Technology, Visibility, &
Customer Centricity in

The
New Retail
Supply Chain

**A 2018 Retail Delivery
Connect Report**

Introduction

Consumer preferences are constantly evolving. As a result, retail delivery professionals are adopting technologies and best practices that support a seamless, streamlined experience at every customer touchpoint in the supply chain.

Today, 61% of retailers are implementing new supply chain strategies and initiatives designed to meet modern consumers' expectations. They see the supply chain as an opportunity to expedite delivery through clearer logistics, but also to provide customers with more transparency into their orders, whether delivered to their homes or via store pickup methods.

> **"**
>
> *"We are in the process of restructuring our entire supply chain. We will be bringing together all our data from CRM and all other touchpoints to create a collaborative 360-degree view of the customer lifecycle."*

Vice President, Brand Operations & Advanced Analytics
**Retail Strategy & Product Operations
at leading U.S. apparel brand.**

Now, retailers are looking at consumer trends before implementing supply chain technologies, prioritizing them for their contributions to customer satisfaction. In the last 12 months, 76% of retailers have adopted supply chain technology for the direct purpose of improving the customer experience.

Each retailer takes a different path to create a customer-centric supply chain. They acknowledge technologies like RFID, automation, IoT inventory management, and others differently in terms of their direct or indirect effects on the customer experience. And while many have uniform approaches to increasing supply chain visibility, they are divided roughly 50/50 as to whether or not they are 'ahead of the curve' in their supply chains' transformations.

Retail Delivery Connect partnered with the WBR Insights research team to conduct a study of 100 leaders in retail delivery and retail supply chain fields. The study identifies connections between how they prioritize customer experiences regarding technology adoption, streamlining operations, and increasing customer visibility. The study also benchmarks retailers' maturity in their supply chain transformation.

Key Insights

When asked to identify the single core benefit of successful retail delivery, most retailers identify either customer satisfaction **(38%)** or customer loyalty and retention **(18%)**.

Practically all retailers find that Big Data & analytics **(99%)** and automation **(97%)** have direct or indirect benefits to customers' experiences.

Most retailers are using predictive analytics **(79%)** and artificial intelligence **(67%)** to increase visibility into their customers' needs.

Among retailers in the study with **new** supply chain strategies and initiatives, **88%** claim they help them exceed customer expectations and **84%** claim they allow them to give customers more control over their experiences.

67%
of retailers use artificial intelligence to increase visibility into their customers' needs.

88%
of retailers with new supply chain strategies and initiatives claim they help them exceed customer expectations.
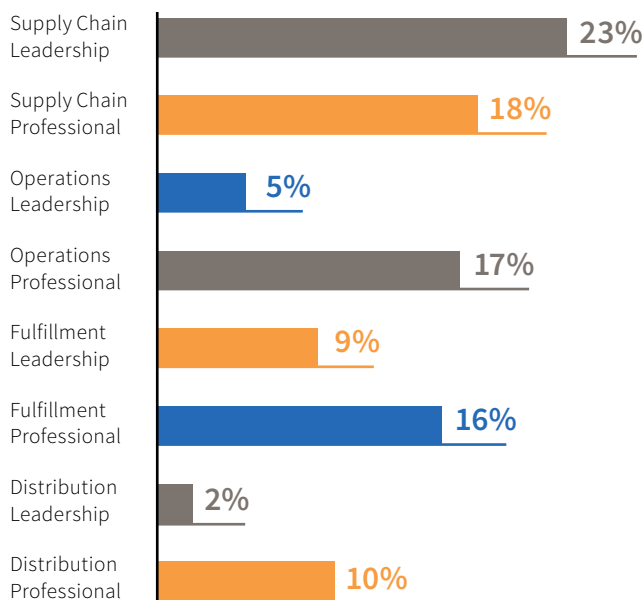
About the Study

WBR Insights surveyed 100 retail professionals across verticals, including groceries, clothing, sporting goods, wholesalers, and more featuring some of the most well-known brands in the industry.

