

CSCMP hottopics

APRIL | 2023

Unlocking value in today's disruptive trends: Increase customer value and drive competitive advantage for distributors

*By Stu Jerke, Director,
Supply Chain &
Operations, KPMG LLP*

Four key trends facing today's distributors

1

Key considerations

2

Key levers to pull and frameworks

3

How KPMG can help – Experience KPMG Ignition with your team

3

Contact Information

4



*Educating and Connecting the World's
Supply Chain Professionals.™*

Outcome-driven sustainable supply chain solutions are driving real business value. The transformation of the supply chain is more of an evolution in digital capabilities and mindset. Integrating connected supply chain technologies, amplified by the pandemic, remains critical to meeting demand while increasing operational efficiency and organizational effectiveness. The connectedness of the distribution network requires a level of customer intimacy and insights not traditionally seen within the functions supporting supply chain and distribution.

The idea of leveraging supply-chain data is not new, but connecting systems and data beyond the four walls unlocks new forms of value. Operating at market speed powered by enabling technology to gain rich insights of the suppliers, customer, and market is critical for distributors as they navigate a market in near-constant disruption.

FOUR KEY TRENDS FACING TODAY'S DISTRIBUTORS

The emergent trend for distributors and distribution networks is focused on the convergence of four key signals: (1) *increasing resiliency*, (2) *elevated service levels*, (3) *intelligent automation*, and (4) *increased supply chain visibility through digital transformation*.

1. Increased need for distribution resiliency ("disruption as the new norm")

When "Just-in-Time" started becoming "Just-in-Case": The paradigm has shifted over the last decade due to market disruption and perma-crises. In fact, 92 percent of a 2022 APQC survey poll on the impacts of supply chain disruption reported a moderate-to-large disruption to their "product availability." If just-in-time is demand-driven and focused on efficiency, then just-in-case is for the organizations trying to keep up with changing customer expectations. By building a just-in-case inventory, organizations can execute with efficiency. While just-in-time inventory is designed to reduce excess supply and create a lean production process, just-in-case inventory is used to avoid stock-outs and lost sales due to a sudden increase in demand.

Perma-crises where instability and disruption have become the new norm, organizations are seeking to increase resiliency in both predictive and proactive approaches. For distributors, this requires flexibility and a shift in mindset – turning disruption into opportunity. Competing in a market of near-constant disruption is challenging but opportunistic to elevate meeting market disruption and wavering suppliers/customers' demands.

2. Meeting the escalated service level expectation

Between strained financial performance and ever-evolving consumer behavior, it is becoming clear that adhering to traditional approaches is no longer enough. Omnichannel models evolving over the last decade are now shaping new opportunities to meet elevated service levels and customer expectations through multi-echelon supply-chain strategies. This represents a layered approach of connecting supply chains with many distribution points from point-of-origin to the endpoint, the customer.

Leading distributors are carefully weighting the use of "regional distribution centers (RDCs)" to augment a traditional distribution center approach. This affords them the ability to place faster-moving inventory closer to the customer and offer quicker fulfillment and delivery at lower cost.

The idea of leveraging supply-chain data is not new, but connecting systems and data beyond the four walls unlocks new forms of value.



*Educating and Connecting the World's
Supply Chain Professionals.™*

Overall, the impact of omnichannel models for distributors and distribution is focused on meeting:

- Increased pressure on distributor model due to increased price transparency for all sales channels
- Higher customer expectations - with the new normal being that the customer expects to see the order status at every stage of the order management process in real-time
- Anticipating shifts of consumer expectation, consumption behaviors, and demand patterns from traditional business models.

All these elements create a compounding effect on the rising consumer promise. Consumers of products and services are balancing trust with experiences. Your best experiences become your new expectations.

3. Deploying "Intelligent Automation" to serve omnichannel strategies cost-effectively

The Amazon effect and consumer promise as discussed is changing consumer demand and omnichannel expectations. The speed of product and information flows across omnichannel constantly accelerates demand for more warehouse space, procurement, inventory, and more importantly, labor.

Today, organizations need to think differently. Labor shortages combined with elevated customer expectations can help justify deployment of intelligent automation technologies to enable more responsive warehouses. Automated Storage and Retrieval Systems (ASRS) and Autonomous Mobile Robots (AMRs) are helping mitigate labor shortages while improving productivity, flexibility, and safety of operational processes.

Intelligent automation serves to solve two objectives:

- More responsive to the customer
- Mitigate cost inflation to meet this increased responsiveness.

4. Leverage supply chain visibility tools to drive digital transformation

A proliferation of data inside an organization yields both a challenge and an opportunity. Many of the existing platforms are antiquated and limit transparency and the opportunity to leverage data. Data is the new oil in wealth and the lubricator for driving efficiency across networks inside and outside the four walls of the organization. The operational costs of manual data wrangling, integration, storage, and inefficiency are at one end of the spectrum. At the other end is the promise of near-real-time insights, empowered knowledge workers, data-driven decisions, and new revenue streams. Most organizations find themselves somewhere in the middle.

