# Dynamic Distribution Disruption
# 2017 State of Retail Supply Chain Report

This report contains data on customer experience from a survey eft conducted with Convey. Click here to read the full CX report

By Haley Garner, Head of Research and Content, eft

January, 2017

# Introduction

Retail is shifting from being where consumers purchase goods to being and industry chasing consumers. Many retailers have proactively identified that consumers hold a significant amount of power in the retail-consumer balance, however in practice, the supply chain is still playing catch-up. Consumers are becoming more embedded in every layer of retail - enabled by online and mobile technology. This means that for a retailer to be truly consumer-centric, the supply chain is going to have to become more consumer-friendly.

The 2017 D3 Retail Report explores the very latest developments affecting the retail supply chain. From investment priorities to rethinking the brick and mortar store, the report analyses some of the shifts that are currently dominating the industry.

**Data used in this report was done in conjunction with Convey. Read the full CX report here.**

## Executive summary

**Retail and the consumer experience**

- 36.8% - CX is a company-wide goal, while we do not formally measure it related to supply chain performance, supply chain leaders are feeling pressure to improve it.
- 55% - don't formally measure CX as it might relate to supply chain
- 20.6% - consider CX in any decision they make to change operations or the supply chain

**Last-mile delivery**

- Reducing costs/improving margins – top last-mile priority
- Gaining greater control over the consumer experience related to delivery – second top last-mile priority
- Improving access to clear order, consumer and carrier data for in-transit shipments across consumer service, operations and logistics teams – third top priority

**Technology and the consumer experience**

- 75.5% of retailers consider themselves consumer-driven
- 1.47% of retailers' existing systems fully support efforts to improve the customer experiences
- 42.65% of retailers say existing systems are useful for measuring indicators of the customer experience (like on-time percentage or damages) but do not help us do anything to improve it

**Channel Integration**

- 17.6% of retailers have a fully integrated channel distribution network

**Returns**

- 54% of retailers take more than a week to returns to be added back to inventory (including 9% that don't take returns)

**Inventory visibility**

- Inventory visibility has dropped from 2016 to 2017
- 0% of respondents have full visibility of suppliers in 2017
- 54.8% of respondents have 50-75% visibility over their own managed inventory

**Marketing and sales coordination with the supply chain**

- Coordination between supply chain and marketing and sales has dropped 2016 – 2017

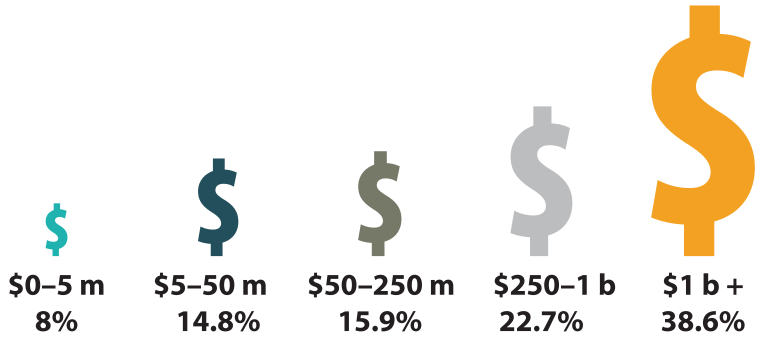
**Forecasting and investment priorities**

- 83.8% of respondents have basic or scaling forecasting abilities
- Forecasting is increasingly the top investment for retailers (2016-2017)
- Supply chain automation is also a major investment priority

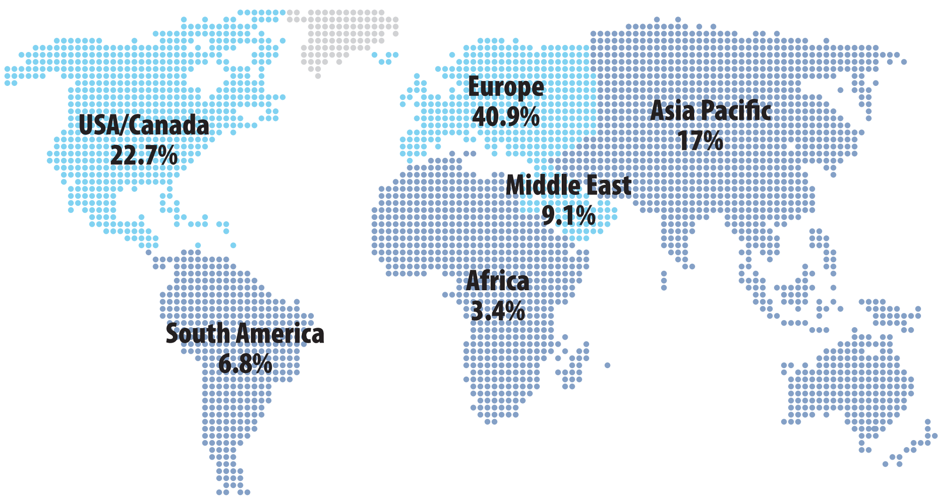
**The brick and mortar store**

- Distribution centre takes over from click and collect as the top priority between 2016-2017

