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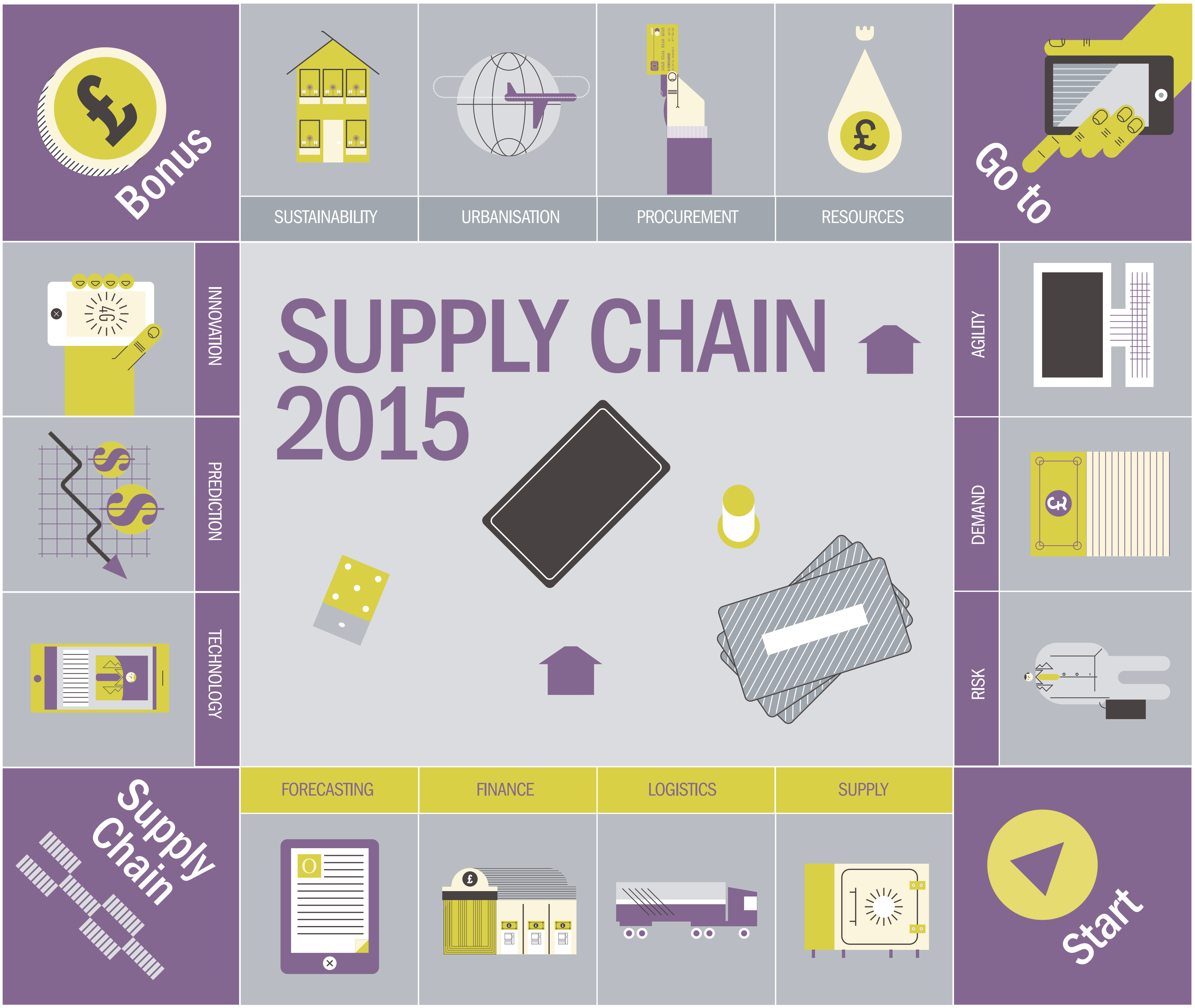
SUPPLY CHAIN 2015



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Overview

AGILITY IS KEY IN ON-DEMAND UK

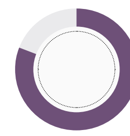
Image: Getty

Fresh challenges face supply chain bosses as world trade continues to evolve at a rapid rate and possible disruption is a constant threat, writes **Nick Martindale**

83%

of chief executives believe their supply chains are "not optimal" to meet today's demands

Source: PwC/Forbes/JDA



81%

of businesses experienced at least one supply chain disruption last year

Source: Zurich Insurancez

15%

believe their supply chain is resilient enough to address the threat of external disruptions

Source: PwC/Forbes/JDA

The global economy may be improving, but the fear of a new crisis is never far away – impacting how organisations set up and run their supply chains.

According to figures from Zurich Insurance, 81 per cent of businesses experienced at least one supply chain disruption last year. Its *Global Risks 2015 Report* identified geopolitical tensions, in Ukraine and the Middle East, for example, as the most significant threat to organisations in the year ahead.

"Interstate conflicts can have a detrimental effect on supply chains and, as new sanctions come into place, businesses may see some of their suppliers affected," says Nick Wildgoose, global head of supply chain at Zurich Insurance. "We have also seen a marked rise in technological risks, in particular cyber attacks. Businesses that work with a multitude of suppliers often allow vendors to access their own systems and could ultimately be offering a direct route for hackers."

The turbulent geopolitical and economic environment means organisations' supply chains need to be more flexible, and supply chain leaders need to factor in the costs of potential disruption. "Today, managing costs is about moving more quickly towards agile supply chains, which allows for rapid response to changing market conditions and variable cost structures that ramp up and down with revenues," says Gerard Chick, chief knowledge officer at Optimum Procurement Group.

"Flexibility is the antidote for cost volatility and to improve the organisation's cost structure and bring growth." Supply managers need to create interconnected networks of suppliers and manufacturers to help with this, he believes, drawing on intelligent modelling capabilities to assess the cost, quality and time implications of any decisions.

ON-DEMAND ECONOMY

The move towards an on-demand economy, based around shorter lead times, is also increasing pressure on supply chains, says David Noble, chief executive of the Chartered Institute of Procurement and Supply. "Products are beginning to be commoditised quickly and can be produced in small labour units," he says. "Those that execute better and faster than others will fare better."

Technology will have a role to play in helping supply functions cope with these increased challenges, both in planning and designing supply chain operations, and in the movement of goods. Much of this will come from the so-called internet of things (IoT) made up of intelligent devices that can communicate with each other and alert organisations to potential problems or shortages.

"The basic effects of IoT are already being seen as businesses put RFID [radio-frequency identification] chips and QR [quick response] sensors into products to track them across the supply chain," says Hans-Georg Kaltenbrunner, vice president, manufacturing strategy, Europe, the Middle East and Africa, at JDA. "In the near future, machinery beyond premium cars will actively send performance metrics back to manufacturers, making it easier for them to pre-empt maintenance needs before faults occurs."

Big data is also having an impact, allowing organisations to better predict what will be needed and where, as well as in the logistics of moving goods around, as long as it can be used effectively. "Even more information is available to help make planning inventory more accurate, but it can soon overwhelm people," warns Melissa Cupis, managing director of AGR Inventory. "Technology can help to bridge that gap by turning data into useful information at the right point in the process. A good example would be the availability of free weather data or social likes as an input into supply chain planning."

> The speed and style of contracting has to be far more agile than a traditional long-term sourcing process and relationship

The procurement function is also undergoing significant change in the wake of the end of the financial crisis. Closer relationships with finance departments have meant a new level of cost reductions in the region of 15 to 20 per cent in some categories, says Rob Woodstock, managing director, operations strategy, at Accenture, while the procurement is also much more involved in supporting growth and transformation than was the case before the downturn hit.

In addition, the digital revolution is impacting procurement in both the nature of suppliers with which it liaises and the speed with which it has to engage. "The sourcing team is presented with the challenge of working with much smaller organisations where there is little historical information," says Mr Woodstock. "The speed and style of contracting has to be far more agile than a traditional long-term sourcing process and relationship." The development of supplier networks also requires different skills, he adds, including being able to encourage innovation from partners.

Alongside developing a supply chain that is equipped to cope with the increased pressure on organisations is the ongoing need to run operations in a responsible manner, after a spate of recent supplier-related scandals.

"The risks are as great as ever as global trade continues to grow," says Professor David Menachof, Peter Thompson chair in port logistics at Hull University Business School's Logistics Institute. "How do you make sure that your firm has an ethical supply chain, avoiding modern slavery or child labour, for instance, with one of your suppliers or suppliers' suppliers? None of the global names wants to risk their reputation over an event that could be prevented with forethought in the design of their supply chain."

Image: Getty

STRENGTHENING WEAK LINKS IN GLOBAL SUPPLY CHAINS

Companies that are proactive in addressing risk management can gain a competitive edge, as **Mike Scott** discovers

Over the last few decades, the world economy has become not only more global, but also increasingly hyper-connected.

Previously, a US company, for example, could source most of its inputs from within the country and so would have been to a large extent shielded from the impacts of global events.

But the increasing sophistication and reach of supply chains makes them vulnerable to a whole range of risks, including armed conflict, natural disasters and labour conditions in factories on the other side of the world.

"Supply chain risk management has become increasingly important because of the new and more complex issues that a modern company is exposed to," says Charles Clark, chief executive of Rosslyn Analytics, a supply chain research firm.

Many companies are unprepared for this increased complexity, Mr Clark says, where events as disparate as the Swiss National Bank suddenly dropping its support for the Swiss franc, oil prices halving within six months, Russia annexing Crimea and cyber attacks from North Korea can all affect companies and their suppliers. "Many Fortune 500 companies will take four to six weeks to ascertain their exposure to Switzerland, for example," he says.

