



From the Makers of the 3PL Summit and CSCO Forum

Dynamic Distribution Disruption 2016

2-day summit • July 13-14 • Marriott Brooklyn Bridge, New York



Marks & Spencer's David Walmsley on Omnichannel Supply Chain Strategy



MARKS &
SPENCER

Briefly explain your role at M&S and what does a regular day for you look like?

My role covers all aspects of running our digital business – everything from supply chain management, sourcing, stock and inventory, sales planning through getting products sample managed, photography through merchandising, building a beautiful site through supply chain, logistics, contact centres. So we are really a business within a business. My day very much flipping between left brain right brain – I get involved in creative decision making like model selection for our website through to the hard core side of planning out our stock and inventory and lots and lots of technology in between. It's a role where you're constantly moving between creative and logical decision making every hour of the day.

What is the biggest opportunity and biggest challenge for your business?

The opportunity and challenge go hand in hand which is our customers get what it means to be omnichannel – they just want to be part of the Marks & Spencer brand. They don't care whether it's online or in store or in a magazine or on Facebook. It's just one thing to them. We are the one with the challenge because we need to align everyone internally. All the different teams, all the different objectives and incentives within the business to deliver that singular experience.

How closely do you work with your core supply chain?

They are a fundamental part of my team. We really work every day on granular, tactical planning and forecasting. I have a weekly all heads meeting where we get together and run through the detailed plans and actually I think that level of collaboration is what's driven the success we see at M&S Digital over the past 18 months.

What is the effect on the supply chain networks as a result of cross-border ecommerce?

Cross border is a perennial challenge for all retailers. Just when you think you've got the end to end sorted you'll get a call from a customer saying they were charged for customs at their doorstep. If you are in my shoes it is understanding exactly that. What does the experience look like at the door step for the customer – and getting that line of sight in the Rio de Janeiro apartment block to understand what happens at their doorstep is a massive challenge for me.



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You have stores in Asia, Middle East, Europe – is selling to the North and South American market going to be a priority for you going forward in a big way?

We do sell to North and South America already. In fact we just launched a local currency website for the US and another one for Canada just three weeks ago, and that's local currency and local logistics. So we have partnered globally to provide the localized service. And it's very early days there. But particularly in Canada, there's lots of excited Canadians as we used to have stores in Canada. As far as South America is concerned, that's still being sold through our main dot com platform that's buying in Sterling and that's this kind of slightly more arms-length operation and that's our next thing is to get more tighter control on operations.

With so much eCommerce growth, are physical stores going to be dead? Why/why not?

No, not at all. The role continually changes and it has over the past 150 years. We see store formats changing and evolving all the time. We are continually looking at what other people are doing in this space. But just take some key facts – most purchases are still going to be picked up in a physical location. Whether they are paid for in that location or paid for online before the customer arrives is a pretty moot point. From the customer's point of view, they are going in the store to experience the brand and do some browsing or pick something up or go to the café or whatever it is. So most of the interaction between a customer and a brand will still happen in the physical space. I think home delivery has a part to play but it's a relatively small part. 60% of M&S.com orders are collected in store because people want a reason to come in store. I think there is a massive role going forward for stores.

Can you give us insight on how you manage inventory across multiple channels?

That is a very good question and I will talk more about it in the conference later this year. It's not without its challenges. You are forecasting for a physical business which is growing at a certain rate and then you're forecasting for a digital business that is growing at an exponential rate. And that is a fundamental challenge in most organizations, whether retail or not. Most organizations follow where the volume is not where the growth is and helping the organization change its focus helping understand the growth trajectory filling in missed demands – for example a buyer might look at trousers and say let's do +10 or +15% on the year. But if you are missing 30% of the demand from the previous year if the stock wasn't there then you're actually looking at a business that can be growing at 40-45%. Giving people the confidence to make those kinds of assumptions is fundamental in a business where their jobs are going to be tied to them getting their math right or wrong. It's easy for me to sit in the digital business and say 'you should be putting this into us', it's harder to bring people with you. And this is what we've spent a lot of time on is doing the analytics to help support people in their jobs in other parts of the business.

