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CHALLENGE THINKING. LEAD CHANGE.

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Supply Chain Reinvented

Forrester Consulting

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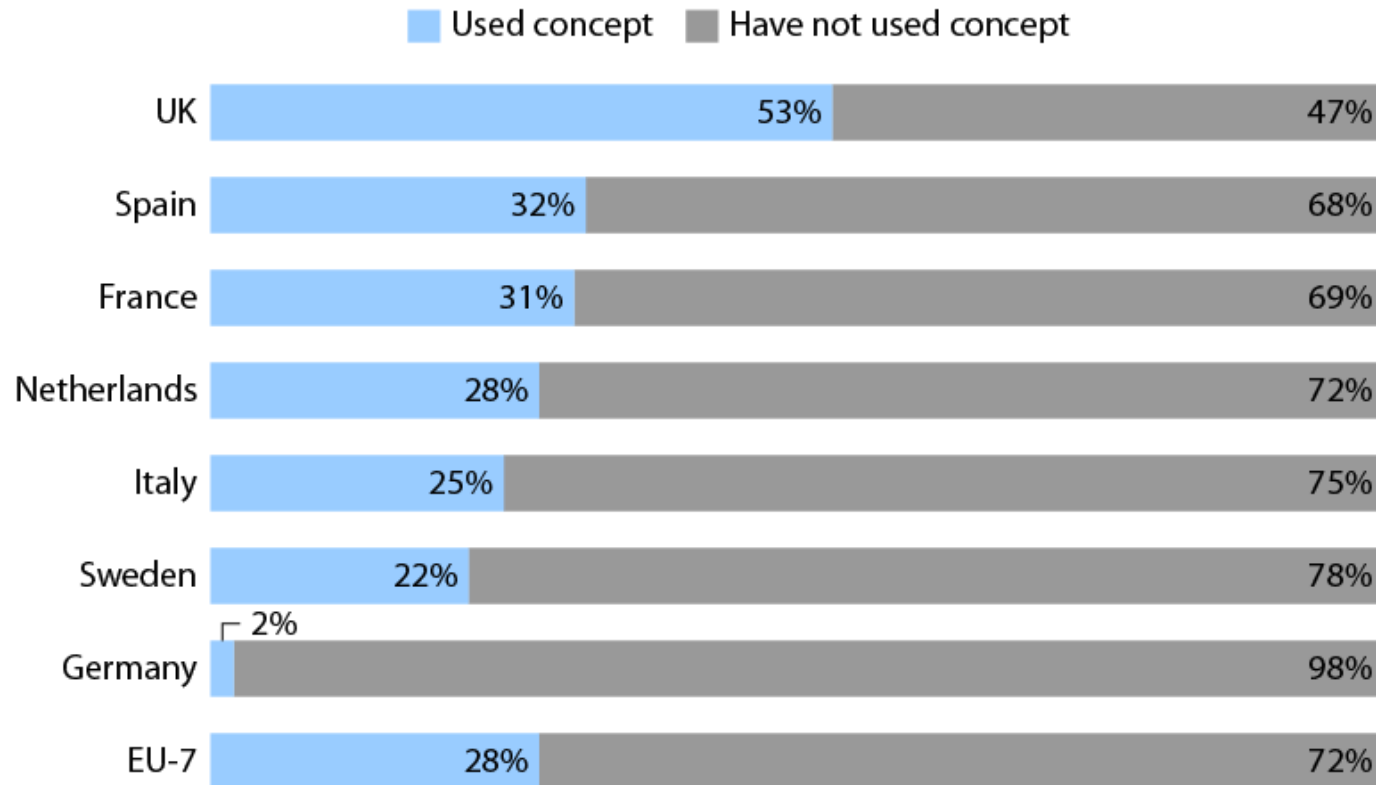


Agenda

- › *How Much Does Supply Chain Matter?*
- › *Supply Chain and Your Brand Promise*
- › *Action Plan For Age of The Customer Logistics*

Half Of UK's Online Buyers Used Pickup In-Store

"Have you used the concept of "buy online, pick up in store" that is available from some online retailers?"