The vast majority of respondents (80%) represent companies with more than $1 billion in annual revenue. Eleven percent of companies make $500 million to $1 billion, and 9% make $100 million to $500 million in annual revenue.

What is your company's annual revenue?

$100 million – $500 million	9%
$500 million – $1 billion	11%
More than $1 billion	80%
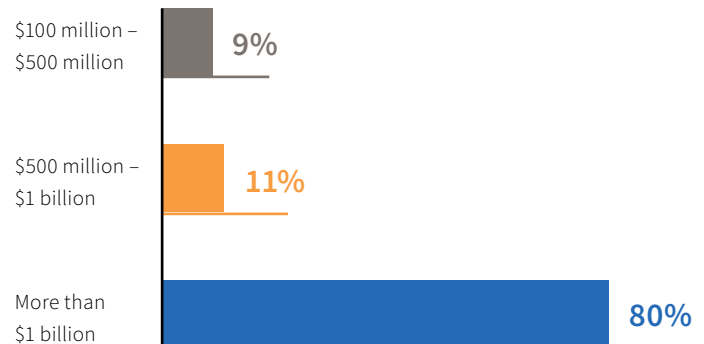
What is your role? Pick the option that applies to you most.

Supply Chain Leadership	23%
Supply Chain Professional	18%
Operations Leadership	5%
Operations Professional	17%
Fulfillment Leadership	9%
Fulfillment Professional	16%
Distribution Leadership	2%
Distribution Professional	10%

Respondents hold leadership positions ranging from managers to senior vice presidents in supply chain, operations and fulfillment roles. Forty-one percent of respondents are either supply chain leadership (23%) or supply chain professionals (18%). Among the 22% of respondents in operations roles, 5% are leadership and 17% are other professionals.

One-quarter of respondents work in fulfillment, where 9% are fulfillment leaders and 16% are fulfillment professionals. Fewer respondents (12%) are from distribution, where 2% are distribution leaders and 10% are other distribution professionals.

Respondents connected with research professionals via phone or online survey methods. WBR Insights collected its data from both the Retail Delivery Connect community of professionals and via targeted efforts to leadership at prominent brands.

> *"We are already in the process of setting up delivery hubs and distribution facilities to speed up the process of delivering large goods to customers. We have labeled the concept 'delivery pad' and expect to build more efficiency in the fulfillment supply chain through further investments."*
>
> Omnichannel Retail Fulfillment Manager, **nationally recognized electronics retailer**

Customer Satisfaction: The New Role of the Retail Supply Chain

Retail is an increasingly customer-centric versus product-centric industry; the supply chain is no exception to that shift. More than three-quarters of retailers have adopted supply chain technology for the direct purpose of improving the customer experience to meet highly specific needs. And while most retailers indicate their supply chain strategies and initiatives are new, the remaining retailers say they have the old strategies in place but are still meeting their customers' expectations.

61% of retailers are implementing new supply chain strategies and initiatives, designed to meet modern consumers' expectations. **The remaining 39%** use old strategies and initiatives that continue to meet their customers' expectations today, they find.

Among **only** those retailers with new supply chain strategies and initiatives, **88%** claim they help them exceed customer expectations, and **84%** claim they allow them to give customers more control over their experiences—the most popular choices among six different options.

When asked to identify only one core benefit of successful retail delivery, **56% of retailers chose customer-centric responses. Thirty-eight percent of retailers** consider customer satisfaction and **18%** consider both customer loyalty and retention the core benefits of successful retail delivery, more than any other benefits measured in the study.

Retailers are designing and directing the entire supply chain strategy toward meeting customer expectations. Now we'll explore how those efforts are changing the customer experience.

How would you describe your current supply chain initiatives and strategies?

They are new strategies and initiatives, designed to meet modern consumers' expectations.

61%

They are old strategies and initiatives, but continue to meet our customers' expectations today.

39%

Since your strategies are new, how are they succeeding in terms of customer engagement?

