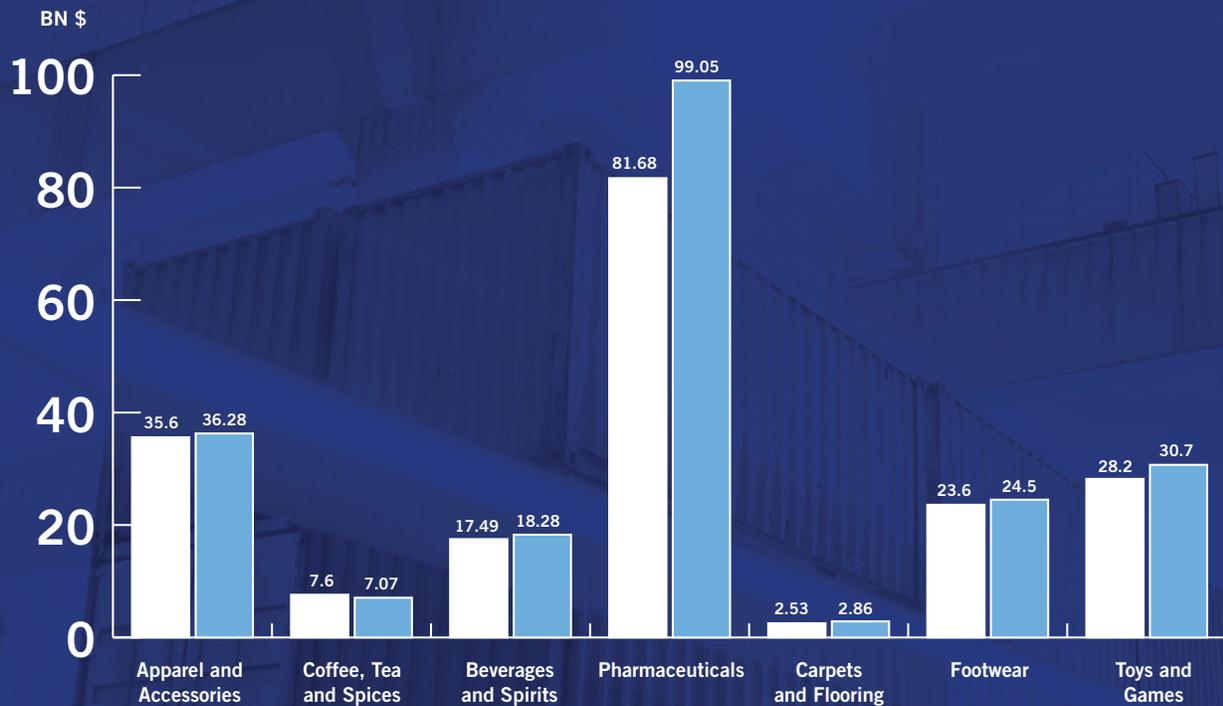


SUPPLY CHAIN IN THE AGE OF THE CONSUMER

What are Consumers Buying?

From games to footwear, import values increased across a number of categories from 2017 to 2018.



* Value of air and containerized U.S. imports, in billions of dollars. Source: USA Trade Online.

■ 2017 ■ 2018

ADAPTING TO CHANGING CONSUMER BEHAVIORS

“The customer is always right.” For supply chain leaders, that piece of wisdom is taking on new meaning as consumers gain more choice and control over the buying journey than ever before.

From a new couch to a week’s worth of groceries, shoppers can summon nearly anything to their doorstep, local store or delivery locker with just a few clicks. The rise of e-commerce, emerging fulfillment models and generational shifts are fundamentally changing how people shop – and that has big implications for global supply chains. Today’s shoppers expect virtually unlimited options, on their own timeline, with superior service across every channel. And while most of them don’t think twice about how products end up in their hands, supply chain executives are dealing with the significant downstream effects of these new behaviors.

Some of the most significant consumer changes impacting supply chains include:

- **Shifting demographics.** While older generations have fully embraced online shopping, millennials are covering new ground when it comes to e-commerce. More than half (56%) of millennials prefer to purchase online after researching a product in-store, compared with 45% of Gen X and baby boomers – underscoring the importance of a strong omnichannel supply chain.¹
- **Shifting buying patterns.** A decade ago, buying a piece of furniture or a clothing subscription online was nearly unheard of. Now, brands like Wayfair and StitchFix are changing the narrative. For example, the subscription market has grown by more than 100% a year over the last five years, with 15% of shoppers receiving at least one product on a recurring basis.²
- **Shifting technology trends.** Historically, technologies like computers, printers and fax machines made their debut in the business world before trickling down to consumers. But the last few years have brought a role reversal. A recent study found that 94% of consumers use AI in some form, such as entertainment or driving route; meanwhile, to date only 15% of businesses have deployed AI.³ Tech-savvy consumers expect a buying experience that’s frictionless and more connected, putting pressure on supply chains to keep up.

For businesses, the ability to recognize and adapt to these changing behaviors will be a key driver of success in the coming years. Executives appear ready to make the shift, with 82% of CEOs saying they intend to change their business models by 2020.⁴ A nimble, responsive supply chain will be an essential part of that process, helping organizations meet rising customer expectations and address new competitive challenges.

For those that master the agile supply chain, the potential payoff is massive. A World Economic Forum analysis found that digital transformation will unlock a whopping \$1.5 trillion in value for the logistics industry alone by 2025,⁵ and CEOs who have crossed the digital divide generate net income 15% higher than their peers.⁶ That helps to explain why supply chain managers are planning to ramp up tech investments in the coming years. According to research conducted by AGL and Logistics Trends & Insights, total IT spending will rise 17% to \$87.8 billion between 2017-2022.

