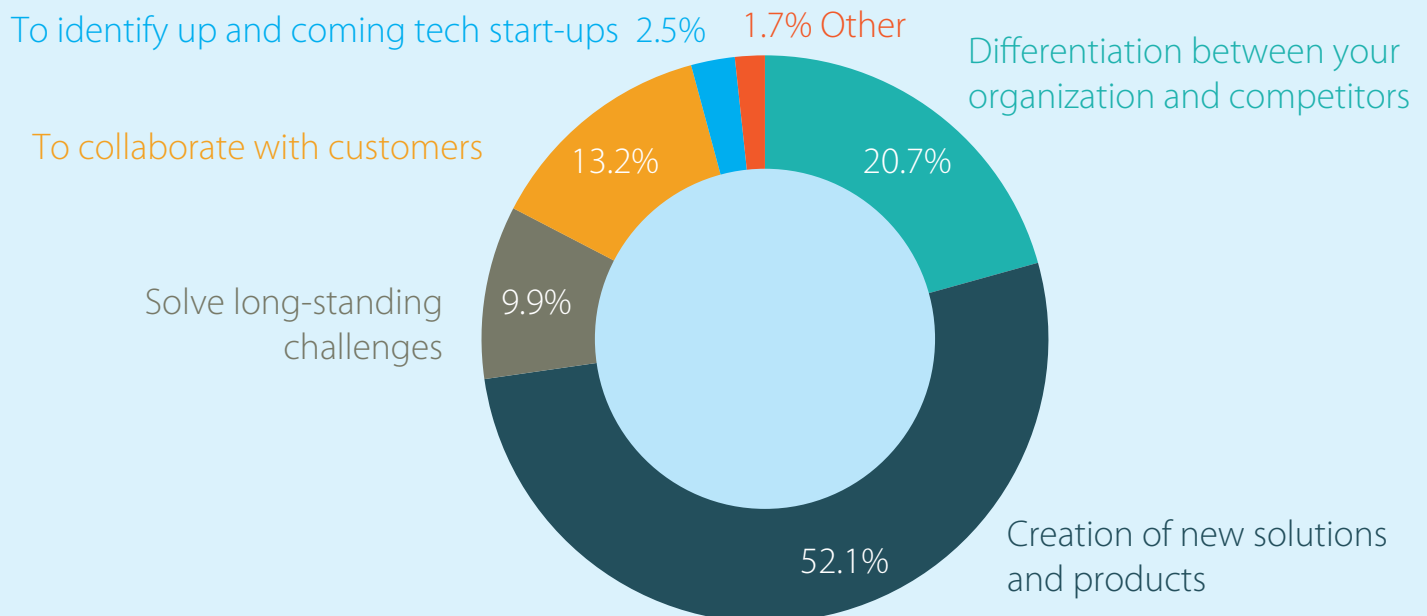
Do you have an innovation center at your organization?



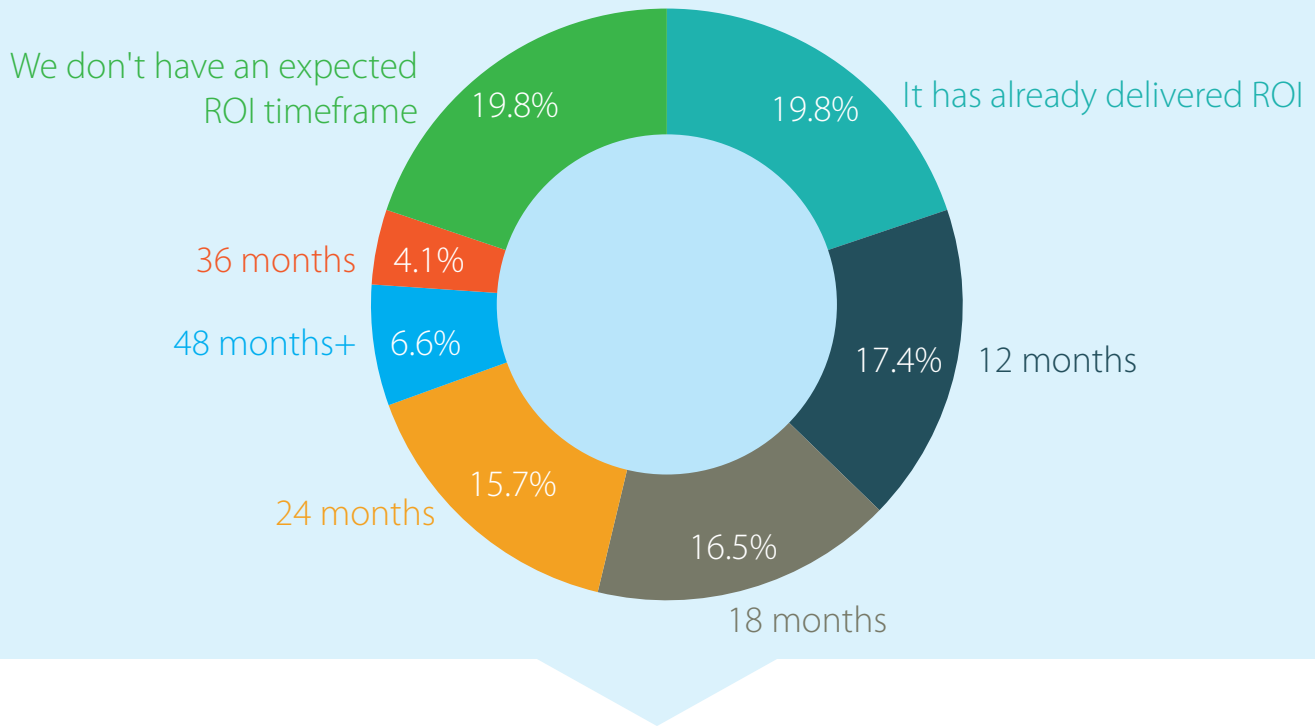
Government might not be playing as significant a role in shaping supply chain today, but technology and market trends certainly are. One way organizations are looking to take advantage is via the innovation center. That is, the creation of a team within the organization dedicated to creating, testing and developing new ideas.

It turns out that the majority of companies (54%) in the industry already have these in place. Even logistics companies are in the mix, with 49% of them with innovation centers.

What is the objective of your innovation center?



Do you have an innovation center at your organization?



Is this just a trend? Only 21% of respondents were actually using the innovation center as a differentiator. 52% were using it to create new solutions and products. Furthermore, 20% of those that have opened innovation centers had already achieved ROI. A further 50% expected to see ROI from their innovation in the next 24 months. Consequently, it looks like innovation centers are playing an increasing role in organizations' strategies and are becoming the norm rather than a trend.

Conclusion

There's a huge number of trends, issues and factors currently affecting supply chain; each with varying degrees of potential. Driverless vehicles look set to be one of the most transformative, while others, like robotics and Chatbots could play a significant role in personalizing key aspects of the supply chain.

However, the major theme underlying the trends analysed in this report are that two major forces are currently shaping supply chain: technology and market trends. The emergence of eCommerce has caused significant shifts within the supply chain as a whole. Organizations – retailers, suppliers and service providers alike – are all aligning their strategies and technology purchases to take advantage of this booming trend.

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