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Collaborate 4.0: Optimizing the consumer value chain

The rapid transformation of the retail and consumer goods (CG) industries over the last five years will accelerate over the next decade, hastened by the twin forces of evolving consumer needs and constant digital disruption. These trends are creating an imperative for businesses to understand their customers so they can create personalized experiences and drive positive brand sentiment. The automated supply chain, marked by the collaboration between all its members, will have a key role to play in meeting this imperative. We refer to the practice of connecting all the partners in the supply chain through technology to optimize business outcomes as Collaborate 4.0.

This point of view analyzes the latest consumer trends and preferences, and outlines the opportunities to optimize the supply chain in order to serve the modern shopper.

Keeping up with next-gen consumers

Millennials and Gen-Z, two generations born after 1997, are shaping the next-generation shopping trends. They want personalized experiences that are quick, easy, and fun, and prefer digital wallets and Near Field Communication (NFC) payments over credit card payments (Figure 1). These two groups differ in preferences: millennials are more price sensitive and value-driven, while Gen Z is more focused on a brand's social responsibility, and less tolerant of connectivity issues and inferior service.

The retailers of the future will need to satisfy their demands by deploying more conversational chat-bots and Augmented Reality-Virtual Reality (AR/ VR) for personalized experiences. They will have to support digital wallets, and adopt other technologies that enhance the customer experience.[1]

Personal
"I want my product personalized and customized."

Transparent
"I need to know exactly what I am buying."

Entertainment
"I don't want to be bored."

Fast
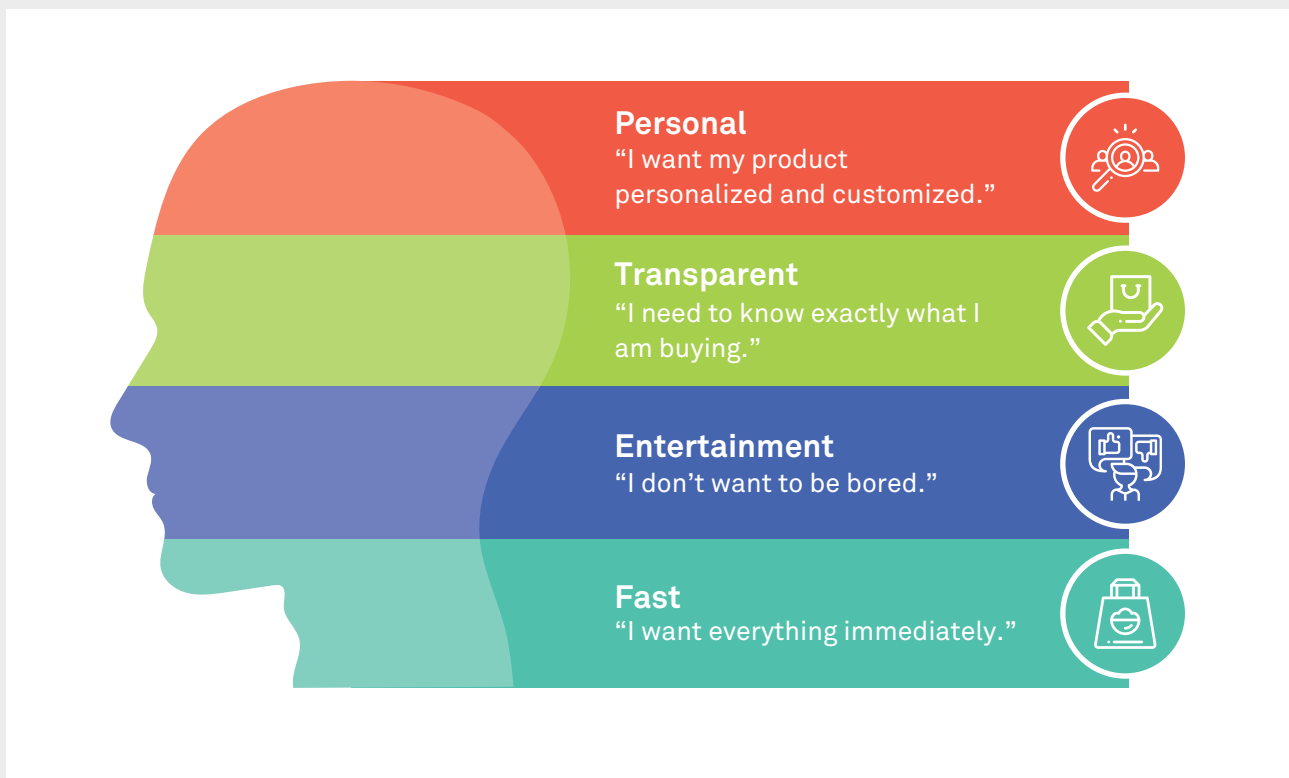"I want everything immediately."