### What is your company's annual revenue?



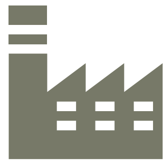

### What region are you based in?




**Count: 218**

### What best describes your business type?

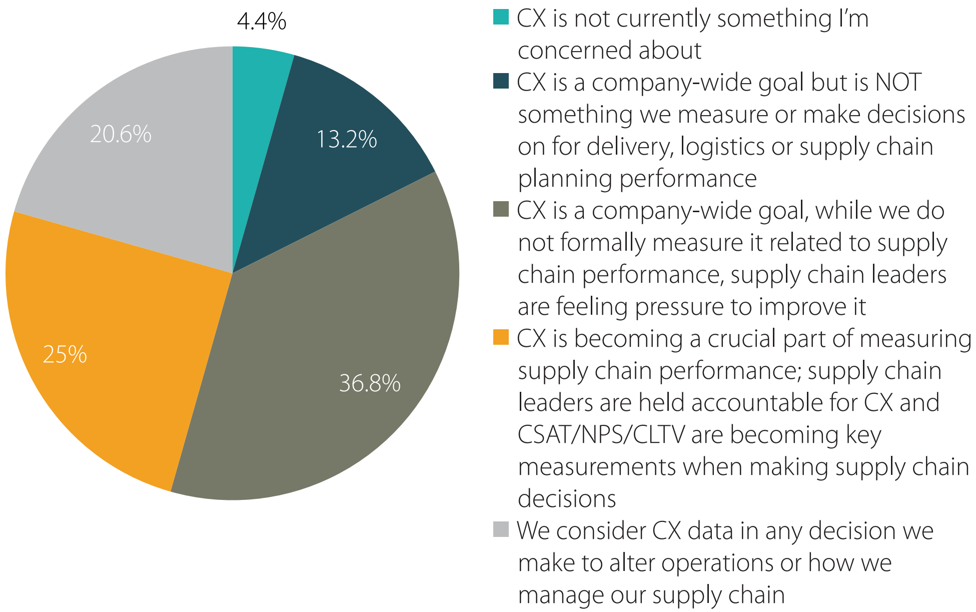

78.4%
Retailer or manufacturer that retails



21.6%
Pure-play manufacturer

## Retail and the Consumer Experience

**How important is the consumer experience (CX) considered when measuring your supply chain performance? ***



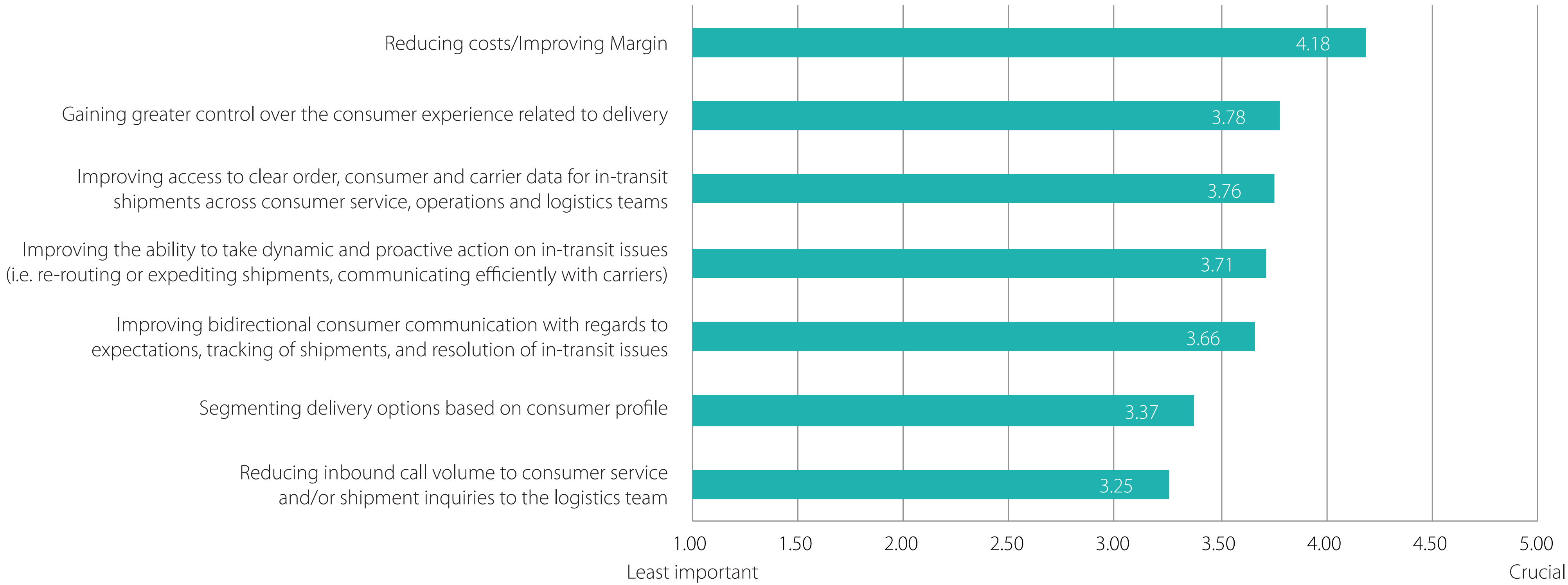

Consumer experience is rapidly becoming one of the central components of successful omnichannel execution: how do you create one unified experience for customers across all channels?

Many retailers are taking consumer experience very seriously with 45% at least considering it as a crucial part of measuring their supply chain performance. What's interesting is that the majority of respondents don't formally measure customer experience as a component of supply chain performance. This suggests that there is significant room for improvement for many organizations when it comes to aligning their supply chains with customer experience. This trend is expected to only become more important as customer experience becomes a key differentiator for eCommerce offerings.

* This data was acquired in conjunction with Convey. Read the full CX report here.

