MARKET RESEARCH REPORT:

DIGITIZE SUPPLY CHAINS TODAY TO FUTURE-PROOF TOMORROW

Gravity Supply Chain Solutions

Executive Summary

- Within the retail industry, supply chains are often seen as the final frontier of digital transformation, as retailers have placed more focus and investment within customer-facing technologies.

- Retailers do understand the benefits of supply chain digitization, with most agreeing that it is essential in overcoming key industry challenges such as increasing speed to market and supporting omnichannel strategies.

- Retailers that have completed digitization projects feel they have full control of their supply chains and say real time data visibility is driving better decision making.

- Digitization is seen to be improving collaboration and creating more efficient workflows.

- While the benefits of digitization get widely lauded, only a small percentage of retailers have completed digitization projects. The most significant factor blocking these is perceived cost.

- The retail industry can quickly complete supply chain digitization projects by selecting the right solution. However, it seems many retailers are unaware of readily available solutions that deliver all of the benefits with quick and easy integration while providing a strong return on investment.

Foreword -
The future is now, are you ready to embrace it?

2019 will be a climactic year for supply chains. Economic, and political disruption, along with an even more demanding consumer mindset, is already creating significant supply chain risks. These risks are likely to exacerbate throughout 2019 and beyond. For businesses that understand these risks, now is the time to act.

Supply chain management processes need to get augmented, and there's a myriad of reasons why. Consumers have been conditioned to expect instant gratification, requiring the latest on-trend products now, without having to wait for their orders to get processed and delivered, and this is driving the demand for faster speed to market. Cutting edge retailers have followed Amazon's pioneering lead, and have utilized technologies to meet with their consumer's expectations and as a result, are delivering with increased speed and precision. Competing retailers have been left in the dust cloud, as the online giants increase their lead in mastering delivery.

Economic uncertainty looms in many of the major markets. For example, potential trade wars between the U.S., and China along with rising tariffs, will demand efficient, agile and flexible supply chains that significantly reduce costs and subsequently offset these economic pressures. A wave of political disruption could also create economic challenges in other markets, with the most obvious example being Brexit. Some global brands have already announced plans to relocate their operations outside of the U.K., as a reaction to the Brexit outcome, and this could well result in further risk for global supply chains.

Enterprise resource management (ERP) and legacy systems are still widely regarded as up-to-date supply chain management platforms. However, these systems were not designed to contend with the challenges of today, or tomorrow, like the new wave of dynamic, SaaS digital supply chain management solutions that directly address those challenges.

Retailers are well aware of the challenges involved, but proactive steps are often only undertaken at the front end of the value chain, in the shape of customer-facing technologies. However, it is only when the entire end-to-end supply chain is fully considered and highlighted issues are addressed, that customers needs can be fully met. Supply chain digitization will support these investments, increasing value by improving speed and responsiveness to changes in the market. In turn, this will enhance the customer experience, and increase consumer loyalty. This transformation will allow for scale, as well as enabling businesses to move to a value chain, customer-centric business model.

I invite you to explore the results which have been meticulously considered to provide valuable takeaways across the following pages.

Graham Parker,
CEO, Gravity Supply Chain Solutions

Introduction

With retail becoming increasingly competitive, and markets increasingly unpredictable, greater control over the supply chain will be vital to overcoming these challenges and supply chain digitization can provide that opportunity. Many retailers are already investing heavily in technologies that improve the customer experience, including augmented reality (AR), personalized shopping recommendations, heat mapping, and self-service technologies. However, the majority of supply chains are still managed through manual processes. When you consider that 80 percent of the supply chain occurs outside of the companies physical premises and that multiple partners across the globe are working together to ensure products reach market as quickly and efficiently as possible, there is no doubt that controlling the collaboration of all parties might be a challenge, but is absolutely critical in ensuring consumers needs are met.

This report is made up of insights from 500 retail executives, from U.S. and U.K based individuals with 77% of respondents working at specialty retailers, 15% at supermarkets, and 15% at department stores. It will highlight why now is the time to digitize the supply chain, drawing conclusions from the perspectives of retail supply chain decision makers, in both the U.K. and U.S. It will uncover the rate at which digitization is taking place, whether retailers genuinely understand the cruciality of supply chain digitization, and what factors might be blocking investment into digital supply chain technologies.
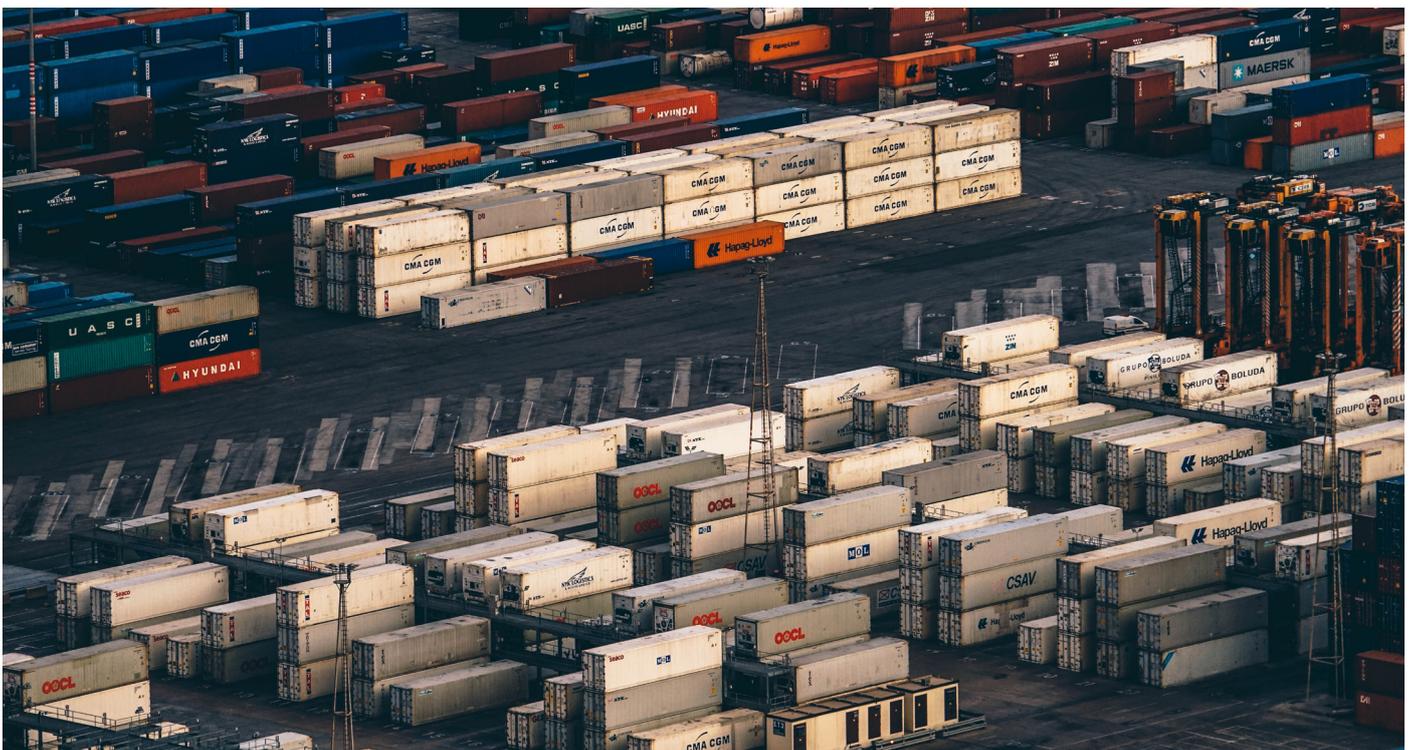
Retailers agree digitization is business critical

