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Creating a Customer-Centric Supply Chain In the Age of Disruption

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A 2022 Gartner study highlighted that over 75% of regional or global disruptions, from climate risks to manufacturing disruptions and trade disputes, are higher today than five years ago. And 70% of companies expect these disruptions to continue. In addition to these disruptions, organizations must adapt to an evolving consumer that is highly stressed, technically savvy, unforgiving, and price sensitive. Another 2022 Gartner study confirmed that 95% of companies believe their supply chain must adapt and react quickly to disruptions and changing market dynamics in order to remain competitive.

Unfortunately, less than 7% of companies can execute decisions in real-time due to disconnected data, a significant lack of transparency, and the absence of a single version of the truth.

Companies today need to focus on delighting the evolving consumer while mitigating disruptions — these are the challenges senior executives must confront. In this eBook, we will outline how Traverse Systems can help your company create a more efficient and effective supply chain that is resilient, reliable, transparent, and customer-centric.

Retail Realities

THE ASSUMPTIONS POST-PANDEMIC: FACT VS. FICTION

FACT	FICTION
✓ Escalating layoffs at Amazon, Shopify, and leading Ecommerce providers forced retailers and their trading partners to question the future.	✗ The explosion of ecommerce was expected to continue post-pandemic as consumers embraced the convenience of online shopping.
✓ Consumers today are more demanding, price-conscious, and value-driven, and will shop around for the best value.	✗ Consumers will continue to embrace online shopping from the convenience of their homes post-pandemic.
✓ Ecommerce is often expensive and inefficient as retailers try to manage disparate inventory systems and replenishment protocols.	✗ Ecommerce is profitable for retailers.

THE CUSTOMER JOURNEY: DELIGHT CUSTOMERS AT EVERY POINT OF CONTACT

Retailers today demand that their supply chains drive profitable growth and delight customers. Unfortunately, demanding consumers, labor shortages, inflation, and emerging and converging technologies have resulted in a new reality that places unprecedented pressure on retailers and their trading partners. Understanding today's
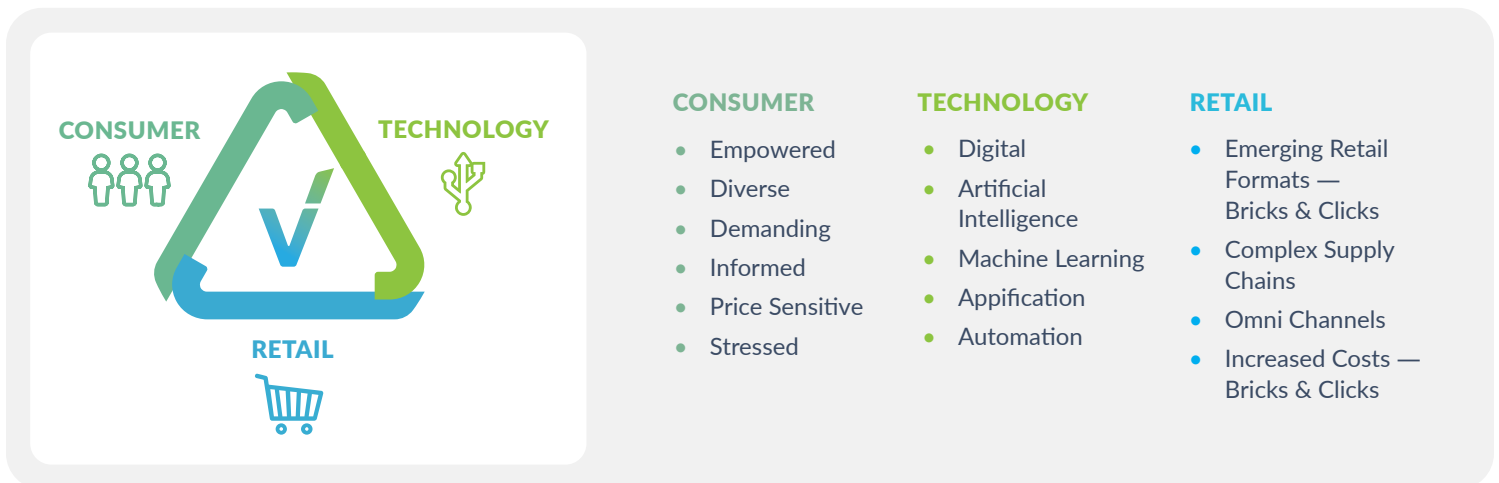
customers and their preferred path to purchase means going beyond "pushing products" at customers and instead delighting them at every point of contact.