Figure 1: What consumers want

Current digitization efforts are not enough

Retail and CG companies are scrambling to win the wallet share of millennials in ecommerce, but neither have strong ROIs to show for it. In the absence of meaningful loyalty programs, CG companies are falling short in reaching their customers. While some brick-and-mortar retailers have found success with white- and private-label brands, others are haunted by the perpetual bankruptcies, and store closings that plague the industry. Leading brands are shutting down stores by the hundreds and laying off employees by the thousands.

Given this uncertainty, retailers and CG businesses need to act quickly and step up their digital transformation or risk being swallowed by digital-native companies with an appetite for ambitious growth and ever-expanding areas of competition.[2]

The retail and CG of the future

To know what it takes to give consumers what they want, let's consider a royal case study (Figure 2):

Within 24 hours of Meghan Markle showing up at Queen Elizabeth's annual Christmas lunch in a self-portrait dress, the dress sold out.[3] Social media allowed consumers to identify an influential celebrity and what she was wearing, driving demand to spike beyond the retailers' ability to respond. This is a classic retail and CG Collaboration 4.0 use case, as a smart retailer using the latest machine learning technology could have spotted an opportunity and sent demand signals to the manufacturer who would have immediately shipped the dresses to the retailer. If the demand is overwhelming, the dress-maker can prioritize completing the 3D-printing, then manufacture the dress at a nearby facility. The customer who visits the retailer showroom sends demand signals for her desired customizations – a typical consumer insight which is critical in converting a consumer into a shopper. The manufacturer follows the same 3D-printing process and manufactures the dresses quickly, shipping them the same day to the retailer. This "Mock Up to Mall in a Month" is a win-win-situation for the retailer, CG manufacturer, and the customer.