LONG-TERM TRENDS

Then there are longer-term trends, such as climate change and resource scarcity, and the growing array of rules and regulations that attempt to manage these challenges. "It's a lot easier to pass legislation than it is to keep up within it," says Adrian Carter, chief executive of supply chain consultancy Achilles. The global cost of complying with legislation, from whether your product uses conflict minerals to how you are tackling climate change or bribery and corruption, is around $60 billion, he says.

As the horsemeat scandal in the UK and Europe demonstrated in 2013, it is not enough to know what is going on at your first-tier suppliers, you need to have visibility of their suppliers too. "Multinational companies are increasingly being held liable for their second and third-tier suppliers, but it is very difficult and expensive to keep track of them," says Mr Carter.

Increasingly, companies recognise the need to take risk management in the supply chain seriously. "But there is a gap between the willingness to address the issue and the ability to execute," he adds.

There is quite a range of "maturities of approach", says Matt Elkington, head of enterprise risk management at PwC. "We still see some fairly basic practices from companies you would think would be more sophisticated."

Analytics Dashboard
Page 08

Most companies only wake up to the risks that lurk in their supply chains when something disastrous happens, he points out. High-profile recent examples include the impact of the Japanese tsunami on the global electronics industry and the effect of the 2011 floods in Thailand on many key suppliers to the world's carmakers. "It's much better to be proactive. This has as much to do with collaboration, technology, keeping up with legislation and using their economic leverage, as customers – to bring about change in their suppliers," says Mr Elkington.

A growing number of companies are realising that managing supply chain risks well is a way to get ahead of competitors, says Sung In Marshall, principal analyst in human rights and societal risk at Verisk Maplecroft. "Companies can easily fall into the trap of only looking at risk, but addressing some of these risks can be a massive opportunity."

> Many companies are unprepared for increased complexity

Collaboration can bring real benefits because competing companies often have the same issues to deal with and use the same suppliers. If they can identify areas of common concern, it cuts out duplication and reduces the burden on suppliers – and can almost halve the cost of compliance.

PARTNERSHIPS

One company that has sought to increase its collaboration and get ahead of regulatory trends is AkzoNobel, which as one of the world's largest chemicals groups, is highly exposed to the volatility of oil and gas prices, as well as the pressure to reduce carbon emissions. One way it is responding to this is by increasing the amount of bio-based materials it uses. "This requires the bringing to life of entirely new supply chains," says Peter Nieuwenhuizen, director of future-proof supply chains at the company. "We've also had to convince people that we want to work in partnership because we cannot do this alone."

Previously, companies did not have the same strategic objectives, but today they are more receptive to the idea of collaboration. "Many companies are trying to make their supply chains more sustainable, but struggling with how to do it in practice. Collaboration fits in with many businesses' objectives today," he says.

Another global giant looking to future-proof its supply chains is Mars, the food group, which has just announced plans to reduce deforestation in its supply chains for beef, soy, pulp and paper. "It is becoming increasingly unacceptable to encourage deforestation. We want to be ahead of that trend," says Barry Parkin, Mars' chief sustainability officer.

The new policies are driven not just by a desire to do the right thing, but the increasing transparency of supply chains. "There is no place to hide in the world today. Anyone can now see real-time satellite images of people starting fires in plantations. The level of transparency has increased dramatically," he says. "A corporation like ours has to know where everything comes from and be assured that it is being sourced in a responsible way. Decades ago, it was acceptable to not really know where your materials came from – we just dealt with our tier-one suppliers. But that won't do today."

60%
of companies pay only marginal attention to risk reduction processes in the supply chain

53%
say raw material price fluctuation is their top risk

47%
say currency fluctuation is the top risk

Source: PwC/MIT Forum

82%
of companies create and implement a business continuity plan as an action to mitigate supply chain risk

Source: MIT

Case Study

RISING FROM THE DEBRIS

Image: Getty

In April 2013, more than 1,100 people lost their lives and a further 2,000 were injured when Rana Plaza, a building housing five garment factories in Dhaka, Bangladesh, collapsed – the disaster had lasting implications

TRAGEDY

The tragedy drew global attention, not just because it emerged that at least 27 global garment brands had current or recent orders with the five factories at the time of the collapse, but also because many of those who died had been ordered back into the building even though it had been evacuated the day before because giant cracks had appeared in the walls.

RESULT

As a result, the disaster threw a glaring spotlight on global clothing brands and their responsibility for the workers who make their products in factories across the world, in terms of safety, working conditions and wages.

CHALLENGE

Unlike previous garment factory incidents, this time the industry reacted rapidly. More than 190 companies, including many whose products were not made at Rana Plaza, have signed the Accord on Fire and Safety in Bangladesh, a legally binding and independent agreement designed to make all garment factories there safe workplaces. Signatories include adidas, Marks & Spencer, Matalan, Sainsbury's, Tesco and Primark.

RESPONSE

Primark was one of the brands most under scrutiny as a company that prides itself on the cheapness of its clothes. Immediately after the disaster, it confirmed that one of its suppliers occupied the building and issued a statement of condolence. Within two weeks, it had announced a package of compensation for workers affected and the families of the dead, and soon after it confirmed that it would sign up to the accord. When it became apparent that the industry-wide mechanism for compensation payments was becoming bogged down, it committed to make short-term payments to workers and dependents of anyone involved, not just those producing Primark clothes, as well as funding food aid for about 1,000 families.

LESSONS LEARNT

Within two months of the disaster, the company announced a programme of building surveys to assess the structural integrity of factories where it sources garments, because the implementation of the accord would take time.
After one of its first inspections, it asked a supplier, Liberty Fashions, to evacuate an unsafe building and offered support to help it do so. When the company refused, Primark terminated its contract.
As other brands continued to wrangle over the details of compensation, Primark committed to make further compensation payments in October 2013 to all 3,600 Rana Plaza workers, even though most were working for their competitors, and called on the rest of the industry to do the same.

Commercial Feature

Global megatrends will impact supply chains

If historical trends hold true, supply chains of the future will stem from major global shifts or megatrends, says PwC

The world is constantly changing and supply chain strategies must adapt to a new world order or face being ineffective and irrelevant. The supply chain innovations of yesteryear – barcodes, computerised tracking systems, the just-in-time delivery model and even online delivery channels – have all been responses to broader trends taking place at that particular time.

Today, we see five megatrends emerging that will continue to shape the business landscape over the coming decades, each having implications for how organisations will set up and run their supply chains:

1. Shift in global economic power: By 2030, the size of the seven leading emerging economies will overtake that of the current G7 group.

2. Demographic and social change: By 2025, the world's population will have risen by one billion, taking the total to eight billion.

3. Technological breakthroughs: Some 80 per cent of chief executives class technology as one of the top three trends that will transform their business over the next five years.

4. Climate change and resource scarcity: As the world becomes more populous, urbanised and prosperous, demand for energy, food and water will rise. An increase of 35 per cent is expected in global food demand by 2030.

5. Rapid urbanisation: The global urban population is growing by 1.5 million people every week and by 2025 it is expected that there will be 37 megacities, up from 23 today.

These megatrends will all collide to impact on supply chains, forcing business leaders and supply chain professionals to respond. "These trends will grow in importance and drive a radical change in how supply chains operate," says Johnathon Marshall, UK supply chain lead at PwC. "Supply chain leaders must think about how the trends will impact their organisations and how they must respond to maintain long-term competitiveness."

PwC contends that supply chains are likely to respond in a number of ways:

GREATER SELF-SUFFICIENCY

The continued rise of megacities means it won't make economic sense to transport certain goods over long distances; a trend that will be compounded by the pressure to reduce carbon emissions and the consumer preference for rapid delivery of products. As a result, organisations will look to develop more localised supply chains, using local materials and labour to tailor products to local markets thereby driving down time to market and lead times. The development of self-sufficient supply chains will also help reduce supply continuity risk.

MORE COLLABORATION

The continuous shift in increased economic purchasing power towards new geographies and markets means organisations will move away from the traditional model of having their own costly manufacturing footprint in local markets.

Instead, the focus will be on collaborating with value-chain partners, making use of virtual manufacturing and plug-and-play factories. This will provide the necessary supply chain flexibility without the burden of high fixed costs.

"Instead of investing to set up new supply capacity, in the future organisations might be buying capacity in a local region for the short term to better service transient and volatile demand," says Mr Marshall. "That might require partnering with either your peers or those in an adjacent industry to make sure you can satisfy the demand you have locally."

PREDICTIVE ANALYTICS

The explosion of data being produced by people, companies and smart objects will allow organisations to gain deeper insight into trends and consumer behaviours. Combining data from disparate and unstructured sources, such as weather reports, social media output and home appliances, to draw meaningful patterns in consumer behaviour will allow supply chains to predict demand and identify stock shortages or delivery issues much earlier.

"An organisation could use artificial intelligence to predict a sudden surge in mobile phone volumes, determine stock levels and resolve any parts issues with suppliers before the problem even arises," says Mr Marshall.

This reliance on rich and unstructured data, however, will require smarter integration between system platforms to provide genuine end-to-end visibility and insight of the entire supply chain. In turn, this will improve service levels, make supply chains more efficient and provide the capability to enable faster product development cycles while also minimising working capital.

UNFAMILIAR TERRITORY

The rising population and growing pressure on the Earth's natural resources will see a rush to find raw materials located in less obvious places. This could include deep-ocean extraction through to asteroid-mining and interplanetary searches.