It's clear that innovation across the supply chain must focus on the customer experience, and as such, every

new technology and process implemented must positively impact the customer. Effectively anticipating and reacting to customer needs amidst ongoing disruption, however, requires transparency, efficiency, and, above all, a single version of the truth for all stakeholders. Supply chains that are slow to adapt to delays and disruptions result in reduced employee and customer satisfaction and lost sales. In today's fast-moving economy, disappoint a customer once, and you could lose them for life.

Traverse Systems believes the retail environment will continue to evolve with technology and new consumer models, placing increased pressure on productivity and the bottom line. Emerging retail formats have also pressured

supply chains to manage inventories more effectively, minimize growing costs, and mitigate ongoing disruptions. Inventory management with trading partners has come under significant pressure as companies are challenged with doing more with less, with no room for error. The emergence and convergence of technologies have also impacted consumers as they are more demanding and unforgiving, with unprecedented access to information about retailers, their competition, and leading brands. Retail formats will continue to evolve in tandem with consumers and emerging technologies, resulting in new opportunities and challenges. Companies today will be tasked with evolving and growing with their customers.

CONSUMER

- Empowered
- Diverse
- Demanding
- Informed
- Price Sensitive
- Stressed

TECHNOLOGY

- Digital
- Artificial Intelligence
- Machine Learning
- Appification
- Automation

RETAIL

- Emerging Retail Formats — Bricks & Clicks
- Complex Supply Chains
- Omni Channels
- Increased Costs — Bricks & Clicks

A Multichannel Strategy is Not Enough in an Omnichannel World

A supply chain is called a supply chain for a reason. Every link (design, production, distribution, forecasting, inventory management, delivery) is a critical component of success . All departments and processes must be seamlessly integrated and anchored to a foundation of collaboration. More demanding customers confirm that it is no longer business as usual — they want products faster, at a lower price point, and at a better value. The convergence of retail channels has resulted in an always-open mindset with 24/7 support so consumers can shop anywhere and everywhere.

Recent Out of Stocks (OOS) due to supply chain disruptions, the pandemic, and transportation constraints catalyzed

retailers' search for more vendors and products. All retailers face the challenge of managing more SKUs in multiple retail formats due to shortages and changing consumer demands. The big surprise post-pandemic has been the decline in Ecommerce transactions as consumers prefer to shop in person and engage with brick-and-mortar-based experiences.

Profitable growth in an omnichannel world demands an understanding of customer preferences, behaviors, expectations, and preferred channels. Omnichannel is not merely a multichannel strategy — it includes and leverages information across all sales channels and social media

platforms to increase the accuracy of demand forecasting and inventory management. A retailer implementing a multichannel strategy — selling products online and in-store — must commit to accurate merchandise and supply chain plan execution across channels to prevent an OOS position. Omnichannel takes retail one step further. An omnichannel strategy leverages and integrates customer information across all points of contact. An omnichannel retail experience includes traditional brick-and-mortar stores, app-based options, social media, and online platforms, leveraging customer insights for a personalized experience. To fully execute an omnichannel strategy, retailers implement complete visibility and transparency for all stakeholders to meet customer expectations.

Retail Challenges Today and Tomorrow

Post-pandemic, workforce costs continue to increase. As consumers migrated toward digital experiences, retailers and their suppliers faced increased challenges as businesses implemented new models to accommodate evolving replenishment and fulfillment model processes.   Traditional retail chains were forced to transition many stores to Ecommerce replenishment models with seamlessly integrated processes. Retailers and their trading partners were forced to adapt to shortages and increased costs with improved efficiencies. While Artificial Intelligence (AI) and Machine Learning may dominate the headlines, organizations that ensure data integrity and share information across their supply chains will be able to create one version of the truth, providing a significant competitive advantage in the race for customer-centricity.

Some key supply chain challenges for retailers moving forward include:

- Consumer demand for multiple service options, from home delivery to curbside pickup and other options increase service costs
- Customer acquisition and retention costs increase in an omnichannel environment
- Additional discounts and promotions to retain and attract shoppers increase pressure on profitability
- Consumers demand customization and personalization at every point of contact
- Continued unanticipated supply chain disruptions, shortages, and transportation constraints
- Inflation and other economic headwinds

The New Consumer: Stressed, Demanding, Tech-Savvy, and Unforgiving

We live in a world of increasingly demanding consumers who have used their smartphones to their advantage. Consumers today are highly stressed, technically savvy, unforgiving, and price sensitive. They demand service, value, and a competitive price and are less brand loyal than previous generations. The most technically savvy consumers are younger and firmly committed to sustainability, ethical sourcing, and labor practices. Supply chain transparency requires a more comprehensive approach than merely implementing adaptability, resiliency, and efficiency. Transparency is also important to consumers, who will hold companies accountable for their environmental and social responsibility commitment.