Base: 8,689 European online adults (ages 16+) who have shopped online in the past 3 months

Source: European Technographics Retail, Customer Experience, And Travel Online Survey, Q3 2011

In-Store Pickup Users Look For Convenience

	EU online buyers	In-store pickup users
Average age	41	41
Male	50%	53%
Upper income	30%	34%
Online tenure	8.5 years	9.1 years
Average spend online	€250	€317
Purchases online at least monthly or more	62%	72%
Prefer to shop online to avoid crowds when shopping. [†]	43%	52%
I often buy products/services online from retailers that I have bought from before*	52%	64%

Base: 8,689 European online adults (ages 16+) who have shopped online in the past 3 months and 2,408 European online adults (ages 16+) who have used in-store pickup (top 2 agree, on a scale of 1 [strongly disagree] to 5 [strongly agree])

Source: European Technographics Retail, Customer Experience, And Travel Online Survey, Q3 2011

[†]Consumers who agree to the question. Agree means a 4 or 5 on a scale of 1-5 with 5 meaning totally agree.

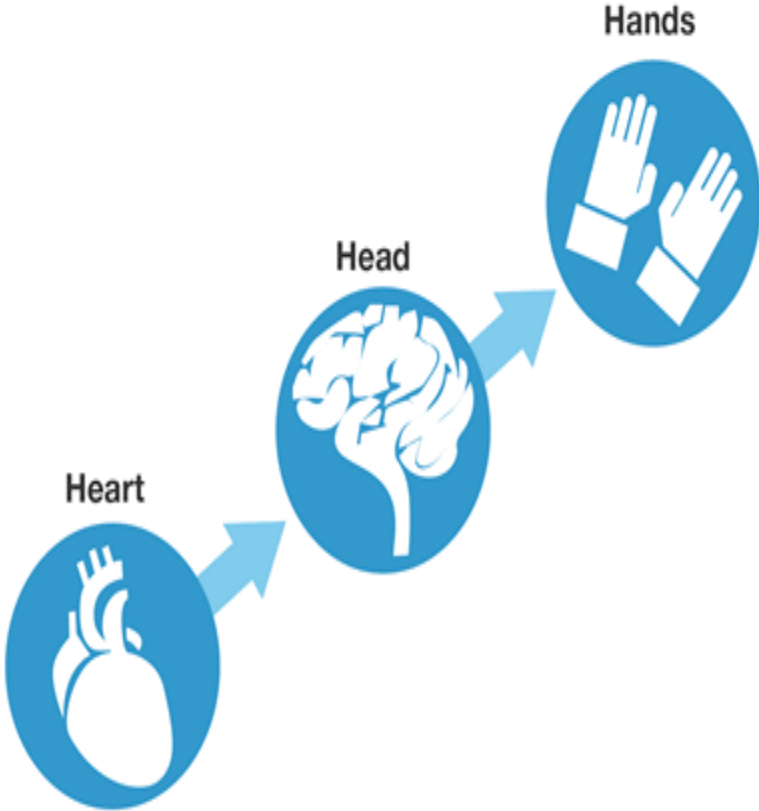
Availability!