# Last-mile delivery

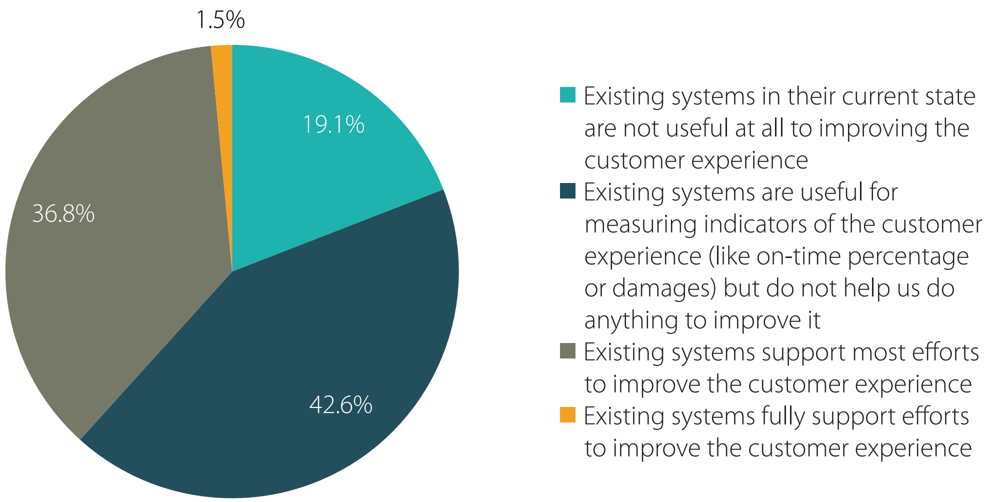
**Rate the level of importance of the following for your last-mile delivery initiatives: (1 being least important – 5 being crucial)**



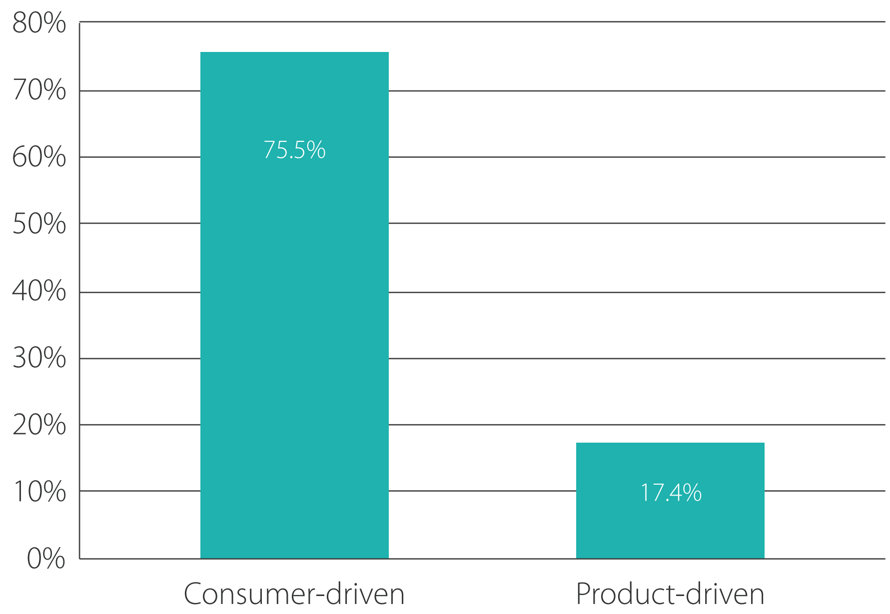

Last-mile delivery is usually the most expensive stage in the logistics process. Unsurprisingly, retailer and manufacturer respondents identified reducing costs/improving margins as the most important priority for their last-mile initiatives. Interestingly though, the second and third highest ranking selections had to do with managing the consumer experience. This is in alignment with the consumer-experience/consumer-centric narrative permeating the industry and the importance retailers are putting on the consumer experience as a differentiator.

## Technology and the consumer experience

**To what degree do you feel your existing logistics technologies support efforts to improve the customer experience?**




**How would you define your business? ***




A majority of supply chain executives from retailers identify themselves as consumer-driven. However, in practice it seems that many retailers are struggling to achieve this. In addition to last-mile and measuring consumer-experience, the majority of supply chain executives are experiencing short-falls in how their existing logistics technology supports their consumer-experience efforts. Only 1% of respondents had existing systems that fully supported their efforts to improve customer experience. This could be indicative of a lack of available solutions on the market, or a lack of awareness of existing solutions.

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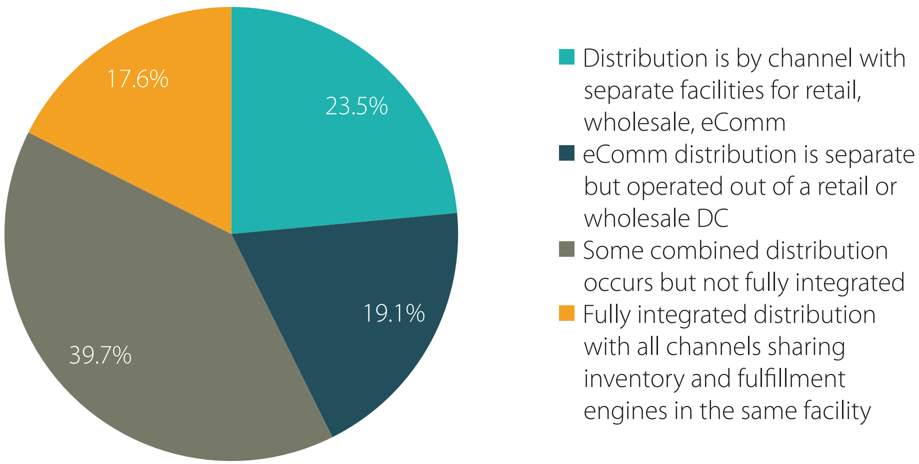
## Channel integration