Supply chain digitization improves customer experience. **More than half (54 percent)** of retailers who have a digitized supply chain agree that greater customer experience is the main benefit of digitization. This could be attributed to digitization increasing speed to market - a benefit that **45 percent** of digitized retailers are experiencing. Faster speed to market enables a supply chain to be demand responsive improving its ability to give consumers what they want when they want it. Real time data allows people to make better decisions faster, collaborate more seamlessly and as a result lower the cost of operations through efficiency improvements as seen by **47 percent** of the respondents. This highlights that the concept of supply chain digitization is widely recognized as a positive in the retail industry, that enables a shift in strategy from supply chain as purely a cost center to a driver of profit and competitive advantage.

Glossary of terms

Digitized Supply Chain
A supply chain managed via a digital platform that pulls live data from various touchpoints across the supply chain, to provide greater visibility and informed real time decision making.

Hybrid Supply Chain
A supply chain that relies on a blend of manual and digital management processes.

Manual Supply Chain
A supply chain managed through manual processes such as spreadsheets, emails and telephone calls.

What are the main benefits of digitizing your supply chain?

Greater customer experience
Lower cost of operation
Increased speed to market
Faster reaction to supply chain threats
Improved customer loyalty
Faster adaptability to market changes
Higher profit margins
Less requirement for human intervention
Less requirement for buying trips
Other

Base: All whose supply chain is digitized
Chart ID: T20

0%   20%   40%   60%   80%   100%
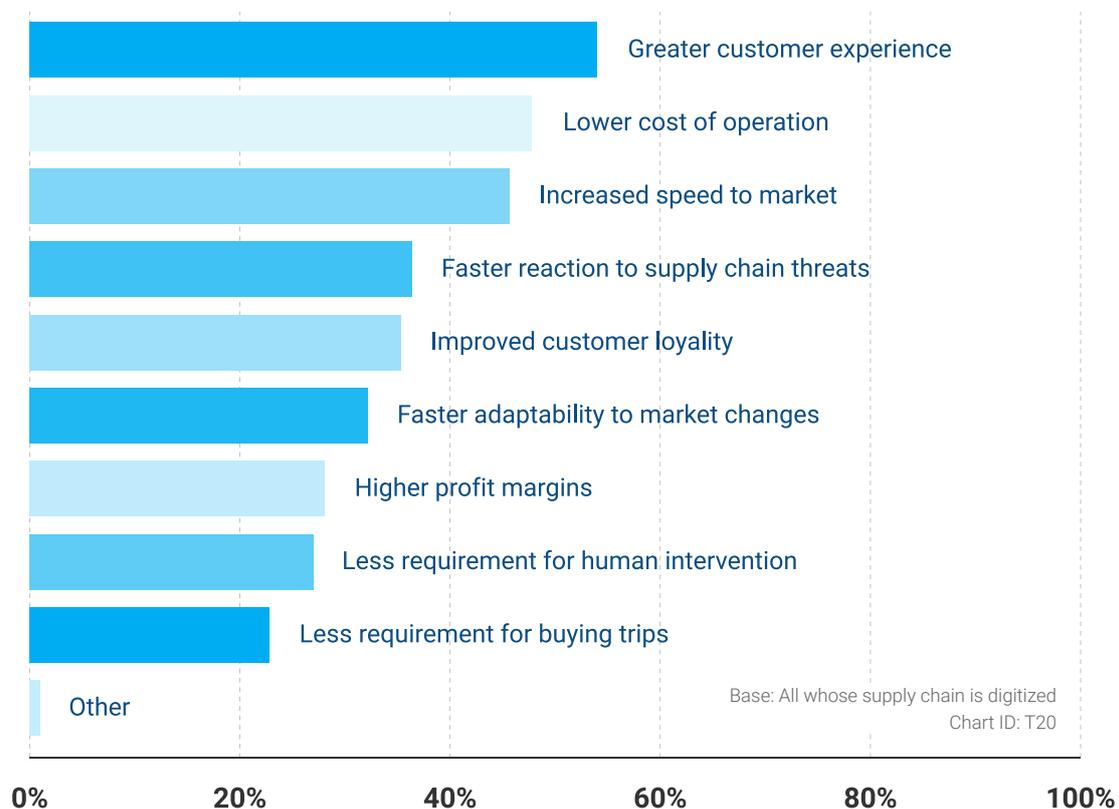
Where is the value of supply chain digitization recognized?