They help us exceed customer expectations.	**88%**
They allow us to give customers more control over their experiences.	**84%**
They provide customers with greater visibility and accessibility.	**75%**
They allow us to save customers time, money, or both.	**72%**
They help us add value that drives customer loyalty.	**67%**
They help us better understand our customers.	**60%**

Among the following, which best describes the core benefit of successful retail delivery?

Customer satisfaction	**38%**
Customer loyalty and retention	**18%**
It's just a necessity—we try to keep it cost-effective	**18%**
Brand differentiation	**14%**
Opportunities for innovation	**12%**

Integrating Commerce to Profitably Exceed Expectations

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Fulfillment & Transportation: With 11.7 million square feet of fulfillment capacity, innovative technology, and proprietary transportation solutions, Radial delivers orders faster and more efficiently.

Omnichannel Technology: Modular technology that optimizes cross-chain inventory and utilizes stores as mini-fulfillment centers to increase profitability.

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Customer Care: We provide your customers with personalized interactions, in any channel, to provide support, resolve issues and make recommendations to drive customer satisfaction.

Order Management: Dynamically orchestrates complex sourcing and fulfillment scenarios to fulfill orders quickly, from the best and most profitable locations, using an enterprise-wide view of inventory.

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How Supply Chain Elements Affect the Customer Experience

WBR Insights asked retailers to identify which 10 supply chain elements provide direct or indirect benefits to their customers' experiences and which provide no benefits at all. Companies that do not incorporate elements opted out of choosing from these three options.

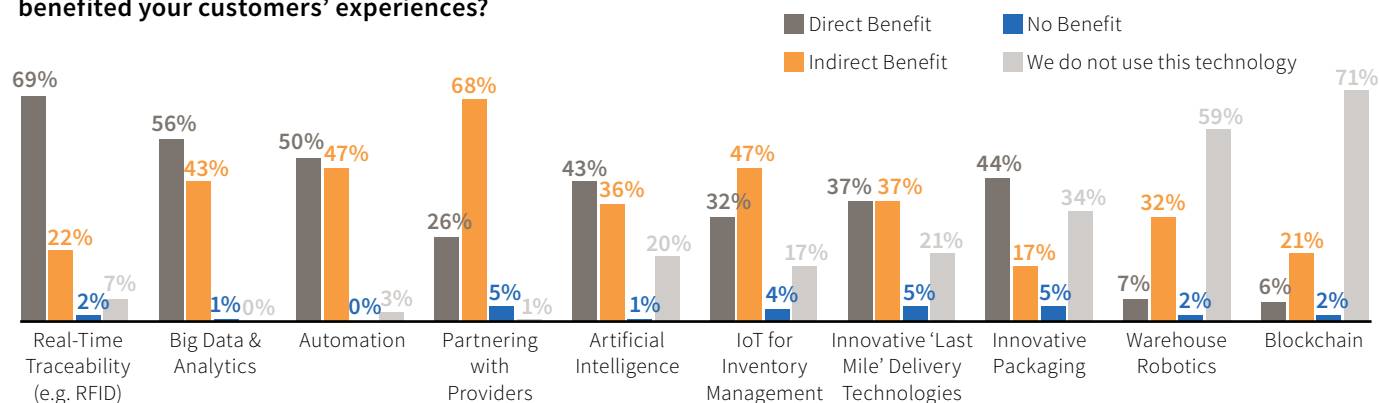## In-Store Integration and Real-Time Traceability (RFID)

Connecting supply chain resources with in-store activities has become a key focal point for retailers. Most have already taken efforts by offering in-store pickup, providing local sales information online, and distributing emails that benefit local customers. For example, companies will fully leverage data collected from customers and staff through in-store tablets then use it to predict outcomes.

Retailers using RFID, NFC, and tablets can create more touchpoints for data collection. Equipping their stores with RFID allows them to efficiently attract goods and apply advanced analytics to predict outcomes. Using these methods, one leading department store chain has achieved almost 99% accuracy in determining what products need to be where and at what time in their stores.