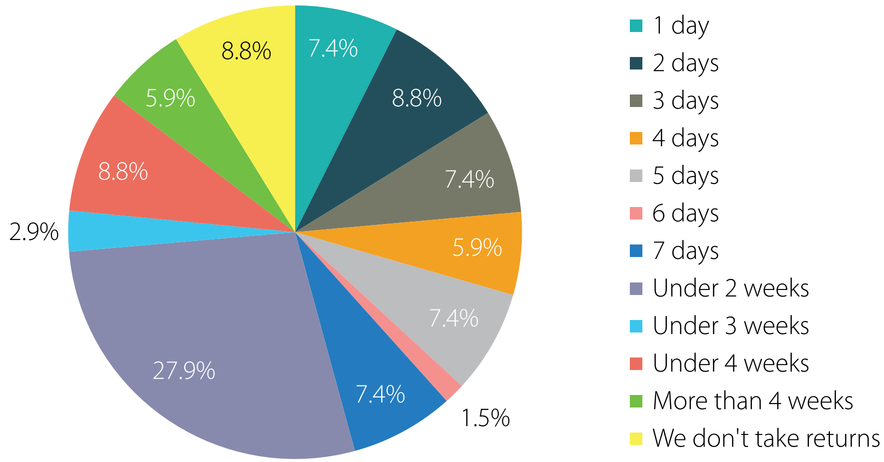
**What level of channel integration you have in your distribution network?**




The consumer experience is about creating a consistent experience across channels. It isn't yet clear which methodology is the most beneficial to achieving the seamless customer experience, however, ultimately some level of integration seems to be a natural progression towards ensuring clarity across channels on inventory-levels and service level for customers. As a consequence, there is a very split response rate to the question of what level of channel integration retailers have in their distribution network. The majority of respondents did not have full integration opting instead for a combination of types.

## Returns

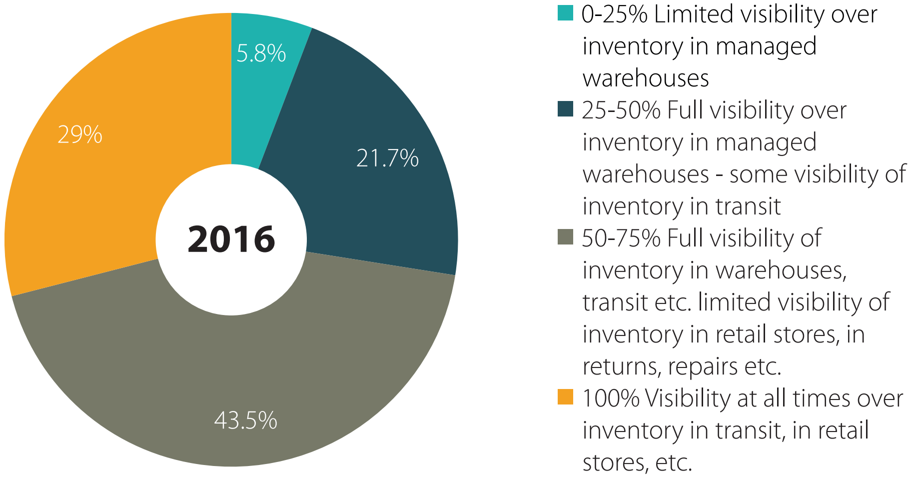
**How long does it take for a return to be added back into your inventory, ready to be resold?**



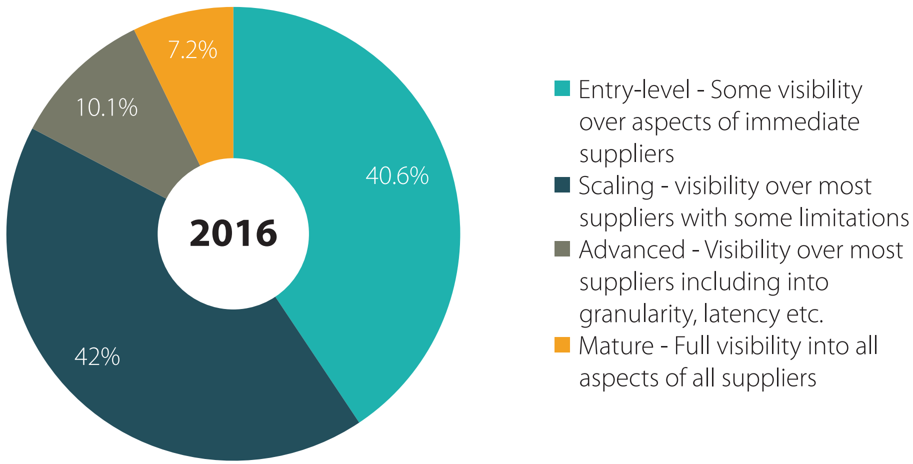

Returns are an increasing reality of retail. The challenge for many retailers is maintaining that in-store experience for consumers shopping from online offerings without costs spiralling out of control. On the cost front, many considerations need to be taken into account: balancing ease for the consumer to return a product without compromising the business; but also maximising the value of returns. 54% of respondents were taking more than a week for a return to be added back into the inventory (including 9% of respondents that don't take returns). This represents a significant amount of lost sales time as well as possible stock-outs of popular products.