Retailers that have undergone full supply chain digitization provide a compelling argument for its implementation. **77 percent** are more likely to say they are in complete control of their supply chains. **76 percent** believe that their organization has enough data and insight to make the right decisions about its supply chain since undergoing digitization, and this is likely because a digitized platform enables real time visibility of what is happening across the entire supply chain network. In turn, this provides accurate ETA's or visibility of supply chain disruptions such as port congestion or strikes, enabling data driven decision making that provides greater planning and control for decision makers.

61 percent of all retailers, including those with manual, hybrid and digital supply chains say digitization is critical to creating seamless omnichannel retail experiences. This is likely because creating a seamless experience across online and offline channels requires a holistic view of data across the entire supply chain that can only get achieved with a digitized solution. **16 percent** of those say digitization is 'very critical' to achieving this. The value of supply chain digitization is clearly recognised across the board, even by those who have not started the journey to digitization.

Unsure **9%**
Very Critical **16%**
Not Critical At All **7%**
Not Very Critical **23%**
Somewhat Critical **45%**

How critical is supply chain digitization to creating a seamless omnichannel retail experience?

Base: All respondents
Chart ID: T27
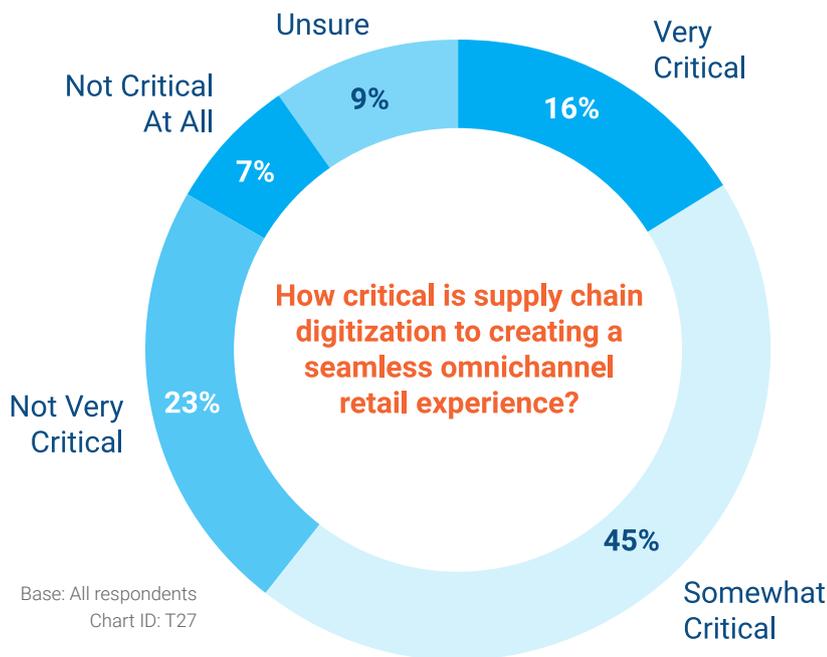
KEY TAKEAWAYS

- Retailers believe supply chain digitization is essential to overcoming one of the industry's biggest challenges, improving customer experience through increased speed to market

- Retailers that have completed supply chain digitization projects say they now have full control of their supply chains and can make informed decisions through direct access to real time data

- Retailers operating manual, hybrid and digital supply chains agree that delivering a seamless omnichannel experience relies on digitization

How digitization is delivering better customer experience

So what should the technology that is used to implement digitization look like for the uninitiated retailer? According to the survey, **56 percent** of retailers say that order tracking across all touchpoints has improved customer experience. This is likely because real time data providing visibility into the exact location of your orders can help to remove obstacles that threaten to disrupt availability. Additionally it can also help to identify process inefficiencies. Manual processes rely on disparate information stored in different silos, making the data harder to find and as a result more difficult to act on.

A further **52 percent** say customer experience has improved by opening up greater possibilities when it comes to product options. A broader range of product options enables retailers to differentiate their product offering, so they aren't selling the same products as their competitors. Based on these findings, digitization will increase customer loyalty by enabling retailers to source and manage their inventory more efficiently, providing unique products that appeal to their target customers at the time and place they are ready to buy.

In what ways has digitizing your supply chain improved customer experience?