What are some exciting projects that you're currently working on?

Huge number of different strands of activity whether it's our publishing operation really driving our relationship with our customer in the social space through to our mobile-first strategy and how we are driving our experience around mobile – and that by the way is our digital experience but also thinking about mobile in the context of in-store. In terms of the back end of our business particularly in supply chain we've got some great initiatives on the move where we are fulfilling orders from a little over 80 stores at the moment where you buy online and the order pops up in store and we fulfil it from there because that is the best place to pick up the stock from. So that is really a building block for us in terms of where we want to get to fulfilment from store and that's when we open up all of the supply chain in the UK for the 'buy anywhere fulfil from anywhere' model and that is a fundamental piece for me and I think is going to be a big multiplier for our business.

Where is M&S investing now with so much disruption in the market?

Our strategy has remained consistent over the past 5 years which is our goals around being multichannel and international. We continue to look east in terms of our physical retailing space. We have got great franchise partners in a number of locations and we've got great direct business in others – for instance we've got our own direct business in China. And then how we are using digital as part of that to expand internationally. On 11/11 in China, a little over 90% of our sales were taken in the digital space – some phenomenal business and really interesting territory for us. I mentioned Canada, and now we've also opened local websites in Australia and New



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Zealand as well – key markets for us. The international ambition remains key to M&S. The investments in Digital continue to pace. We have brought all our departments in-house. We've built an engineering cohort. We are stealing engineers from the likes of Facebook and Google these days, which is great and our brand in the London tech community is growing from strength to strength. We have become real magnet for digital and engineering skills. That's something I'm really proud of. So I think the investment in digital will continue.

What do you think is one thing that retailers need to win in this disruptive retail scene today?

I'll give practical answers rather than stale 'focus on customer' or something bland like that, because hey, if you're not focussing on your customer you might as well just pack up. Two practical – one short term, I think the end-to-end planning piece is fundamental. You need to be able to link together your customer view with your commercial view with your stock view. Like I said, every week I've got a key touch point, where I bring in together the digital team, the buying team, the supply chain team. That joining point in planning is fundamental to our success. If I look further out and get slightly more creative I think artificial intelligence should be the big game changer for all of us. Retail is going to go through the same revolution financial services went through 15 years ago. Fintech has completely changed the DNA of the financial markets. I think retail is moving from this head vs heart split to something that's a lot more led by the head. Heart and creativity is a fundamental piece to retail but I think we need to be a lot more scientific in terms of how we run our businesses. That's the bigger challenge.

Which are some of the retailers that you look up to you?

I love shopping. I go to too many conference where it's full of retail technologists going on about trying to make retail as frictionless as possible and trying to take away the hassle. And I'm sat there thinking 'I quite like shopping so I don't want to take away the circled hassle. I quite like going to physical shops and it's nice.' I think in the purely geek space, people like Macy's have done some phenomenal things in recent years with how they're putting together their data and how they're really driving around customer experience. Also in North America, we've looked to Nordstrom in terms of their multichannel fulfilment piece. I think they've been very interesting and real leaders in that space which we hope to be a part of in the next year. I love more personal shopping experience. If you're ever in London, come to Hatchards or Foyles and look at our book shops because actually when you think about the limits of technology you'll find things in those stores that you'd never even thought of in a way that Amazon and the likes can never really achieve.

You're going to be speaking at the D3 Summit in New York on the 13-14th of July. What are you looking forward to?

It is the cross-section of views in the room. What I like about the conference is, with the best one in the world (the cross-section), it is not just a bunch of supply chain guys. It is actually a whole cross-section of people with different points of view really coming together to share their experiences, whether it's people from more broadly based retail background such as myself, or the hard-core supply chain guys or some of the people from the pure digital space like Brett coming from Google. I just think that cross-section of people should create a really stimulating discussion.

This podcast has been released in the build-up to the Dynamic Distribution Disruption (D3) Summit 2016, New York (13-14July). [Get involved with the D3 Summit Today, Book now](#)