Labor shortages and razor-thin margins have forced retailers to rethink current processes and business practices to adapt to this evolving consumer. Many retailers have embraced the potential of business process automation, robotics, AI, and machine learning to reduce costs and increase productivity. No company will be exempt from the need to do more with less in light of new consumer trends.

TOP 10 CHARACTERISTICS OF THE EVOLVING CONSUMER: IMPACT AND OPPORTUNITY

- Obsessed with saving money and time
- Actively search for the best promotions and discounts
- Loyal to service, convenience, and price
- Embracing private label
- Health-conscious and indulgent

- Pay a premium for healthier products
- Pay a premium to protect the environment
- Highly stressed and less resilient
- Demand service value and appreciation
- Leverage multiple retail formats (i.e., omnichannel shoppers)

The economic impact of the pandemic, as well as the reality of our current economy, have significantly reduced critical differences between high- and low-income consumers. All consumer segments are price sensitive, want healthier choices, and are concerned about the environment. Many would prefer to pay a premium price to achieve these goals. The growth of private labels is also expected to continue across all categories, fueled by the relentless pursuit of value in an inflationary economy across consumer segments and income levels. These consumer trends represent additional challenges and opportunities for today's supply chain professionals.

AI and Supply Chains: Fact Versus Fiction

For over ten years, companies have continued to benefit from and be challenged by AI in the pursuit of enhanced processes and profitability. Only a small segment have achieved their goals of increased profitability and efficiency. Artificial Intelligence has been called humanity's last invention, as AI entities approach singularity with human intelligence. Interest in AI and research will continue gaining momentum, but how close are we to superintelligence?

Companies focused on leveraging AI across their supply chain have faced incredible challenges. The biggest hurdles to adapting AI are directly related to shortcomings in data integrity, management, and rigid corporate structure and processes. A recent study by MIT indicated that over 70% of CIOs believe that the failure to achieve AI goals traces to data accuracy, accessibility, and transparency.

It is essential to point out that the majority of current AI deployments are classified as weak AI[1], and no system currently exists that integrates Artificial General Intelligence (AGI) — where performance approaches that of a human. Only AGI can complete human-level tasks with general human intelligence and cumulative knowledge.

An accurate AGI system must:

- Be able to engage in abstract thinking
- Possess background knowledge
- Understand common sense
- Comprehend cause and effect
- Be able to transfer learning

Simply put, these capabilities can't currently be replicated in AI to solve today's supply chain problems. Weak or narrow AI excels at completing a specific task for a particular problem by combining machine learning, deep learning, reinforcement learning, and natural language processing for self-improvement and specific issues. These technologies, independently or collectively, do not come close to the human brain. AI currently performs a simple task, whereas humans do a job with exceptional decision-making and analytical skills. How can AI solve the challenges across the supply chain when the present and future do not mirror the past? Weak AI can analyze and consider large amounts of data and produce somewhat intelligent output to assist in human decision-making. However, weak AI cannot analyze and interpret scenarios that include imperfect information and demands historical understanding or general intelligence. In the near term, data integrity, accuracy, transparency, and collaboration will go a long way in addressing and solving current supply chain challenges with or without AI.

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[1] *The Myth of Artificial Intelligence: Why Computers Can't Think the Way We Do*: Erik J. Larson

Connect, Collaborate, and Compete with "One Version of the Truth."

Sun Tzu, the influential military strategist and architect of The Art of War, emphasized the importance of leadership, shared knowledge, skills, and processes. Sun Tzu understood that knowledge becomes the catalyst for effective decision-making when it is shared. He was committed to extensive training protocols where his armies would face any challenge as a cohesive and effective unit with full collaboration and cooperation. Sun Tzu would always send out scouts to understand the landscape and the enemy before engaging in battle because he believed an incorrect perspective or view would lead to a flawed strategy or action. Over 2000 years ago, the importance of one version of the truth played a pivotal role in deploying tactics and strategies to win. Today one version of the truth is the catalyst for success across industries, especially in supply chain. Companies today are an integrated network of relationships and processes, and success is defined by the strength of those relationships and the efficiency of processes. The ability to convert data into information that increases knowledge still reigns supreme.