Order tracking across all touchpoints

Greater range of products and options

Increased personalisation of products

Logging of in-store purchase history to create a more tailored experience

Greater precision in last mile delivery

Base: All whose supply chain is digitized
Chart ID: T26

0%   20%   40%   60%   80%   100%
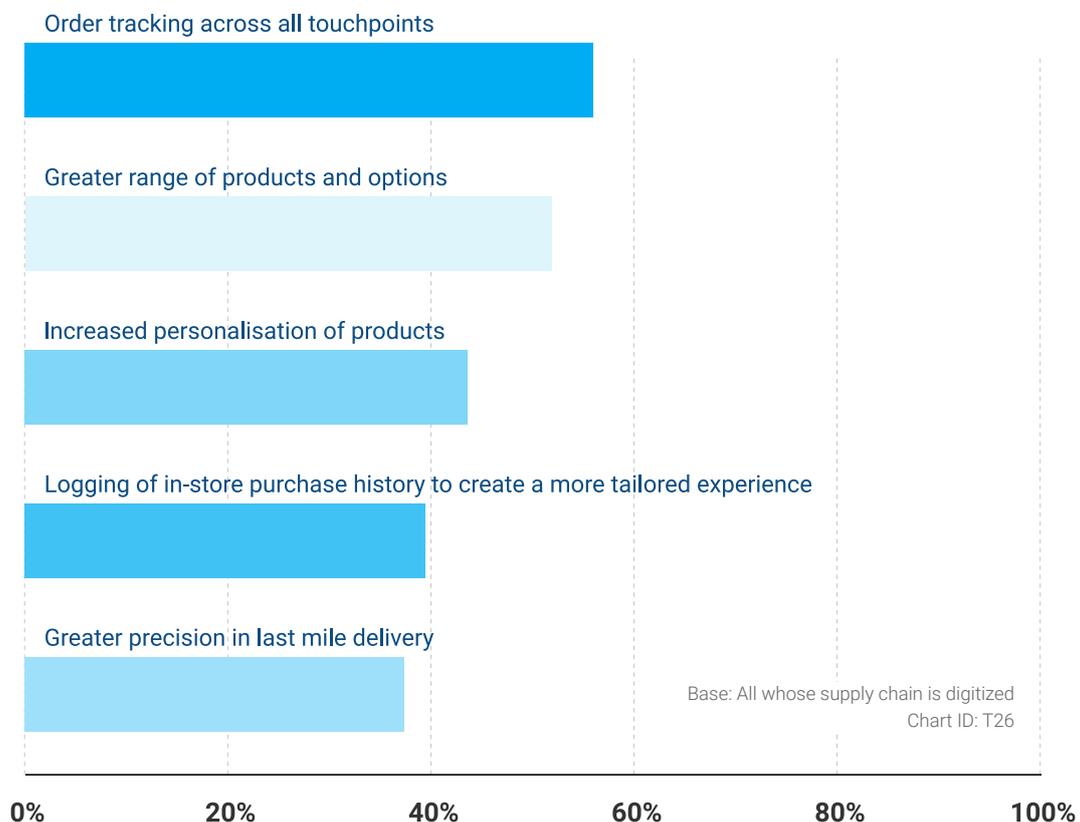
In contrast to the above findings from retailers with digital supply chains, **43 percent** of retailers with manual supply chains say tracking products in spreadsheets remain a pain point. Retailers still relying on outdated processes, suffer from poor speed to market because manually capturing, and manipulating data is time-consuming and creates opportunities for human error. Continually working with outdated data and minimal visibility, they rely on manual reports that can take days to put together and are already out of date when eventually completed.

What are the biggest pain points in your manual supply chain?

Manually tracking products in spreadsheets

Time and cost of buying trips

Disjointed communications with suppliers

Critical information stored across various different systems

Other

Base: All whose supply chain is manual
Chart ID: T21

0% 20% 40% 60% 80% 100%
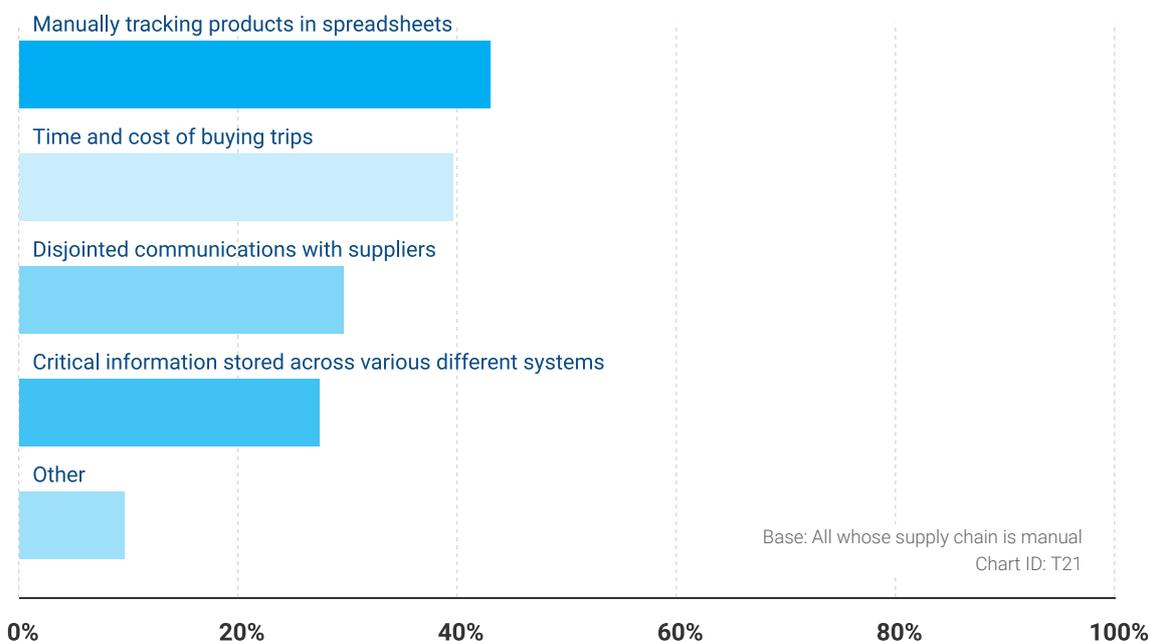
What are the biggest pain points in your hybrid supply chain?