The disruption over recent years has increased pressure on distributors to speed up digital transformation initiatives and deliver the products their customers want – when, where, and in the quantities they need them. Further adding to this complexity is the pace of change and the broader economic slowdown. The world is changing faster than most organizations can manage. Regardless of these catalysts, leading distributors are deploying or upgrading their transportation management systems (TMS) and/or establishing supply chain control tower centers to gain real-time visibility into their daily operations. Being prepared, distributors focus on transparency and levers to effectively operate and anticipate a market of near-constant disruption.

KEY CONSIDERATIONS

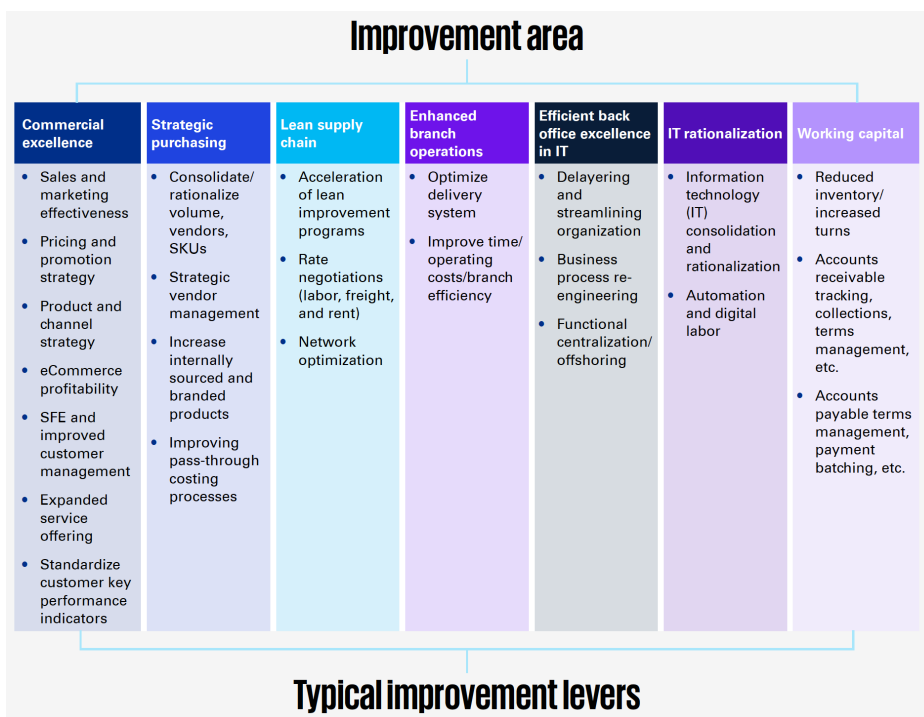
Still interested in how you can help your organization advance? We have highlighted several questions to consider as you and your leadership team operate in a market of near-constant disruption:

Between strained financial performance and ever-evolving consumer behavior, it is becoming clear that adhering to traditional approaches is no longer enough.

- Is resiliency built into your business?
- Can you meet 1–2-day shipping requirements?
- What is your average "click-to-delivered" metric for direct-to-consumer orders?
- When was the last review of your distribution capabilities (inside and outside the four walls of your facilities)?
- Have you deployed a mature, best-in-breed Transportation Management Systems (TMS)? Is it meeting your operational needs?

KEY LEVERS TO PULL AND FRAMEWORKS

Typical improvement levers and benefit ranges we see when working with distributors:



HOW KPMG CAN HELP – EXPERIENCE KPMG IGNITION WITH YOUR TEAM

Leverage the KPMG Ignition experience as the accelerator for new ideas to jumpstart ideas, turning disruption into opportunity:

- Deconstruct your network through a thorough understanding of customer requirements, channels, orders, and network performance.
- Understand the flow of goods, inflection points, and the impact on customer experience is a unique opportunity to engage and align your team.
- What are the big questions we should be asking?
- What are our customers' needs?
- How do we serve our customers today and tomorrow?
- What drives complexity?
- How well do we perform today?



*Educating and Connecting the World's
Supply Chain Professionals.™*

About CSCMP Hot Topics

Issues of *CSCMP Hot Topics* may include early results from ongoing research being conducted for CSCMP or other organizations; new supply chain practices, thought-provoking ideas, or emerging trends; discussions of changes in the broader business and regulatory environment that may impact the supply chain and logistics field.



*Educating and Connecting the World's
Supply Chain Professionals.™*

Let's explore together a proactive approach to identify how these supply-chain signals impact your organization.



**Video: Learn more about
KPMG Ignition's Innovative
Experience**

CONTACT

Richard Harpster
Managing Director
KPMG LLP
rharpster@kpmg.com

Brian Miske
Managing Director
KPMG Ignition
bmiske@kpmg.com

Stu Jerke
Director, Supply Chain & Operations
KPMG LLP
sjerke@kpmg.com

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity.

Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2023 KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved