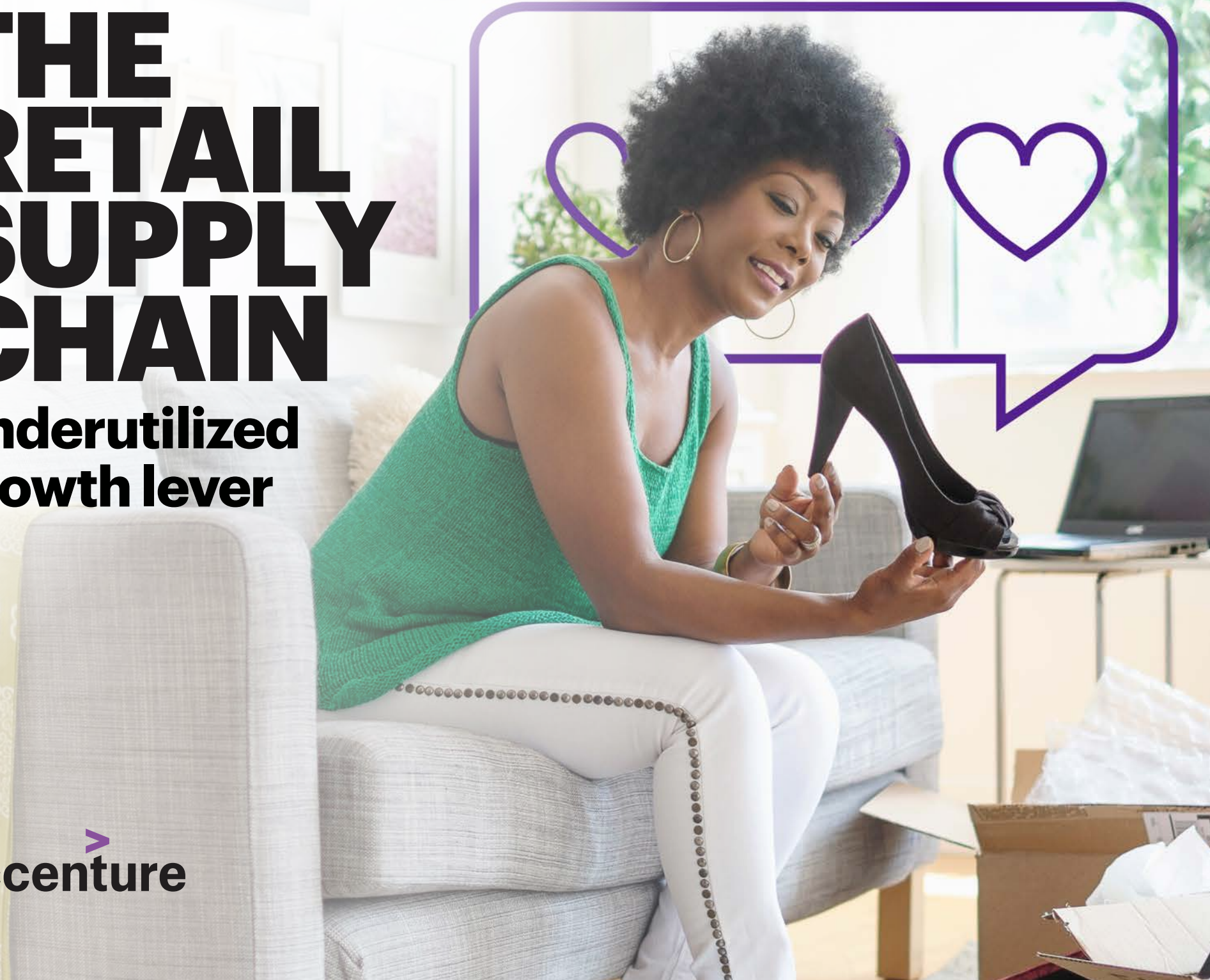# THE RETAIL SUPPLY CHAIN

Underutilized growth lever

accenture

In today's complex integrated marketplace, delivering the right product at the right price is no longer enough. People want to buy something they desire from someone they trust. Retailers with purpose can become the trusted partner to deliver what a customer wants—but companies must also be able to fulfill an order anywhere and anytime a customer wants to receive it. This is incredibly challenging to do—and much harder to do so profitably.