Time and cost of buying trips

Manually tracking products in spreadsheets

Critical information stored across various different systems

Disjointed communications with suppliers

Other

0% 20% 40% 60% 80% 100%
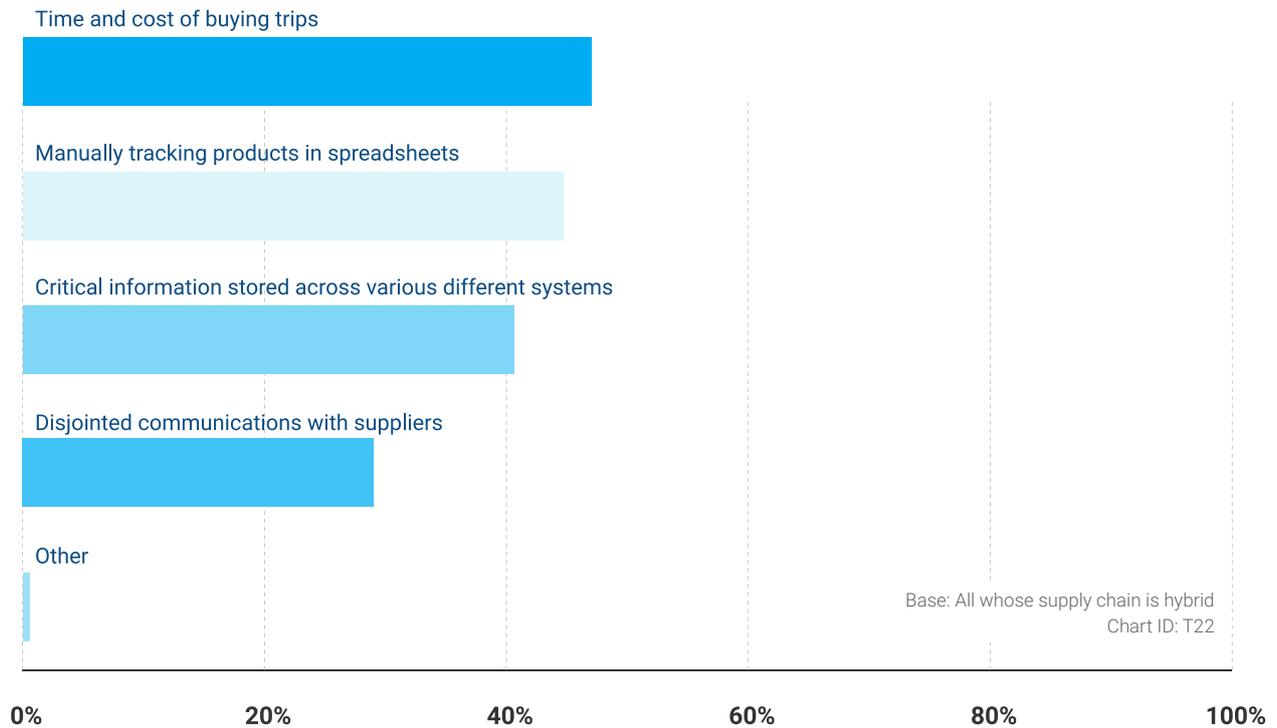
45 percent of retailers with hybrid supply chains said tracking products in spreadsheets is a pain point, and **47 percent** with digitized supply chains said it had been a pain point before digitization took place. A cloud based SCM platform that integrates easily with any data source can track the exact location of your goods, automate redundant data entry, and provide speed and flexibility. It does this by pulling in all relevant data from across the entire supply chain network through seamless integrations, removing any opportunity for human error, guaranteeing faster speed to market.

Manually accessing critical information stored across various, different systems causes significant complications for **41 percent** of retailers with a hybrid

supply chain, and can negatively impact collaboration and teamwork. This is because liaising between various parties and stakeholders takes time which is a precious commodity in supply chain management. Different parties such as suppliers and vendors are forced to search for the data they need in different locations. Digital supply chain management (SCM) platforms overcome this by storing all relevant data in one cloud location and include collaborative tools where communication and access to the corresponding data are made quick and easy for every concerned party.

> "The supply chain cloud forms the next level of collaboration in the supply chain. Supply chain clouds are joint supply chain platforms between customers, the company, and suppliers, providing either a shared logistics infrastructure or even joint planning solutions."

McKinsey;
Supply Chain 4.0 – the next-generation digital supply chain

It is clear that digitization has been pivotal in removing the challenges that have been detrimental to retailers' abilities to enhance customer experience. For those who have completed digitization projects, flexibility and agility in the supply chain have positively impacted consumer loyalty.

KEY TAKEAWAYS

- Supply chain digitization is removing the obstacles associated with manual supply chain processes such as order tracking and providing visibility on where to place the right products to reach the right target markets.

- Retailers using manual processes agree that these pain points impact their supply chain operations.

- While hybrid supply chains incorporate elements of digitization, they are still susceptible to the same pain points.

- Digitization improves collaboration and provides instant access to the right data at the right time.

The slow rate of digitization and the factors blocking it

To remain competitive, retailers need to act with speed when it comes to optimizing the supply chain in the face of both today's challenges and also the challenges of tomorrow. However, digitization is taking place at a slow rate. **46 percent** of respondents describe their supply chain as manual - managed through manual processes such as spreadsheets, emails, and telephone calls. Shockingly,

nearly half (49 percent) of those retailers are yet to begin planning for a digitization project, and only **22 percent** are at the planning stage. This apathetic pace is of concern when you consider the substantial investment getting deployed into customer-facing technologies, as well as the need to satisfy growing customer demand and overcome impending supply chain disruption.

Digitized
A supply chain with a core structure of digital capabilities e.g. automation, dashboards

19%

How do you describe your supply chain management processes?

46%

Manual
Mainly manual based processes, such as spreadsheets, shared drives, emails or phone calls

Base: All respondents
Chart ID: T8

35%

Hybrid
An manual supply chain with a level of digital integration
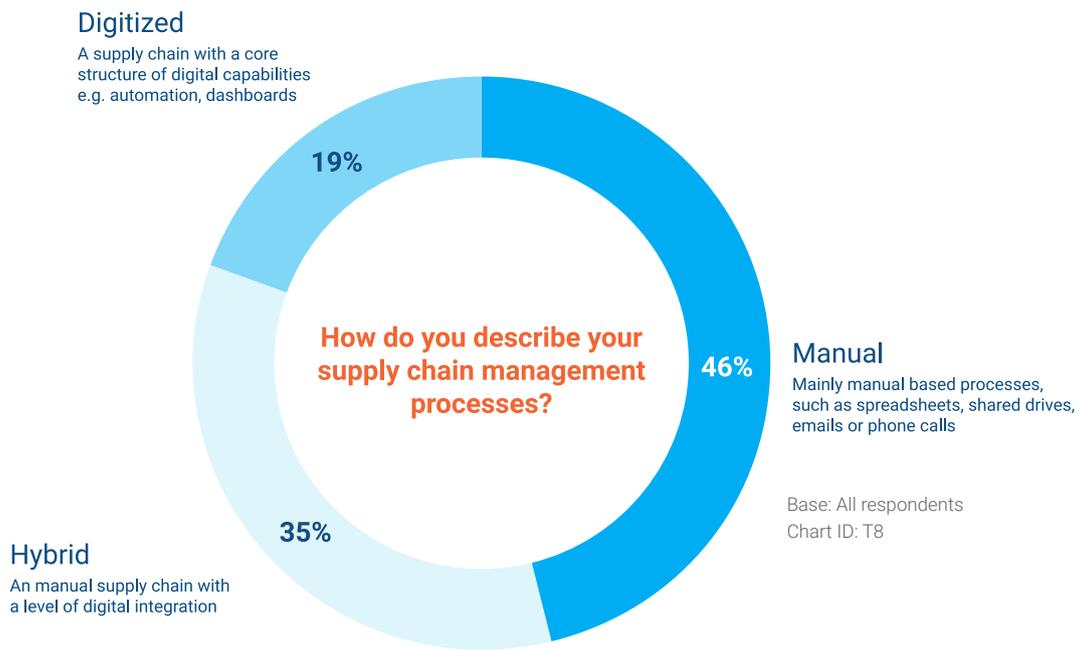
Which stage of digitization is your supply chain currently at?

