

FOCUS ON CUSTOMER EXPERIENCE

Research on Supply Chain Priorities and Investments

2019 Supply Chain
Market Research



COMMISSIONED BY

BLU JAY
SOLUTIONS

Introduction

The Council of Supply Chain Management Professionals (CSCMP) is proud to work with BluJay Solutions and Adelante SCM on this report. The research is centered on whether customer experience is growing in its importance in differentiating brands. That in and of itself is intriguing.

For decades, we logisticians and supply chain professionals have driven our value from a cost to be managed to a revenue-generating part of modern business. We learned to start with the customer in mind when building our supply chain capabilities, and we've done our best to educate those we serve about that approach. We know that supply chains enable customer experiences, but is supply chain excellence as important as price and product? Will customer experience overtake price and product as the No. 1 brand differentiator? If so, then we need to explore the characteristics that today's supply chain must demonstrate to accomplish this feat.

This research explores what key supply chain participants can and must do to build long-lasting, loyalty-building experiences. Yes, we will continue to manage costs, but we also need to create supply chain capabilities that support positive customer experiences. This will undoubtedly change the industry's best practices in terms of how and where we make future investments. Our research explores this idea across a wide spectrum of companies. How do smaller companies view this if they are to compete with larger, more heavily funded supply chains? Is it only the big that win? This research explores that idea as well.

We also ask questions around connectivity, which drives visibility and decisions around investments in technology. The research explores various companies' perspectives, as well as how a company's customers might see those investments. Clearly, the technology that is available to us is far superior to anything we've had in the past. But we also know that installing new systems without changing business processes simply results in more expensive technology. If we are to deliver a superior customer experience, then we have to really understand what we are installing and how to get the most out of that new functionality. Our research unveils recommendations as well as the role of senior management, whose support and commitment must be unwavering.

Those of us who have been in the supply chain world can understand this description: "Seamless, fluid, fully integrated, satisfying the needs of our customers at the lowest total delivered cost." Next time you're at a cocktail party and someone asks you what you do, give them that for an answer! Then, ask about the last thing they purchased and how they found the process. I'd venture to say the answers were possible only because of a strong supply chain foundation. We matter, we make it happen.

— **Rick Blasgen**
Council of Supply Chain Management
Professionals (CSCMP) President and CEO

Survey Results

- › Will customer experience overtake price and product as the No. 1 brand differentiator?
- › Which supply chain capabilities will be most important in delivering an enhanced customer experience (CX)?
- › What factors are driving — and which ones are inhibiting — supply chain innovation efforts?
- › How are companies exchanging data with trading partners, and what is the quality of that data?

To find answers to these and other pressing supply chain questions, Adelante SCM and BluJay Solutions, in partnership with the Council of Supply Chain Management Professionals (CSCMP), conducted an online survey of supply chain and logistics professionals in March 2019. We received 438 valid responses from around the world, a significant increase from last year's survey, which had 137 respondents.

We asked manufacturers, retailers, logistics service providers (LSPs), and other companies in the Americas, EMEA, and APAC to rate their company's supply chain performance relative to industry peers (ranging from Significantly Below Average to Significantly Above Average). Respondents also characterized their company's culture with regard to technology adoption (ranging from Laggards to Innovators). This enabled us to compare the responses between Above Average and Innovator companies with those from Below Average and Laggard companies.

The following sections summarize some of the key findings from the survey results.

Customer Experience Is Becoming the No. 1 Brand Differentiator

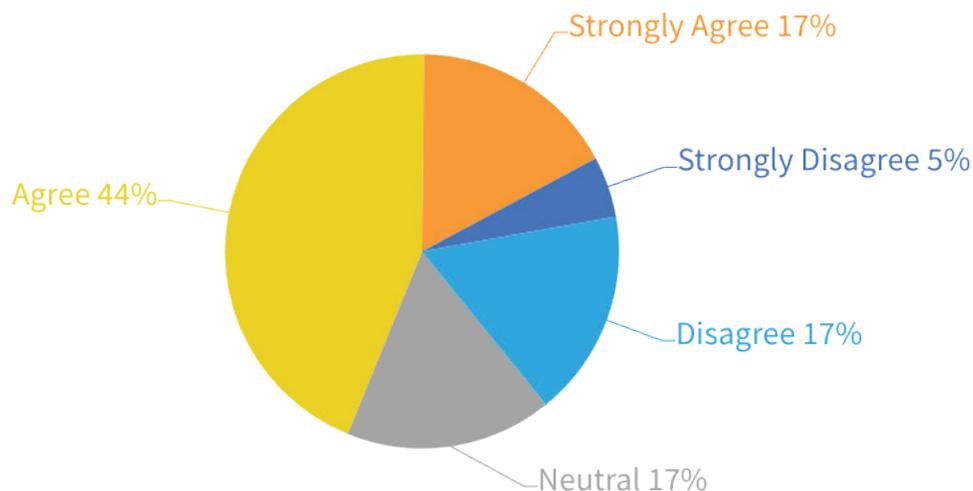
Over the next five years, customer experience will overtake price and product as the No. 1 brand differentiator.

