



GAINING COMPETITIVE EDGE WITH CUSTOMER-DRIVEN SUPPLY CHAIN OPTIMISATION

Abstract

In the interest of staying competitive, most businesses have to match or better the customer expectation benchmarks set by the market leader in supply chain logistics. The absence of a clear plan to differentiate themselves while doing this could lead to financial losses or lower profits. This POV focuses on the impact of the customer-driven supply chain model, optimisation path, and key forces that are reshaping the future of supply chains and business success.

Evolving customer expectations

The pandemic has made it clear that the future of retail business depends on optimising the supply chains to keep up with the changing market environment and customer needs. According to an eMarketer report, global ecommerce will cross \$5 trillion this year and is likely to touch \$7 trillion by 2025.^[1] The above prediction holds true for traditional-brick-and-mortar retail businesses too. They are increasingly realising the importance of

improving their supply chains to avoid becoming obsolete in a customer-driven world.^[2]

During the COVID-19 pandemic, there has been a major shift in the way customers use e-commerce. From contactless deliveries to realignment of product classification and demand (essential versus non-essential), companies have seen it all. Customers are no longer satisfied with just the result. They want real-time information

and demand to interact directly with a delivery representative till the last mile. One study reveals that:^[5]

- Over 90% of customers track their order status online regularly.
- About 27% of customers abandon their carts or cancel their orders because the company did not offer same-day delivery.



Why legacy supply chains in the retail business are no longer valid?

In the race to meet ever-increasing customer expectations, retailers might end up bearing these consequences if they do not plan and optimise their processes and strategies.^[2]

- **High order fulfilment cost:** Availability of more choices and flexibility could compel customers to change the fulfilment options during transit. Companies have to now offer more options such as shipping to a locker, shipping from the store, store pickup, digital delivery, same-day delivery, and more. Such flexibility and higher customer expectations lead to a higher cost of order fulfilment.
- **Complex inventory challenges:** Businesses need to fulfil their orders quickly, be it in-store or online. Customers want quick deliveries within narrow time windows. Companies need to deal with complex challenges to manage the inventory to cater to this expectation. This requires fulfilment modality, the spread of supply channels, and the ability to manage a single order pool.
- **Evolving demand patterns:** Customer demands change as they shift from one platform to another rapidly. Without real-time information and predictive analysis, retailers can struggle with forecasting, committing mistakes such as counting the same customer twice.
- **Increasing volume of returns:** To ensure that they don't waste time waiting for the right fit, customers tend to order multiple products, especially clothes. They order clothes in multiple sizes, colours, and designs before selecting one. And then, they return the remaining ones. This leads to increasing pressure on the reverse supply chain, which in turn, impacts capital requirement.
- **Legacy systems:** Ageing systems lack the flexibility, computing power, and responsiveness to handle a dynamic supply chain that operates globally. These systems often remain in silos with minimum or no integration for end-to-end visibility, failing to optimise the processes on an enterprise level.
- **Lack of standardisation:** When companies expand through acquisitions, they may face challenges in integrating legacy processes aligned with long-term visions that are no longer valid. Most large retailers that increase their global footprint through acquisitions face this problem and opt for solutions that help in standardising processes.

Not only pure e-commerce retailers, but brick-and-mortar retailers also need to address these issues. Linear supply chains are no longer adequate to meet the complex challenges of a customer-centric retail business.



Key points to optimise the supply chain

It is vital for businesses to pivot towards a customer-centric supply chain while keeping fulfilment costs low. These three steps will help a retailer adapt to a rapidly changing business scenario.^[3]

Place the customer first

Customers are influenced by their end-to-end experience of your service or product. Traditional business models are only focussed on meeting the end goal. But for a business that focuses on a customer-driven supply chain, every touchpoint in the customers' journey is an opportunity to excel and differentiate their brand from others. Everything makes a difference, including quicker delivery, easy returns, and faster refunds.



Choose the right model for logistics

Once a business starts expanding rapidly, logistics can become complicated and expensive to manage. Revenue may start leaking through the cracks with no mechanism to track or plug the losses. By having a third-party logistics supplier and global partnerships, e-commerce companies can reduce the time, budget, and effort for strategic initiatives in this area.

Get real-time visibility

Modern supply chain processes use deep metrics to provide real-time updates to businesses and customers. These include tracking dashboards, regular information on the order status, estimated time of arrival, and actionable insights based on the order information. This results in end-to-end customer delight.