Not yet begun planning for digitization

Planning stage

Piloting stage

Starting digitization

| Manual	49%	22%	7%	22%

0%   20%   40%   60%   80%   100%
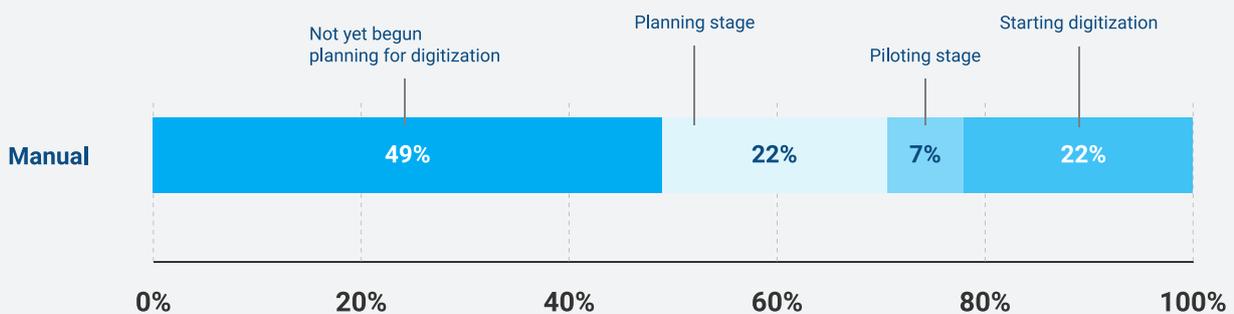
Base: All whose supply chain is manual
Chart ID: T9

Further adding to the concern, the results show that **29 percent** of retailers with manual supply chains are planning on becoming digitized in the fairly distant future (in the next five years or more). It is clear there is a growing 'supply chain digitization gap' in the global retail community between those who have completed digitization projects, and those that are on their way to completing digitization projects being poised to increase customer loyalty through vastly improved customer experience. Closing the supply chain digitization gap might seem a daunting prospect, but it doesn't necessarily have to be a significant challenge. Choosing the right SaaS SCM provider will mean a supply chain can become digitized in structured stages, and in a matter of months, which may be surprising to some of those retailers holding back from beginning their digitization journey.

When do you expect your supply chain to become fully digitized?

	< 6 months	6 - 12 months	13 - 18 months	19 - 23 months	2 - 3 years	4 - 5 years	> 5 years
Manual	8%	27%	15%	5%	11%	5%	29%
Hybrid	4%	32%	29%	11%	13%	3%	8%
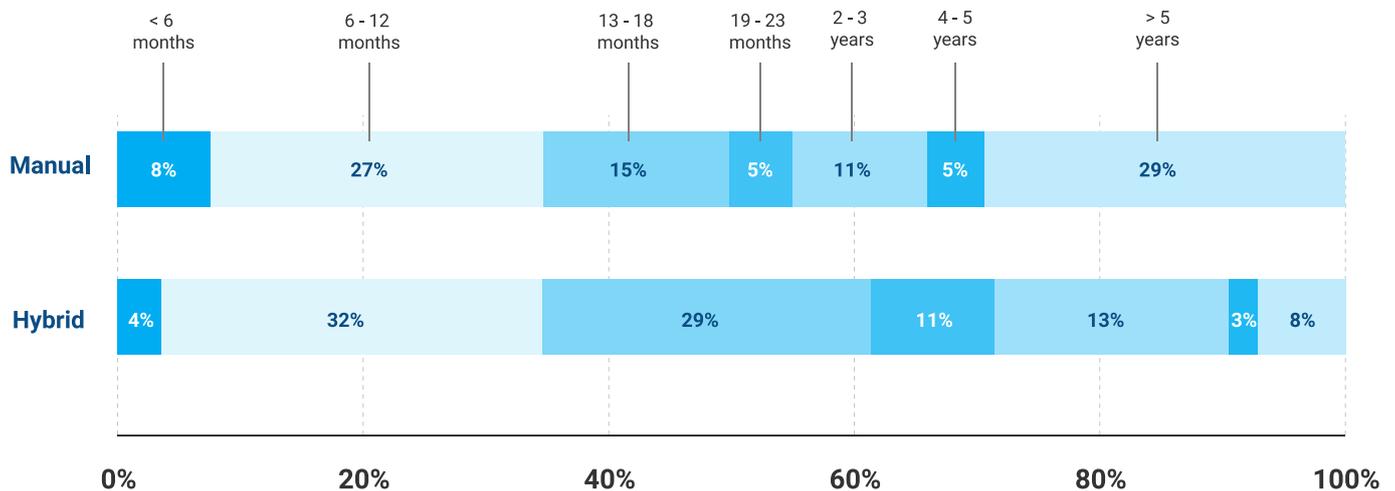
Base: All who have not fully completed digitization
Chart ID: T10

What are the factors blocking your organization from starting the digitization process?