## Visibility

**What percentage of visibility do you have over your inventory?**

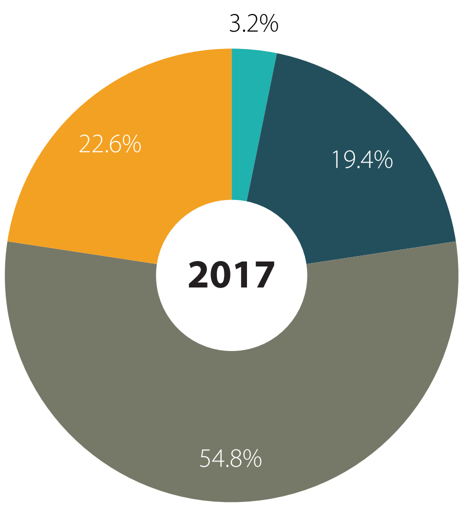



**What level of visibility do you have of your suppliers?**



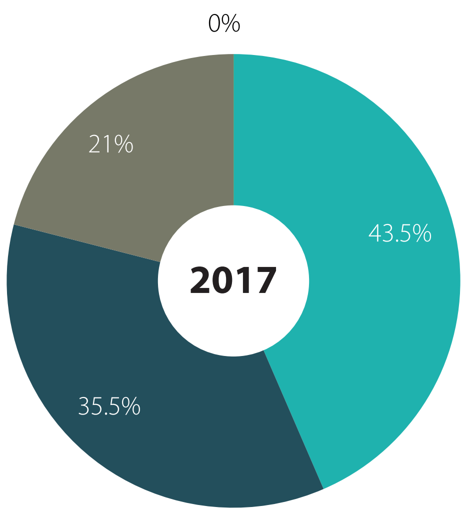

Visibility is one of the age-old conundrums of supply chain. Omnichannel is only exacerbating the problem as the number of channels increase the variables that require visibility. Add to this returns and consumers demanding visibility on delivery and available inventory and things really become complex. Consequently, between 2016 and 2017 we see a drop in the number of retailers reporting 100% visibility over their inventory with the majority of respondents identifying their visibility at 50-75%. In addition, retailers still have very limited visibility over their suppliers with the majority of respondents selecting 'entry-level'. Despite the fact that visibility continues to be more advanced than ever, expect to continue to see retailers struggle to achieve full end-to-end visibility of their inventory.

## What percentage of visibility do you have over your inventory?




- 0-25% Limited visibility over inventory in managed warehouses
- 25-50% Full visibility over inventory in managed warehouses - some visibility of inventory in transit
- 50-75% Full visibility of inventory in warehouses, transit etc. limited visibility of inventory in retail stores, in returns, repairs etc.
- 100% Visibility at all times over inventory in transit, in retail stores, etc.

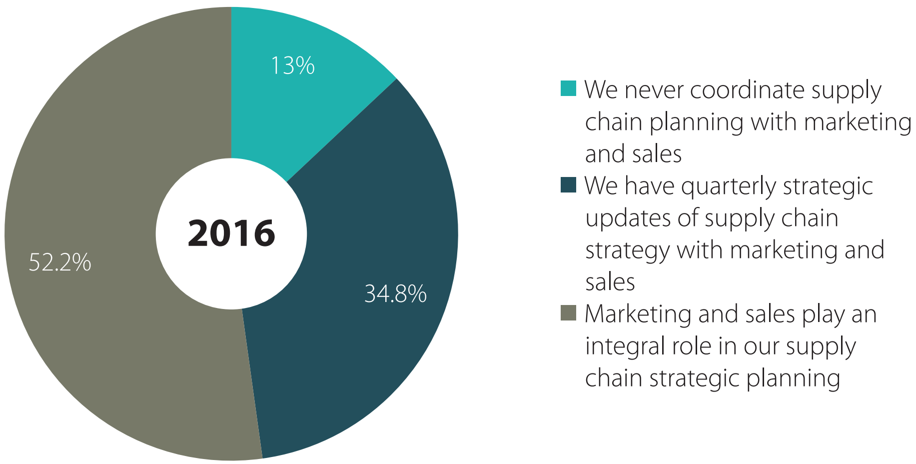
## What level of visibility do you have of your suppliers?



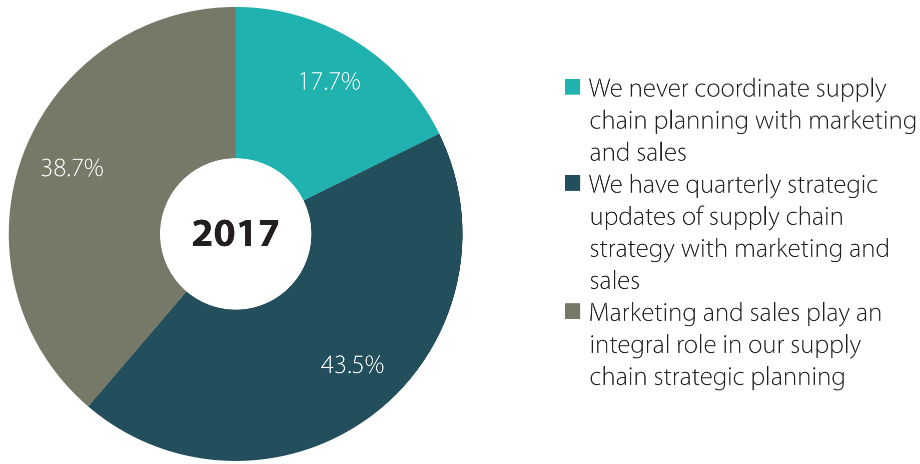

- Entry-level - Some visibility over aspects of immediate suppliers
- Scaling - visibility over most suppliers with some limitations
- Advanced - Visibility over most suppliers including into granularity, latency etc.as well as with VMI and drop-ship partners
- Mature - Full visibility into all aspects of all suppliers

