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Blockchain: Could it be supply chain game changer?

Powell Slaughter, March 5, 2018



HIGH POINT — Blockchain technology has gotten a lot of ink in the past year, but some people still aren't quite sure what it is.

Originally developed to manage global exchanges for cryptocurrencies such as Bitcoin, a blockchain is a digital ledger on which transactions are listed chronologically and publicly. In a supply chain application, those transactions would be visible to those companies forming links in the chain.

Why is blockchain of potential importance in the furniture industry? Right now, players in the logistics space are exploring the technology as a way to better manage supply chains, with stakeholders — manufacturer, retailer and service providers such as ocean, rail and truck carriers — having full visibility of goods in transit in order to take immediate action to accommodate and manage for delays, track progress and get proactive with communication among the parties and end consumers.

Each link in the supply chain — manufacturer, port of origin, ocean carrier, destination port, drayage, carrier (trucking, rail, intermodal), warehouse and ultimately final

mile — represents a "block" of information that can be updated in real-time and as part of a permanent record visible to all in the chain.

Some major logistics powers are looking to the technology for the future. For example, in January A.P. Moller-Maersk, the world's largest ocean carrier, and IBM announced a blockchain joint venture to manage and track container shipping through a trade digitization platform built on open standards and designed for use throughout the global shipping system. And in February, Agility Global Integrated Logistics signed on as the new system's first freight forwarder.

In addition, an alliance of logistics services providers has formed the Blockchain in Transport Alliance (BiTA) to develop standards and practices to allow the implementation of blockchain among various functions in a supply chain.

Troy Cooper, COO at XPO Logistics, sees several potential applications for blockchain in the furniture industry. "For example, businesses could record proof-of-delivery information or track data that links a shipment to its origin in a secure and transparent way," he said. "Blockchain could also help simplify payments because it makes the whole payment process accountable."

What's in it for furniture?

American Global Logistics, which recently joined BiTA, got its start offering supply chain services for the furniture industry.

AGL's client list includes a variety of models: RTO major Aaron's, vertically integrated companies such as [Ethan Allen](#), Bassett Furniture's mix of branded stores and independent retailers, more traditional furniture stores such as Levin Furniture and Kane's Furniture; and manufacturer/distributors that include American Furniture Mfg., Hekman Furniture, Holland House and Liberty Furniture among others.

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AGL CEO Jon Slangerup believes blockchain's potential to increase speed and efficiency could help brick-and-mortar and mid-sized e-commerce retailers offset erosion in their business from the Amazons of the world.

"From a competitive standpoint, the opportunity to reduce costs throughout the supply chain has a huge impact," he said. "The ability of companies in the furniture space to get a technological leg up is a competitive imperative and a competitive advantage to prevent encroachment in their markets. Blockchain could be an enabler for greater security and greater efficiency."

"I suspect that the furniture industry, which tends to be an advance-order based business, will benefit tremendously if blockchain facilitates greater efficiencies along the path from manufacturer to end buyer. Shrinking delivery times without sacrificing quality would provide a tremendous competitive advantage to home furnishings companies."

Many in furniture-related supply chain management are in the research and learning stages when it comes to blockchain. Independent logistics consultant Steve Wolfe, for example, planned to pay close attention during sessions on blockchain at the TPM logistics conference going on in Long Beach, Calif., as this issue hits the streets. "It's a fresh concept, and I think it's going to move pretty quickly," he said. "I believe it will begin to do away with some of the EDI functions of tracing and tracking. Any piece of shipping data is in a block. You can add comments, and they can't be removed."

"The ability to have access to a block of data with all the information and updates will modify some of the track-and-trace and filed modifications out there."

Jeb Bassett, executive vice president of Bassett's wood division, likes blockchain's potential impact. For example, Bassett relies on third parties for much of its global sourcing, particularly in Asia and South America.

"Blockchain could do away with that third party since it's a direct relation between the factory and the company," he said. "We think the other potential benefit is a more secure supply chain — the whole chain of custody, tracking that through all phases from the factory to the consumer. This would help secure that all our compliance requirements for CARB and the Lacey Act are met with a permanent record."

He gave the food industry as an example. "If you have a contaminated batch of lettuce, you can trace where it came from and who handled it," Bassett said.

Doing it better

If a blockchain can provide a level of security comfort, Slangerup said the process could save money at "hand-off points," starting at the manufacturer with the purchase order. From the manufacturer, it's consolidated at a port on the origin side, goes on a ship, to a port, and then shipped from there by rail or truck, then to the owner of the goods, then the last mile to the consumer.

"Each of those represents information and a physical handoff of the goods," he said. "We manage it all the way to the end recipient, whether that's a business or consumer utilizing any number of delivery resources."

AGL has built an end-to-end cloud-based system that offers information processing and security across the chain, first as a 3PL and more now as a 4PL that manages an entire supply chain versus certain components.

"Blockchain represents an enhancement to what we're already doing," Slangerup said. "Today, a lot of files are moved by traditional EDI or other electronic files."

What about players coming up with a multitude of versions of a blockchain?

"If Maersk did its own version with its own standard that didn't work with anyone else, for example, it would be to its own detriment. If we do this right, there'll be one protocol. ... In the transportation part of it, we've formed an alliance (BiTA) to develop standards," Slangerup said. "EDI went through the same sort of iteration when its standards were developed. As a player in the space, we're staying on top of where that's going."

Overcoming barriers

"The greatest barrier to creating a common information backbone for supply chain optimization has been the resistance of many parties in the supply chain — e.g. manufacturers, shippers, ocean carriers, port operators, truck and rail operators, etc. — to expose their proprietary or confidential customer information to others," Slangerup said. "Blockchain, current media buzz aside, may help overcome this resistance by protecting the



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Slangerup said. Blockchain, current media hype aside, may help overcome this resistance by protecting the transfer of proprietary information, thus further enabling supply chain optimization through information custodial control."

Bassett Furniture's biggest question is development of blockchain standards. "And when standards are developed, how will they interface with our current business standards and practices? We're interested to see how that plays out," he said. "For the time being, we'll monitor development and continue with our current order-entry practices until it develops further."

As with any new technology that makes tremendous promises, Slangerup noted that blockchain could provide great competitive advantage or it could cause great headaches.

"With respect to supply chains, blockchain is still in a very nascent stage. I don't know that any provider is using it yet in practice, so I would caution and significant due diligence before signing up with providers who are claiming to use it," he said. "At the same time, it's important to note that the basic promise of blockchain — protection of information as it is transmitted to all involved parties — is not new and has been in practice for a number of years in supply chains."

Blockchain seeks to integrate that security level provided by individual companies among all participants in a product's journey from plant to door.

"Blockchain has the potential to take this to an even greater level, but right now it is very much a 'shiny new toy,' and how it truly performs in the supply chain and logistics space still remains to be seen," Slangerup said.

A true blockchain implementation in home furnishings is still a ways off, but action toward that is coming: "I think we'll see some trials in 2019 in terms of testing the information management and the processing of confidential information," Slangerup said.

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I'm Powell Slaughter, senior editor at Furniture/Today. I returned to the publication in January 2015 after nine years of writing about furniture retail strategies and best practices at a monthly magazine focusing on home furnishings retail operations. Prior to that, I spent 10 years with F/T covering wood furniture, the last five of those as case goods editor. While I cover occasional, home entertainment and home office here, a major responsibility is expanding our attention to the logistics side of the industry. I hope my articles will encourage a dialogue with retailers, vendors, third-party logistics specialists and carriers. I'd love to hear your ideas, concerns and suggestions for smoother flow of material and goods.

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