> Five megatrends will continue to shape the business landscape over the coming decades, each having implications for how organisations will set up and run their supply chains

This has the potential to create huge challenges for the supply chain ecosystem, requiring new skills and technology platforms to manage complex networks and much higher levels of risk and uncertainty. Activities such as asteroid mining will present novel political and territorial challenges, including ownership disputes, with organisations needing to be able to react to changing circumstances in what is uncharted territory.

FLUID AND RESPONSIVE

Global variations of consumer purchasing power levels will lead to a greater demand for both customised and no-frills products.

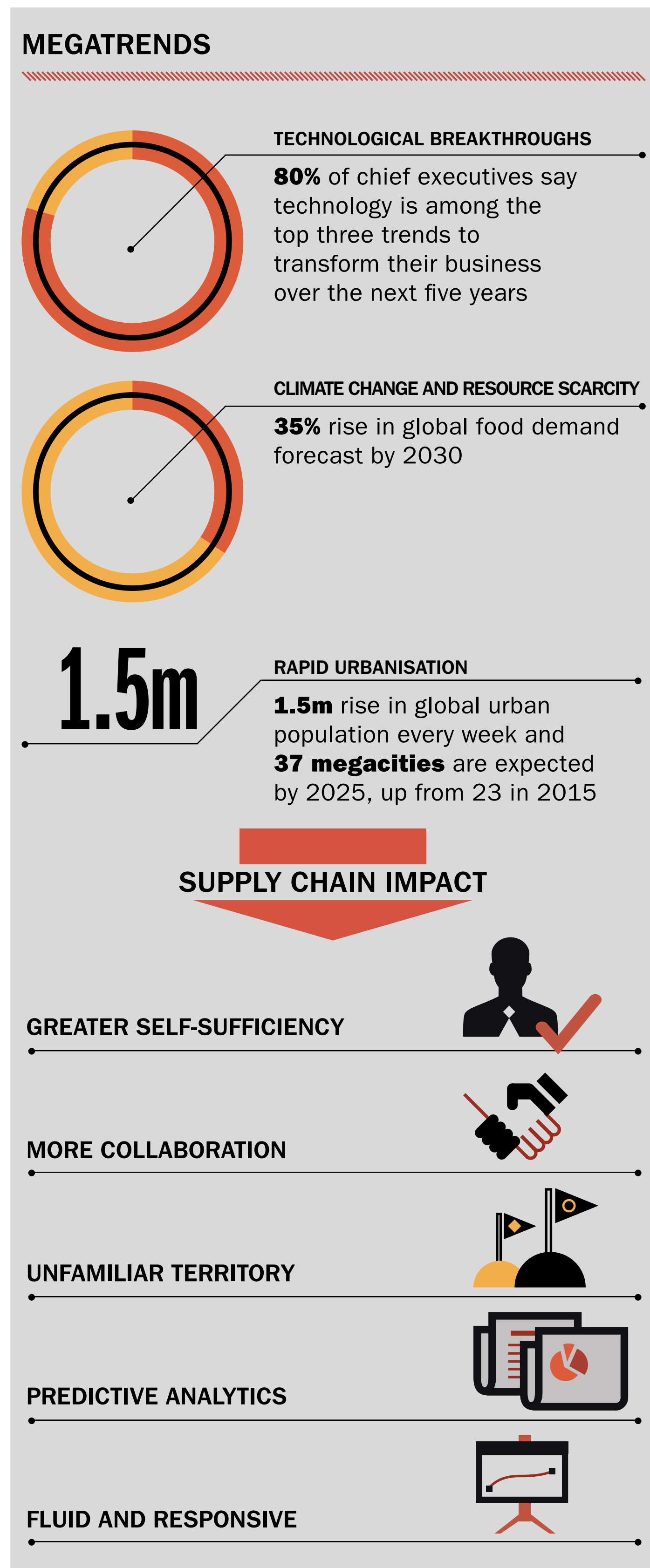
Organisations are likely to require many supply chains: one, for example, for producing ultra-customised products meeting individual needs, while another for no-frills items focusing on speed and value. An automotive manufacturer could offer a standard value car readily available at a retail supermarket while also offering a car customised to individual needs which will have longer lead times and command a higher price.

Supply chains will need to be set up to meet demand from different consumer types and be able to switch seamlessly between their chains in response to changing requirements.

Organisations that align their business strategy with their supply chain strategy typically achieve stronger business performance resulting in an average of 20 per cent higher profitability.

Businesses need to analyse the megatrends to understand the implications on their supply chain – how are you shaping your future supply chain?

To discuss how PwC can help shape your future supply chain, visit http://www.pwc.co.uk/consulting/supply-chain-management.jhtml or call +44 (0) 20 72131 1768



YOU SCRATCH MY BACK AND I'LL SCRATCH YOURS

Image: Getty

Through forging partnerships with suppliers, companies are able to ensure compliance with required standards and protect production, as **Michael Dempsey** reports

The world of the supply chain is undergoing radical change. A whole new approach to the business of managing relationships with suppliers is evident from global brand names to national food retailers. The traditional obsession with costs and price reduction is giving way to a far more constructive approach that shares power with and spreads benefits to smaller suppliers.

"Strategic procurement used to mean driving down costs," says John Francis, a senior UK manager with consultants Accenture. This approach is now seen as wholly outdated by the majority of businesses Mr Francis works with. In a recent survey of 225 organisations worldwide, Accenture found those that had mastered procurement by collaborating with suppliers spent half as much on managing their supply chain as businesses that didn't operate a collaborative model, yet saved 30 per cent more.

What this epidemic of collaboration boils down to is that large businesses are establishing partnerships with smaller suppliers and encouraging them to improve quality. US Jeans giant Levi Strauss, for example, has recently embarked on an ambitious programme to provide secure finance for many of its key vendors.

PROMOTING STANDARDS

These suppliers, typically garment makers in Bangladesh, are audited by Levi Strauss on characteristics such as workplace safety. Working with the World Bank's private sector arm, the International Finance Corporation (IFC), Levi Strauss then provides loans for factory improvements such as sprinkler systems.

The IFC steps in to offer ongoing loans to these companies at interest rates and terms that reflect the credit status of Levi Strauss, rather than the more onerous terms that would apply to small outfits in the local market. Olaf Schmidt, who runs the IFC's global retail unit, points out that "the poorer the country, the bigger the need for supplier finance".

The IFC is paying these suppliers as soon as they deliver goods to Levis Strauss which in turn reimburses the IFC within two months. So the suppliers get reliable cash flow while the jeans maker's audits encourage best practice in terms of working conditions. The whole arrangement hums away within online software from GT Nexus that allows all parties to log on and see where shipments and payments stand within the supply chain.

While Levi Strauss sources its denim from around the world, many of food retailer Sainsbury's own-brand products come from UK farmers. But the dairy farmers that supply the milk have to contend with market prices which often bear no relation to the cost of producing it. Faced with the prospect of suppliers going to the wall, Sainsbury's decided to change its entire relationship with them.

For the past eight years it has run a scheme intended to create and protect a long-term source of quality dairy products. The supermarket chain pays vets to teach farmers how to spot and deal with common health problems among cattle. Individual farmers might not want to take on this cost. But by promoting higher standards and sending its own retained vets to visit dairy herds, Sainsbury's sees each of the 55,000 cows in these herds produce 140 litres of milk more than the national average.

INVESTING IN THE FUTURE

Rather than pay an unpredictable market rate, Sainsbury's has introduced a payments scheme based on cost of production plus profit. This has freed its farmers from the worry of dealing with volatile costs for animal feed, fuel and fertiliser. Judith Batchelar, director of Sainsbury's brand, says long-term sustainability is what it's all about. "We've spent £60 million over eight years on vets and other assistance to dairy farmers. It is a long-term investment. No one knows at what point we will see payback, but if you want a sustainable supply chain you have to work like this."

> What this epidemic of collaboration boils down to is that large businesses are establishing partnerships with smaller suppliers and encouraging them to improve quality

Accounting for Sustainability, a body set up by the Prince of Wales in 2004 to support resilient business models, was the catalyst for this project. Sainsbury's own chief financial officer is an active member of this initiative. Getting backing from the top means innovative supply chain moves are far more likely to thrive and Accounting for Sustainability typifies a new wave of groups like the IFC that encourage strategic supply chain thinking.

National Hickman is a building supplier that grew out of a long-established Wolverhampton timber merchant. Long-standing relationships are the key to the business. It takes wood and related parts from its suppliers and cuts them into shapes that allow its clients, including Barratt and Persimmon, to assemble key house components quickly.

In order to keep its own supply chain on track, National Hickman establishes guaranteed orders from the big housebuilders. It then offers higher volumes of custom to its timber suppliers who can keep their costs low due to a secure order book. "We can all create a decent margin without the prices going up too much – it's a virtuous circle," says National Hickman group deputy managing director David Formaston.

He recently spent £1.6 million on robots that pre-cut house parts before they are shipped out to the housebuilders. This meant Mr Formaston's clients could use less skilled labour on their construction sites. The company had worked out that a shortage of skills was holding back housebuilders and went about solving its customers' problems, thus cementing its own supplier-client relationship.

TOP 5 PARTNERSHIP TIPS

1. Work together and get as many companies as possible into a virtuous circle; try to figure out what you can do to make life easier for other players in the supplier circle
2. Don't hesitate to seek outside advice and help from national and international bodies; external organisations are a great source of innovation
3. Online software products that allow different parties to share and collaborate are very affordable; establishing a common ground on the internet is a great way of encouraging communication
4. Ensure executive sponsorship in the form of strong backing from a board member; ideally create a chief procurement officer
5. Remember that if you see the supply chain purely in terms of pruning costs you will get diminishing returns as life for suppliers becomes tougher; then the size of the potential supplier pool shrinks, and both your choice and the quality of supplies you get suffer

Top Technologies

HERE COME THE ROBOTS, DRONES AND CRANES WITH BRAINS...

