



Get your Supply Chain in Shape for 2020

Management Outlook

The year 2020 is the talk of the day in boardrooms nowadays. What is our strategy for 2020? How are we going to modernize our supply chain in the coming years? Management sees a changing competition and wants to innovate and cut costs in smart ways. How do you get your supply chain in shape before it falters?



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Upside down

New online players and foreign parties, [Alibaba](#) and [Amazon](#) lead the way, embark on existing markets. Retailers open webshops and adopt omnichannel strategies. Manufacturers skip links in the supply chain and directly serve consumers. Developments which have turned the B2C market upside down. The B2B market is perhaps a little behind, but even there [the rise of e-commerce](#) is unstoppable.

Young discipline

e-Fulfillment, the logistics behind e-commerce, is a relatively young discipline. Companies struggle with large numbers of small orders, hyperfast and reliable deliveries, constantly changing assortments, multiple sales channels, extreme demand peaks, substantial return flows and a significant *long tail*. Challenges for which traditional logistics have no immediate solution.

Busy searching

True role models in e-fulfillment are scarce. Amazon is one of the few trendsetters with a [clear logistics strategy](#). Most companies are still busy searching. Logistics managers try to reshape their supply chains, but they can barely keep up with the plans of their commercial counterparts. Persisting in the old way seems a dead-end street. A new approach is needed to prevent clogging up the supply chain. But how?

Three principles

Companies that genuinely understand how the digital world works, such as [Uber](#), [Airbnb](#) and [Alibaba](#), follow the rule: *Think big, start small, scale fast*. They can quickly scale up innovative ideas with modern technology. Do you want to enter the new world? Then I suggest that you base your strategy for 2020 on these three principles. Clearly, this not only applies to ambitious Internet startups, but also to established companies.

Start Small!

Let's have a closer look at these three principles. I begin with the second principle: *start small*, and then come back on the other two. In today's economy, pioneering has become an essential part of the business. Upfront it is not clear which ideas will catch on. So starting small seems sensible. If

an idea strikes gold, then you can move forward or otherwise quickly adjust. *Fail fast* is the bold mantra of Silicon Valley. Do not be afraid to fail, since mistakes allow you to learn. That makes sense.

Agility

I see that more and more companies start to realize this. Instead of large-scale business process redesigns, they prefer frequent short projects. That requires *agility*, the ability to respond quickly to market changes. Many companies find this difficult. Change meets resistance. People execute projects beside their regular work, with significant overruns as a result. Cultural change is needed. Everyone should understand the importance of change. In addition, project teams should learn to work effectively. The *scrum* method, originating from software development, is strongly recommended. Scrum aims to deliver tangible results in short sprints.

Think big

Although companies pick up the principle *start small* rather well, the principle *think big* remains underexposed. Where are you heading with your business and your supply chain? Projects seem to be selected randomly. A higher purpose is missing. Put a dot on the horizon. This requires strategic choices for customer service, growth and supply chain strategy.

Customer in the center

How do you put your dot on the horizon? To begin with, set your customer in the center, even if it cannibalizes your existing business. *Think big!* Amazon opened its sales channel to third parties, even though it competed with its own revenues. However, it gave customers more choice and that was the primary aim of Amazon. Moreover, it proved to be a lucrative new business model. Meanwhile, about [half of sales on Amazon comes from third-party sellers](#).

Take away obstacles

The best growth strategy is to give customers what they want and take away obstacles. So try to provide an interesting assortment at attractive prices and offer convenience. How can you serve customers better?



- Can you extend the product range and increase stock availability, in order to prevent lost sales?
- Can you deliver faster (Wehkamp mechanized its new fulfillment center to [allow same-day delivery](#)), at the right time (Technische Unie delivers [early in the morning](#) at construction sites) or right place (TNT Innight delivers in [trunks of mechanics](#))?
- Can you offer additional services for products, better information or easier ordering methods (agri-wholesaler Kramp offers customers an [order-entry app with scanner](#))?

Price fighters might take a different route with a more sober customer service and significantly cut costs.

Growth

The new plans, above all, offer opportunities for growth. Where do you find that growth?