Supply Chain Service Differentiates AO.Com



Availability lead time customer experience

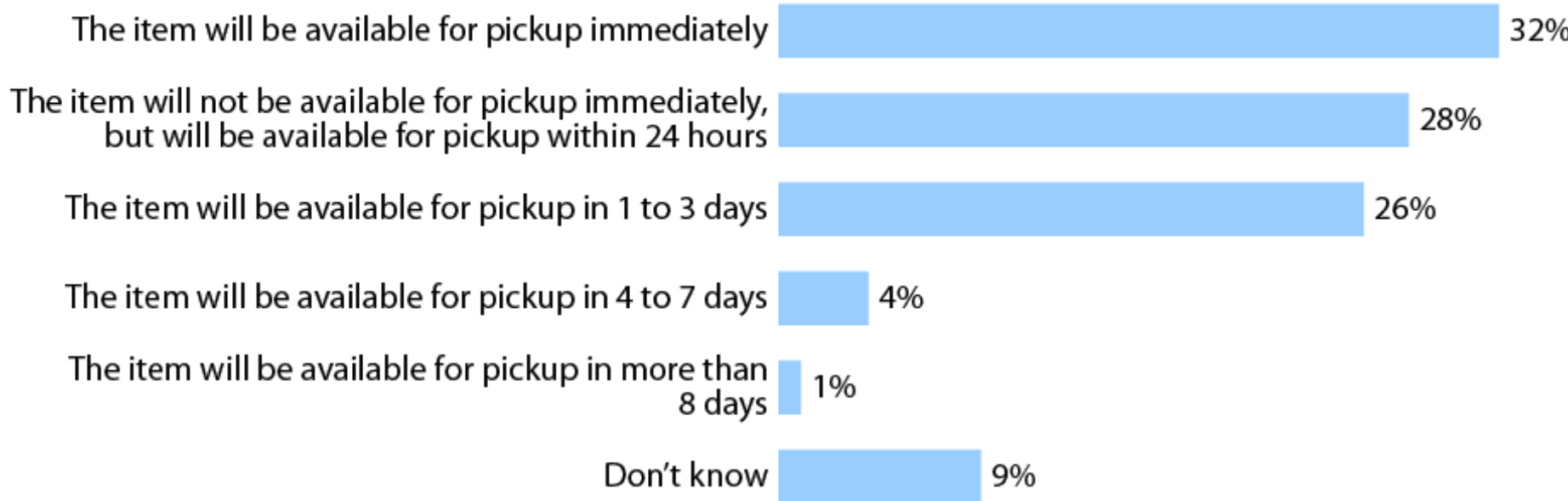


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Source: Forrester Research, Inc.

The Majority Of Customers Expects Items To Be Available In-Store Within 24 Hours

“What are your expectations when you order through the “buy online, pick up in store” method?”

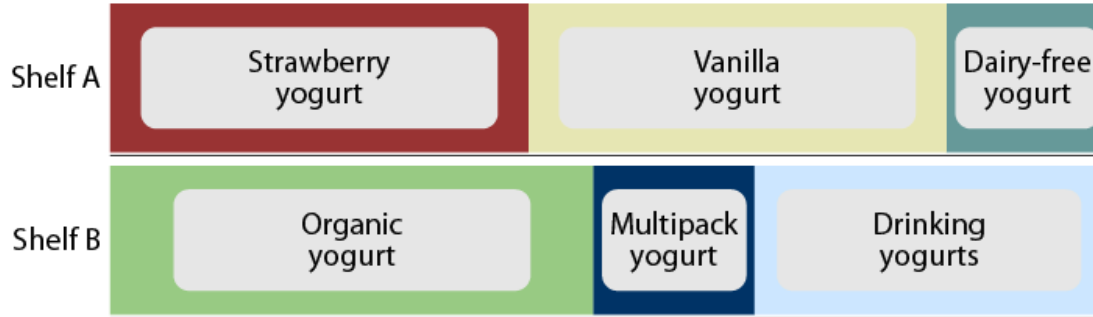


Base: 5,693 European online adults (ages 16+) who have shopped online in the past 3 months and have used or are familiar with the concept of “buy online, pick up in store” (percentages may not total 100 because of rounding)

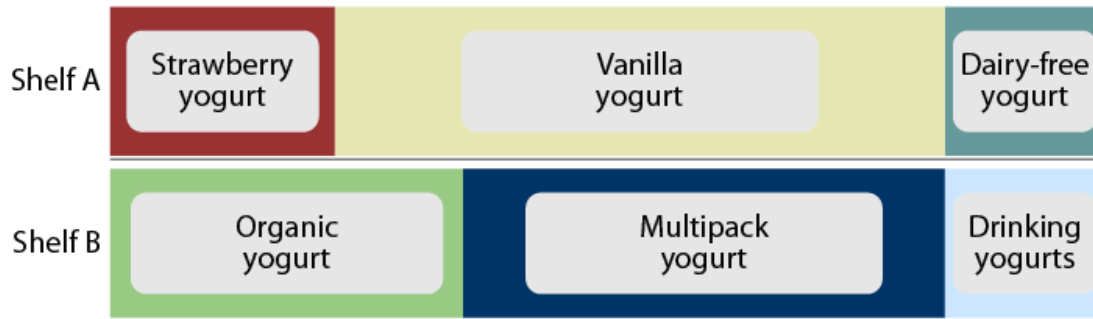
Source: European Technographics Retail, Customer Experience, And Travel Online Survey, Q3 2011