Do you agree or disagree with this statement?

This question is inspired by an article by Julio Hernandez, Global Customer Centre of Excellence Lead and U.S. Customer Advisory Practice Lead at KPMG, where he writes:

“Organizations are investing record amounts in enhancing the customer experience. Analysts predict that over the next five years, customer experience will overtake price and product as the number one brand differentiator. Almost 9/10 organizations expect to be competing primarily on the basis of customer experience.”¹

Overall, 61% of the survey respondents **Agree** or **Strongly Agree** with this assessment. Only 22% **Disagree** or **Strongly Disagree**, with the rest taking a neutral perspective.



¹ “How much is customer experience worth?” Julio Hernandez, KPMG, September 2016

Customer Experience Is Becoming the No. 1 Brand Differentiator

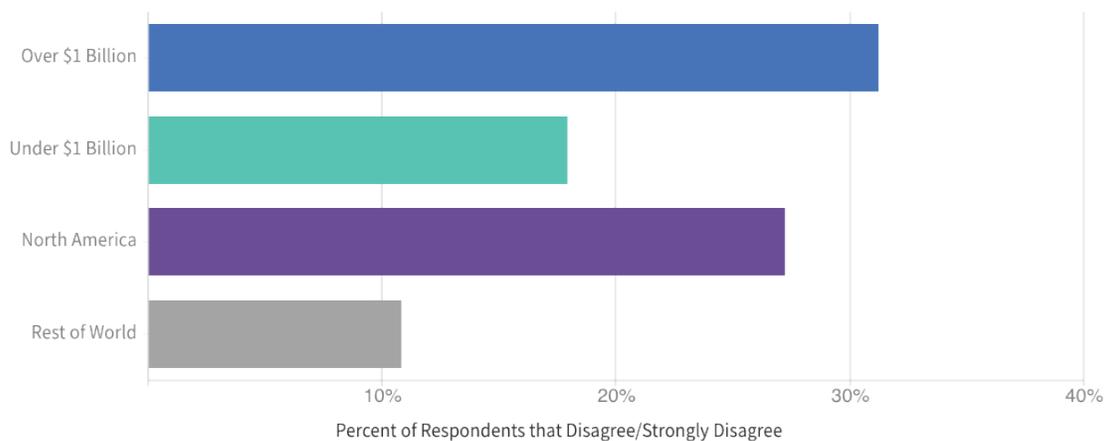
Agree received the highest percentage of votes across all respondent categories — including for both Innovator/Early Adopter companies and Laggards/Late Majority companies, as well as Above Average Performance companies and Average or Below Performance companies.

There was a notable difference, however, between large and small companies, as well as between North American companies and those in other global regions.

More large companies (31%) **Disagree** or **Strongly Disagree** that customer experience will become the No. 1 brand differentiator over the next five years compared with smaller companies (18%). A similar gap exists between North American companies (27% **Disagree** or **Strongly Disagree**) compared with companies in other global regions (11%).

Do you agree or disagree with the following statement:

Over the next five years, customer experience will overtake price and product as the No. 1 brand differentiator.



Further research is required to explain these differences, but maybe in the case of smaller companies, they view customer experience as a more effective way to compete against their larger peers than trying to compete on price.

CX Pulls Ahead as Main Driver for Supply Chain Innovation

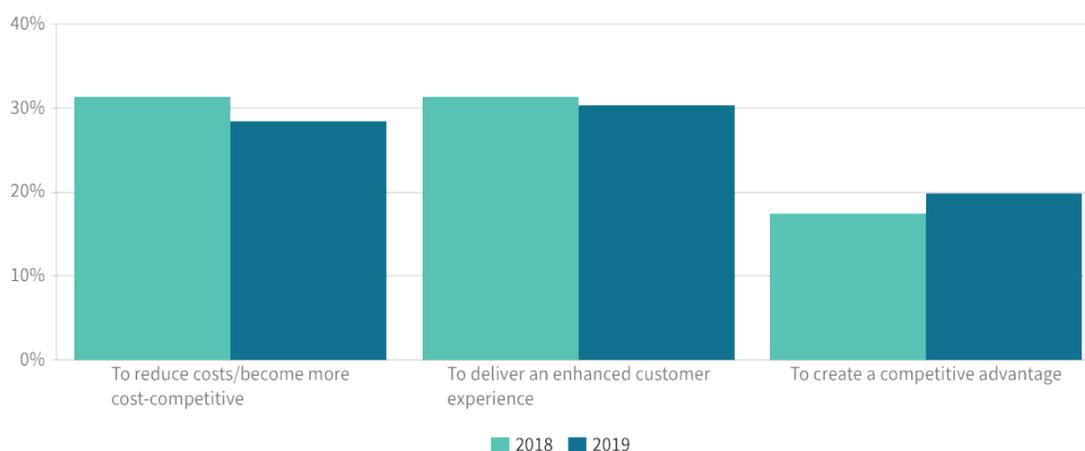
What are the top three factors driving supply chain innovation at your company today?