Digital collaboration between consumer goods and retailers - a royal case study
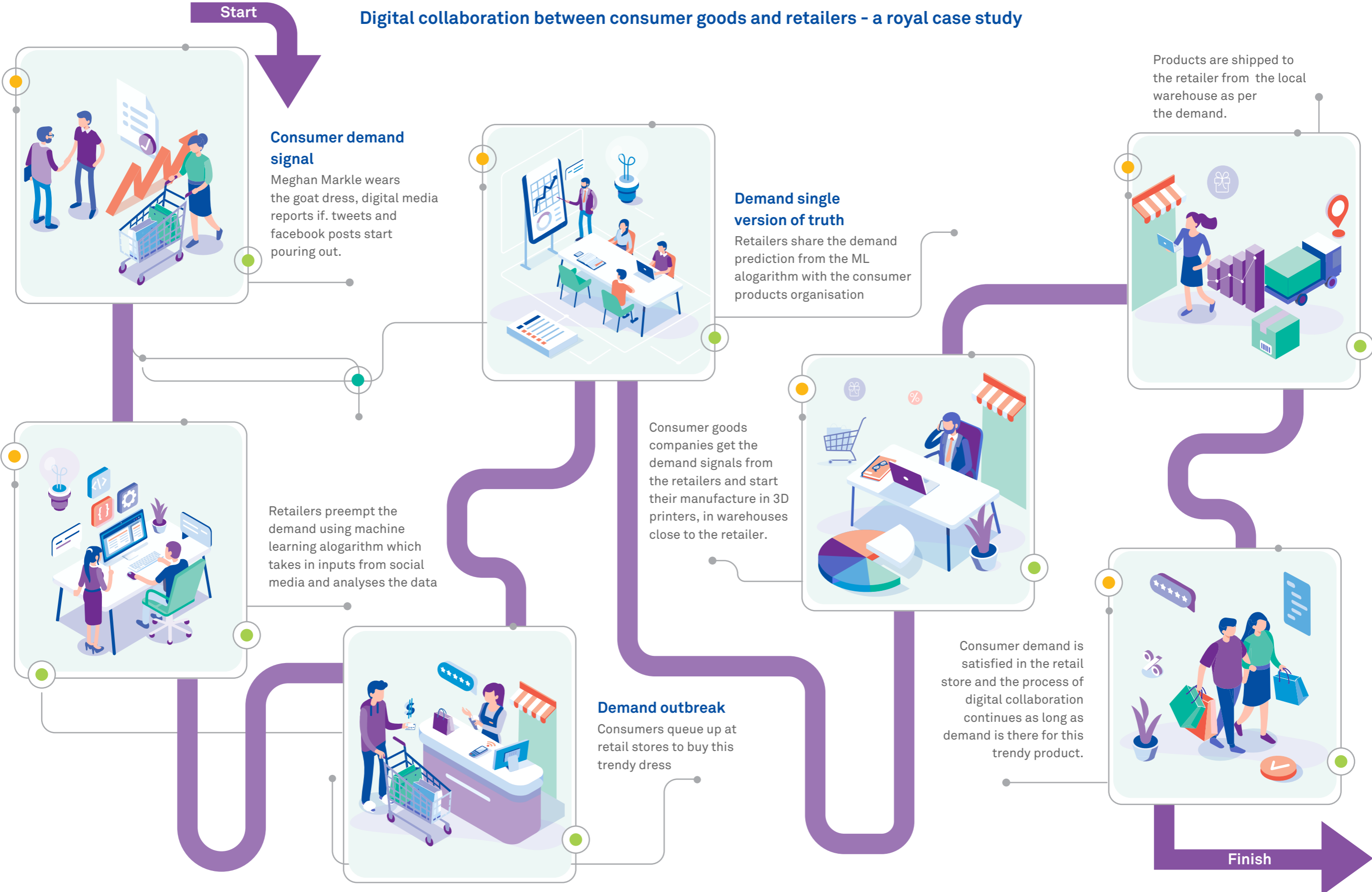
Consumer demand signal

Meghan Markle wears the goat dress, digital media reports if. tweets and facebook posts start pouring out.

Demand single version of truth

Retailers share the demand prediction from the ML alogarithm with the consumer products organisation

Products are shipped to the retailer from the local warehouse as per the demand.

Retailers preempt the demand using machine learning alogarithm which takes in inputs from social media and analyses the data

Consumer goods companies get the demand signals from the retailers and start their manufacture in 3D printers, in warehouses close to the retailer.

Demand outbreak

Consumers queue up at retail stores to buy this trendy dress

Consumer demand is satisfied in the retail store and the process of digital collaboration continues as long as demand is there for this trendy product.

Finish

Figure 2: A case study on collaboration between CG companies and retailers[3]

Collaborate digitally!

While the norm today is for CG companies and retailers to operate independently rather than collectively in their best interest, Collaboration 4.0 is nonetheless catching on. Indeed, managers are seeing the benefits of data sharing, with a single version of the truth across the consumer value chain that paves the way for operational, tactical, and strategic collaboration between all partners in the ecosystem.