Charles Orton-Jones reviews top technologies which are revolutionising the supply chain

WAREHOUSE AUTOMATION

When you place an order with Amazon it triggers a slick sequence of events, one of which is a bit old fashioned. A human is forced to run around a warehouse picking up books and gadgets from shelves. It's a dismal glitch in a system which is otherwise close to 100 per cent automated. Now humans are being phased out of warehouses. Amazon is using 15,000 Kiva robots, each capable of moving 340kg of products at a time, receiving directions wirelessly from the control centre. To date around 10 per cent of Amazon's 109 global warehouses are using Kiva robots. Coca-Cola is one of the most advanced adopters of automated warehouses. Steve Adams, group director of supply chain operations at Coca-Cola Enterprises GB, explains: "Among the most significant developments we've made has been the investment of a £30-million automated storage and retrieval system (ASRS) warehouse at our manufacturing site in Wakefield. Officially introduced last year, the 38-metre high warehouse is designed to hold and automatically move 30,000 pallets." Speed, cost, accuracy and the ability to run 24/7 are the benefits.

20%

cost-saving in an Amazon warehouse using Kiva robots

Source: Amazon

DRONES

There is a furious debate over the future of aerial delivery drones. Are they realistic methods of direct delivery, capable of using GPS guidance to land by a customer's front door? Or menaces to aircraft and pedestrians? The technology is ready. DHL launched its "parcelcopter" in December 2013. The first mission for the little quad-propellored yellow copter was delivering goods to the North Sea island of Juist, 12km off the German coast. DHL avoid air traffic violations by keeping the parcelcopter below 50 metres. Aviation rules in the UK state drones can be flown only 50 metres from a person or building and within sight of an operator. The last of which rather defeats the concept. In the United States, Google's X research division is testing a delivery drone in Australia. The current design is a beauty, a copter/fixed-wing hybrid which uses a cord to lower packages while hovering 30 metres above. US aviation regulations are as strict as in the UK, but the federal authorities are currently reviewing the rules.

1m

horizontal and vertical accuracy achieved by Galileo GPS satellite navigation

Source: European Space Agency

AUTOMATED CRANES

OK, so they might not be as sexy as drones or robot stock-pickers, but the shipping industry will benefit enormously from semi-automated cranes. The gleaming new deep-water dock in Liverpool is a showcase of latest industry technologies and the semi-automated "cranes with brains" are at the heart of it all. These cranes can be programmed to perform dexterous tasks without human control, eliminating operator fatigue. Containers will be moved directly from ships on to trucks. The cranes are cantilever rail mounted gantry cranes, making the terminal, called Liverpool2, Europe's first such semi-autonomous facility of this type. The cranes are integrated with a wider autonomous system. Peel Ports has invested £2 million in 13 lorry highways, which scan vehicles using optical character recognition, process driver ID and issue instructions to drivers without human intervention. The system means lorries can arrive, load and leave without the driver leaving the cab. Peel Ports' bill for Liverpool2 Terminal topped £300 million. For that the dock's capacity will double to 1.5 million containers a year. Liverpool2 can host 95 per cent of all container ships, up from 5 per cent.

60%

of containers destined for the North of England are currently routed via south-coast ports

Source: Liverpool City Region Local Enterprise Partnership

3D PRINTING

According to Sia H. Mahdavi, founder of Within, now part of Autodesk: "3D printing will completely disrupt the supply chain. In the future, we'll probably see a consumer able to download the design for a pair of Nike trainers, customise them and then print them out." Some supporters of 3D printing say it will disrupt even the disruptive technologies. Scott Cairns, chief technology officer of T-Systems UK, the corporate customer arm of Deutsch Telekom, says: "The longevity and relevance of drones in the supply chain may be curtailed, to an extent, by the rapid evolution of 3D printing." Why order an iPad cover when you can whizz one off on your home printer? Scott Slinn, head of supply chain solutions at BT Global Services, says 3D printers will influence even peripheral industries such as fashion. "Early in the supply chain process, especially in clothes retail, product samples are required to assess quality, size and fit. This can be a slow process, but as 3D printing evolves, more can be achieved so that samples are produced in the retailers' office to speed up the approval and allow products to hit the shelves quicker," he says.

$4bn

raised by 3D companies in public offerings since 2010

Source: Gigaom

DRIVERLESS CARS

Google's driverless cars have logged over a million accident-free kilometres. Google chief executive Sergei Brin forecast 2017 as the commercial launch date, though Google's programme director is now hinting at 2020, a date supported by manufacturers such as Renault-Nissan. Ask around and you'll get other industry estimates up to 2030. Those forecasts are for commercial vehicles. Military supply chain vehicles are ahead of the trend. Lockheed Martin's Autonomous Mobility Appliqué System (AMAS) programme grew out of a US congressional mandate in 2000 that by 2015 one third of the operational ground combat vehicles of the armed forces should be unmanned. Progress is impressive. The stout and squat logistics vehicle SMSS has been in Afghanistan since 2011. Carrying up to 3,800lb, the SMSS is fitted with autonomous technologies. It can play follow-my-leader, be steered remotely or manually. The vehicle has capacity for casualty evacuation. Seven other military vehicles are being fitted with autonomous technologies developed under the AMAS programme. Lockheed Martin's plan is to combine the SMSS ground vehicle with drones, to create an integrated supply chain for soldiers in dangerous terrain. What the military uses today, civvy street uses tomorrow.

240kph

clocked by Audi's driverless RS7 car circuiting Hockenheim racetrack

Source: Audi

SUPPLY CH
ANALYT

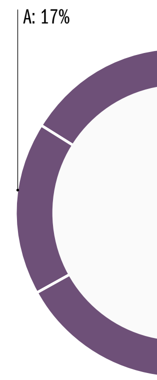
Companies' experience with big data analytics

A Already implemented analytics in one or more supply chain processes/functions

B Awareness from publications, conferences and/or colleagues

C Engaged in serious conversations to implement analytics in the supply chain

D An active organisational initiative (with supply chain being an integral part) to implement analytics in the next 6-12 months



Source: Accenture 2014

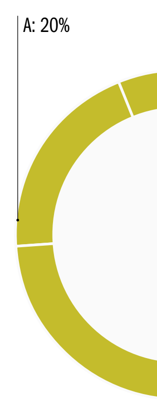
Companies' current use of big data analytics in supply chain

A Big data analytics is used in some areas within the supply chain and used on an ad hoc basis

B Not applicable - we only make use of traditional analytics and do not use big data analytics

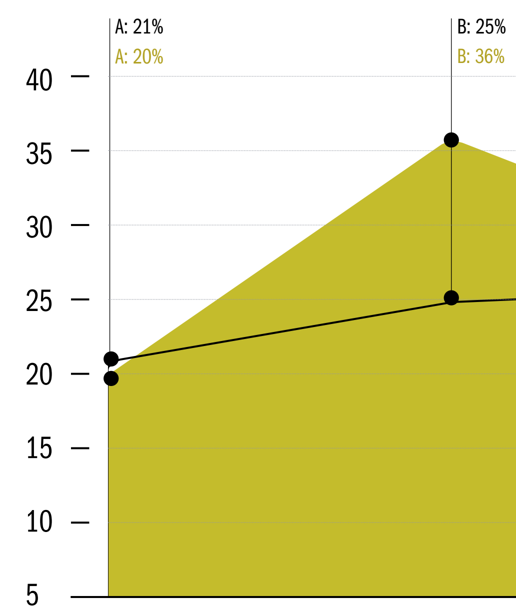
C It is operationalised - big data analytics is embedded into key supply chain processes

D Big data analytics is used in all areas of the supply chain, but only on an ad hoc basis



Source: Accenture 2014

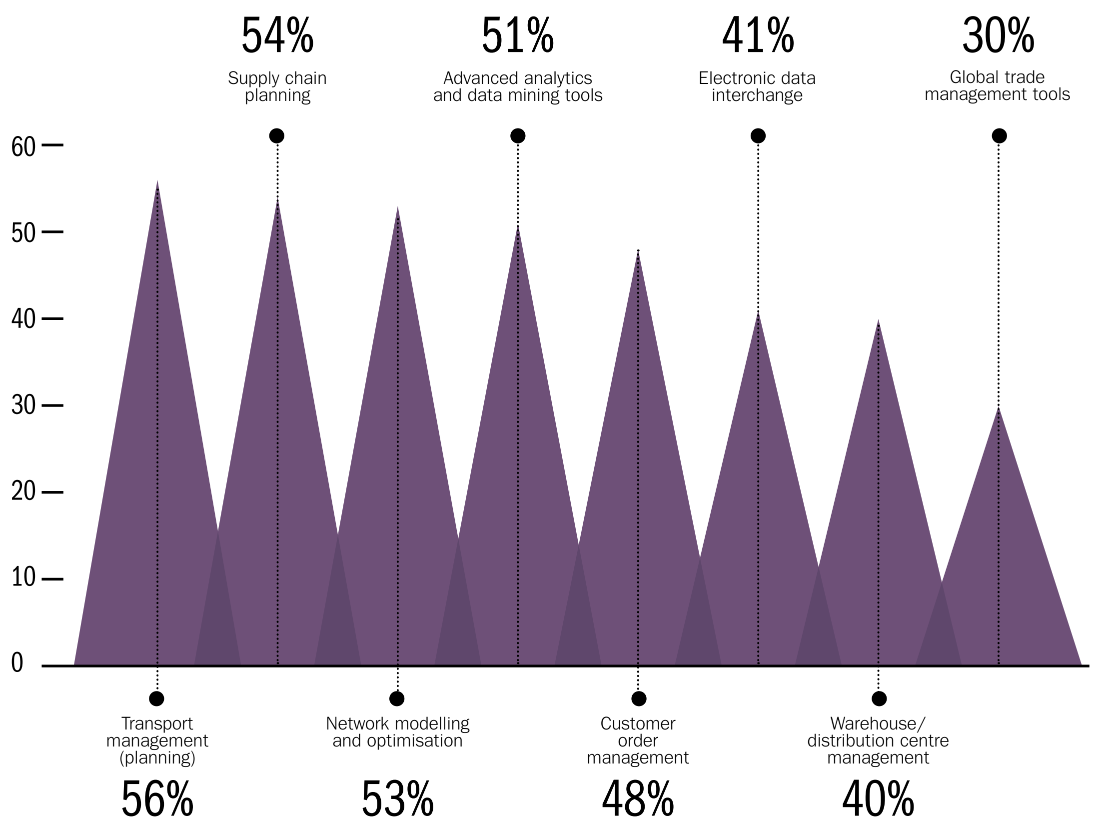
Supply chain - IT disconnects restraining big data progress