In last year's survey, **To reduce costs** and **To deliver an enhanced customer experience** received the same percentage of top-rank votes (31%) for innovation drivers. This year **To deliver an enhanced customer experience** pulled ahead, receiving 30% of top-factor votes, compared with 29% for **To reduce costs** and 20% for **To create a competitive advantage**.

Compared with 2018, **To reduce costs** dropped 9%, while **To create a competitive advantage** increased by almost 14%.

2018 vs. 2019

Factors Driving Supply Chain Innovation



CX Pulls Ahead as Main Driver for Supply Chain Innovation

Consistent with last year's results, **To deliver an enhanced customer experience** received the most top-rank votes from both Innovator/Early Adopter and Above Average Performance companies (29% and 32%, respectively). In contrast, **To reduce costs** received the most top-rank votes from both Laggards/Late Majority and Average or Below Performance companies.

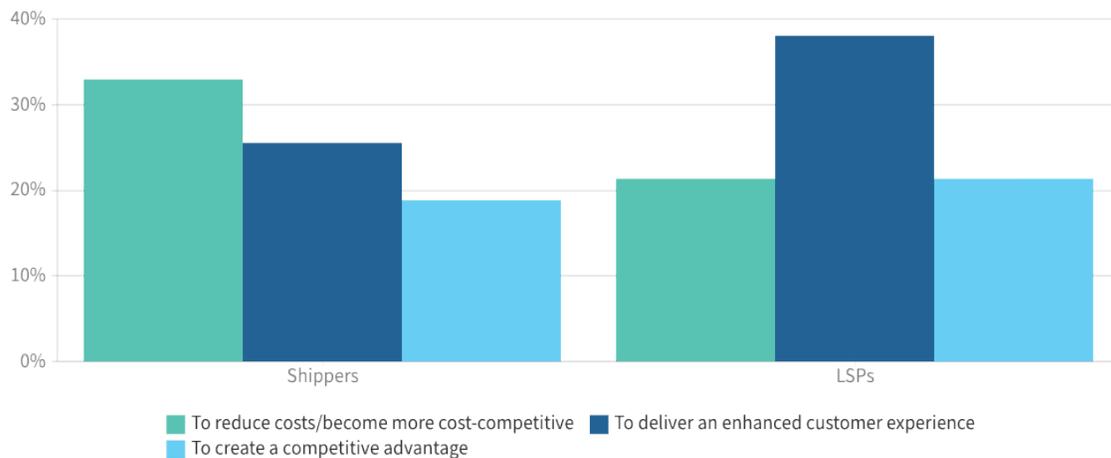
Technology Adoption and Supply Chain Performance Factors Driving Supply Chain Innovation



When it comes to shippers (manufacturers, retailers, and distributors), reducing costs remains the top driver of innovation. It received 33% of top-factor votes from shippers, with **To deliver an enhanced customer experience** ranking second (26%) and **To create a competitive advantage** coming in third (19%).

For LSPs, however, delivering an enhanced customer experience remains king. It received 38% of top-factor votes from LSPs — a noticeable 21% increase from last year’s survey.

Shippers vs. LSPs Factors Driving Supply Chain Innovation



For shippers, there’s a disconnect here. While 63% of them **Agree** or **Strongly Agree** that CX will become the No. 1 brand differentiator over the next five years, cost reduction continues to drive their supply chain innovation efforts. In fact, **To deliver an enhanced customer experience** dropped 19% from last year’s survey (offset, however, by a 31% increase in **To create a competitive advantage**).

Perhaps last year’s challenging transportation market, which led to double-digit increases in transportation costs for many shippers, has made cost reduction an even bigger priority this year. Whatever the reason, if a majority of shippers truly believe that companies will compete mostly on the basis of CX in the near future, they need to start aligning their supply chain innovation efforts accordingly.