WBR Insights asked respondents which solutions improve the customer experience either directly or indirectly. The results indicate some operational and third-party solutions are driving direct improvements for most retailers.

Today, **68% of retailers** believe real-time traceability (e.g. RFID) directly improves the customer experience—the most likely supply chain element to do so among the 10 elements measured. Another 22% believe it is an indirect benefit, meaning **90% of retailers** using real-time traceability acknowledge it improves the customer experience.

Most elements of the supply chain affect the customer experience, even if indirectly. How have the following benefited your customers' experiences?

Legend: Direct Benefit, No Benefit, Indirect Benefit, We do not use this technology

	Direct Benefit	Indirect Benefit	No Benefit	We do not use this technology
Real-Time Traceability (e.g. RFID)	69%	22%	2%	7%
Big Data & Analytics	56%	43%	1%	0%
Automation	50%	47%	0%	3%
Partnering with Providers	26%	68%	5%	1%
Artificial Intelligence	43%	36%	1%	20%
IoT for Inventory Management	32%	47%	4%	17%
Innovative 'Last Mile' Delivery Technologies	37%	37%	5%	21%
Innovative Packaging	44%	17%	5%	34%
Warehouse Robotics	7%	32%	2%	59%
Blockchain	6%	21%	2%	71%

Big Data & Analytics and Automation

Practically all retailers find that Big Data & analytics **(99%)** and automation **(97%)** result in direct or indirect benefits to customers' experiences. More companies use automation and Big Data & analytics than any other technology in the study.

One retailer has monetized its supply chain using a subscription model with plans to add more technologies that automate their distribution networks. With ring scanners, handheld devices, and sorting conveyors already in place, the retailer will soon deploy robotics, blockchain, and IoT to enhance the supply chain even further.

Partnering with Providers

Even retailers with analytics in place to forecast stocks and demands must be prepared to scale, whether that involves rapid growth or partnerships with third-party distributors. **Ninety-four percent of retailers** feel strongly that partnering with providers has an impact on the customer experience—**26%** feel it is a direct benefit, and **68%** believe it is an indirect benefit, the latter of which is indicative of the nature of this supply chain element. More retailers believe partners have an indirect benefit than do any other element measured in the study.

Artificial Intelligence

An impressive share of retailers is enriching its end-to-end inventory and distribution systems with artificial intelligence to make the complexities of the modern supply chain easily decipherable. **Eighty percent of retailers** use artificial intelligence as an element of their supply chains, and almost half (43%) believe it directly benefits the customer experience. **Most remaining retailers (36%)** feel AI has an indirect benefit, while 21% either see no benefit or do not use the technology.

IoT for Inventory Management

Most retailers (83%) use IoT for inventory management, and **almost half (47%)** find it has an indirect benefit to the customer experience. This is appropriate given the nature and typical application of the technology. Thirty-two percent believe it has a direct benefit to the customer experience, while 21% either see no benefit or do not use the technology.

Retailers with robust forecasting and replenishment systems can make timely, intelligent decisions and increase their propensity to absorb change. They can also use these systems to reduce cost-to-serve, thereby offering competitive pricing to consumers.

Innovative Packaging

Almost half of retailers (44%) believe innovative packaging provides a direct benefit to the customer experience, while **17%** believe it has an indirect benefit. Thirty-four percent of retailers do not use the technology.

'Last Mile' Delivery

According to one retailer, speed of delivery is the most important metric that drives loyalty. Retailers realize it is critical to adhere to proper and promised delivery schedules. Delivery and supply chains play important roles in the completion of an order, so retailers must make sure they are well equipped to handle the workload efficiently.

Seventy-four percent of retailers find that innovative 'last mile' delivery technologies have a direct (37%) or indirect (37%) benefit to the customer experience. However, about one-quarter (26%) of retailers either see no benefit or do not use the technology.