Localized Assortments

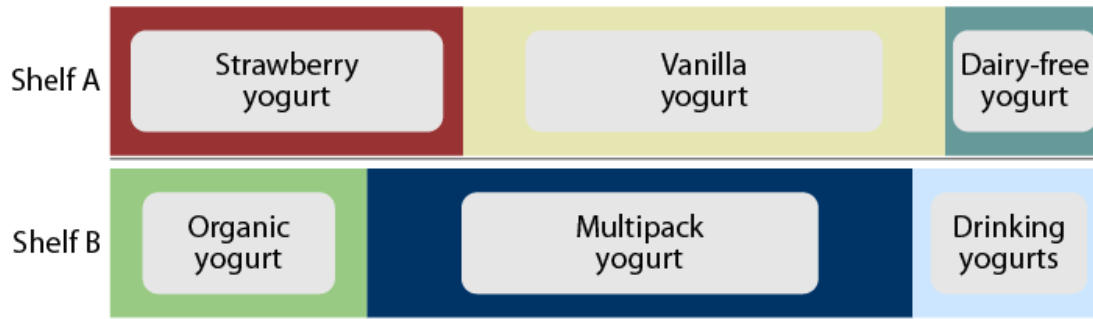
Urban stores



Rural stores




Suburban stores




Spice Up Your Assortment

How much variety does this blue shirt add to the assortment?




Assortment mix 1




Little variety added

Assortment mix 2



Some variety added

Assortment mix 3



Significant variety added

Merchandising Planning Workflow

1. Merchandise planning

- Category and assortment planning
- Price and promotion planning
- Space and cluster planning
- Sourcing and open to buy

4. In-store management

- Order management
- Returns management
- Workforce optimization — labor scheduling
- Planogram compliance



2. In-season merchandising

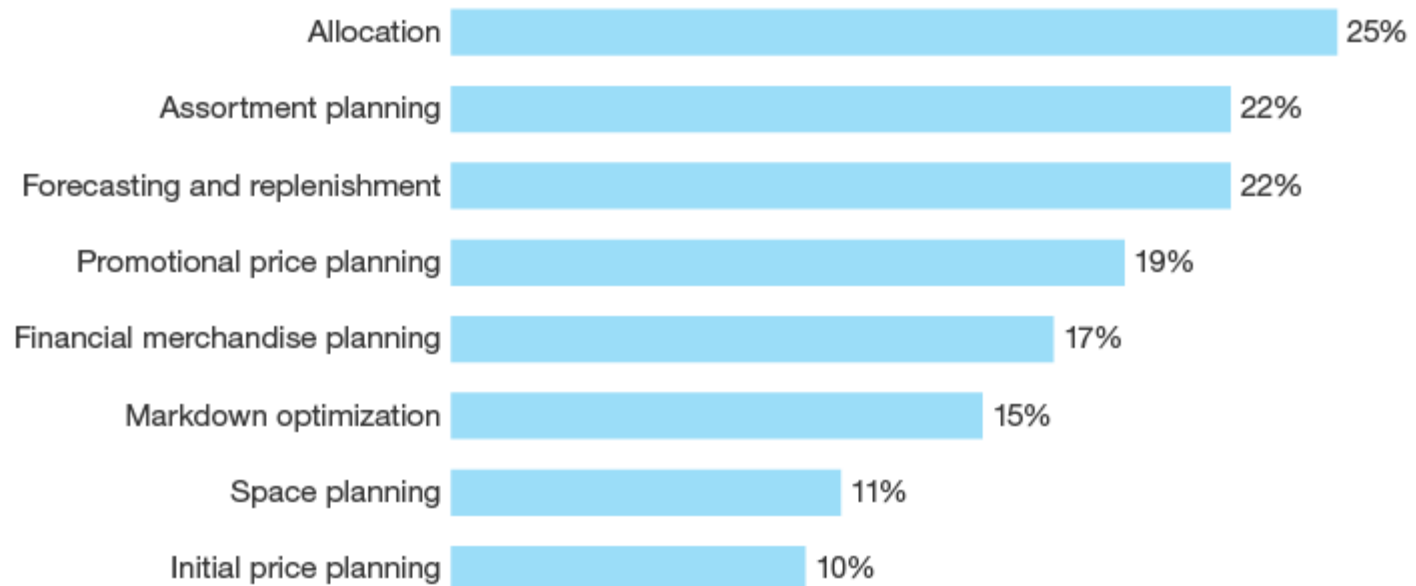
- Price markdowns
- Allocation
- Replenishment forecasting

3. Merchandise management

- Inventory control
- Item and cluster management
- Purchase order management

Allocation, Assortment Planning, Forecasting, And Replenishment Promise The Most Impact

“Which retail planning technologies offer potential for 5% or greater improvement in revenue, margin, or inventory turn?”