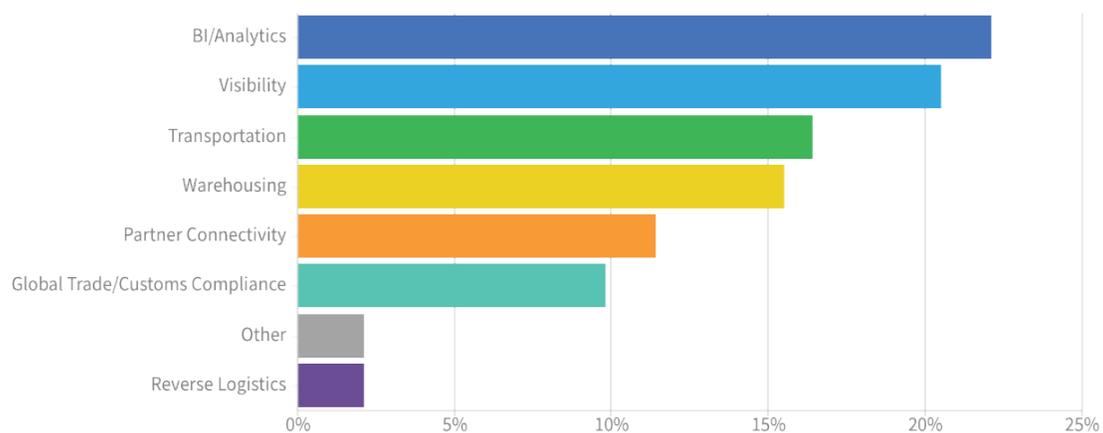
Top Supply Chain Investments Today: Real-Time Visibility and BI/Analytics

Where are you focusing your supply chain investments today?

Overall, **BI/Analytics** received the most top-factor votes (22%) for supply chain investments, followed by **Visibility/Control Tower** (21%) and **Transportation** (16%).

Where are you focusing your supply chain investments today?

Choose three in ranked order.



Historically, improving supply chain visibility has been a top priority for industry executives. Every company wants the ability to see what's happening across its supply chain, analyze what it sees (which is where business intelligence and analytics come in), and then take informed actions to prevent disruptions and drive continuous improvement. But with supply chains continuing to get more fragmented and global, end-to-end visibility remains a challenging goal to achieve.

In the transportation realm, however, recent advancements in technology are helping companies see their transportation operations with more clarity. A number of real-time freight visibility solution providers are leveraging GPS, application programming interfaces (APIs), mobile devices, cloud computing, and other technologies to track orders, shipments, and trucks in transit. With this real-time data and visibility, companies can quickly and accurately answer the most common questions they receive from customers: *Where's my order? Where's my shipment? When will it arrive?*

Companies can also use this data, coupled with algorithms and machine learning, to provide customers with more accurate and reliable predicted estimated times of arrival (ETAs) and to proactively notify them of any changes or delays.

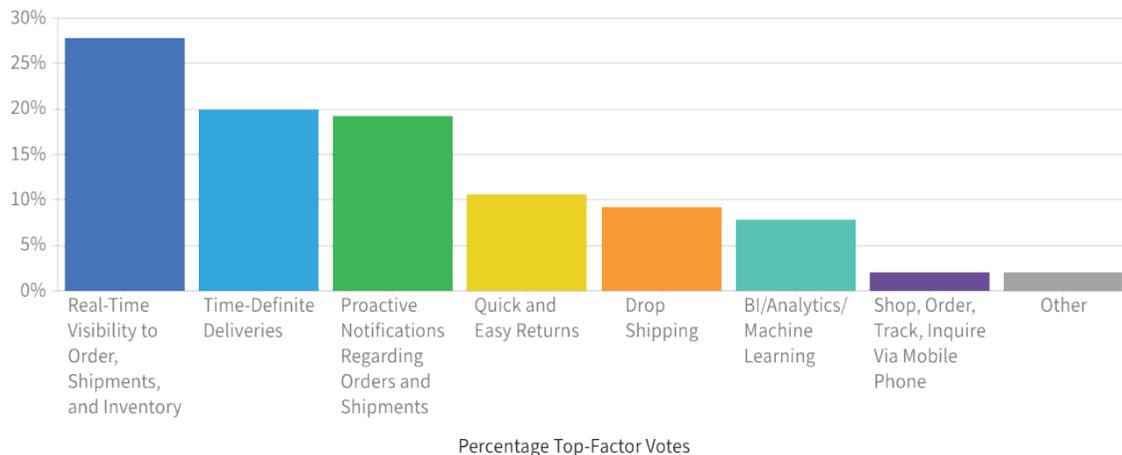
As a result, real-time freight visibility (often integrated with broader Control Tower capabilities) is one of the hottest investment areas for shippers and LSPs today.



Real-time visibility is also the most important supply chain capability for delivering an enhanced customer experience, according to our survey respondents. **Real-time visibility to orders, shipments, and inventory** received the most top-factor votes overall (28%), followed by **Time-definite deliveries** (20%) and **Proactive notifications regarding orders and shipments** (19%).

Which supply chain capabilities will be the most important in delivering an enhanced customer experience?

Choose three in ranked order.



Interestingly, **BI/Analytics/Machine Learning** ranked relatively low in this question. Our hypothesis is that, compared with the other response options, **BI/Analytics/Machine Learning** is not something that customers experience directly. It's a behind-the-scenes capability.

Therefore, from an internal perspective, **BI/Analytics/Machine Learning** (coupled with visibility) plays an important role in enabling CX, which is why companies are investing in it. But from a customer perspective, the value is less evident compared with visibility into shipment status or the ability to quickly and easily return purchases.