The importance of collaboration has once again moved to center stage as companies understand that profitable growth and a resilient and adaptive supply chain demand collaboration, cooperation, and transparency. Effective collaboration occurs when data is connected and shared, resulting in one version of the truth.

Companies must ask themselves the following questions before working towards delivering an adaptive, transparent, and customer-centric supply chain:

1. Is all innovation focused on the customer experience?
2. Have we prepared our people for the current economic climate?
3. Are we skilled in the right areas of performance?
4. Do we use our time and resources effectively?
5. Do our current structures support a positive customer-centric experience?
6. Do we connect critical business information for one version of the truth?
7. Do we reward cooperation and collaboration?
8. Do we have incentives and rewards that drive the right behaviors?
9. Are jobs defined by the value that they add?

The parallels drawn between effective collaboration frameworks and the teachings of Sun Tzu are difficult to ignore, fueled by the constant need for change in an environment of conflict and opportunity. In his teachings, Sun Tzu emphasized the importance of accurately viewing your situation before taking action. Any action taken will also be flawed if your view or perspective is flawed. The Art of War emphasizes the importance of collaboration with all stakeholders in creating your view or perspective and looking at the situation from a leadership position. Generals prepared their armies by providing the best training, tools, and environment for developing skills required in battle with a constant focus on mission and mandate. Supply chain practitioners today must do the same.

HOW ARE LEADING RETAILERS DRIVING CUSTOMER SATISFACTION?

- Positioning the supply chain as an enabler of the customer experience
- Focusing on In-Stock position, On-Time & In-Full (OTIF)
- Digitizing and sharing data with partners to improve supply chain performance
- Utilizing business process automation to offset labor shortages and ensure execution
- Increased supply chain visibility, transparency, and governance

Sharing information and knowledge is central to the teachings of The Art of War, driven by a belief that knowledge is most powerful when it is shared. Companies, like armies, exist as a network of relationships with success defined by the strength of those relationships. Further, the leader will achieve greater success if they allow employees to become leaders in their respective realms, breaking down barriers and department silos. The importance of deploying processes, tools, and technologies that position employees for greater success will have a lasting and positive impact on customer satisfaction.

Connecting disparate data sets to pursue one version of the truth is pivotal in achieving a customer-centric supply chain that is achievable today — without AI. Integrating critical data points into one version of the truth has emerged as a catalyst for change, enabling leaders to anticipate potential disruptions and to align the customer's buying journey.

Many of Traverse Systems' customers are realizing significant benefits from the ability to access, analyze, and interpret one version of the truth, delivering the following benefits:

- Increased speed to market
- Reduced avoidable costs
- Increased ability to mitigate risks
- An ability to anticipate supply chain challenges before they occur

- Greater inventory integrity
- An ability to quickly adapt to evolving consumer demands
- A platform for continuous supply chain improvements
- A positive impact on the bottom line

ECONOMIC REALITIES AND SUPPLY CHAIN DISRUPTIONS DEMAND A COMMITMENT TO DEPLOYING TECHNOLOGIES AND PROCESSES THAT DELIGHT CUSTOMERS.

In a 2023 MIT CIO study on AI and Supply Chains, over 72% of CIOs committed to AI stated that data accuracy, integrity, and accessibility are more likely than other factors to jeopardize their AI goals and implementation strategies between now and 2025. Whether or not your organization is considering an AI strategy, all supply chains demand that all information be accessible, connected, and shared. Providing a unified view of supply chain performance to all key stakeholders promptly is critical to achieving a customer-centric supply chain in today's evolving economy.

Building a customer-centric supply chain in an age of constant disruption is no small task.

That's why Traverse Systems offers a range of solutions to help you build a more efficient, customer-centric, and high-performing supply chain.

To learn more about Traverse Systems, our products, and what we can do for you, please reach out to Barry Garvin.

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ABOUT TRAVERSE SYSTEMS

Traverse Systems is an interdisciplinary team of supply chain professionals. Our suite of solutions provide you with the visibility, consistency, and clarity that you need to improve supply chain performance. Since 2000, we have served some of the world's most respected brands including CVS Health, Burlington Stores, Michaels, Tractor Supply, Kohl's, and more.

Traverse Systems is proudly based in Sugar Land, Texas. To learn more, please visit **traversesystems.com**