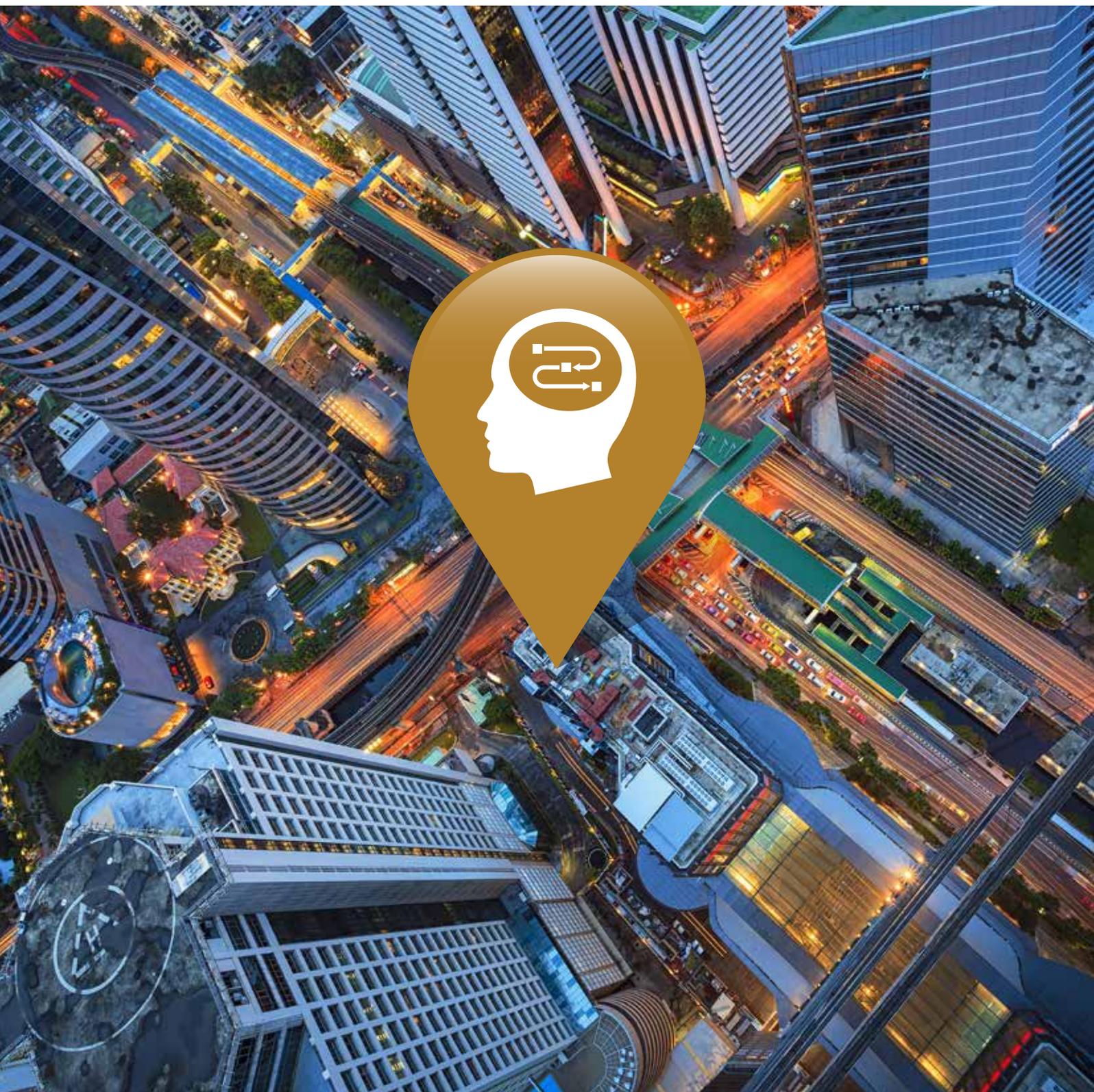


The Omnipresent Retailer

The changing landscapes of Supply Chain & Logistics
in a Multi-channel World



Introduction

As ecommerce continues to grow rapidly, traditional retailers such as department stores have been striving to incorporate a digital channel into their operations.

Yet, online players are also experimenting with physical outlets as they recognise the value of a brick and mortar presence to complete the shopping experience. Meanwhile, in certain niche segments like luxury, the physical channel still holds sway.

“I don’t see an online and offline war. What we are experiencing is a convergence that puts together the best of both worlds,” said Tito Costa, managing director of Singapore-based online fashion retailer Zalora.

“Online players are trying showrooms and concept stores, while the physical incumbents are experimenting with online platforms.”

Zalora has experimented with temporary pop-up stores that allow their customers to try on their dresses, shoes and other accessories. Purchases, however, are still made through their store’s website.

This convergence is fuelling the rise of omni or multi-channel retailing, which involves the use of a variety of channels including, but not limited to, retail stores, online stores, mobile app stores, mobile or pop-up stores as well as telephone sales.