Source: Capgemni 2014

HAIN
TICS

Technologies for big data supply chain initiatives



Source: Capgemni 2014

70% higher performance achieved by companies that acknowledge supply chain as a strategic asset

Source: PwC

57% of chief executives ranked supply chain optimisation and traceability as a first priority for technology investment

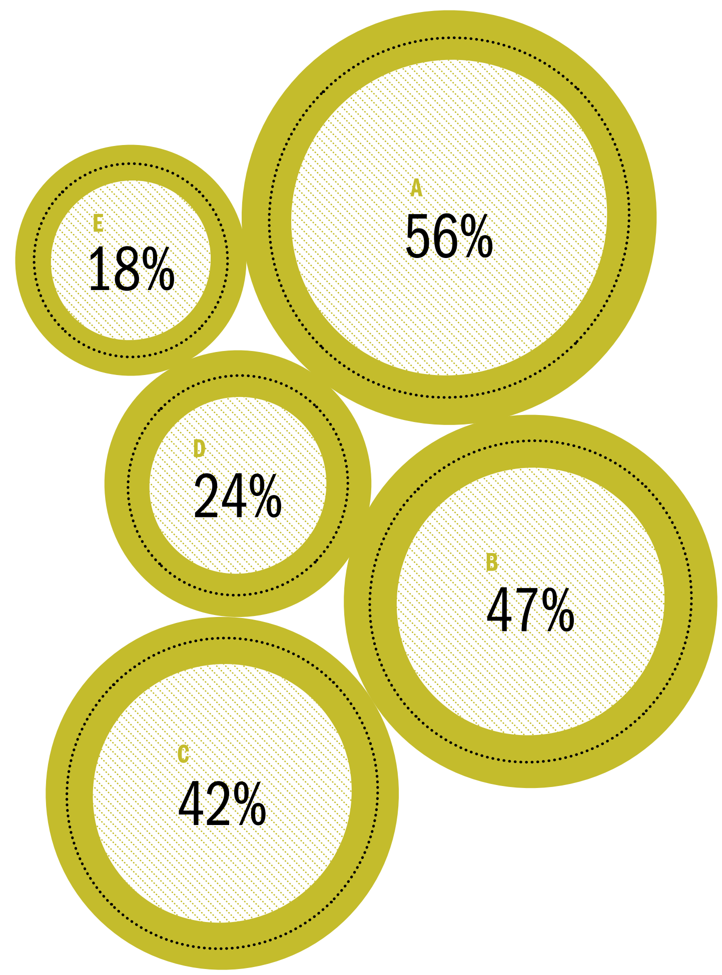
Source: Gartner

51% of companies ranked forecast accuracy and demand variability as the top obstacles to achieving supply chain goals

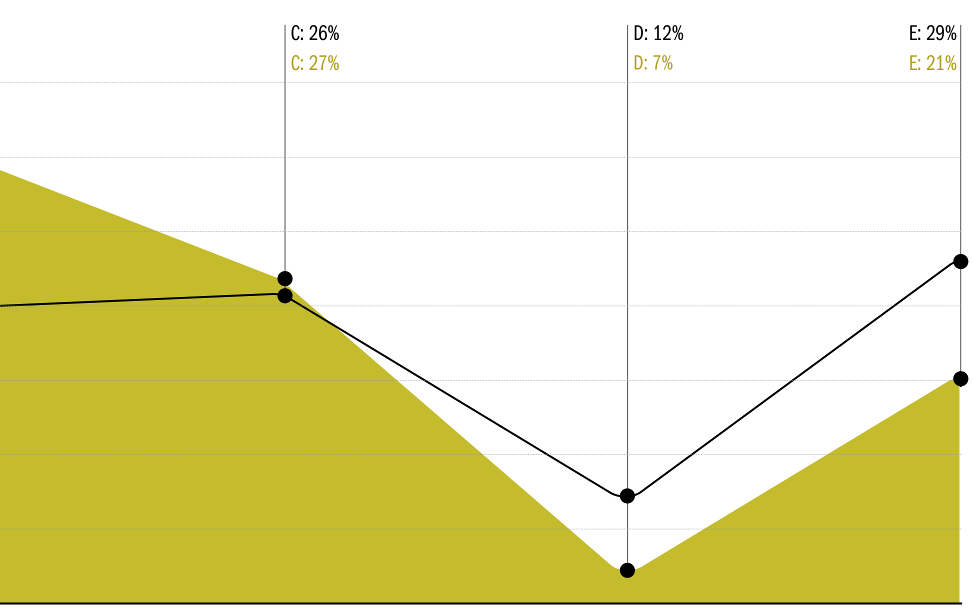
Source: Gartner

Companies' ability to use data sources for big data opportunity

A Supply chain visibility
B Geo-location and mapping data
C Product traceability data
D Temperature and product streaming
E RFID transmission



Source: *Supply Chain Insights 2013*



Shippers
Third-party logistics providers

A
IT has been a key strategic partner in using big data

B
IT is a strategic partner in our future plans to use big data

C
Our relationship with IT has evolved in ongoing efforts to use big data

D
Our relationship with IT has created challenges in using big data

E
IT provides functional support, but is not a strategic partner - we have not been able to use big data as a result

Best strategies for developing big data analytics capabilities in supply chain

Internally run big-bang data analytics implementation - leverage internal resources (existing or recruits) to implement a supply chain-wide big data capability — 34%

Externally support proof of concept - hire external capability (people and/or technology) to see how big data analytics could assist with better understanding of a key supply chain issue — 31%

Internally run proof of concept - leverage internal supply chain/organisational capability (personnel and technology) to see how big data analytics could assist with better understanding of a key issue — 26%

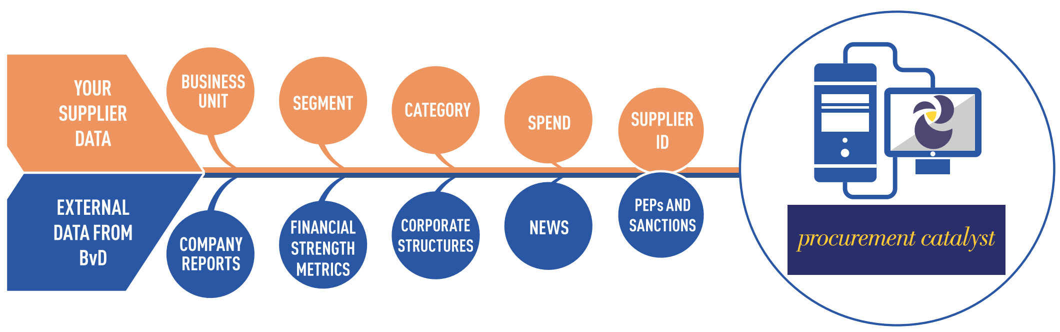
Externally supported big-bang data analytics implementation - hire external capability (people and/or technology) to implement a supply chain-wide big data capability — 9%

Source: Accenture 2014

Commercial Feature

Company information: why blending private and external data is the way forward

As increased financial and reputational risk from suppliers and customers forces companies to carry out greater due diligence, one company information provider is offering a service that offers even more extensive insight and helps companies comply with their risk policies



The role of market intelligence is changing in the face of increasing interest in reputational risk and the need by all companies to know their suppliers and manage financial risk.

As well as basic checks, such as creditworthiness, companies now need to ensure their suppliers are not associated with politically exposed persons (PEPs) and companies or individuals who are on sanctions lists. This helps them avoid the taint of corruption or bribery, and to make sure they're not facilitating a flow of funds to individuals or organisations that would be restricted by law.

"We're finding there's an increasing appetite for information that can help companies check suppliers more rigorously as the increasingly serious consequences if they fail to do so become more apparent," says Tony Pringle, chief sales officer at company information experts Bureau van Dijk. "These consequences aren't just financial, but can have a significant impact on their reputation and perception with stakeholders. We're also finding that some companies have to fulfil requirements as part of the terms of their credit agreements."

As they seek to ensure that they have managed their risk effectively and meet the growing demands of regulators and a public that is increasingly active and engaged in these issues, Bureau van Dijk's clients have access to a product range that includes databases of company information, including financials, financial strength, directors, managers and other individuals associated with companies, and detailed corporate structures – all screened against PEPs and sanction lists.

