

Why retailers need to take a more holistic approach to improving supply chain efficiency

A White Paper by Hub Group, Oak Brook, IL

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The death of the mall. The rise of e-commerce. The whims of Millennials. The Gig Economy. The increasing unpredictability of "peak" season. The prospect of drone delivery, self-driving trucks and fully-automated DCs. You have to have a strong constitution to stay afloat in the flood of changes currently assailing the retail supply chain.



While these radical, mercurial changes put pressure on supply chain managers in multiple ways, the most obvious and persistent one is the need to drive performance by increasing efficiency. But efficiency is itself a tricky goal to pursue, involving adaptability, reliability, speed to market, reductions in inventory levels, improved visibility and a host of other elements.

The traditional focus on increasing efficiency by reducing costs, for example on transactional line items such as freight rates, is no longer delivering significant benefits to most supply chain managers. However, the good news is that new technologies and attitudes have opened up more possibilities in driving efficiency across processes and disciplines, making it crucial for retail supply chain professionals to stay open to alternatives to their tried and tested ways of doing things. This is where a transportation and logistics provider can become a highly valuable partner. Naturally, a supply chain manager will want to negotiate favorable rates with their providers, but an innovative transportation management company can find initiatives to increase efficiency that were previously out of the purview of a single-business-partner relationship.

When a supply chain manager allows a 3PL or transportation provider to come into the equation as a trusted expert in the industry, giving them greater scope to be consultative and implement best practices the company has gleaned across the industry, there can be enormous benefits. As Tom McConnell, VP of Retail Solutions at Hub Group Inc. put it, "Supply chain managers tend to look at operations from a siloed perspective, and multi-modal transportation solutions providers offer a view that's more holistic."

Transportation management companies have a broader perspective of what's going on in supply chains across the retail sector and beyond; giving them natural insight that can be extremely useful to an executive in charge of one single, albeit very complex, set of fulfilment chains.

One much discussed issue is that there's a whole new generation

of consumers who shop differently. The Millennials are out of college and entering their purchasing years. They're moving into apartments or houses, and they need goods to put in them. But they're buying based on how they live, which is on smartphones and the internet. From a convenience standpoint, many find that going to a store is a waste of time. This new purchasing trend over the last few years means foot traffic is vastly reduced, but it doesn't mean the total death of retail locations. Millennials want ***options*** on how they buy.

Nick Hannigan, Vice President of Account Management at Hub Group, said that on the front-end, retailers are waking up to the need to provide a different experience to their retail customers and noted that "Companies like Bed Bath & Beyond or Crate and Barrel, which serve consumers looking to buy accessories for their homes, are providing e-commerce options competing with companies like Wayfair, and at the same time, keeping stores accessible." McConnell agrees. "But they're not just providing a facility in a small strip mall," he said. "They're trying to create an experience for a consumer that's more than just going in and buying a bath towel." McConnell says the new generation has practically forced retailers to offer them new shopping options that allow them to make purchasing decisions whenever or wherever they are across the country, but still have the products delivered to their doorstep.

Further, McConnell says it's simply not true that all retailers are re-shaping themselves to serve e-commerce sales and omni-channel fulfilment. "Some of the most successful retail companies we work with are not going down that path, and are actually bucking that trend, and we need to be experts in those experiences," says McConnell. "Yes, you have your dying, large bricks-and-mortar retailers, but you also have treasure-hunt companies that are not selling so much online, but are opening new stores – companies such as TJX and Burlington Stores. So it's not just about stores closing, but a shift in what the consumer is dictating to the industry.



This complexity, and the need for flexibility, means retailers are changing what level of visibility they require. "What's really important for some retailers now is to be able to identify where inventory is in their network," said Hannigan. "They want to be able to fulfil an order from almost anywhere in that network; either by a customer pulling it off the shelf, or shipping it to a store and using a store's back room as a mini fulfilment center, or from a DC – whatever works. Retailers that I talk to say they need to be extremely nimble in servicing their customer exactly in the manner they want to be serviced. That's driving an evolution in their supply chains, and visibility really drives that forward."