Blockchain and Warehouse Robotics

Most retailers are **not using blockchain (71%)** or **warehouse robotics (59%).** Very few claim they improve the customer experience directly.

Realizing Customer and Supply Chain Visibility

Despite a wide range of options, technology itself is only part of a winning strategy. In order to drive loyalty within their supply chains, retailers must leverage customer information—including buying history, frequency, browsing, and clicks—for greater visibility into customers' needs. They must also provide full visibility into supply chain execution for both internal teams and external customers, thereby empowering both parties.

Retailers use a wide range of methods to increase visibility into their customers' needs. Practically all retailers **(99%)** use surveys and reviews and 88% look at purchase and return history.

Most retailers are using sophisticated targeting and personalization tools to learn more about customers. This includes predictive analytics **(79%)**; segmentation **(69%)**; location, contextual, or unstructured data analytics **(69%)**; and artificial intelligence **(67%)** to increase visibility into their customers' needs.

Almost half of retailers **(43%)** use behavioral analytics. One retailer studies customer behavior using predictive analytics to fully balance stockpiles in distribution centers with store inventories. According to the respondent, "Loyalty is driven through flexibility and simplified shopping experience for consumers." Only **1%** of retailers use real-time analytics to increase visibility into their customers' needs.

How do you increase your visibility into your customers' needs?

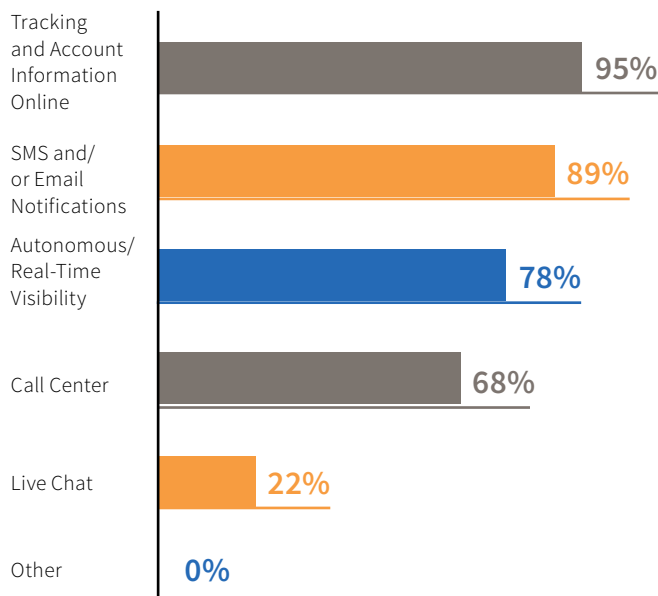| Method	Percentage
Surveys and Reviews	99%
Purchase and Return History	88%
Predictive Analytics	79%
Segmentation	69%
Location, Contextual, or Unstructured Data Analytics	69%
Artificial Intelligence	67%
Behavioral Analytics	43%
Real-time Analytics	1%
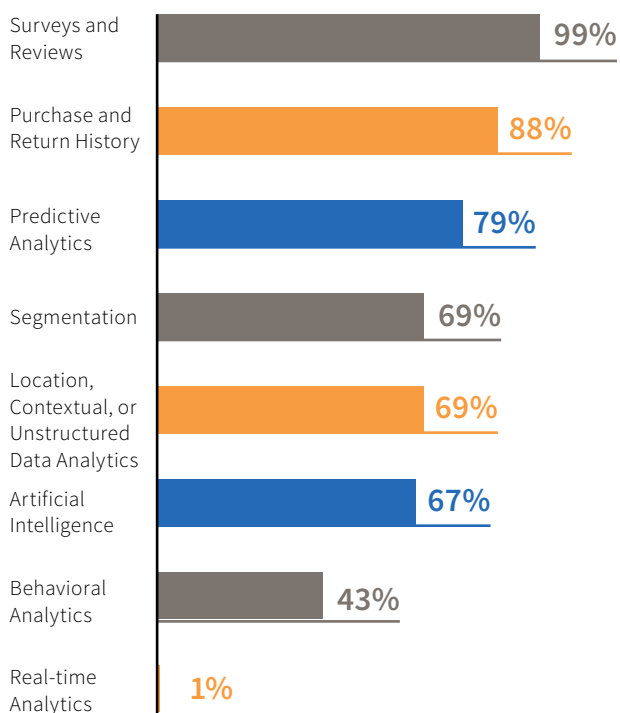
What Retailers Might Be Missing With Customer Visibility