Costs involved

Integration of various systems

Changing company culture

Maintaining communication and collaboration

Connecting disparate data points and sources

Did not have the skills in house / had to carry out additional hiring

None of these

■ All who have started/completed digitization

■ All who have not started digitization

Chart ID: T10 & T11

0% 20% 40% 60% 80% 100%
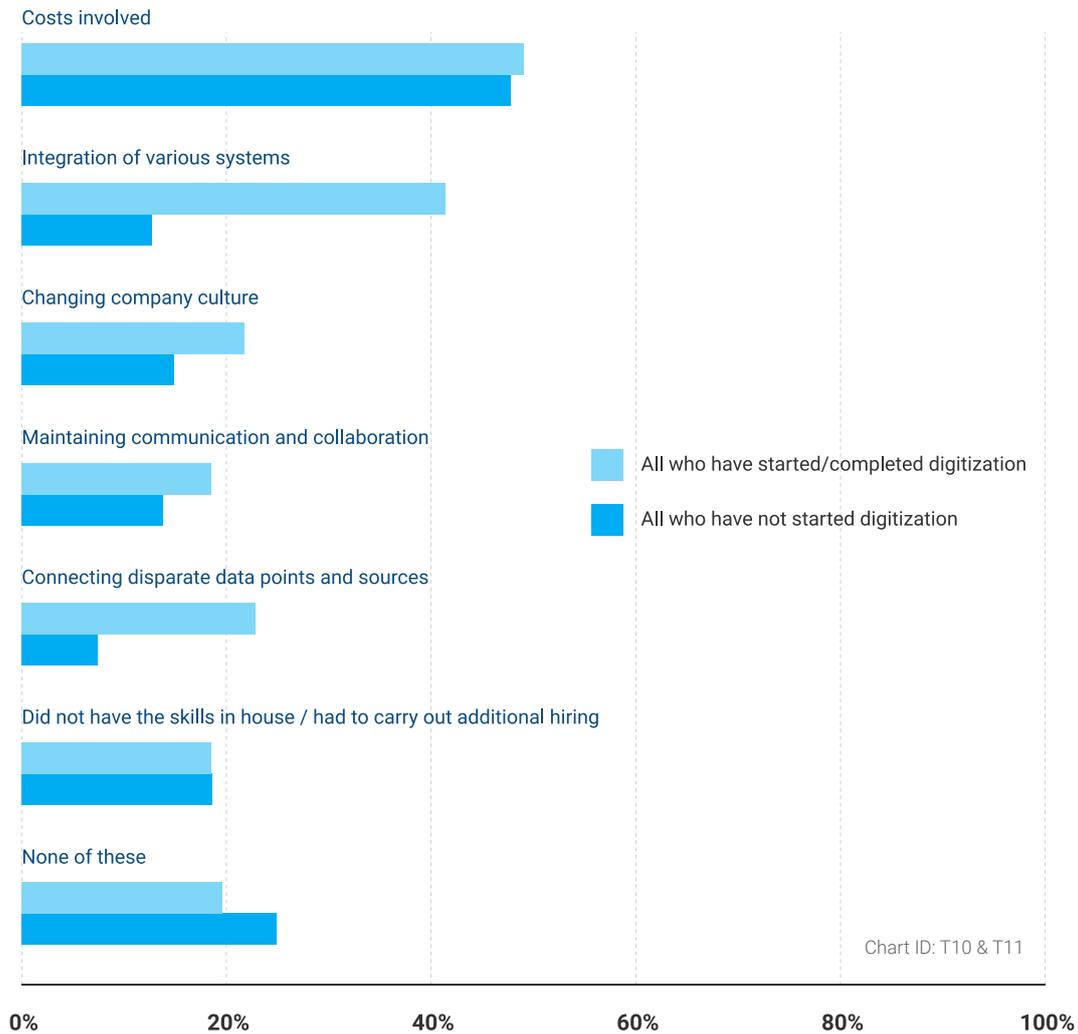
So what are the factors blocking digitization? **49 percent** of retailers that have not started digitizing say the main factor preventing them from doing so, is cost related. A further **19 percent** say that the main blocker is lack of in-house skills which also has cost implications if organizations need to retrain current employees or hire new ones to fill skill gaps. **46 percent** of retailers that have fully or partially digitized their supply chains say cost is the main factor that slowed the digitization process and this indicates there is a definite requirement to demonstrate return on investment when it comes to making the business case for digitization within retail businesses. Retailers should consider partnering with a SaaS solution provider that has low upfront fees to help overcome the cost obstacle and substantial capital expenditure requirements before even embarking on the digitization project.

39 percent of digitized retailers say difficulty in integrating various systems, is the primary blocker to digitization and this is a blocker that appears to be underestimated by those who have yet to fully digitize, with only **13 percent** indicating integrations as a blocker.

What is the biggest internal threat to your supply chain?

Inability to justify costs

Reluctance to change culture

Limited skill sets

Lack of visibility

Lack of buy in from C-suite

Don't know

Base: All respondents
Chart ID: T16

0%   20%   40%
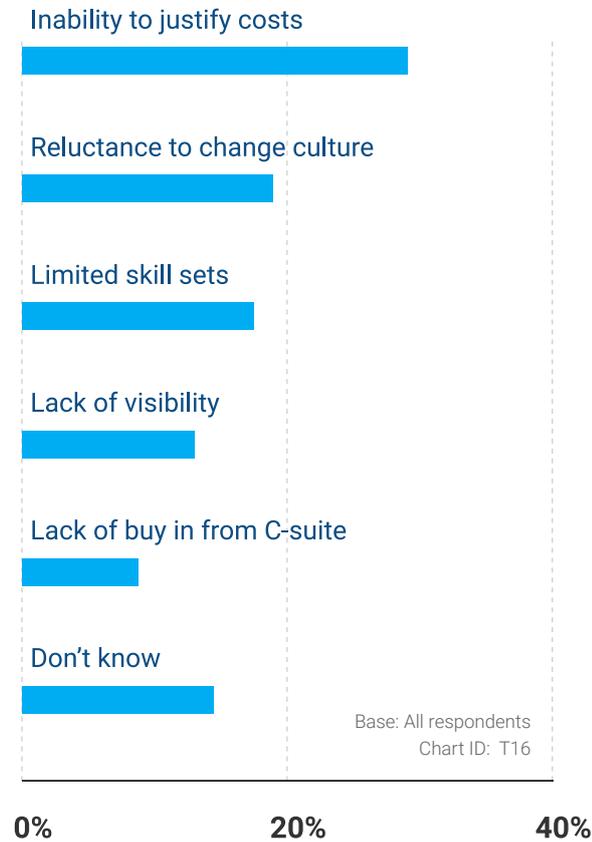
It is vital to invest in a platform designed to make integration as straightforward as possible. The right platform should also place great user experience (UX) at the center of its offering, and this will also help to overcome the challenge for the **19 percent** of retailers that say the biggest internal threat to their supply chain is a reluctance to change the culture within their businesses.

Digital SCM vendors that place user experience and customer centricity at the forefront of their product's design, will be pivotal in guiding retailers effortlessly past the factors perceived as blockers to digitization.

KEY TAKEAWAYS

- Retailers aren't moving quickly enough when it comes to embarking on or completing digitization projects.

- Cost is the common factor blocking digitization projects.

- Retailers that have undergone digitization said cost had slowed down the process.

- Other blockers include difficulty in integrating various systems, lack of in-house skills and reluctance to change company culture.

- Retailers are often unaware that there are readily available SaaS SCM solutions designed to overcome these challenges.

Conclusion

The vast majority of retailers understand the value of supply chain digitization. However, many are yet to realize how urgently they should be completing digitization projects. The uptake in readily available digital SCM platforms is slow among retailers, and many are unaware that the factors they perceive as blockers to digitization can easily get overcome by investing in the right platform. A digital SCM platform worth investing in must increase profitability by enhancing customer experience. It must safeguard the bottom line by enabling predictability and mitigating risk.

There is a significant opportunity for retailers to improve customer loyalty by addressing the demand for improved customer experience through digitization. However, there is also a genuine need to undergo digitization to overcome supply chain risks that are beginning to intensify, including political and economic risks, and extreme weather disruption. Retailers need to act now before it's too late. The growing digitization gap demands that retailers actively overcome the age-old pain points of manual supply chain processes, and begin the journey towards digitization.

The global retail community has been proactive in enhancing customer experience through innovative customer-facing technologies.

Supply chain digitization is the final piece of the puzzle when it comes to perfecting that experience, and growing customer loyalty.

The supply chain is instrumental in adding value to the customer experience, but it is in drastic need of change. Supply chain digitization presents a massive opportunity for retailers. Digital SCM platforms are readily available, and forward-thinking vendors are already thinking about the next steps for retail supply chains, post-digitization.

A digital SCM will deliver quantifiable value that will be visible to shareholders, and the cost of such a solution is often low given the considerable return on investment that can get achieved by choosing the right provider. Retailers must seek out solutions that directly address their industry's unique challenges. The correct solution future proofs your business, by allowing you to add analytical, predictive, and AI capabilities in phases over time, increasingly enhancing your ability to meet consumer demand in the most efficient way possible. Retailers must seek out solutions that directly address their industry's unique challenges, and unless they quickly recognize that now is the time to complete the digitization process, they risk losing out to competitors that are already far ahead on that journey.
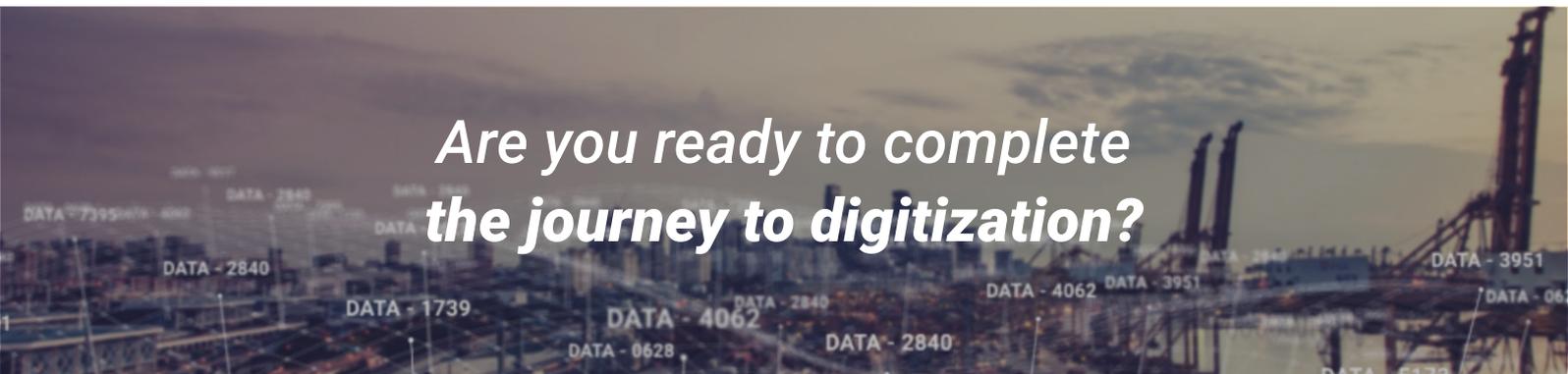
*Are you ready to complete
the journey to digitization?*

GRAVITY

About Gravity Supply Chain Solutions

Enabling retailers to gain a competitive advantage and future-proof their business through supply chain innovation.

Gravity Supply Chain Solutions voted one of **the 10 Most Innovative SCM Solution Providers in 2018**, is the developer of real time, supply chain management solutions. Gravity Supply Chain supports companies in their journey to digitize their supply chains, by seamlessly connecting their global end-to-end operations, supplier base, logistics networks, and customers on a single platform that provides intelligent data management, automation, and real time visibility. Beyond supporting digitization, Gravity Supply Chains' software allows companies to utilize advanced analytics capabilities to predict and plan for supply chain disruptions, and changes in consumer demand before they even happen, resulting in proactive, rather than reactive, decision-making.

Visit **www.gravitysupplychain.com** to learn more.

G R A V I T Y