Transportation and logistics providers that will stand out and remain core to the retail community are ones that are multi-dimensional in offering capacity and solutions, while being nimble, flexible, and responsive to the ever-changing needs of their customers.

Successful retailers are thinking with an open mind about how they interact with and serve customers – and how the supply chain and fulfilment side of things best adapt to those new scenarios. "There are still companies managing their supply chain in a more traditional way, and they may be successful today, but they're not inward-looking and innovating to prepare for this next generation," warns McConnell.

The point is that the new face of retail is dynamic, and tapping into the expertise of a reputable transportation provider who is tracking and serving them all means gaining access to proven solutions and best practices to current problems. "We support different companies in different ways," said McConnell. "It would be irresponsible to only support the 'sexy' trends, such as e-commerce-only clients, and not give your other customers the solutions they need to survive and flourish. And that, in turn, means gathering best practices from across different channels."

One area McConnell feels retailers should consider is a more big-picture approach to freight operations. Too often the conversation is about rates and capacity, when many advances in technology and supply chain engineering offer thought processes and optimization techniques that better utilize what's available. For example, many retailers are still at the stage where they think intermodal freight is a clever work-around for bringing costs down, but don't see the wider potential advantages. "I don't think shippers associate intermodal with efficiency, visibility and speed, and we'd like to change that," said Hannigan. "We're taking a service that's been around for over 60 years and adapting it to the needs of the retail space to be nimble and quick to deliver." In order to make intermodal more attractive, Hub Group has introduced Hub Group Express, expanding the service provider's ability to provide a money-back guaranteed service at competitive intermodal pricing – if an intermodal shipment doesn't arrive on-time (barring force majeure and shipper delay incidents), Hub Group offers reimbursement of the transport costs for late delivery.



McConnell would like to see retailers finding ways to further optimize intermodal freight services by considering bundling shipments from similar vendors together. A provider with multiple retail customers can look not just within a single customer's supply chain, but can consider opportunities for all customers. McConnell cites the work Hub Group does through its logistics division, Unyson, with some of the their most collaborative retail customers, who all have similar vendor shipping locations flowing into their DCs. "We coordinate purchase orders for multiple clients with one single solution and then optimize operations for improved visibility and control, cost savings, and service improvements," McConnell explained. "That creates a win-win scenario for us and our customer. We get to innovate and be profitable, and they take advantage of what might be described as a multi-tenant supply chain resulting in sustainable financial improvements.

McConnell emphasizes this is much more than simple load-sharing, which mostly comes into play in LTL operations; it's



consolidation of freight further upstream, optimizing as far back as the ordering stage. "A retailer typically does a decent job at optimizing loads into multi-pick scenarios and utilizing trailers to the fullest," said McConnell. "But if you bring a full-service provider into the mix, you can access a supply chain that creates more opportunity than one company by itself, where there's much greater cost savings. You end up with a shared pipeline that's optimized end-to-end, not just in a way that suits a single customer. A transportation and logistics provider can genuinely look at the retailer landscape as a whole through technology and data management solutions, and ensure we're making solid business decisions for each customer, while allowing them to best serve their own customers. We leverage the advantages of scale."

McConnell says there's a lot more that could be done in the same vein, and that retailers are missing a big opportunity. The reason? "Retailers have multiple priorities competing for time and resources. The opportunity is there, but it's number seven or eight on their list of priorities," said McConnell. "Instead of letting the onus fall on them, they could shift the burden onto the provider to make it happen." McConnell suggests bundling priorities into groups instead of going through them in strict order and thinking more about the outcome of the program rather than the investment. "We have to be creative in committing to results and helping them get excited about the outcome and how much value will be achieved."

Summary

The retail business is experiencing enormous, seismic, ongoing changes, with multiple factors putting more pressure on retail supply chain managers to increase efficiencies in their operations. But focusing on everyday costs, such as freight rates, can take attention away from the much more dramatic increases in efficiency available through harnessing the expertise and best practices of a full-service transportation and logistics provider.