## Marketing and sales coordination with the supply chain

**To what degree do you coordinate SCM with Marketing and Sales departments?**



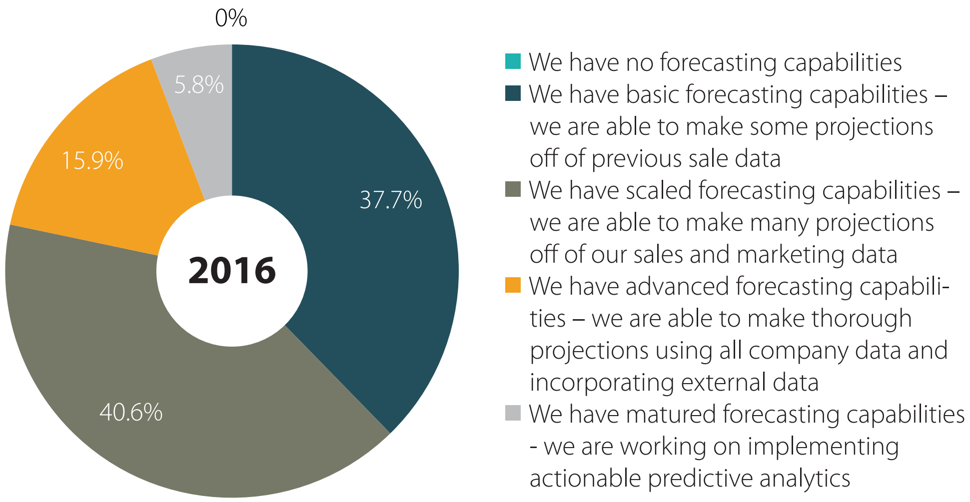

**To what degree do you coordinate SCM with Marketing and Sales departments?**




The number of touch-points between supply chain and consumers is increasing. As a consequence, it would appear that marketing, sales and operations have more incentive than ever to work closely together. Interestingly, between 2016 and 2017, the number of supply chain executives from retailers that said they worked closely with sales and marketing tanked with most relying only on quarterly catch-ups. This is a surprising shift given the emphasis on consumer-centricity and the increased interaction of the supply chain with consumers.

## Forecasting and investment priorities

**How would you rate your current forecasting capabilities?**

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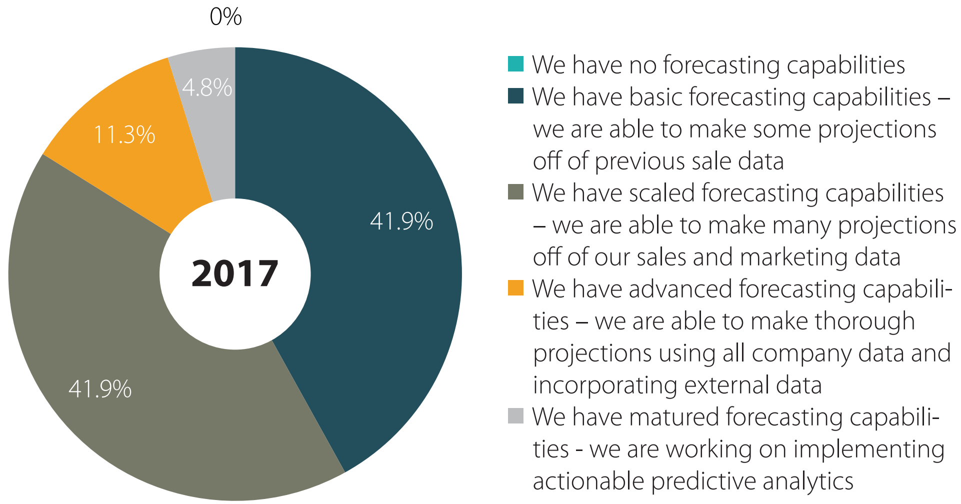
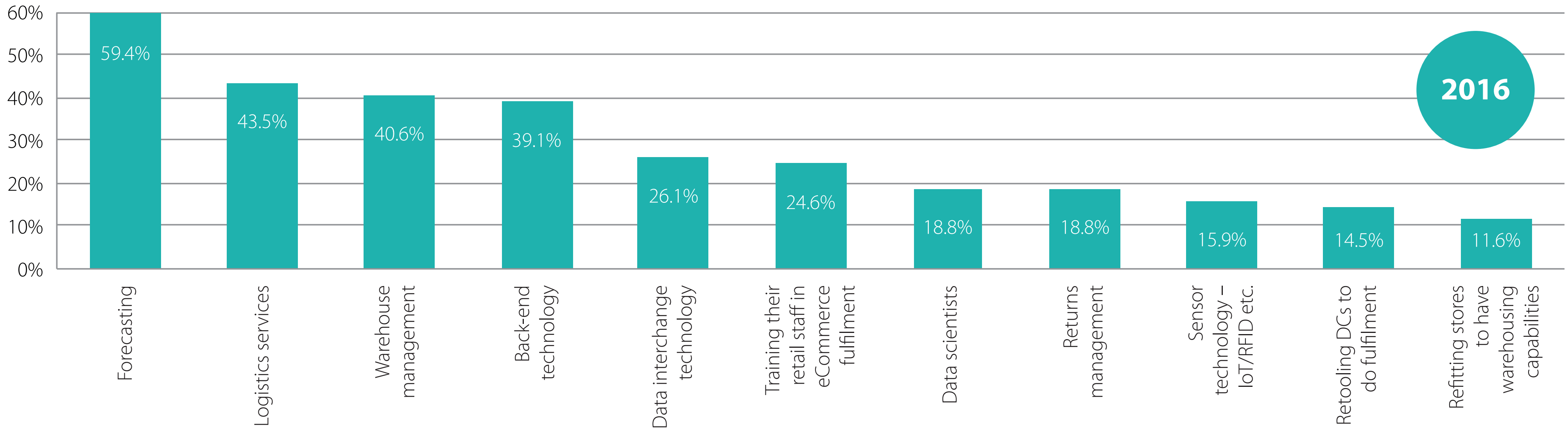