- Can you tap into new sales channels? Think of web shops, mobile apps, sales through portals like Amazon or Alibaba or via online trading platforms such as [Ariba](#) or [Covisint](#).
- Can you reach new customers? Think of new customer groups in your current market (not only large customers, but also small customers), cross-border sales (Dutch retailer Hema is [hot in Spain](#)) or skip links in the supply chain and directly serve end-customers ([design your own Nikes](#) online and order them directly).
- Can you extend your product range? Think of the long tail of your core assortment, extra varieties, new product groups, new markets or services associated with products.

Then make an estimate of the revenue and assortment growth for 2020 by product-market combination. These are key figures to align the plans of logistics and commerce. Make this estimate in a joint effort. Of course it is difficult, but a reasonable bandwidth must still be possible.

Supply chain strategy

After you've decided what you want to achieve in customer service and growth, it is time to find out how to do it. What is your supply chain strategy?

- Which stocks can you unleash? Stocks usually lie in warehouses, but there are more stocks

available in the supply chain, for example in stores (ship-from-store), in other regions (Kramp has a transportation network that [exchanges goods between nine European distribution centers each day](#)), or at suppliers (drop-ship/cross-dock). In this way you can offer a wider product range and a higher stock availability.

- How do you organize transportation? You can do everything yourself or outsource transport to a logistics service provider, but there are also mixed forms. Traditionally, CB Logistics distributes in the Netherlands and Flanders with their own cars. In the past year, the logistics service provider has [connected external carriers to its network](#). Each day the logistics service provider calculates which stops are best performed by their own cars and which by external carriers. Furthermore, you may consider to let others piggyback on your transport flows. For example, CB Logistics and Audax, both active in media distribution, [merged their networks](#).
- How do you organize warehousing? e-Fulfillment generally is hard to combine with traditional warehousing. So how many warehouses do you need? Do you put inventories centrally or distributed across multiple points? If you want to deliver directly from third parties or consolidate from multiple locations, then you may need transshipment hubs and cross-dock facilities. Moreover, you can open your warehouses for goods of others. For instance, the future fulfillment center of Dutch online retailer [bol.com](#) is ready for [fulfilment for others](#).

Scale Fast?

Your vision on customer service, growth and supply chain puts a dot on the horizon. *Think big!* Then you start projects to grow toward the *big picture*. *Start small!* But what if one of your ideas is successful? Can you scale up? *Scale Fast?* Airbnb, Uber, and Alibaba can grow rapidly because they do not need their own resources. Airbnb has no real estate, Uber no cabs and Alibaba no merchandise. Moreover, smart technology ensures that the service runs automatically. Uber connects you directly to a free driver via your GPS coordinates, whereas a regular taxi company goes through a switchboard. This

applies to many companies. Numerous back-office employees are busy each day to guide orders, shipments, discrepancies, payments, etc., in the right direction. That is not scalable.

Bottlenecks

What hinders your business to scale up? Incomplete information, labor-intensive back-offices and existing capacity constraints are usually the main bottlenecks. In a previous report, I outlined that a [scalable supply chain](#) is built on three pillars:

- Connected People and systems are linked to share real-time information.
- Controlled: No people at the controls, but systems provide automatic guidance.
- Consolidated: Companies not only use their own resources, but also those of others.

IT architecture

A scalable IT architecture which enables such a supply chain is illustrated in the figure below. Traditional systems are depicted in black. Their

role is not played out, but they will have to collaborate with the new blue systems:

- PIM (product information management) for tracking product data and easy onboarding of new products;
- OMS (order management system) for automatic orchestration of logistics flows;
- ESB (enterprise service bus) for quickly connecting internal and external systems;
- Mobile apps for sharing information anytime-and-anywhere with employees and external relations;
- BI (business intelligence) for analyzing big data.

Entrepreneurship

Altogether, the principle *think big-start small-scale fast* is an excellent starting point for shaping your supply chain for 2020. A clear vision, an *agile* organization and scalable IT are the pillars that support your transformation, beside a strong dose of entrepreneurship.



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