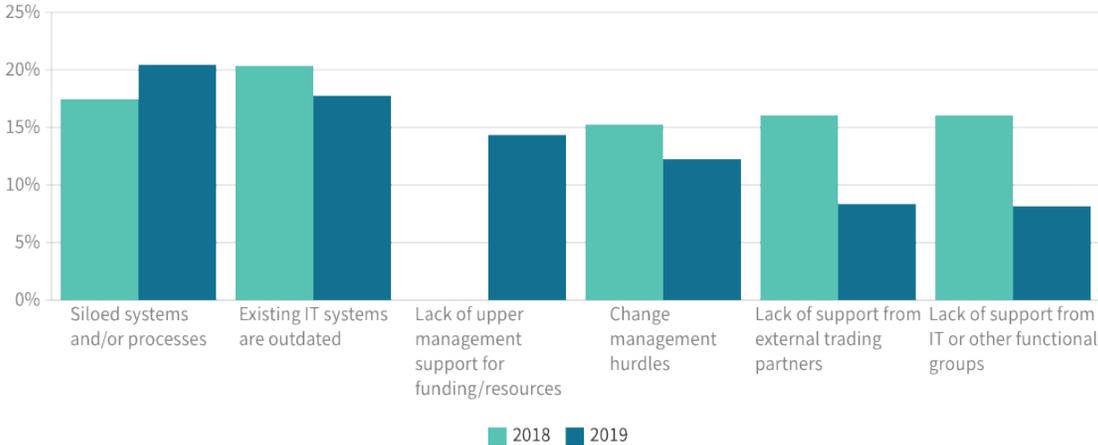
Siloed Systems/Processes Remain Big Barriers to Innovation

What are the top three barriers to supply chain and logistics innovation at your company today?

Siloed systems and/or processes received both the highest percentage of top-factor votes (21%) and the most total votes as a barrier to innovation — that is, the most votes for first, second, or third place combined.

Existing IT systems are outdated (18%) and **Lack of upper management support for funding/resources** (14%) rounded out the top three.

The top two barriers were the same in 2018 but in reverse. **Siloed systems and/or processes** increased by 17% this year compared with 2018, while **Existing IT systems are outdated** decreased by 13%. This suggests that companies are making some progress in modernizing their IT systems, but breaking down the silos between their systems and processes is a growing challenge.

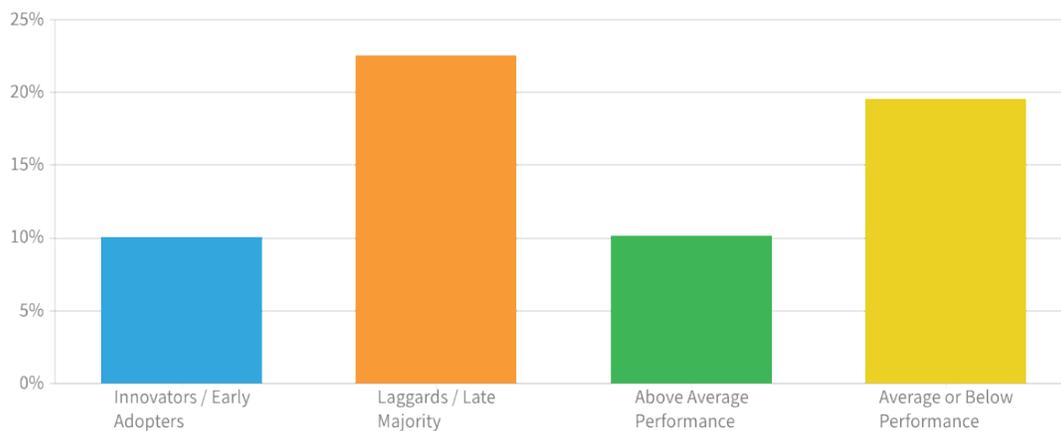


Siloed Systems/Processes Remain Big Barriers to Innovation

We did not include **Lack of upper management support for funding/resources** as a response option in the 2018 survey, so we cannot make year-over-year comparisons. However, the fact that it received the third-most top-factor votes overall is notable. Also, for Laggard/Late Majority companies, it is the biggest barrier to innovation, receiving 23% of top-factor votes (compared to 10% for Innovator/Early Adopter companies).

Similarly, **Lack of upper management support for funding/resources** received the second-most top-factor votes from Average or Below Performance companies (20%), ranking higher than **Existing IT systems are outdated** (17%). In comparison, **Lack of upper management support for funding/resources** ranked fifth for Above Average Performance companies, with 10% of top-factor votes.