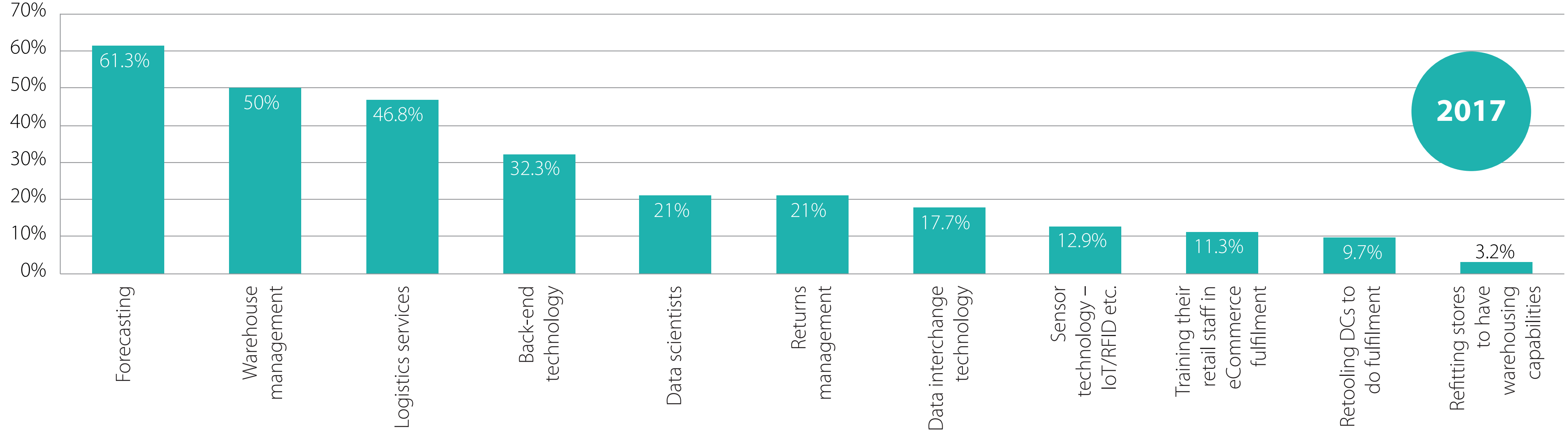

Forecasting, like visibility, is becoming increasingly difficult as the complexity of retail increases. As a consequence, we're seeing a slight drop in respondents' confidence in their forecasting abilities. That being said, in 2017, we're seeing an increase in the priority-level of forecasting for retailers from moderate to advanced. A similar shift is occurring on the visibility front as well as it becomes more of a priority for retail supply chain executives.

One area that's seen a big jump in terms of prioritization has been automation. In 2016 it was very much a moderate priority  now shifting towards advanced and immediate. This shift could be explained by pressures on supply chain executives to be more agile and cost efficient in the competitive world of omni-channel. Automation, in some cases, can represents the difference between failing and succeeding.

**What priority level do each of the below have in terms of how your organization is looking to evolve its inventory management?**

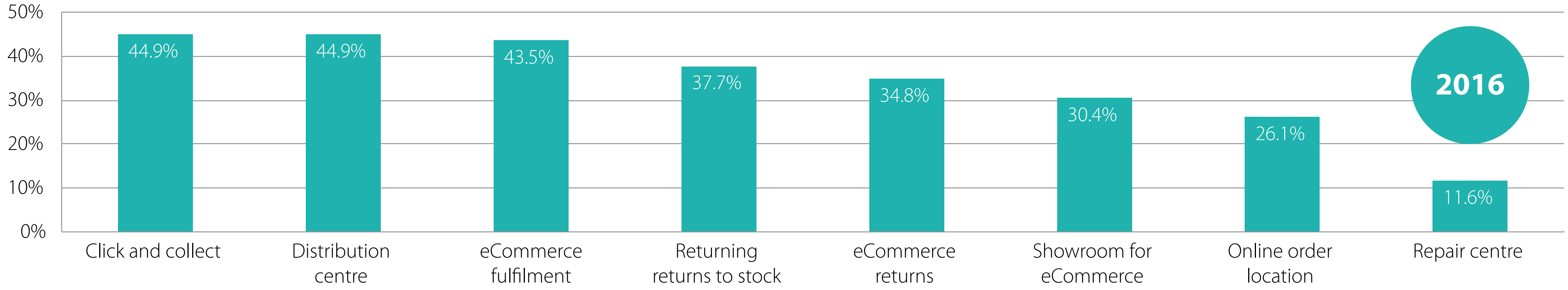
**Which area are you investing in most heavily to evolve your inventory management practices?**

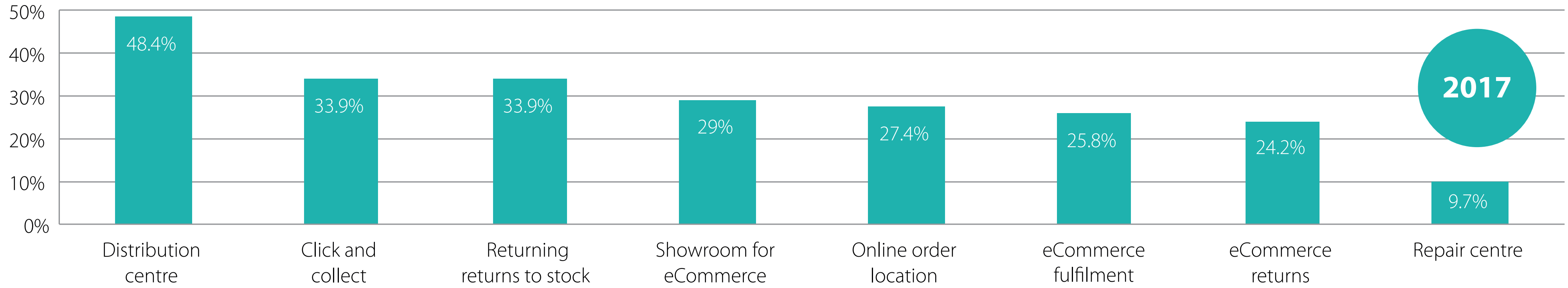


# The Brick and mortar store

**What role does the bricks and mortar store play in your supply chain beyond bricks and mortar retail?**




Many analysts highlight the fact that the physical store is how traditional retailers can make a stand against pure-play eCommerce. Consequently, we're beginning to see a shift in the store's usage between 2016 and 2017. For example, using the store as a distribution centre is becoming a major differentiator for brick and mortar retailers by allowing them to position stock closer to customers. The other top areas selected by retailers - click and collect and return-to-stock points – also represent critical differentiators for the brick and mortar store. Retailers with a brick and mortar presence are going to increasingly come under pressure to turn their physical footprints into differentiators.

