

Supply chains not optimal to meet omni-channel shopping demands

In a global retail CEO survey of over 400 retail industry CEOs, conducted by PwC for JDA Software, titled 'CEO Viewpoint: The Strategic Role of Supply Chain in an All-Channel World', CEOs indicated what they are doing to adapt to this changing environment and establish a new foundation for growth.



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Digitally connected consumers have turned retail models upside-down, as omni-channel shopping has transformed supply chain from an important business concern to a mission critical one. So profound is this change that 50% of CEOs recognise that their supply chain can be a strategic differentiator. However, 83% of worldwide CEOs believe that their retail supply chains are currently "not optimal" for today's changing retail environment.

As mobile commerce comes of age, one of the biggest challenges facing CEOs is managing the transformation to omni-channel retail. However, only 34% of CEOs consider the rise of omni-channel shopping to be an external threat, while only 22% said it would have a direct impact on their organisation.

Strategic alignment of supply chain with consumer expectations is critical

"The rise of omni-channel is one of the most transformational shifts that has occurred in retail in recent times," said Baljit Dail, chairman of the board and interim CEO, JDA Software.

"Retailers who don't understand the strategic alignment of their supply chain with consumer expectations are in danger of becoming non-competitive. This is not about making a tweak to the operating model it requires a massive change. The good news appears to be that there is an emerging group of visionary CEOs who understand that staying competitive during this inflection point requires a dramatic shift of their current operating models to deliver operational effectiveness and top- and bottom-line growth."

CEO priorities focused on "traditional" growth areas

CEOs say their top priorities are centred on more traditional areas of growth - by entering into new regions and markets, by opening more stores, or through mergers and acquisitions. These priorities highlight potential missed opportunities for more than two-thirds of CEOs who failed to consider enhancing distribution capacity and supply chain as a key contributor to drive profitable growth.

Competitive threats tops list of CEO concerns

CEOs think three fundamental risks will have the most impact on their organisation over the next three years: increasing

competitive threats (41%), margin erosion and cost reduction (39%), and attracting and retaining customers (24%).

These answers reveal a potentially sizable gap between recognised risk and a strategy to address that risk. While there are plenty of exceptions, maintaining a strong customer value proposition is directly tied to supply chain proficiency.

"Our supply chain is changing in the face of multi-channel shopping. We're making it more responsive and faster," said Ken Hicks, president and CEO, Foot Locker. "We are looking at new ideas and new ways to distribute goods, not just to get them to the store, but also to the customer."

CEOs that focused on supply chain delivered higher margins at lower costs

Fifty percent of CEOs recognise that their supply chain can be a strategic differentiator. The survey also revealed that CEOs who focus on optimising their supply chains have 15% lower supply chain costs, less than half the inventory levels and more than three times shorter cash-to-cash cycles.

"Supply chain has moved from the back office to the store front, as consumers seek to seamlessly shop across virtual and brick-and-mortar channels," says Bruce H Rogers, chief insights officer, Forbes Media. "Our research highlights both the opportunities and challenges today's retail CEOs face in mastering this all-important discipline. To do it well, CEOs are shifting their capital investments and business priorities as well as applying innovations to drive a more strategic supply chain that's aligned with their business growth."

Supply chains not resilient

Only 15% of CEOs believe that their supply chain today is resilient enough to address the threat of external disruptions. While CEOs who have focused on supply chain have seen results, there is an opportunity for additional investment in the space versus other categories of IT spending.

"Taking a cautious, incremental approach to this kind of market disruption can be a deadly course of action," said Dail. "There seems to be a clear disconnect between the actions required to make the transformation to today's retail environment with what is being currently done by many of these companies. With speed as the new currency, accelerating time to market and responsiveness through an agile, connected supply chain must be closely aligned with growth priorities to successfully compete and defend profit margins."