If retail and CG businesses collaborate throughout the supply chain, they stand to realize their shared goals: higher sales, cost savings, optimized processes and systems, and happy customers (Figure 3).
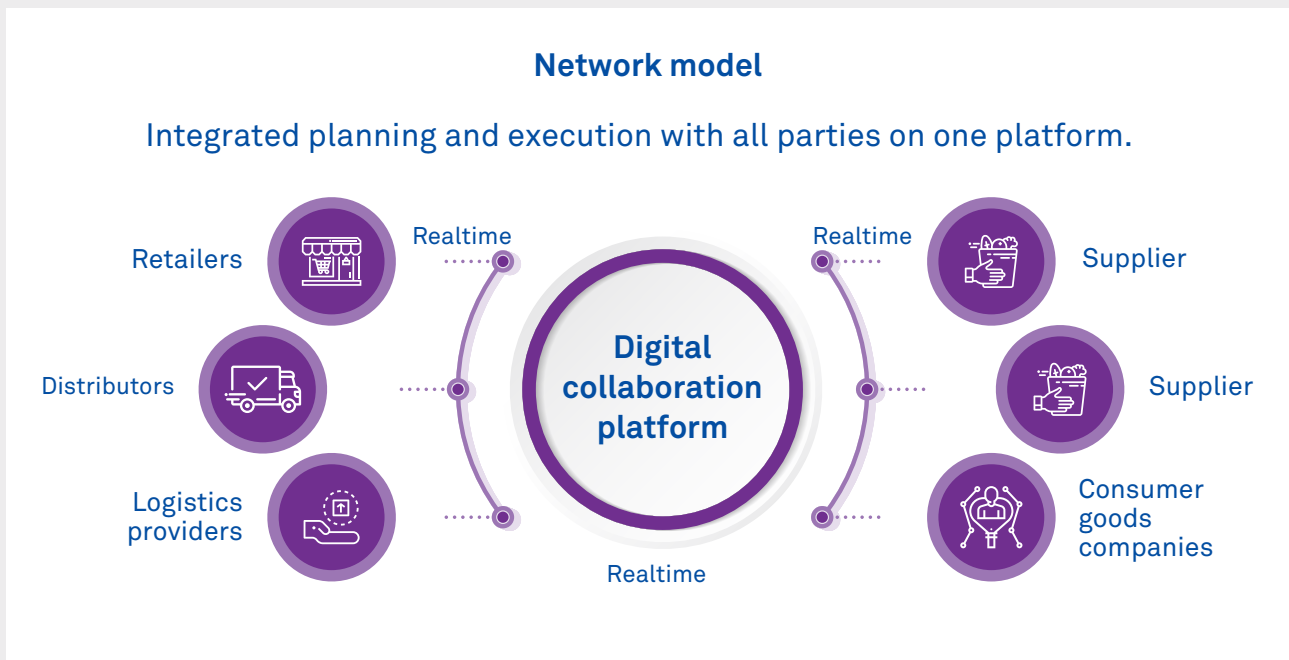
Network model

Integrated planning and execution with all parties on one platform.

Retailers · Realtime · **Digital collaboration platform** · Realtime · Supplier

Distributors

Logistics providers · Realtime

Supplier

Consumer goods companies

Figure 3: Digital collaboration platform

The elements of a Collaboration 4.0 platform include:

Strategic collaboration: Partners co-innovate in product development, leverage joint strategic volume and market planning, and participate in joint supply chain improvement activities. They also swap customer insights including shopping behavior.

Tactical planning: Partners share planning, scenarios, and forecast information, along with a collaborative sales and operations planning process, deploying capable-to-promise checks across the entire value chain.

Operational execution: Partners share inventory location, tracking, and automated replenishment, powered by seamlessly optimized joint logistics.

Supply chain in the era of disruptive technology

New technologies have begun to disrupt the supply chain, offering a plethora of opportunities across the retail and CG value chain to both, enhancing the consumer experience and improving collaboration between supply chain partners. Figure 4 shows the latest technology trends at each stage of the supply chain.