# Conclusion

The consumer is causing havoc in retail and retailers are struggling to cope. While most retailers identify as being consumer-centric, in actuality, there are a huge number of pain points. In fact, between 2016 and 2017, retailers seem to have lost ground on the industry's rapid advances as indicated by lowering visibility and forecasting abilities.

Supply chain's embrace of consumer-centrism has really been a recent phenomenon due to mobile and  The consequence is that catch-up is still happening. For instance, when it comes to consumer-experience specific solutions, the supply chain isn't yet plugged in. However, the newness of consumer-centrism and its nascence in supply chain creates a number of opportunities for retailers. Organizations that are able to leverage supply-chain consumer-centricity effectively could have a significant advantage through customer loyalty and satisfaction. In addition, a supply chain with such connectivity to the consumer-base could significantly improve its forecasting helping it align inventory better with demand.

# Retail Disruption. Driven by customers. Solved by supply chain.

## A snapshot of some of the industry players taking center stage include:


**Scott Spata**
*VP Supply Chain*
**The Home Depot**


**Ratnakar Lavu**
*CTO*
**Kohls**


**Alexis DePree**
*VP Global Customer Fulfilment*
**Amazon**


**Eileen Meade**
*VP Omnichannel Strategy*
**Dick's Sporting Goods**


**Darrell Edwards**
*CSCO*
**La-Z-Boy**


**Jeff Girard**
*SVP Logistics*
**DSW**


**Neil Beckerman**
*SVP Supply Chain & Finance*
**New York & Co.**


**Bryan Eshelman**
*COO*
**Aldo**


**Pooja Agarwal**
*VP Operations*
**Birchbox**


**Mike Griswold**
*VP Retail Research*
**Gartner**


**Don La France**
*SVP Supply Chain Technology*
**1800flowers**


**Sergio Villalobos**
*Director Global 3PL Strategy*
**Nike**


**Jonathan Parks**
*VP Global Operations & Logistics*
**Rent-a-Center**


**Robert Moschorak**
*VP Global Operations*
**ADI Global Distribution**


**Jett McCandless**
*Co-Founder & CEO*
**project44**


**Monica Wooden**
*CEO & Co-Founder*
**Mercury Gate**

## Key Industry Topics Addressed:

- **State of the Consumer-driven Retail Supply Chain:** Where do you rank in this fast-paced, highly competitive environment
- **Demand Planning & Forecasting:** Respond quicker to market-related developments
- **Warehouse Optimization:** Enhance the speed of fulfilment and reduce costs
- **Last Mile and Same Day Delivery:** Meet customer expectations, retain brand control, manage costs
- **Network Redesign:** Re-evaluate your distribution nodes to maximize profits and enhance customer service
- **Inventory Visibility and Organizational Alignment:** Gain control over costs, performance and the customer experience

**For more information, visit www.d3summit.com**

# D3 Dynamic Distribution Disruption Retail Summit **May 15-16, 2017** • The Marriott Brooklyn Bridge| New York, USA

## AGENDA AT A GLANCE

| DAY 1: May 15th, Monday | | DAY 2: May 16th, Tuesday |
|---|---|---|
| Session 1: Opening Keynotes: State of the Consumer-Driven Retail Supply Chain | | Opening Keynotes: Customer Data-Driven Supply Chain Strategies |
| TRACK 2A: Demand Planning & Forecasting | TRACK 2B: Warehouse Optimization | Session 6: Optimizing Network Design and Distribution Nodes |
| TRACK 3A: Inventory Allocation & Replenishment | TRACK 3B: Logistics and Distribution Strategy | Session 7: Inventory Visibility and Organizational Alignment |
| TRACK 4A: Supplier Collaboration and VMI | TRACK 4B: Last Mile Delivery | |

## Quick Stats About the D3 Retail Summit:

**300+ Senior Level Professionals**

**65% Retailers, CPGs & Brands**

**Over 40 Industry Speakers**

**Who should attend?** Over 300 Retail, Brand and CPG Supply Chain Professionals from these lines of business:

**Supply Chain Operations**
**Logistics**
**Distribution & Fulfilment**
**Inventory Planning/ Forecasting**
**Warehousing / Transportation**
**eCommerce Fulfilment**
**Omnichannel**
**Procurement**
**Merchandizing**
**Supply Chain Technology**

**D3 is where you build your omnichannel supply chain roadmap. Come learn from the best in the business!**

**I hope to see you in the Big Apple.**

Priyanka Asera
*Head of Retail, eft*
+1800 814 3459 x4340 (US Toll Free)
+44 207 422 4340 (Global)
E: pasera@eft.com

"Organized, structured, relevant, educational, and open/friendly. Priyanka and staff are awesome...I attend many conferences but this team shines. Will be back next year!"

**Scott Spata, VP Supply Chain**

"Unlike many conferences I've attended in the past, this one allowed us to focus on the conversation in front us and allowed for an intimate exchange of ideas and opinions amongst some of the industry's most established professionals"

**Alice Chiu, Director Inventory Strategy**

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