Lack of upper management support for funding/resources



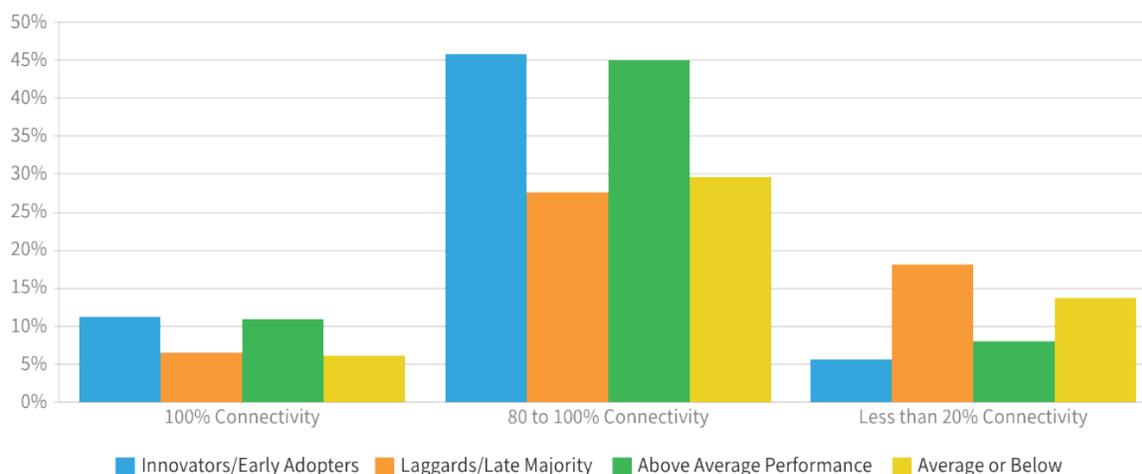
These results suggest that Innovators/Early Adopters and Above Average Performance companies are better at developing and communicating the business case for supply chain innovation investments than their counterparts. It could also mean that upper management teams at Innovators/Early Adopters and Above Average Performance companies are doing a better job of creating innovation-driven cultures.

Upper-End Companies Lead on Trading Partner Connectivity

Approximately what percent of your trading partners (suppliers, customers, logistics service providers, etc.) are you electronically connected to?

A key finding from the 2018 survey was that Innovators/Early Adopters and Above Average Performance companies were ahead of others in prioritizing Trading Partner Connectivity (TPC) for supply chain innovation.

In this year's survey, we wanted to understand the current state of TPC. As the chart shows, more Innovators/Early Adopters reported having 100% electronic connectivity with trading partners (11%) than Laggards/Late Majority (7%). The delta widens when comparing the broader range of 80 to 100% electronic connectivity (46% vs. 28%).



Similarly, more Above Average Performance companies reported having 100% electronic connectivity with trading partners (11%) than Average or Below Performance companies (6%). The difference is even greater when comparing the broader range of 80-100% electronic connectivity (45% vs. 30%).

Electronic Connectivity Defined

We defined “electronic connectivity” as the ability to send and receive data from trading partners in an electronic format that doesn’t require manual entry into software applications. For example, if you send and receive data from trading partners via electronic data interchange (EDI) or APIs, that is considered electronic connectivity. However, if you send or receive data from trading partners via fax or email and then have to manually enter that information into a software application, then that is not electronic connectivity.

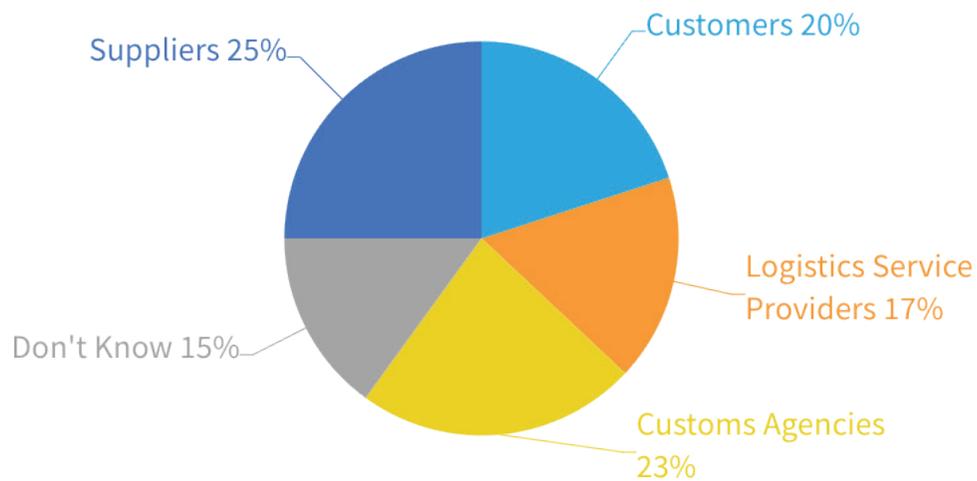
Looking at the other end of the spectrum, more Laggards/Late Majority companies reported having less than 20% electronic connectivity with trading partners (18%) than Innovators/Early Adopters (6%). Similarly, more Average or Below Performance companies reported having less than 20% electronic connectivity with trading partners (14%) than Above Average Performance companies (8%).