Base: 47 responses from global directors or vice presidents of retail merchandising

Note: multiple responses were accepted for this survey

Source: Q3 2013 Global Retail Investment Priorities Online Survey

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It's Your Promise...Whoever Delivers



https://www.google.co.uk/search?q=image+of+snowbound+UPS+truck&espv=2&biw=1366&bih=623&source=Inms&tbm=isch&sa=X&ei=chokVcPNBIZdsAT87oCYBQ&ved=0CAYQ_AUoAQ

One car every twenty seconds



Lead Time = 6 weeks?



http://ak1.ostkcdn.com/img/mxc/091228_sofa.jpg

In e-commerce the batch size is “one”



But most of the world's trade looks like this

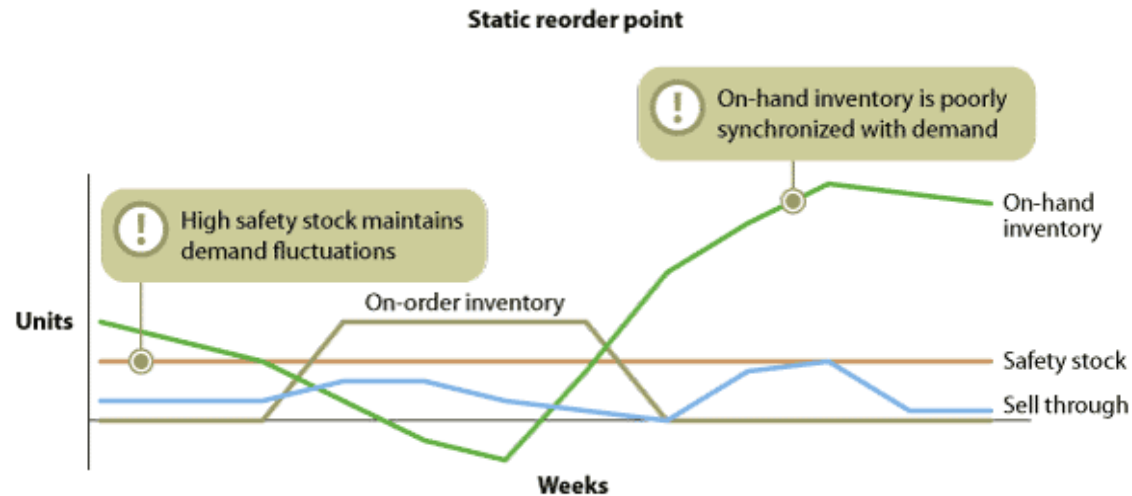


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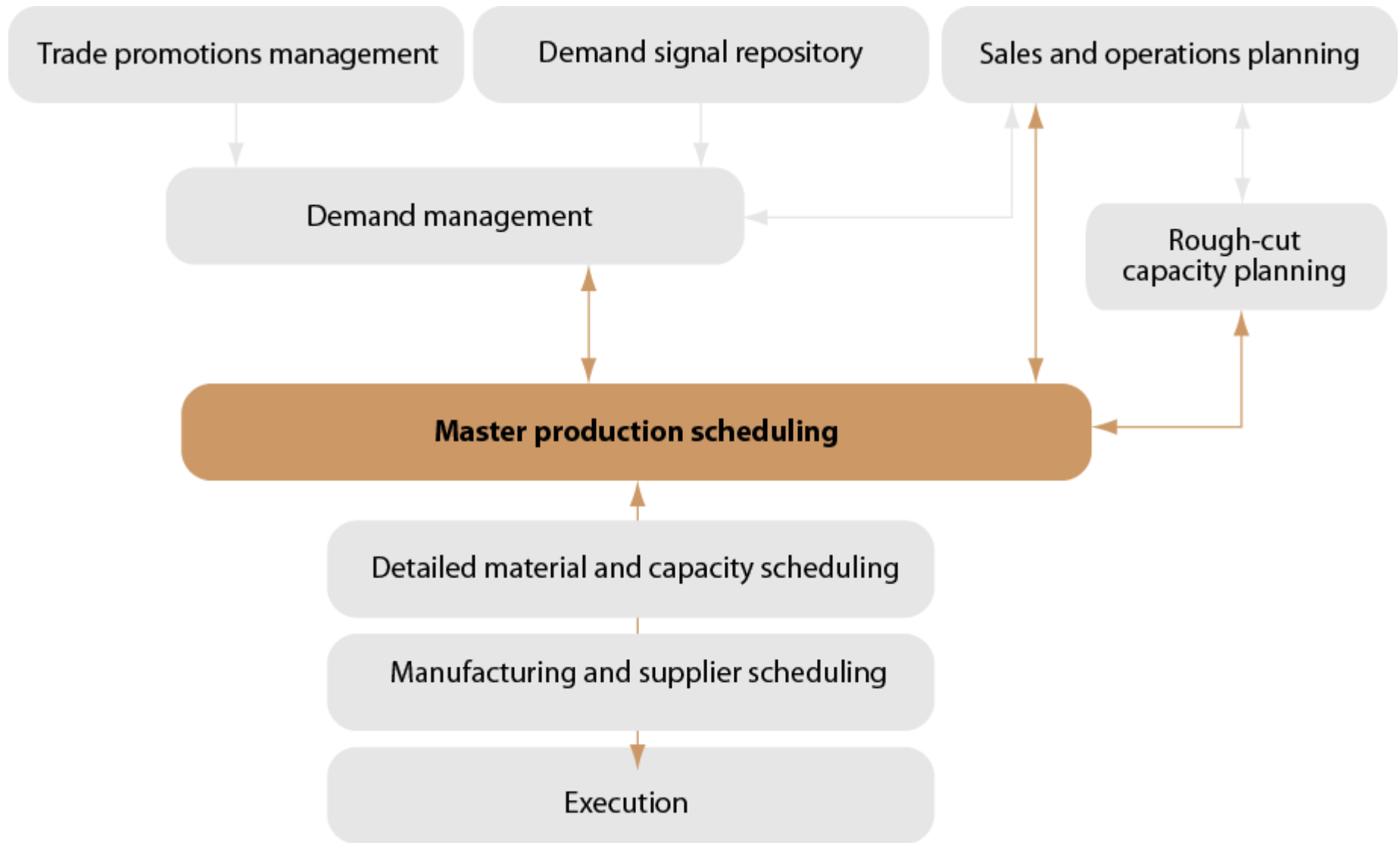
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Synchronize inventory with demand