"Companies already have a lot of information about their suppliers. To get a more complete risk picture they are blending their information with the content in our extensive databases," says Mr Pringle. "We provide platforms where content can be blended, then dashboards and other analyses provide them with bespoke insight into their customers and suppliers. They can look at risk across their portfolio, and get a detailed view of risk associated with individual companies and corporate groups, complete with an audit trail of their research."

> The intelligence that Bureau van Dijk helps its clients to blend with their own is unique in its comprehensive coverage, scope and detail

Customers of Bureau van Dijk have access to its Orbis global database, which combines information from more than 120 sources and covers nearly 150 million companies. Intelligence can be blended in various platforms, called catalysts, looking at credit risk, supplier risk management and compliance.

The intelligence that Bureau van Dijk helps its clients to blend with their own is unique in its comprehensive coverage, scope and detail. "We have extensive coverage of private companies, detailed company hierarchies and standardised financial reports so you can also compare companies across borders," says Mr Pringle. "We also offer a simple, intuitive interface that presents sophisticated information in simple-to-interpret and visual formats.

"When it comes to customer and supplier due diligence and risk management, each company has its own priorities and requirements," he says. "But as additional requirements for transparency and reporting along risk lines become more pervasive, solutions that deliver relevant information and help manage the right processes, without creating a drag on efficiency, are increasingly in demand."

bvdinfo.com

Demand Generation

HOW TO CREATE A GOLDILOCKS SUPPLY CHAIN

Predicting demand and matching supply is fraught with difficulties, but technology may be able to help, as **Dan Matthews** reports

In retail, having a balanced supply chain is as important as hiring the right people and stocking products customers like. But meeting demand with supply precisely is probably the trickiest task of the three.

A supply chain, unlike the physical chain upon which the metaphor is based, is not a consistent set of bonds linked together. It is fluid and volatile, more like a wormhole than a chain in practical terms. Supply chains flex on demand from capricious end-consumers.

In broad terms this has always been the case, but two things have made a big difference in recent years. One is customer expectations, which have been stoked by higher-quality, cheaper products that can be ordered one hour and be in their hands the next.

The other is the technology itself, which affords businesses the opportunity to shift stock in ever-shorter periods of time. A bonus third reason is social media as Twitter storms can stoke demand for items overnight where there was none before.

Projecting the future ebb and flow of demand is, therefore, a more vital ingredient of organisational success than ever, yet it is also getting harder to achieve with the old finger-in-the-air projections.

"Demand planning for retailers has become significantly more complicated as the number of influencing factors increases," says Gavin Masters, head of commerce at Magnius, providers of Fortnum & Mason's e-commerce and back-office systems.

"Very few businesses have an accurate enough frame of reference from which to predict upcoming demand. All it takes is a small online retailer to undercut your prod-

Image: Getty

uct and suddenly demand drops significantly," he says.

"Alternatively, panic on social networks about the availability of a product can send demand through the roof, leading to an unexpected rush and stock shortages."

Factors ranging from celebrity endorsements to the weather can drive sales up or down, while seasonal peaks in retail shopping are based on shifting sands blown about by economic winds.

Lucy Larkin, managing director at Accenture's UK retail practice, says judging seasonal peaks accurately is tricky. "We saw this a few months ago when a couple of high street clothing chains cut their profit forecasts due to warmer-than-expected weather," she says.

> Panic on social networks about the availability of a product can send demand through the roof

"Shopping peaks may also occur out of seasonal cycles. For instance, Accenture research shows that in 2014 57 per cent of UK consumers had already started or planned to start their Christmas shopping by mid-September."

Making the right bets is an unseen ingredient in a company's success. It's not just about good brands and enticing products; meeting demand with supply is vital as well. Run out of stock, and lose trade and customer loyalty; order too much and forsake profit margin in the sales.

According to Ms Larkin, successful shops prioritise products that their customers love the most, but also understand that educated guesswork about the future cannot be 100 per cent accurate, so setting up mechanisms to react quickly when the market changes is important too.

FIRING SILVER BULLETS

One silver bullet, if such a thing exists in this area, is technology. Cook, a chain of shops selling high-quality meals with a home-cooked vibe, is growing quickly and, more than most businesses, must predict increased demand based on new interest as well as all the other factors.

Jeff Turner, head of IT and finance at Cook, says: "One of the most difficult things for Cook in this area is that we have to make what we sell, all from fresh ingredients. So we want to make sure that we're making the correct amounts to cater for demand.

"We launched a new online click-and-collect service in the summer, which changed the way our customers can shop with us. The retail world is definitely becoming more multichannel which poses a different challenge to all retailers.

"Making sure there is enough stock in the right place at the right time becomes even more critical, which meant that we had to have complete visibility of what was going on during our busy Christmas period."

The business uses stock tracking software called QlikView, which is one of a number of software applications offering real-time stock information. Mr Turner says technology has played a major part in helping the business move quickly and it experienced a 10 per cent uplift in sales over Christmas compared with 2013.

Another business utilising technology to make clearer decisions is ethical cosmetics brand Lush. Scott Silverthorn, head of reporting and data services, says freshness is an important aspect of the product line, so getting orders wrong could mean money down the drain.

"Our business is based on the freshness of our products and we deliberately don't package them due to environmental reasons. As this means there is the potential for a lot of waste, we need to keep as tight a rein as possible on our physical stock," he says.

"So we try our best to order the right quantities of materials that we need to make the right amount of stock for the levels being sold in stores, while ensuring that no products go out of date."

Industry Focus
Page 13

Using data in a smart way and knowing your customer's likes and dislikes are the two stand-out ways of creating a "Goldilocks supply chain". Organisations that strike the balance will reap benefits in the form of efficient sales and profits unfettered by waste.

Such was the carnage caused by Black Friday that major retailers and pundits are asking whether it has a shelf life here in the UK. But consumer sentiment is a force no shop can resist, so retailers better roll up their sleeves for another day of carnage in 2015.

Case Study

BLACK FRIDAY: GOOD OR BAD?

Image: Getty

Black Friday is a new thing for the UK, yet shoppers across the country have embraced the day of retail insanity in a way no one could have predicted. Scenes of grown-ups tussling over flat-screen TVs like hyenas over scraps of meat was shocking and perhaps a little depressing to watch.

Industry experts say it is great for consumers, who can now get their discounted items before the Christmas period, let alone the January sales, get into full swing. But they have been left scratching their heads over the value of Black Friday to retailers.

For a start, it drops a discount bomb right in the middle of the festive buying spree, when retailers are said to make their profits for the whole year. It therefore messes with a gentle equilibrium that has been nurtured by the industry for decades.

John Lewis managing director Andy Street expressed his reservation with the madness, which lumps enormous stress upon retailers' back-end and delivery systems during an already busy period. Worse, it precedes related shopping days, such as Cyber Monday and Small Business Saturday, also designed to entice consumers to spend big in small chunks of time.

"We've got to ask if it's right to concentrate trade so much in that one period. My personal hope is that this is the high water mark for Black Friday. I don't think we can put the genie back in the bottle, but do we need to stoke that fire anymore? I personally hope not," he says.

Jason Shorrock, retail strategy director at JDA, says Black Friday was a poisoned chalice for many retailers, particularly smaller ones that tried to bask in the glow of the occasion, but were burnt by insufficient back-room capabilities.

"To guarantee future success, retailers must execute home delivery and 'collect in store' operations faultlessly, in order to win customers' Christmas budget during the holiday period. Failure to do so will put off customers who don't want to risk their Christmas deliveries with a retailer that has already let them down," he says.

> It messes with a gentle equilibrium that has been nurtured by the industry for decades

The sheer volatility of Black Friday – there for everyone to see – has hit supply chains and sent those in charge of predicting demand into a tizzy. Tom Cropper, chief executive of Challenge Group, says these problems went right down the supply chain.

"Due to the high demand in December, retailers have a difficulty in providing reliable forecasts around the amount of stock required," he says. "Understocking can have significant consequences on sales, forcing logistics firms to take on additional work under considerable time constraints."

Opinion

BIG IDEAS FOR SUSTAINABLE SUPPLY CHAINS

London sustainable development commissioner **Ed Gillespie**, author of *Only Planet: A Flight-Free Adventure Around the World*, says an ethical approach will sustain supply chains

Supply chains were always historically shrouded in mystery. There was almost a mystique about the origins of some materials and products, guarded by gentle obfuscation, moderated through managed scarcity, sourced secretively.

However, the globalised growth of the last 20 years has now birthed such complexities, interconnectedness and interdependencies in international supply chains that providence, traceability and transparency have become imperative.

As Europe learnt to its cost in 2013, when this all goes wrong it can go very wrong. Certain supermarket ready meals, such as supposedly "beef" lasagna, weren't just contaminated with other meats, but contained 100 per cent the wrong species, in this case horse. I've not been so disappointed since I ordered Bombay duck.

The horsemeat scandal laid bare convoluted supply chains that defied logic. What a customer might reasonably assume would be a fairly short, linear journey for beef from farm to fork was instead exposed as an impenetrable, interwoven web of trans-continental shipping and processing. It's little wonder that Dobbin ended up on the table.

The Rana Plaza factory collapse in Bangladesh that same year exposed a more sinister side to supply chains, the terrible, recklessly unsafe conditions in which clothing for top global fashion brands was stitched together by practically indentured, exploited, over-worked employees. The tragic deaths at Rana Plaza were entirely avoidable and cast a lingering pall over the associated companies.

Supply chains must be managed more sustainably to avoid these unnecessary and unacceptable risks to life, limb and reputation. But this is not just about fundamental rights, risk avoidance or reputational defence. Truly innovative and smart supply chain management can be transformed into a suite of integrated positive benefits from enhanced customer trust and loyalty, security of supply and even lower costs.

HERE'S HOW

Mondelez International, for example, set about resolving a dilemma – their Latin American coffee supply chain was at risk. Farmers were leaving coffee-growing in droves, a trend which left unchecked would endanger the sustainability of the company's sourcing. Futerra Sustainability Communications came up with a big hairy audacious goal for them – creating one million coffee-farming entrepreneurs by 2020 – and wrapped it up in an equally sizeable big creative idea, "Coffee Made Happy".

The notion was simple: support, educate and train coffee farmers on the ground to run more successful, sustainable businesses, think big in terms of the scale and ambition, and then connect the grower and the drinker in a powerful and compelling way.

The Coffee Made Happy initiative does all these things, changing the potential prospects of coffee farmers, securing Mondelez's supply chain and, with the introduction of a Coffee Made Happy logo on packs, builds customer trust and loyalty.

Similarly, Futerra's work with global brewing giant SAB Miller on their big sustainability idea, "Prosper", founded on the belief that they as a business only prosper when the communities in which they work and operate also prosper, demonstrates an equally enlightened supply chain approach.

Prosper is based on the five worlds SAB Miller seeks to create: thriving, sociable, resilient, clean and productive. The last "productive" world focuses explicitly on their supply chains, encouraging crop diversification by farmers to ensure beer crops don't affect food production, and favouring and encouraging small-scale local farmers.

But it's not just on the business side of things that creativity counts. Futerra's work on the "Who made my clothes?" fashion revolution campaign, challenging fashionistas the world over to ask manufacturers and retailers how and where their clothes were made and who by, in the aftermath of Rana Plaza, created pressure in the other direction. Tens of thousands, from more than 60 countries around the world, asked the question, pushing for greater transparency and responsibility in global fashion supply chains.

> Truly innovative and smart supply chain management can be transformed into a suite of integrated positive benefits

The lesson here is simple. A laissez-faire attitude to supply chain sustainability, crossing fingers or closing eyes and ears, hoping for the best and only acting decisively when something goes terribly wrong is not a strategy at all.

In fact, it's a liability waiting to happen. In an age of ever-increasing scrutiny, the truth will out fashion revolution style. Instead a proactive, intelligent and responsible approach to securing a genuinely sustainable supply chain, especially when framed within a big, compelling and communicable idea such as Coffee Made Happy or Prosper, can become a massively valuable asset. Literally everyone – producers, customers and your business – can win.

So perhaps it's time to shine a light into the darker recesses of your own supply chain, do the right thing and then tell everyone about it. Because either you do it or someone else will do it for you. And that rarely turns out well.

Industry Focus

A TALE OF THREE SECTORS

Many of the issues facing today's supply chain professionals are common across industries and sectors. Every organisation has to cope with various degrees of supply chain-related risk and ensure they are sourcing responsibly. Buying and delivering products at the right price is essential across all sectors, while closer supplier relations make sense in most industries. Yet there are differences. The impact of online shopping and the delivery of these goods have challenged the retail sector, while others experience pressures around cost, risk or lead times. The impact of new technology, big data and the internet of things will also vary. **Nick Martindale** takes a look at three very different sectors and the particular challenges they face

Image: iStock

RETAIL

The battle to cope with multi-channel shopping continues to dominate the agenda in the retail supply chain. "It's essential for retailers to have inventory visible and accessible via all channels, and that their supply chain capability is aligned to the front-end online experience," says Jonathan Vardon, global head of retail at UST Global. Click-and-collect is another potential problem, he adds, with almost a third of people experiencing issues locating products ordered online when they arrive in-store.

But online shopping may have reached a peak in grocery retailing, says Professor David Grant, of Hull University Business School's Logistics Institute. "This has always been a complementary channel for supermarkets," he says. "They aren't recovering their delivery costs, and new and more forms of unattended delivery will be required to meet consumers' needs to obtain the goods if they are not at home to receive them."

The retail sector, though, is one that can benefit the most from the trend towards the internet of things (IoT), says Sarah Ecclestone, director, enterprise networks and IoT, at Cisco UK and Ireland. This could include providing customers with information about a particular item's provenance to allay concerns around where it has come from, as well as helping retailers to analyse shoppers' habits and plan their supply chains more effectively.

Image: iStock

CONSTRUCTION

A lack of visibility in the pipeline of work is a particular challenge in the construction sector, says Richard Selby, director at Pro Steel Engineering. "With more notice, sub-contractors can work more effectively by arranging training for specific jobs and increasing or decreasing the workforce as needed," he says. "This prevents wasted time and money, and would enable the whole process to run more smoothly."

Cash flow is also a perennial problem and is often caused by lack of planning, says Gavin Swindell, managing director of REL, a division of the Hackett Group. "It's the classic scenario of letting the water run out of the tank to reveal rocks that were always there," he says. "World-class construction companies are prioritising cash creation through their own internal operations by optimising the cash conversion cycle or the length of time it takes to convert resource inputs into cash flows."

In some parts of the sector, such as energy, oil and gas development, greater use of automation and software is having an impact, in the wake of disasters such as the BP oil spill in the Gulf of Mexico. "Smart systems are gradually infiltrating the supply chain and performing tasks previously carried out by humans," says Chris Mills, chief technology officer, Europe, Middle East and Africa, at cloud business Pivotal.

Image: iStock

PHARMACEUTICAL

The precise requirements of making and transporting drugs create a number of challenges in the pharmaceutical sector. "Investigational medicinal products and the entire supply chain are cost intensive," says Jens Mattuschka, vice president, worldwide operations, clinical trial supplies and logistics, at PAREXEL International. "Supply chain managers need to implement control measures, such as intelligent stock management and just-in-time labelling, to reduce oversupply and keep costs in check."

The sector has not helped itself, though, with adversarial relationships between pharmaceuticals and their suppliers, says Hugh Williams, managing director at Hughenden Consulting. "Pharmaceutical companies are renowned for being tough, unreasonable negotiators," he says. "Many logistics providers complain about not being able to reconcile demands for low-cost service and high creativity and innovation."

Also, the sector has proved itself reluctant to embrace new manufacturing techniques which could make it more efficient, says Robert Harrison, pharmaceutical industry manager at COPA-DATA. "If you take a look at other industries, in comparison the pharmaceutical industry is lagging behind," he says. "However, the pharmaceutical industry is quite different; they manufacture very toxic substances which go inside the body. High quality and consistency have always been the focus, with strict controls and validation in place. This makes change hard and costly."

Commercial Feature

Seamless cross-border delivery as online sales take off

Internet sales are booming as emboldened online shoppers are looking overseas, presenting fresh opportunities for retailers and reliable cross-border delivery services, says **Asendia**

ASENDIA The world is your address
BY LA POSTE & SWISS POST

The world of e-commerce has never been in better shape. According to eMarketer research, last year global business-to-consumer (B2C) internet sales were on track to reach $1.47 trillion; however, the vast majority of these were domestic.

Concerns over customs, currency exchange and deliveries from overseas countries are largely what have deterred online shoppers from buying abroad.

But not for much longer, according to the Office for National Statistics, which found the proportion of UK shoppers buying from other EU countries increased from an estimated 12 per cent in 2008 to 23 per cent in 2014.

Meanwhile, research group Forrester has predicted total European online retail sales will reach €191 billion by 2017, up from €112 billion in 2012.

Cross-border appears to be the future of e-commerce and one company that is taking the lead in the logistics element of this developing market is international mail delivery specialist Asendia.

Formed in 2012 as a joint venture between La Poste and Swiss Post, the company immediately focused on consolidating the 50 services offered by both joint-venture partners, and streamlining its offering to focus on four key areas. These are business mail, direct mail, press and goods distribution, of which the latter encompasses a wide range of cross-border shipping services for business and commerce.

Asendia also acquired a 40 per cent stake in Dublin-based e-fulfilment software platform provider eShopWorld, which handles the order payment processing, currency conversion, customs clearance, and duty and tax calculation elements of the international e-commerce values chain.

The aim was to close a gap in the international goods shipping market by providing a simplified choice of cross-border delivery services for business in terms of speed, destination and price.

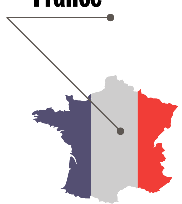
"Cross-border e-commerce is growing and creating some great opportunities for retailers looking to expand into new markets," says chief executive Marc Pontet. "Logistics is a big part of that and Asendia is the obvious choice for linking up sender and receiver across international borders."

The opportunities presented by cross-border e-commerce are especially significant for UK retailers. British-made goods are held in high regard all over the world. But with cross-border e-commerce activity largely inter-regional, the logical entry point for British businesses lies in neighbouring European markets where online shopping is well established.

Switzerland, for example, has one of the highest percentages of internet users in Europe, with more than 85 per cent of its eight million people estimated to be active online.

The fact that the Swiss are also prolific bargain hunters and avid browsers of larger product ranges beyond their borders, and that the market is a relatively easy one to enter, should resonate with other European online retailers looking for new revenue streams.