Upper-End Companies Lead on Trading Partner Connectivity

Which type of trading partners are companies *least* connected to electronically? **Suppliers** received the most votes overall (25%), but all other categories received a significant number of votes, too. In short, there is a lack of electronic connectivity across the entire spectrum of trading partners.

Which type of trading partner are you LEAST electronically connected to?

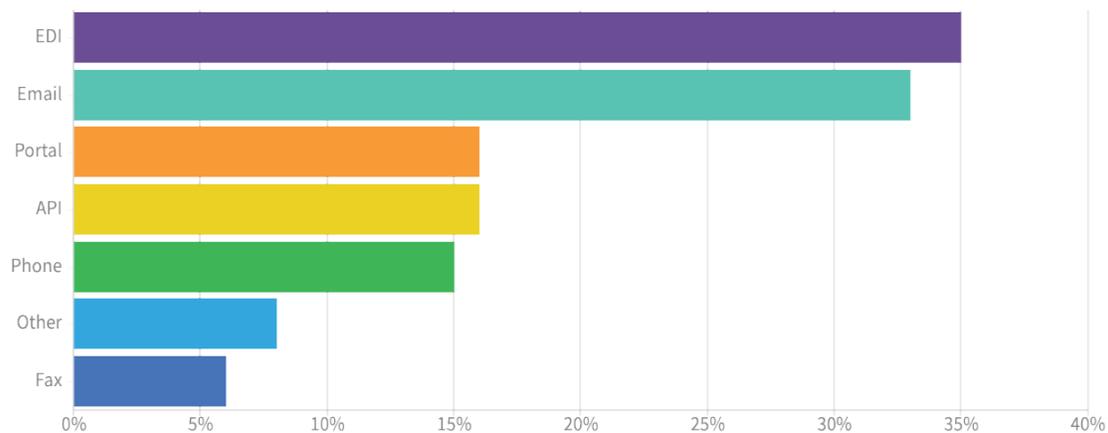


Overall, the survey results show that companies that are more electronically connected to their trading partners are more likely to have better supply chain performance and be innovators/early adopters of technology than companies that still rely on emails, faxes, and other forms of non-electronic connectivity.

EDI and Email: The Most Common Ways to Exchange Data

What is the approximate breakdown of how you are currently connected (exchanging data and information) with your trading partners?

EDI and **Email** are the two most common ways data and information are exchanged with trading partners, each getting almost double the share of the other methods. Together, **EDI** and **Email** account for almost 70% of the data/information exchanged with trading partners.



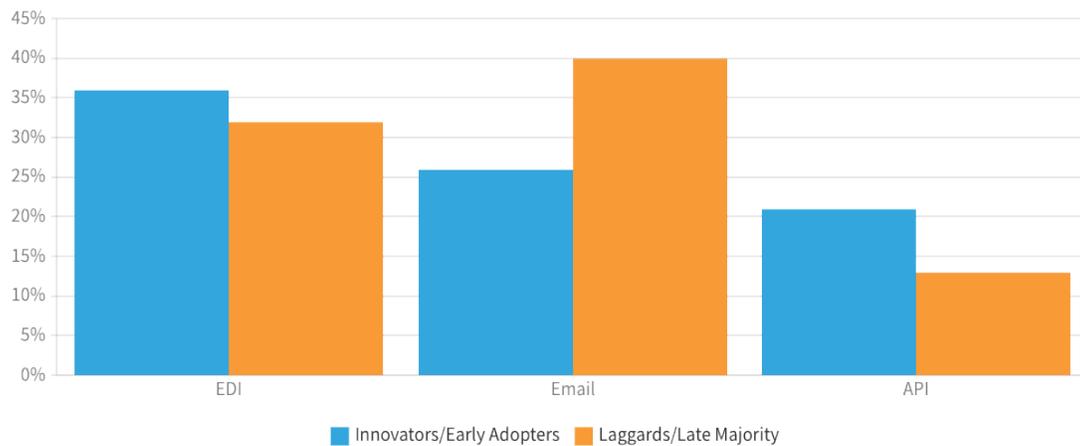
Note: The total percentage in the chart is greater than 100 because the average for each communication medium was calculated separately. Not all respondents are using all communication media, so (sum of percentages)/(number of respondents) was different for each communication medium.

