# How to build a supply chain that's fit for today's consumer

Picture the scene: you're outdoors and you hear thunder. Looking up to the sky, you see a large, grey rain cloud. You take out your smartphone and find a website selling umbrellas. Having selected your style and colour, you press 'order', and just 5 minutes later, a drone is hovering above you, gently delivering the purchase into your arms — just as the first raindrops begin to fall.

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Seems a bit futuristic, but it's actually closer than you think. Over the last 2 years, Google has been quietly building a fleet of drones to deliver merchandise bought online. Drones will soon be delivering consumer goods in cities to vital medical supplies in remote areas, bringing unprecedented levels of efficiency and reliability, especially if deployed at scale. Indeed, at the January 2016 Consumer Electronics Show in Las Vegas, Chinese drone-maker Ehang went one step further, unveiling a prototype for the first autonomous drone to carry humans. 3D printing is another recent technology that is turning supply chains inside out. By enabling mass customisation, and shortening the distance between manufacturer and consumer, 3D printing can further reduce already low manufacturing costs.

Technology may be the enabler in these examples but its customers, and their rising expectations that are the real stimulus behind organisations needing to transform their front office functions. Whether they're teenagers at the mall, parents shopping online or multinational corporations buying raw materials for manufacturing processes, today's customers have raised their expectations. These 'new consumers' are connected, informed and empowered, and continually demand more choice of product, greater flexibility in delivery options and faster service.

In our recent Global CEO Outlook 73% of CEOs in the UK felt they were not keeping pace with their customers' needs and expectations and 86% were worried about the loyalty of their customers.  It's therefore clear that this is firmly on the board agenda, but how does your organisation build the flexibility and agility to compete?

**A single overarching priority – your customer**

As a first step, it's time to acknowledge that your sales, service and marketing functions have one over-arching priority – to keep customers happy and create a better customer experience.  Cost and efficiency remain important and can go hand in hand when front office transformation is done well. Alignment of this message from the board across the organisation is crucial. Align how your supply chain works with the wider corporate strategy and integrate it with customer facing functions, with common performance metrics and rewards that focus on fulfilling customer needs.

**Building speed and agility**

Many organisations lack the responsiveness to continually adjust to fluctuating customer requirements. All too often, manufacturing is based upon forecasted demand, while purchasing and inventory replenishment is driven by current, rather than future consumption patterns. It's not surprising therefore that more than a third of CEOs say their supply chains lack the speed and agility to effectively compete with new entrants[1]. Instil greater flexibility and agility within your organisation's culture to adapt to expected and unexpected market events and seize opportunities to source new materials, arrange logistics, scale up or down, or enter new markets.

**Enhance visibility and encourage sharing of customer information**

Gartner recently found that less than 10 percent of companies consider their supply chains to be fully integrated with other parts of their business[2]. Front and back office functions are still largely isolated.

To help ensure that teams across your organisation understand what your customers want and can trace the status of an order throughout the supply chain, organisations need to create an environment where there is enhanced visibility and sharing of information. They need to establish measures such as order times and accuracy, which have a huge bearing on customer satisfaction and experience. And finally, performance targets in functions such as sales, marketing or procurement need to be aligned so that

teams are all incentivised towards supporting positive customer outcomes.

**Use big data to help inform decision making**

Imagine that you had a transparent supply chain, supported by a cloud-based network, which captures actual consumption, changes in demand patterns, and movement of goods and materials — all in real time. It's not only possible but essential to keep paces with the needs of today's customers.  Retailers like Walmart and Amazon have invested millions in specialised software, robotics and other high tech approaches to track inventory.

At a glance, they can find out what customers want and when they want it, trace the progress of every order, and view inventory levels and production schedules. Such visibility extends across all tiers of the chain, enabling retailers, corporate purchasers, distributors, suppliers and manufacturers to quickly identify and address any gaps between supply and demand, and disruptions to supplies.

Armed with up-to-the-minute snapshots of product demand, they can manage procurement and replenishment more efficiently, and ensure that production is ramped up before possible shortages occur, cutting the cost of inventory and freeing up working capital. By sharing information within a single, virtual organisation and overlaying other behavioural insights you can come up with innovative new products, as well as targeted offers and promotions.

So whether it's drones delivering umbrellas or medical supplies, 3D printers producing an ever-wider range of personalised products, or real-time adjusting of production to match varying demand, changing your supply chain into an integrated, transparent network has the potential to bring enormous benefits – the major one being to grow revenue faster[3].

Read the full report

[1] To Stand Still Is To Fall Behind; 2015 Global Consumer Executive Top of Mind Survey, KPMG International, 2015.

[2] 16 CEO Survey 2015: Committing to Digital, Gartner, 2015.

[3] CEO Survey 2015: Committing to Digital, Gartner, 2015.