France



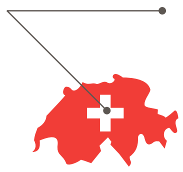
12.5% forecast e-commerce growth in 2014 - Ecommerce Europe

€57.5bn expected online sales in 2014 - Ecommerce Europe

80% of all French internet users now shop online, up 7% on 2013 - FEVAD

33% of online shoppers bought from a foreign website in 2014 - FEVAD

Switzerland



62% of online shoppers bought from a foreign website in 2014 - Netcom Suisse

90% of all Swiss internet users have shopped online at least once in the past year - Netcom Suisse

€10.2bn online sales in 2013 - Ecommerce Europe

10.8% forecast e-commerce growth for 2014 - Ecommerce Europe

For more information, please visit **www.asendia.com/know-how**

> Cross-border e-commerce is growing and creating some great opportunities for retailers looking to expand into new markets

Urban fashion brand Paul's Boutique is one UK retailer that has successfully exploited the broadening European consumer embrace of online shopping to achieve strong domestic and international growth.

It is now widely recognised across the Continent as an accessible producer of fashion-forward handbags. And in fashion retail, instant access to the latest collections is the key to brand growth.

Paul's Boutique's high-quality e-commerce website and partnership with Asendia to deliver a seamless end-to-end supply chain with reliable reverse logistics for returns have paid dividends.

Managing Director Daniel Morris says: "It's important to get the after-sales service right if we are to keep our customers. Asendia helps us to fulfil our customers' orders quickly and accurately, and our systems are integrated with theirs, which allows us to monitor orders and stock levels consistently to improve our supply chain."

France, too, is home to a population of online shoppers; internet sales there have grown by a phenomenal 500 per cent since 2000. And with the less complex French logistics industry, market entry can be somewhat easier compared with other countries.

For these reasons France is often the first country that other European retailers approach when expanding overseas.

France and Germany were the e-commerce markets initially targeted by Madrid-based Seizpack, a retailer of boutique backpacks. One of the key aspects of the bags is that they are customisable and therefore better suited to being sold online where customer choices can be made.

Extending the brand's reach to overseas customers invited fresh e-commerce revenue streams, but cross-border shipping of what is essentially a bulky product presented a challenge.

Co-founder Marco Seiz says: "It had to be reliable and easy, and we wanted normal shipping, rather than express, to be the default option to keep costs down."

Asendia's system provided Seizpack with the option of normal shipping and express delivery, ensuring the company didn't have to work with two different delivery partners for that service.

And the system is working extremely well for a growing number of Asendia clients in France, Switzerland and various other European countries. With ready access to the Swiss and French postal networks, ensuring a seamless delivery process, Asendia has carved a niche in cross-border shipping.

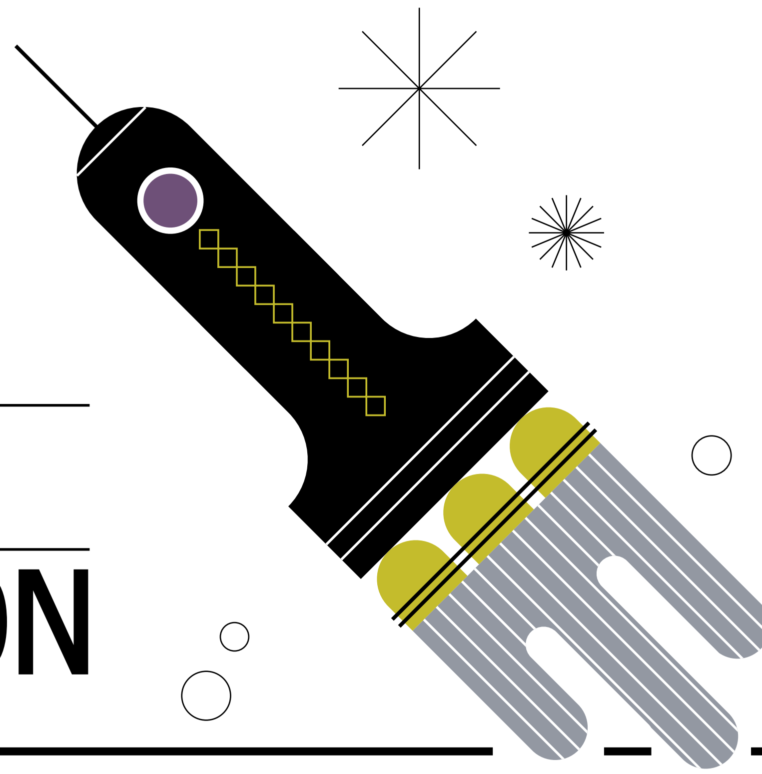
With better consumer protection, communications and delivery systems, people are losing their inhibitions about buying from overseas. And the retailers that had reservations about the costs and reliability of cross-border e-commerce, especially as volumes increase, now have a solution.

Mr Pontet concludes: "Traditionally the core business of postal operators has been transport delivery, but no matter how efficient this has become, it is no longer enough, especially in the cross-border business. Our ambition is to make cross-border commerce easy and reliable worldwide, and we hope this will be a pillar of our future growth."

For more information on Asendia's delivery services, please visit www.asendia.com/goods

Interview

DELIVERING CUSTOMER SATISFACTION



Tom Allason (above), founder of Shutl, tells **Edwin Smith** how he sees the future of the delivery business

For Tom Allason, founder of the super-fast delivery service Shutl, it all started with an argument. After being disappointed by the courier company that he had used to deliver something to a friend, he called the outfit in question and spoke to its boss. Tempers flared, and Tom ended up telling the chief executive, in no uncertain terms, that he could do a better job himself.

But it wasn't a throwaway remark. Tom went on to start eCourier – the business-to-business company still exists, although he no longer has a stake in it – before acting on the intuition that the greater opportunity lay in delivering to consumers.

This led to the birth of Shutl in 2008, and a way to efficiently and intelligently connect online retailers with local courier companies, providing customers of Argos and other Shutl partners with high-speed, same-day delivery.

Shutl's fastest recorded delivery time is 13 minutes, but Tom says most deliveries that are requested for as soon as possible arrive in about an hour. Consumers also have the option to select a one-hour window at some point in the next day or so for the same price, which is comparable to the cost of the standard delivery offered by most online retailers.

The business did sufficiently well to attract the attention – and cheque book – of eBay, which acquired it for an undisclosed sum in 2013. Tom, who was educated at Eton, came on board too and, although he still heads up Shutl, he is now also "global head of local" at eBay. "It's a pretty oxymoronic job title," he admits.

One of his chief responsibilities is to oversee eBay Now, the delivery option that uses Shutl's algorithms and method of grouping deliveries to give eBay customers in the United States and elsewhere a Shutl-like experience. In tech takeover lingo, eBay Now is "powered by Shutl".

SINGLE GREATEST INHIBITOR

But why did eBay go to all that trouble to bring a Brit out to San Francisco? And is it really that important for the delivery link in the supply chain to be harder, better, faster and stronger than ever before? For one thing, Tom says: "Delivery is still the single greatest inhibitor to conversion at a retailer's checkout. It's the number-one reason given for not purchasing, beyond price. So solve that and in the short-term you have a competitive advantage. Everyone measures their last purchase experience against the best one they've had. So you have to aim for that."

At an event staged by *WIRED* magazine, Tom once illustrated this point quite elegantly by screening a clip of the curmudgeonly cult comedian Louis CK who talks about being amazed when he had high-speed internet access on a flight for the first time. But then, a little later into the flight, the internet cuts out. Straightaway, the guy next to him curses with frustration. CK observes: "How quickly the world owes him something that he knew existed only ten seconds ago."

"Consumers' expectations only move in one direction," Tom says. "Today, 0.1 per cent of consumers have had a same-day delivery, so they're not expecting it and not demanding it. But with the likes of Amazon, Google, eBay and all the biggest retailers in the space making this a priority, you can bet that a lot of consumers are going to experience it – and then expect it. To me, it seems inevitable."

And it's not just the big, established players that are changing the way people think about delivery. Startups, such as Jinn, Postmates, Tok Tok Tok, Instacart and WunWun, offer to deliver items almost immediately to consumers who order through their apps. It's not a new idea; Kozmo, Urbanfetch and Webvan all offered a similar proposition, only to become cautionary tales of the dotcom bubble back in the early-noughties.

CONCENTRATED DEMAND

The reason those businesses failed, Tom says, is they never reached the scale required to become sufficiently cost effective. Back then the problem was a lack of internet users, which, today, isn't an issue, but the old hurdle remains – you need to have high, geographically-concentrated demand. Without that it doesn't make economic sense.

> Delivery may not be the easiest to do, but it's the one that's going to have the most impact

Tom also talks about click-and-collect, and low-cost services that are designed to allow commuters to pick up items at transport hubs while on their way home from work. "They certainly impact the cost side of things," he says. "But they don't really solve the problem of delivery – that I can't get what I want, where I want it, at a time that makes sense for me."

The good news – for the consumer at least – is that more effort than ever is being made to find a solution. "We've been solving every other part of the e-commerce funnel over the last ten years," says Tom, adding that the logical approach so far has been to tackle these elements in an order which has been determined by two main criteria: how important they are and how easy they are to fix. "It's finally got to the point where delivery may not be the easiest to do, but it's the one that's going to have the most impact."

Further into the future, Tom says that drones and driverless cars may well come into play, but another answer might come in the form of 3D printing. If that technology becomes widely available, moving objects around could be more trouble than making them on demand and where they're need. "The question is what kind of timeframe is that going to happen over? In a way it's a race between technologies."

Tom says his approach to business is dictated by his determination to look at things from the consumer's perspective. And that's something that, left to their own devices, the individual courier companies fail to do. They choose to concentrate on the businesses whose parcels they distribute, rather than their recipients. "That prevents the consumer from having control," he says. "So there's still a long way to go."