As retailers and manufacturers adopt multi-channel strategies to cater to the industry’s changing dynamics, it will require their logistics providers to adjust accordingly, and innovate the way they provide fulfillment and last mile delivery services.

“The vast number of different channels being available before any form of purchase can be done has changed the way how logistics companies have and will be working,” said Kenneth Koo, Associate Director, Supply Chain & Logistics, Spring Professional, Singapore.

He noted that most logistics companies have created new business units for ecommerce solutions, which aims to provide effective and efficient logistics solutions for such channels.

Indeed, in the US we are already seeing specialist logistics players that focus on omni-channel retailers, such as warehousing companies that specialise in e-fulfillment. Shuttl, for instance, provides a technology platform that links retailers and local courier companies. The company was bought by ecommerce giant eBay.

While multi-channel retailing has opened up more opportunities for the logistics industry, it also comes with its own set of complex challenges. Among other factors, providers in this space need to be cognizant of factors such as on-time delivery, inventory stock levels and reverse logistics.

“This is to make sure that the goods purchased are not only delivered on time to maintain the customer experience but also to ensure an easy and smooth process on managing potential return goods,” said Mr Koo.

To manage the backend operations, there is a need for a robust warehouse management and inventory systems to deal with issues such as stock levels and distribution in small parcels or shipments. As such, logistics companies have to work closely and interface well with their clients to ensure the efficiency and effectiveness of the distribution and delivery process.



Investing in Technology

Many players are introducing more automated solutions to improve efficiency, and this investment in new technology is likely to continue. These advanced goods-to-man systems employ autonomous mobile robots and sophisticated control software that enable faster cycle times with lower manpower requirements, from receiving to picking and shipping. Going forward, industry watchers predict that at some point processes may be automated entirely as robotic arm solutions technologies progress.

On the software side of the equation, more powerful ERP systems are also being introduced that can keep track of current inventory levels and forecast future demand. New user interfaces will also allow for advanced searches of all transactional data resident in the ERP system. Leading software makers are also working to integrate real-time analytics into a real-time decision making process.

“The need for good logistics management and fastest delivery of big data warehouse to support the needs and higher expectation of consumers is one trend affecting technology in the logistics space,” remarked Suntaree Limmanont, Country Director, Thailand, Spring Professional.

New Game, New Skills

Multi-channel strategies call for logistics professionals who are experienced in both supply chain and logistics operations as well as technology to provide efficient and effective logistics solutions.

“Logistics companies today should not be open to purely supply chain talent, but also those who are proficient in e-commerce and digital marketing. Having people who are familiar with these trends can benefit their employers in the area of online channel retailing,” said Ms Limmanont.

On the softer side of things, companies are seeking professionals who have a knack for innovation to keep up with the changing times.

“Logistics as a function and an industry has been around for a while in the Asia region, however, what is lacking now are individuals who can be dynamic and creative in regards to coming up with logistics solutions while still keeping costs low,” said Mr Koo.

“We have an abundance of talents who are operationally well-versed and strong. However, there is a lack of talents who are creative solution providers and a lack of strong individuals that possesses strong project management skills.”

This creativity will help companies differentiate themselves in an industry where all the players are moving in the same direction in terms of channels and technology.

Yet, as multi-strategy retailing is still a relatively new phenomenon, there are still no hard and fast rules on what constitutes the right set of skills for this space.

The best alternative would be to seek out individuals with strong raw talents, exhibiting a strong interest or motivation in the industry, and developing their talent from the ground level up.

However, as with many other industries lacking sufficient talent, retaining them would be the biggest issue. And of course, poaching talent from existing competitors would be another way to ensure having the right manpower to execute your strategy.

“Once we have the right talent, it’s then all about how can we develop and keep them with us for the long term. Career development should be clear, new project assignments and training should be challenging, while compensation & benefits should be attractive,” said Ms Limmanont.

WHAT’S TRENDING IN LOGISTICS

While the rise of multi-channel strategies is the biggest trend in the logistics and supply chain industry, these other trends are also altering the dynamics of the sector.

1 Cheaper Fuel

The dramatic fall in crude oil prices since last June is giving a boost to transport operators in terms of cheaper fuel. This will translate into less costly international freight movements and could curb the recent trend of “near-sourcing”.

2 More Natural Gas Fleets

While there are still obstacles for this happening on a big scale, ships running on natural gas is likely to be a reality sooner rather than later. There are cost savings to using gas, and of course companies will also get credit for using this cleaner fuel. Natural gas can also be sourced from far more places than oil and gas, where much of the resource is located in volatile regions.

3 Increased Risk

Instability in countries such as the Middle East and Africa has increased the risks for logistics companies and reduce supply chain investment in these emerging markets.

4 The Uber Threat

After turning the taxi industry in many countries on its head, talk of the “uberization” of the logistics world is starting to gain momentum. In the US, New apps such as roadie.com allow customers to connect with a truck driver for the delivery of goods. Logistics just entered the sharing economy.

5 Bigger Ships

Ships boasting 20,000 TEU of capacity are now a reality, resulting in a lower unit cost of moving goods around the world. However, the small number of ports that can support these massive vessels will offset this benefit.