The supply chain is essential to meeting customers' expectations for hyper- personalization and fast delivery. With advanced supply chain capabilities and a clearly defined purpose, customers won't just buy from you; they will buy into you. However, new Accenture research shows few retailers' supply chains are at this level.

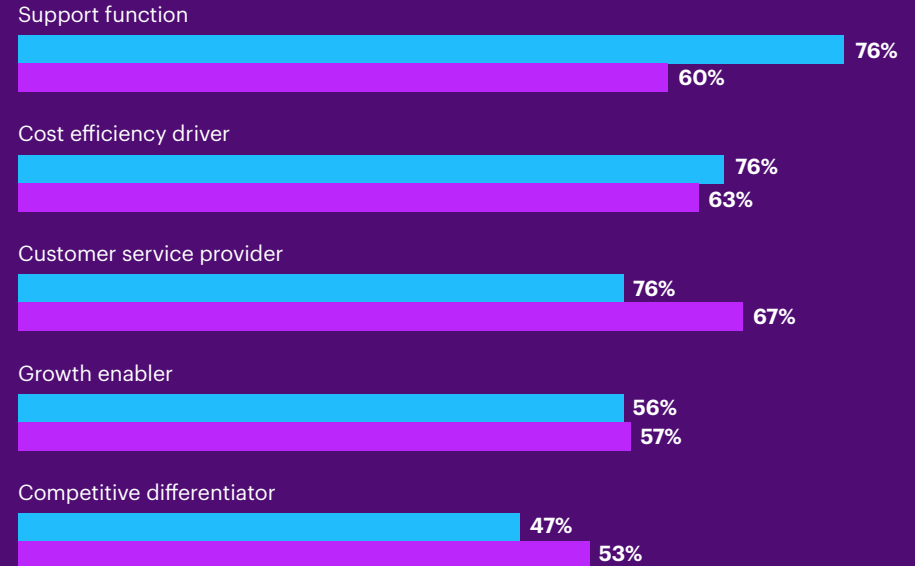## THE SUPPLY CHAIN NEEDS TO BE SEEN AS MORE THAN A SUPPORT FUNCTION

While just over half (57 percent) see the supply chain as a growth enabler and competitive differentiator (53 percent), 60 percent continue to view the supply chain as a support function. Yet many are hopeful. Two-thirds of retailers believe that, by the end of 2020, the supply chain function will help enable better customer service. To have a supply chain that can fully fuel profitable growth by 2020, the C-suite must take action now—elevating the supply chain to be a key component of the overall business strategy.

ABOUT THE RESEARCH

▶ 900 online interviews

▶ Austria, Canada, Germany, Ireland, Switzerland, United Kingdom, United States

▶ Titles: Chief Operating Officer, Chief Supply Chain Officer, Chief Procurement Officer, Chief Merchant

Supply chain function's role by 2020

% Ranking within Top 3

Support function
76%
60%

Cost efficiency driver
76%
63%

Customer service provider
76%
67%

Growth enabler
56%
57%

Competitive differentiator
47%
53%

Q: By the end of 2020, what role will the supply chain function play in your organization?

Base: All Respondents
■ Overall ■ Retail

2

ALIGNING SUPPLY CHAIN TECHNOLOGY DECISIONS

CIOs and CTOs are the primary stakeholders contributing funding to and implementing new IT—43 percent and 40 percent, respectively. For these investments to best position the business for growth, they must be aligned with the CEO's and CFO's strategic agenda.

CTO & CIO are the primary stakeholders for funding and implementing new technologies