All retailers in the study allow customers to gain visibility into their account or delivery information, mostly through recognized channels. Almost all offer tracking and account information online (95%) and SMS or email notifications (89%). Seventy-eight percent offer real-time visibility and 68% enable their call centers as means for customers to gain visibility into their account or delivery information.

Only 22% of retailers use Live Chat, a highly effective customer service channel that is nonetheless on the path to widespread adoption. Retailers may find customers will demand more ways to get information and support quickly and proactively, transitioning from less interactive or more inherently tedious models.

In what ways do customers have visibility into their account or delivery information?

Channel	Percentage
Tracking and Account Information Online	95%
SMS and/or Email Notifications	89%
Autonomous/Real-Time Visibility	78%
Call Center	68%
Live Chat	22%
Other	0%

"*We take measures to ensure our customers are satisfied with delivery by encouraging feedback and creative ideas, which assures them of our reliability and inspires confidence.*"

Executive Director Operations, **leading U.S. health food chain**
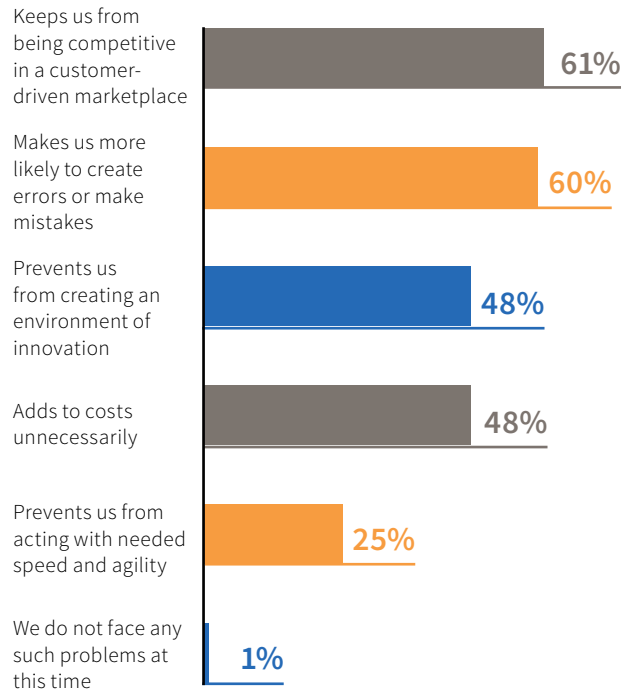
Evolving Internally for Customer Satisfaction

99% of retailers struggle with operational silos within their supply chain that hurt their ability to properly service customers.

Retailers upgrading their supply chains may struggle to build the efficiencies necessary to deliver outstanding and dependable customer experiences. Even as they adjust their internal focus towards customers, they encounter roadblocks where existing systems are firmly aligned with internal conditions.

For example, operational silos within retailers' supply chains can hurt their ability to properly service customers. The greatest majority of retailers (61%) claim these silos keep them from being competitive in a customer-driven marketplace. Another 60% claim silos make them more likely to create errors or make mistakes.

In what ways do one or more operational silos within your supply chain hurt your ability to properly service customers?