Impact of procurement management on customer-centric supply chains

Procurement and supplier management is the key factor that influences supply chains in these areas:^[4]

- **Working capital and cost savings:** Improvements in capturing and using real-time data support cost savings and enhance decision-making. Real-time procurement data can compare current trends with historical ones to predict stock outages, leading to smoother supply chains.
- **Supplier base rationalisation:** Simplified supply chains and supplier networks help create efficiency and reduce risks and uncertainties. Businesses are focussing on reducing the number of suppliers. A rationalised set of suppliers can collaborate on development opportunities and innovation projects. This fosters conditions for traceability, supplier-enabled innovation, and partnership.
- **Risk forecasting:** By leveraging sophisticated tools and triangulating information from different sources, businesses can screen risks deeper in the supply chains and perform due diligence. There is a rapid surge in tools and technologies for supply chain risk predictions, including ethical, environmental, and human rights risks. By integrating these technologies into the existing systems, businesses can make supply chains more efficient.
- **Strategic foresight improvement:** Develop strategic foresight by understanding the inevitability of uncertainty and change. Companies need to monitor signals from supply chains and translate them into business insights, which can help the leadership improvise supply chains across locations.
- **Supplier collaboration:** Partner with suppliers to churn out new and innovative products and delivery processes as well as collaborate in areas of mutual interest. Companies can plan demand and inventory management in tandem with their suppliers.



How will technology shape customer-centric supply chains?

Technology is digitising the functioning of supply chains and transforming how products and services are delivered. Companies are undergoing digital transformation and implementing technologies such as machine learning (ML), blockchain, and augmented reality (AR) in traditional supply chains.* All these enable personalised last-mile delivery and direct-to-customer offerings, ensuring that the customers get what they want, where they want, and when they want.

With 360-degree dashboards, supply chain managers can reduce detention and demurrage costs and correlate multiple logistics systems, including sea, road, and rail. Supply chains are using technology to become transparent and share information about social and environmental impact with the end customers. Automation in manufacturing also impacts supply chains by reshaping the labour force and reducing the cost of sourcing.

For many customers, buying locally and sustainably sourced products is paramount. Supply chains must use technology to build flexibility and access to an extensive network of local suppliers. While many suppliers will adopt newer technologies to stride ahead, others are bound to be left behind. Ultimately, suppliers and e-commerce companies that evolve will remain competitive^[4].

Steps for the future

Most businesses will focus on the parameters directly impacting customers, but innovators will look at the finer details to get that extra edge. Supply chain leaders need to predict the impact of technological advances in customer-centric models and take steps accordingly, including:^[4]

- **Prepare for the impact of automation:** Automation in supply chains will create redundancy in jobs. Companies will need to foster inclusive and responsible labour policies to mitigate the impact. This may include greater engagement with labour unions, governments, and industry peers for better labour laws. Companies can also collaborate with key suppliers to adopt responsible workforce transition.
- **Build regional sourcing hubs:** Companies will need to understand consumption patterns and preferences if they hope to meet customers' demands for customisation of goods and services. One of the ways to manage this is to set up regional hubs that meet commercial, customer, and sustainability expectations. The supply chain should be asset light. This may involve having an ecosystem of partners to fulfil demands from customer segments that a company cannot serve on its own. eCommerce companies could partner with warehousing and distribution service providers that use robotics technology.
- **Strengthen supplier partnerships:** Use data to interpret supply chain information and invest resources in site audits to assess responsible downsizing and re-skilling of the supply chain workforce in partnership with the suppliers.
- **Establish transparency and disclosure in supply chains:** Customers are increasingly focussed on how their chosen product is sourced and how and when it reaches them. Incorporate greater transparency and disclosure in the supply chains. This will prepare companies related to continuously changing regulations in the global retail trade and help them sail through changes in stakeholder scrutiny.

Conclusion

The journey to developing a digital customer-driven supply chain begins with strategic objectives and long-term direction. It includes behind-the-scenes and customer-facing operations and

everything in between. The key to customer-centric supply chains and higher EBITDA returns lies in simplifying the inventory across the stores and digital channels while becoming more agile

and future ready through technology. Tomorrow's supply chains need to be altered to cater to the customers' unique needs while staying aligned with the businesses' nature and products.

*For organisations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed organisational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like a living organism, will be imperative for business excellence going forward. A comprehensive yet modular suite of services is doing exactly that. Equipping organisations with intuitive decision-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organisations that are innovating collaboratively for the future.

References

1. *Global e-commerce 2022 eMarketer forecast*
2. *US-operations-digital-supply-networks-retail-customer-driven*
3. *Supply Chain Optimization for the Customer-Driven Era*
4. *Future of supply chains 2025 | Blog | BSR*
5. *The four characteristics of a customer-centric supply chain*



For more information, contact infosysbpm@infosys.com



© 2022 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.

[Infosysbpm.com](https://infosysbpm.com)

Stay Connected