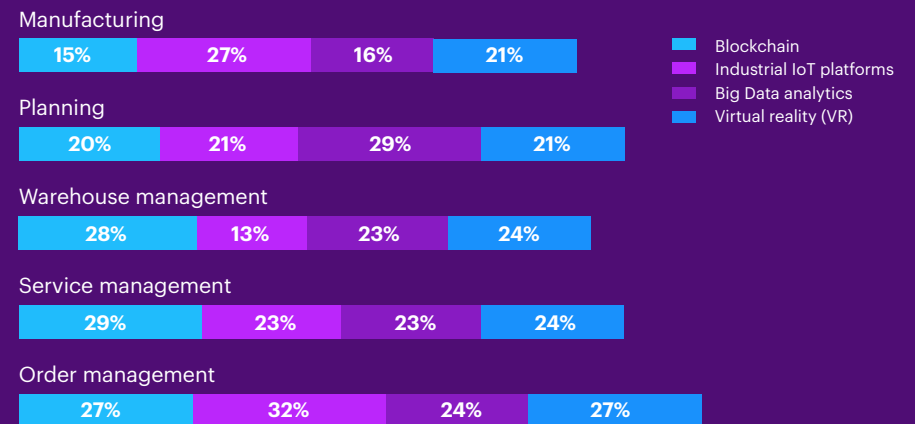**40**% Chief technology officer

43% Chief information officer
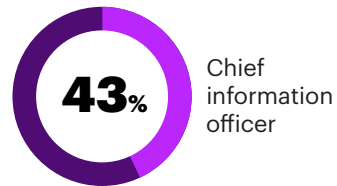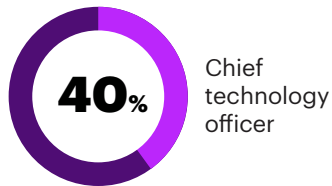
Investing where it counts most

New IT can fuel the responsiveness, speed and agility that retailers need to compete with newer, nimble companies, but investment is spread everywhere. Instead, retailers should be doubling down on investments that drive automation, improve inventory visibility, reactivity and placement, that optimize flow of inventory across a number of channels and that improve collaboration with manufacturers to help elevate service levels. But for instance, investment in blockchain is an important part of that visibility, yet blockchain investment is low in manufacturing (15 percent) and planning (20 percent).

Investments can have greater impact when they center on differentiating specific areas that can drive leading capabilities and improve profitability. Predictive analytics offers insight into the POS level information, so retailers know where the consumer is and also what they are expected or "shaped" to buy. However, big data analytics is not consistently deployed across all supply chain areas. Two leading capabilities retailers must address are last-mile delivery and hyper-personalized experiences. Companies are investing and seeing benefits today from new technologies, However, the technologies anticipated to have the most impact in three years are not same as today.

Examples of new technology, tools and platforms deployed across SC

Legend:
- Blockchain
- Industrial IoT platforms
- Big Data analytics
- Virtual reality (VR)

Manufacturing

Blockchain	Industrial IoT platforms	Big Data analytics	Virtual reality (VR)
15%	27%	16%	21%

Planning

Blockchain	Industrial IoT platforms	Big Data analytics	Virtual reality (VR)
20%	21%	29%	21%

Warehouse management

Blockchain	Industrial IoT platforms	Big Data analytics	Virtual reality (VR)
28%	13%	23%	24%

Service management

Blockchain	Industrial IoT platforms	Big Data analytics	Virtual reality (VR)
29%	23%	23%	24%

Order management

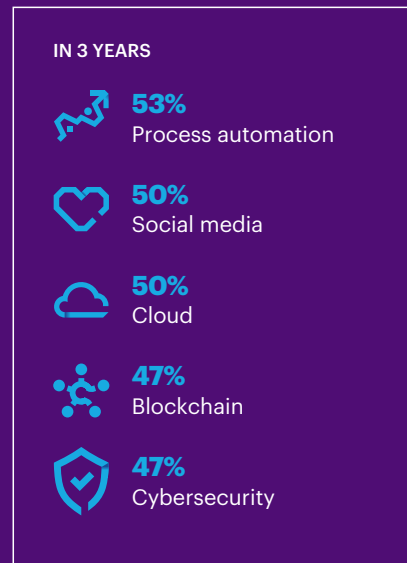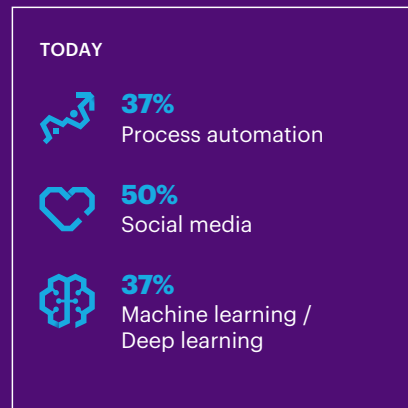| Blockchain	Industrial IoT platforms	Big Data analytics	Virtual reality (VR)
27%	32%	24%	27%