Keeps us from being competitive in a customer-driven marketplace	61%
Makes us more likely to create errors or make mistakes	60%
Prevents us from creating an environment of innovation	48%
Adds to costs unnecessarily	48%
Prevents us from acting with needed speed and agility	25%
We do not face any such problems at this time	1%

> " *We have improved our upstream and downstream linkages and now use cross-docking, which has resulted in better turnaround times. All in all, our supply chain avoids lengthy transits and operates at comparatively lower costs. These factors play an important role in customer loyalty.*"
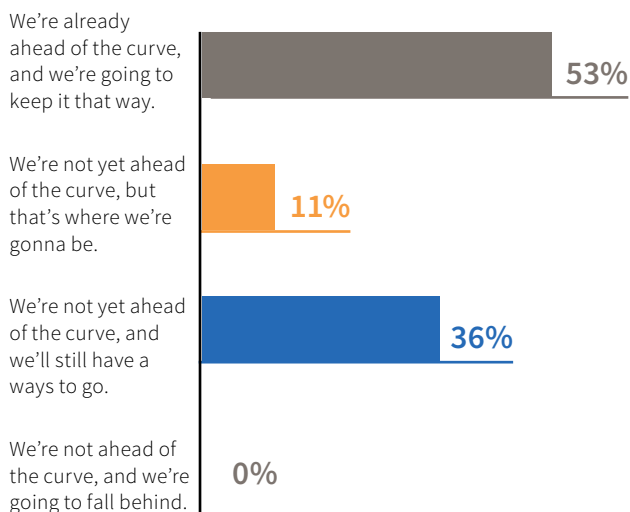
Director of HR – Supply Chain, **leading U.S. superstore brand**

In each case, nearly half of retailers claim operational silos prevent them from creating an environment of innovation (48%) and add costs unnecessarily. One-quarter of retailers (25%) claim silos prevent them from acting with needed speed and agility.

Transformation doesn't come easy. But while almost half of retailers (47%) acknowledge they aren't yet ahead of the curve, the majority of retailers believe they are already there.

Specifically, **53% of all retailers** believe they are already ahead of the curve and that they're going to keep it that way. **Eleven percent** believe that, while they're not ahead of the curve, that's where they're going to be. Only **36%** believe they are not there yet and still have a ways to go.

Retail delivery is transforming. What are your expectations in terms of how your team will keep up over the next 12 months?

We're already ahead of the curve, and we're going to keep it that way.	53%
We're not yet ahead of the curve, but that's where we're gonna be.	11%
We're not yet ahead of the curve, and we'll still have a ways to go.	36%
We're not ahead of the curve, and we're going to fall behind.	0%

Conclusion

An effective supply chain is a core competency metric for retailers. Supply chains must be flexible and scalable on demand. But while transformation starts with internal strategies and initiatives, retailers' execution of an innovative supply chain begins on a micro, systemic level.

For example, retailers can invest in tracking technologies to speed up processes and gather more data to remove roadblocks. To ensure efficiency, retailers can reduce system complexities and merge their IT initiatives with supply chain technologies.

Getting over the growth curve—from "still have a ways to go" to "ahead of the curve and keeping it that way"—starts in the boardroom but ends on the ground floor. It's not only the strategy, but the technology, its implementation, and your teams that are going to execute supply chain initiatives that not only delight your customers but drive revenue.

Key Takeaways

- About half of retailers are behind the curve in their supply chain transformation, but most are adopting new strategies and initiatives designed specifically to meet modern consumers' expectations.

- Retailers have identified three core metrics of successful retail delivery—customer satisfaction, loyalty, and retention. They drive those metrics by delighting customers, giving them more visibility, and allowing them greater control over their experiences.

- Systemic improvements like real-time traceability, Big Data & analytics, and automation are more likely to directly improve the customer experience than customer-facing strategies like innovative packaging and 'last mile' delivery technologies.

- Practically all retailers struggle with operational silos in their supply chain, which keeps most of them from being competitive. Improving linkages and reducing transit times reduce costs and can improve long-term performance.

About the Authors

RetailDelivery CONNECT

Retail Delivery Connect is an interactive forum where senior level executives come together to discuss current trends, lessons learned and best practices to keep up with customer expectations to deliver where and when they want it without breaking the bank.

Learn more at https://retaildeliveryconnect.wbresearch.com.

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