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We're living in an 'anytime, anyplace' environment, where consumers have virtually unlimited options and control over what and how they purchase. The ability of businesses to adapt their supply chains in response to changing consumer behavior has direct implications for their future sustainability and growth. By investing in technology and tools that enable supply chain agility, businesses can position themselves for success in the new age of the consumer.

Jon Slangerup, Chairman and CEO, American Global Logistics

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Creating a Consumer-Centric Supply Chain

So where do you begin? While businesses likely understand the importance of an agile, technology-enabled supply chain, that vision isn't yet a reality for many of them. An IBM study found that 95% of supply chain leaders face significant obstacles in creating a unified view of their data, with three in four reporting that poor data is making it challenging to achieve their digital transformation goals.⁷

For businesses with complex global supply chains, adopting the right tools and processes can be a strategic differentiator in an increasingly competitive marketplace.⁸ As leaders focus on boosting margins, optimizing inventory levels and speeding time to market, visibility and responsiveness are key for achieving these targets. Businesses need a real-time view into each product's path, from the manufacturing phase to final destination, allowing them to meet customer demand efficiently across a complex mix of channels and pivot quickly when needed. By layering autonomous planning and optimization tools on top of these capabilities, businesses can further enhance decision-making and the customer experience.



Here are five ways an agile supply chain can help organizations keep up with the needs of the modern consumer.

1. Enabling Faster Deliveries

No matter what it is, consumers want their stuff now. Three-quarters of America is now equipped for one-day delivery,⁹ and services like Amazon Prime Now are setting the bar even higher with same-day service. Customer expectations for delivery continue to rise, with a UPS survey finding that 45% of shoppers expect purchases made between 1 and 4 p.m. to be eligible for next-day shipping.¹⁰

The ability to see which products are available, get them to the customer and continually replenish goods places significant strain on businesses. As more supply chain leaders turn to integrated supply chain management tools, though, many are successfully increasing door-to-door speeds while holding the line on costs. The average retailer sped up delivery from 8 days in 2015 to 4.5 days in 2018. While Amazon still beats that window by 1.5 days, retailers have narrowed the gap between their fulfillment times and Amazon's by half a day in the last three years.¹¹

2. Connecting Bricks and Clicks

As shoppers move seamlessly across channels throughout the buying process, integrating the digital and physical is key for businesses. While e-commerce has transformed how consumers shop, in-store purchases still make up the vast majority of all U.S. sales. According to a RetailDive study, 62% of shoppers visit stores to “see, touch, feel and try out items,” with many going on to purchase online.¹² Buying journeys also migrate from online to in-store, with half of consumers saying they’ve used ship-to-store in the past year.¹³ Incentivizing store pickup can help businesses address rising fulfillment costs, with up to 20% of customers making an additional purchase while they’re at the store.¹⁴

An optimized supply chain can help a business meet complex and fluid omnichannel demand, no matter where customers ultimately purchase. By gaining shipment-level visibility, organizations can quickly locate and move their inventory – or see which manufacturer can get products to them the fastest.

3. Getting Closer to the Customer

To meet shrinking delivery timelines, many brands are using smaller distribution centers or their own stores for fulfillment instead of traditional warehousing. This move reflects the shift from “just-in-time” inventory to “just-in-time” delivery, prompting businesses to reshape their supply chains to meet customer demand across countless touchpoints.

For businesses used to keeping inventory levels at a minimum, managing fulfillment at the store level requires taking another look at inventory and finding ways to get their hands on products quickly when needed. Some businesses are responding by nearshoring manufacturing facilities to shave down transit times, while others are exploring print-on-demand and virtual manufacturing solutions. Centralizing supplier management in a single platform can help businesses weigh the costs and benefits of various production models, helping them meet inventory demands more efficiently and cost-effectively.

4. Keeping Customers in the Loop on Shipments

From the moment they purchase an item, every customer has the same question: “Where is it?” Many organizations are responding by giving customers a look into their shipment’s journey, helping to manage delivery expectations and improve customer satisfaction. Customers know exactly when their products will arrive, and they can manage tasks like updating the delivery location or time themselves.

To provide that level of transparency, shippers first need an internal real-time view of shipment status. By centralizing all shipment data in one platform, businesses can improve customer service levels and identify issues quickly when they arise. If a container is stuck at port or a truck is delayed because of weather, an agile supply chain enables businesses to adjust routes and inventory accordingly – and keep customers updated each step of the way.

5. Handling the Rising Return Levels

Businesses used to perceive returned merchandise as deeply negative. Today, it’s just the cost of doing business. According to an Invesp study, shoppers return 30% of online purchases, more than three times the number of brick-and-mortar purchases.¹⁵ While today’s consumers expect free returns, they come at a tremendous cost to the business, with organizations often not even bothering to reprocess low-value items. As businesses ramp up their reverse logistics capabilities, a technology-enabled supply chain can help them optimize routes to make processing more cost-efficient and identify where returned inventory is needed most across their networks.

Combining the Right Tools and Support

As businesses navigate new and complex customer challenges, investing in a consumer-centric supply chain will pay dividends in customer satisfaction and loyalty. A seasoned provider can help businesses identify and implement the right solutions for their organizations, helping to boost profitability and brand reputation in the new age of the consumer.

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