Figure 4: Enhancing the retail – CG value chain

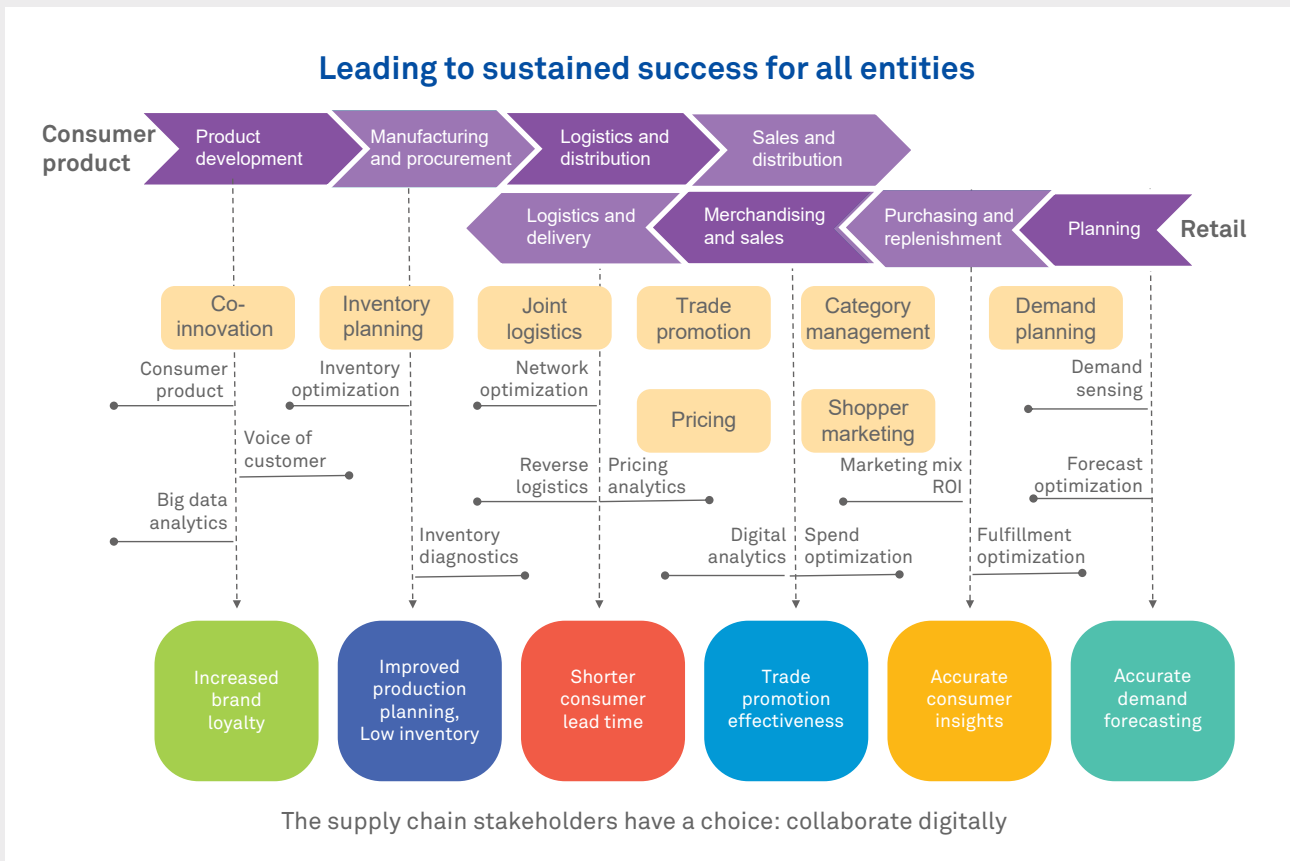| Technology	Manufacture plan buy	Distribution and logistics	Sales	Post-sale
IoT	Automated reordering via sensors	In-transit visibility	Automated ordering through connected device	Enhanced servicing
AI/ML	Trends and volume forecasting	Predictive staging Automated picking	Predictive recommendations and predictive deliveries	Failure prediction recalls
Digital traceability	Product source Tracking inventory Replenishment	Product source Tracking inventory Replenishment	Merchandise tracking. Product authenticity mapping	Product usage and warranty
AR/VR	Plannograming product design	Warehouse organization	Virtual retail locations, VR demos	Guided product support and repairs

Figure 5: Collaborate 4.0

As Millennials and Gen-Z have set the bar high for customer experiences, it is imperative that businesses learn to collaborate with every member of their value chain (Figure 5) to meet the evolving needs of their customers while gaining actionable insights into their desires.

In order to succeed, retail and CG businesses will need to develop a collaborative supply chain that integrates data from customer-facing systems, such as point-of-sale systems and websites, and manufacturing, delivery, procurement, and supplier systems, to effectively deliver a tailored and differentiated experience to the next generation of consumers.

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1. https://www.spscommerce.com/blog/how-can-retailers-and-supply-chains-serve-the-millennial-shopper/

2. https://www.youtube.com/watch?v=PirfuKDdR9c

3. https://www.today.com/style/meghan-markle-s-self-portrait-dress-sold-out-1-day-t120411

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