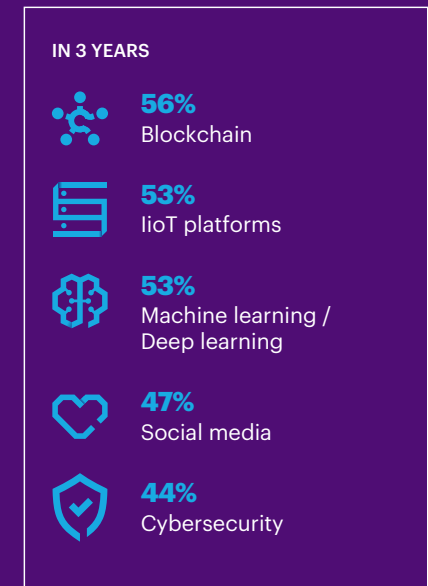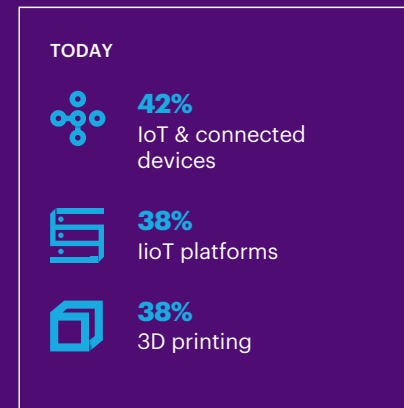3

NEW IT IS DRIVING EFFICIENCY IN LAST-MILE DELIVERY

Customer expectations for immediacy mean retailers have to get last-mile delivery right. Creating positive interactions through last-mile delivery will help build trust and lead to purchasing frequency. Retailers see the current impact new IT has on last-mile delivery, with differences between grocery and other retail segments. While some of these technologies with high impact will remain relevant, others will increase in importance. For instance, grocery retailers most frequently listed social media as having high impact; in three years, it is expected to be slightly surpassed by process automation. Today, only 24 percent of non-grocery retailers see machine learning/deep learning as having high impact, but the percentage increases to 53 percent in three years. Blockchain is noted in both segments as among the most important technologies in three years.

New technologies' impact on last mile delivery

Grocery

TODAY

37%
Process automation

50%
Social media

37%
Machine learning /
Deep learning

IN 3 YEARS

53%
Process automation

50%
Social media

50%
Cloud

47%
Blockchain

47%
Cybersecurity

Other Retail

TODAY

42%
IoT & connected
devices

38%
IioT platforms

38%
3D printing

IN 3 YEARS

56%
Blockchain

53%
IioT platforms

53%
Machine learning /
Deep learning

47%
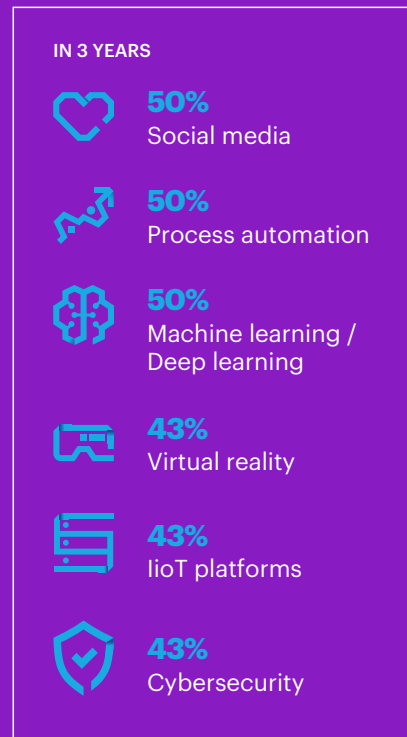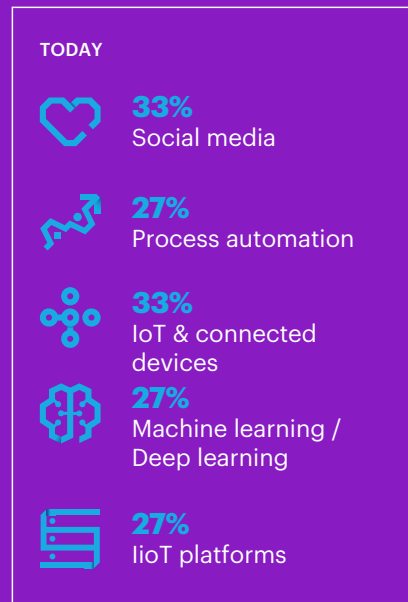Social media

44%
Cybersecurity

Q: What is the current or expected future impact of new IT technologies on the efficiency of last mile delivery in your company?

NEW IT ENABLES HYPER-PERSONALIZED EXPERIENCES—AND ITS IMPACT WILL GROW
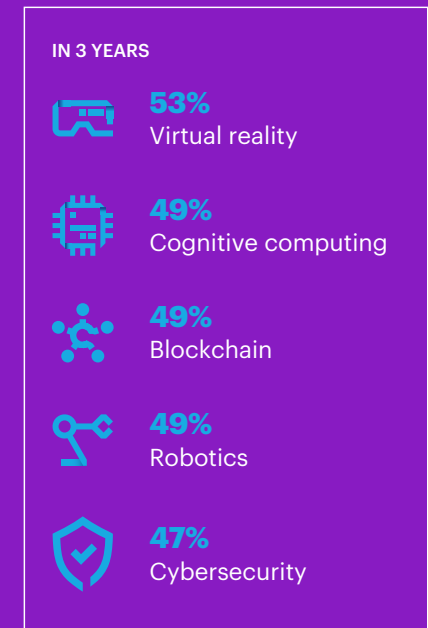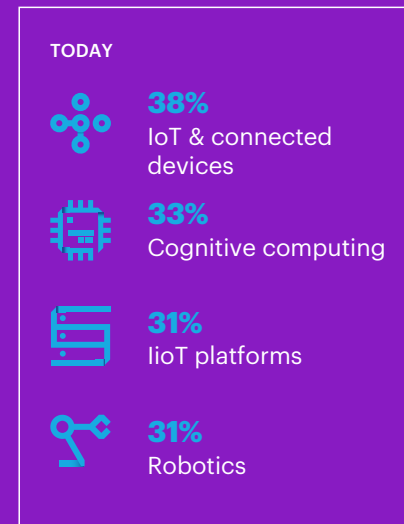
Retailers see new IT's growing impact on hyper-personalized experiences. The ubiquity and availability of data makes it easier for retailers to be more predictive, delivering exactly what a customer wants at the moment of desire. Companies are seeing the benefits. For example, 27 percent of grocery retailers are using and seeing machine and deep learning having an impact on hyper-personalized experiences, and that number increases to 50 percent in three years. They also use and see virtual reality, blockchain and IIoT platforms becoming more influential. Other retailers see major jumps in the impact of cognitive computing (33 percent to 49 percent in three years) and cybersecurity (20 percent to 44 percent in three years).

# New technologies' impact on hyper-personalized experiences

Grocery

TODAY

33%
Social media

27%
Process automation

33%
IoT & connected devices

27%
Machine learning / Deep learning

27%
IioT platforms

IN 3 YEARS

50%
Social media

50%
Process automation

50%
Machine learning / Deep learning

43%
Virtual reality

43%
IioT platforms

43%
Cybersecurity

Q: What is the current or expected future impact of new IT technologies on driving hyper-personalized experiences to the end-customer?

Other Retail

TODAY

38%
IoT & connected devices

33%
Cognitive computing

31%
IioT platforms

31%
Robotics

IN 3 YEARS

53%
Virtual reality

49%
Cognitive computing

49%
Blockchain

49%
Robotics

47%
Cybersecurity

WHAT'S GETTING IN THE WAY OF VALUE?

