Top Supply Chain Challenges Facing Today’s Multichannel Retailers
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In today's highly competitive and ever-changing marketplace, a retailer's survival is predicated on their ability to meet consumers' needs in providing what they want, when they want it and how they want it delivered better than their competitors, whether through traditional retail store channels or other emerging alternative delivery channels. A retailer's continued growth and prosperity is dependent on the ability to fulfill consumers' ever changing and evolving needs in a timely, accurate and cost efficient manner. Ideally, this is also accomplished at better pricing than current, emerging and future competitors. Today's consumers have a greater focus on quality, price, and convenience, and there are significantly greater choices being fueled by fast-changing and emerging new technologies. Consumers expect quality products competitively priced, regardless of whether they are branded, private, or exclusive label, and they hold retailers accountable. Advances in technology are creating and making available numerous omni-channel options for consumers such as online stores, mobile stores, mobile app stores, telesales, and to be developed future methods of transacting with a customer.

Retail Supply Chain Challenges

Alternative omni-channels are requiring significant investments in technology, systems and new forms of infrastructure to support these new channels of delivery. Tremendous pressure is being placed on retail supply chains that have been designed to service brick-and-mortar stores on a pre-arranged schedule. From forecasting to inventory visibility to responsive distribution and delivery, the retailers who can offer the most seamless customer experience are going to achieve a significant market advantage. To ensure the success of achieving consistency across multichannel programs, retailers must align organizational objectives, transform business processes, streamline order and inventory management, and share information with both internal and external organizations across the entire spectrum of the supply chain. Technology is significantly reshaping consumer demands and the retail supply chain paradigm, and the pace of change will only continue to accelerate.

Consumers Have More Choices and are Increasingly More Demanding

Consumers are demanding a greater variety of high quality, less expensive products with availability across multiple channels. They're focused on convenience, dependability, quick availability, and they expect their chosen retailer to meet these requirements across multiple channels. There is a significant gap, however, between what consumers want from an omni-channel retailer and the capabilities most traditional retailers possess today, beginning with a less-than-streamlined supply chain. Supply chain systems,
processes and infrastructure must be enhanced, modified or developed, and implemented to produce just-in-time, consistent, cost efficient service to multiple markets and channels in order to meet consumer demands.

**Operational Inefficiency in Managing Complexity and Change**

Managing omni-channel complexity and the associated changes required throughout supply chain systems, processes and infrastructure is probably the most difficult thing for a traditional retailer to do, yet it’s necessary if the retailer’s goal is to maintain or develop reliable, timely and efficient operations. In addition, the lack of communication, collaboration, coordination and consistency across organizations is hampered by a lack of data, silos of information, and lack of visibility across key supply chain functions. Dependency on manual or cumbersome processes with pre-existing systems and infrastructure not ideally suited for new omni-channels is expensive, error prone, and limits retailers’ flexibility and ability to compete effectively with retailers deploying systems designed specifically for the new omni-channels.

**IT Systems**

The emerging importance of retail omni-channels is driving a need for more flexible, comprehensive technology and systems. Retailers must develop new approaches to serving their customers, but are often encumbered with legacy retail and supply chain systems not designed for these new product delivery channels. Supply chain operations at an average retailer can involve as many as five separate software systems. Discrete and disconnected legacy systems don’t often lend themselves to seamlessly supporting the total end-to-end customer engagement which is a goal of omni-channel retail.

**Talent Shortage**

Retail supply chain leaders recognize and stress that talent management continues to be one of the top supply chain challenges facing retailers today. As supply chains become more complex, and become an increasingly critical enabler of retail business goals and competitive advantage, there is an ever increasing need for bright, talented professionals with an understanding of technology and experience in multiple supply chain disciplines. The challenge of recruiting and retaining high performers continues to become increasingly more critical. Although the number of colleges and universities offering advanced and undergraduate programs and degrees in the supply chain management discipline has increased significantly in the past 10-15 years, there’s still a shortage in the number of supply chain specialists and experts necessary to plan, develop, and manage the future supply chains required to support multichannel retailing.

**Retail Supply Chain Omni-Channel Strategies**

To survive and prosper in this new age of multichannel delivery, retailers must enable an agile infrastructure, improve systems and processes, and provide greater inventory visibility in order to seamlessly serve consumers when, where, and how they shop. While
most retailers recognize the importance of these core elements of a solid omni-channel strategy, many are still struggling with integrating them and developing a high-level, comprehensive approach that can deliver quality experiences in order to satisfy today’s demanding consumers and out-perform the competition.

Inventory Visibility

Inventory identification, tracking and management are the key foundational competencies required to achieve success in omni-channel retailing. Supply chain visibility and inventory and location accuracy are fundamental requirements for effective multichannel operations that enable a retailer to know where its inventory is at all times. New technological standards such as Electronic Product Code (EPC) and Radio Frequency Identification (RFID) are enabling accurate real-time inventory visibility and should be adopted.

Agility, Flexibility and Responsiveness

Technology enabled process improvements and integrated strategic sourcing are necessary to help retailers streamline their supply chains in order to manage growing complexity. Integration across the entire spectrum of the supply chain provides flexibility, responsiveness, and the ability to make informed decisions. Collaboration, both internally and externally within the operational areas of the extended supply chain partners, suppliers and vendors, is essential in developing flexibility. Such collaboration can position the retailer to react quickly with adjustments to unexpected circumstances in order to meet commitments and customer delivery requirements.

Streamlined Operations

Creating a more efficient supply chain requires optimization of the collective resources of each of the stakeholders and partners, accelerating product fulfillment and delivery cycle times throughout the process, reducing inventory, and enabling consistent real-time communication and collaboration across all internal and external partners, suppliers and vendors. Retail supply chain process improvements supported by state of the art technology connect disparate functions and enable true end-to-end supply chain collaboration and optimization. Migrating from isolated manual processes to centralized automated processes must continue to be a top priority for retailers and their supply chain partners.

Seamless Integration

Retailers have to put the back-end systems in place to ensure that the entire end-to-end supply chain is working together seamlessly without silos. Integration of systems and visibility into processes, combined with accurate and timely information sharing, is essential to achieving optimized supply chain management in retail multichannels. These new processes, business transformations and technology solutions will enable retailers to understand, service, and manage omni-channel retail demands in an efficient and effective manner.
Sustainability

Retailers must develop a long term strategy to ensure they are recognizing and proactively addressing the critical imperatives created by this ever evolving world of multichannel retailing. Executives must be engaged, committed and driving the organization’s strategy, goals and execution. Investments must be made in people, infrastructure, systems, and process improvements. Sustainability teams must be formed, success metrics established, plans developed and a continuous improvement culture embraced and adopted. Retailers must ensure their efforts are aligned and integrated with those of their extended supply chain partners. Consumers should be engaged and their behaviors tracked and studied in order to understand their needs and what drives their product purchase decisions.

Conclusion

The critical retail imperatives for 2016 and beyond focus on enabling an agile infrastructure, improving systems and processes, and providing greater inventory visibility to seamlessly serve consumers when, where, and how they shop. Retailers must develop a high-level, comprehensive approach that can deliver quality experiences in order to satisfy today’s demanding consumers and out-perform the competition. Success will be defined by who has the most creative and efficient supply chain, where products are manufactured virtually and distributed to consumers seamlessly through multiple channels.