Master Scheduling Drives Service To Consumers



Next steps

1. Upgrade to a component view of demand
 - Beware of averages
 - Don't forget returns
2. Implement a dynamic inventory model
 - “Weeks of supply” and “min max” won't make the grade
3. Shorten the distance between inventory and the customer
 - Allocate based on fulfillment choice propensity

Thank you

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Scheduling Opportunity Assessment Framework

"Please score your company's performance relative to each of the statements according to the following scale."

1	2	3	4	5
Poor	Below average	Average	Very good	Outstanding

Common view of demand

Our base demand forecast accuracy compared with competing value chains.

We run a competent S&OP process to adjust forecasts with account team intelligence and any operational constraints.

The granularity and frequency of our demand forecasting.

We distinguish between independent and dependent multi-echelon demand.

Average score

Scheduling Opportunity Assessment Framework (Cont.)

“Please score your company’s performance relative to each of the statements according to the following scale.”

1	2	3	4	5
Poor	Below average	Average	Very good	Outstanding

Intelligent reconciliation of demand and supply lead times

We have established time fences for planned and firm orders that take account of supply and demand lead times.

We have a good understanding of supply lead times.

We have a good understanding of demand lead times.

Average score

Scheduling Opportunity Assessment Framework (Cont.)

"Please score your company's performance relative to each of the statements according to the following scale."

1 Poor	2 Below average	3 Average	4 Very good	5 Outstanding
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Intelligent make-to-forecast capability

Our planners can release orders for supply or manufacture, taking account of capacity as well as demand forecast.

Our planners can balance inventory carrying cost, likelihood of obsolescence, and cost of lost sales in order to make good order release decisions.

Average score

Scheduling Opportunity Assessment Framework (Cont.)

"Please score your company's performance relative to each of the statements according to the following scale."

1	2	3	4	5
Poor	Below average	Average	Very good	Outstanding

Tools

We have demand work benches that enable planners to fully understand each element of forecast demand.

We can consume our forecasts with orders that arrive inside the planning horizon.

We have supply work benches that give us full visibility of each stage of supply and possible bottlenecks.

Average score

Scheduling Opportunity Assessment Framework (Cont.)

What it means	Score Average of scores 1 to 5 (1 = Poor to 5 = Outstanding)
Significant opportunities for improving customer service levels and asset efficiency through scheduling initiatives.	1.0-2.9
Moderate opportunities for improving customer service levels and asset efficiency through scheduling initiatives.	3.0-3.9
Scheduling already working well and delivering excellent asset efficiency and customer service. Concentrate investment and attention on other processes.	4.0-5.0