Retailers face challenges creating value with new technologies across the supply chain. Why? Absence of a clear business strategy for new IT was the top-ranking challenge (48 percent). Others have been stifled by lack of compatibility with legacy systems and perceptions of a reluctant workforce that lacks the skills to drive value with new IT.
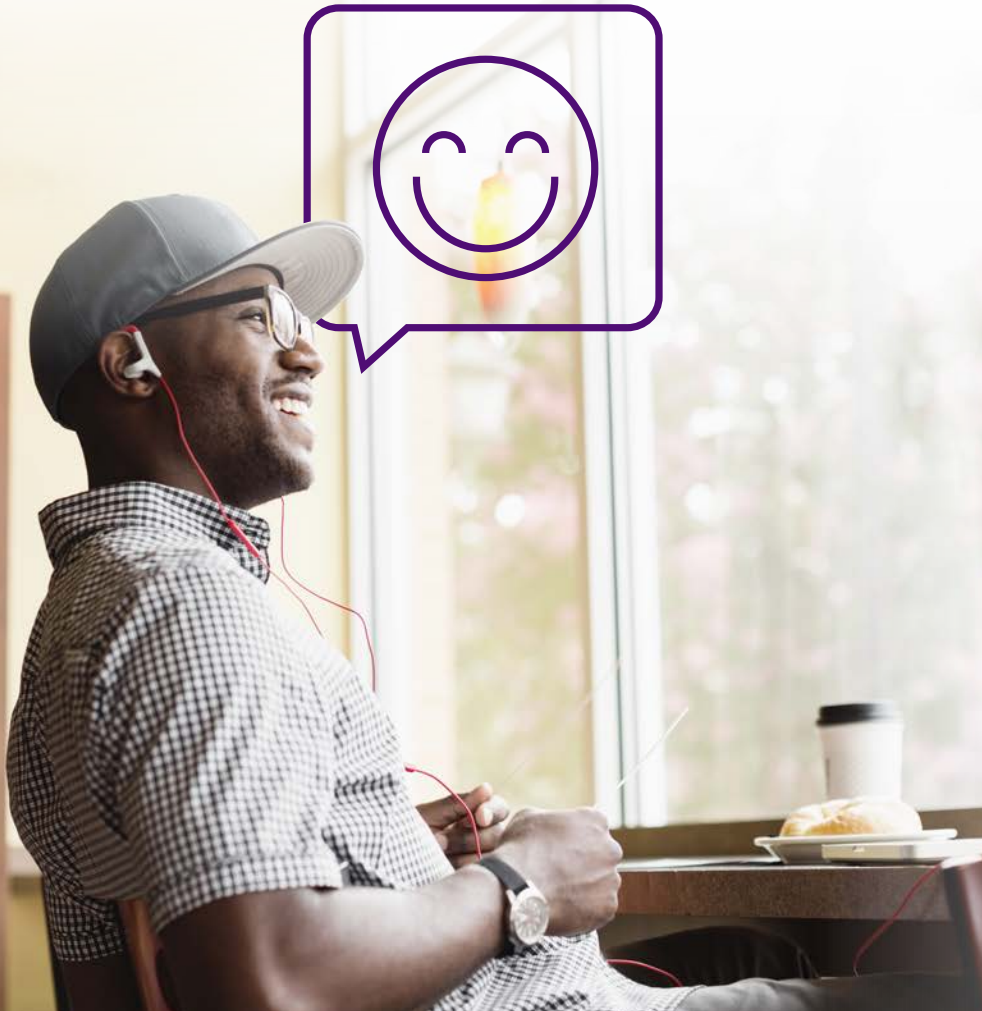
Top challenges in creating value from new IT

% Ranking within Top 3

Absence of clear business strategy to deploy and drive value with new IT

- 43%
- 48%

Lack of compatibility with legacy systems

- 44%
- 47%

Reluctance of workforce to embrace new IT

- 41%
- 47%

Inadequate skills within workforce to drive value with new IT

- 48%
- 44%

Lack of senior sponsorship

- 36%
- 41%

Q: Please identify the top three challenges your company is facing while creating value with new IT technologies across the supply chain.

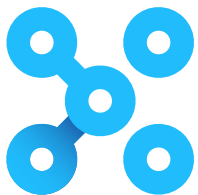Base: All Respondents

■ Overall   ■ Retail

POWER GROWTH

Use new technology, such as cognitive computing, to drive a more efficient supply chain, which garners savings that you can reinvest in advanced supply chain capabilities.

Invest in new IT that optimizes the network and enables hyperlocalization and precision.

Align executives across functions to break down silos and ensure a focus on outcomes, such as meeting customer expectations for immediacy.

**FOR MORE INFORMATION,
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