EDI and Email: The Most Common Ways to Exchange Data

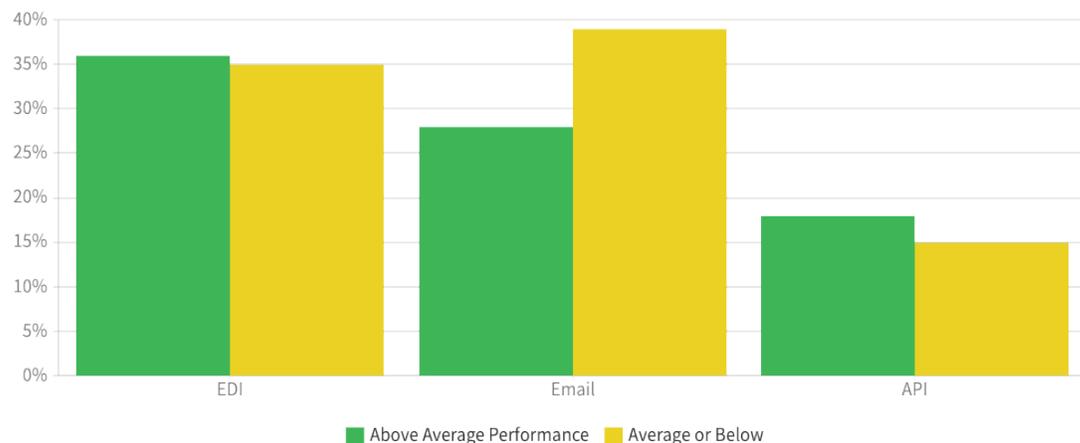
EDI was the top method for Innovators/Early Adopters (36%), Above Average Performance companies (36%), North American companies (41%), and companies with over \$1 billion in revenue (45%), while **Email** was the top method for Laggards/Late Majority (40%), Average or Below Performance companies (39%), companies outside North America (29%), and companies with less than \$1 billion in revenue (34%).

What is the approximate breakdown of how you are currently connected (exchanging data and information) with your trading partners?

Technology Adoption

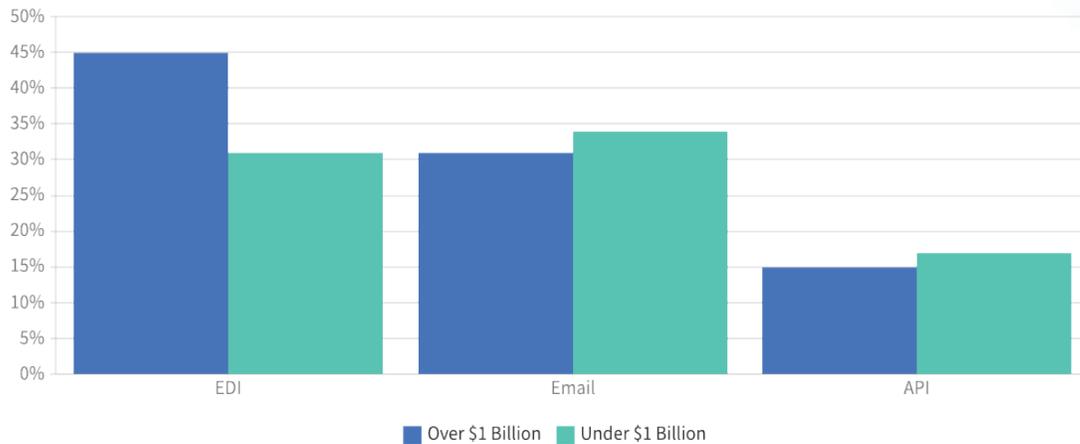


Supply Chain Performance

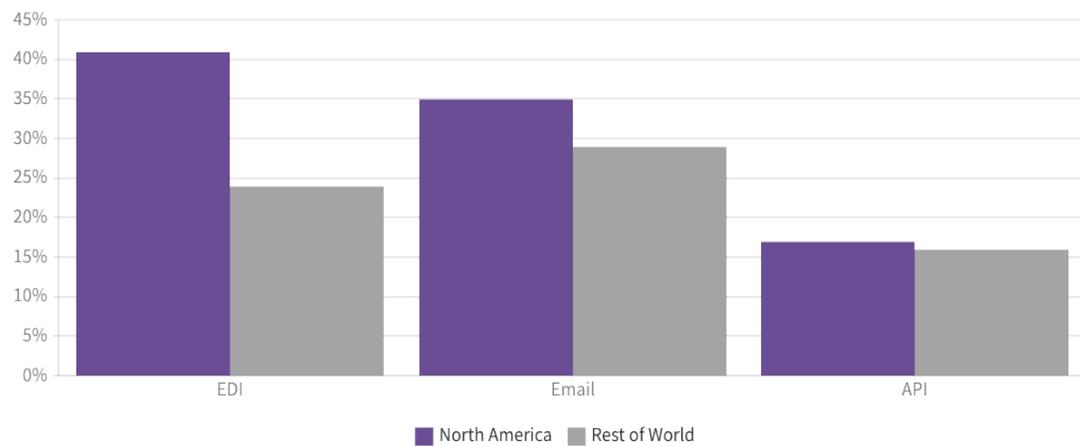


What is the approximate breakdown of how you are currently connected (exchanging data and information) with your trading partners?

Company Size (Revenue)



Location



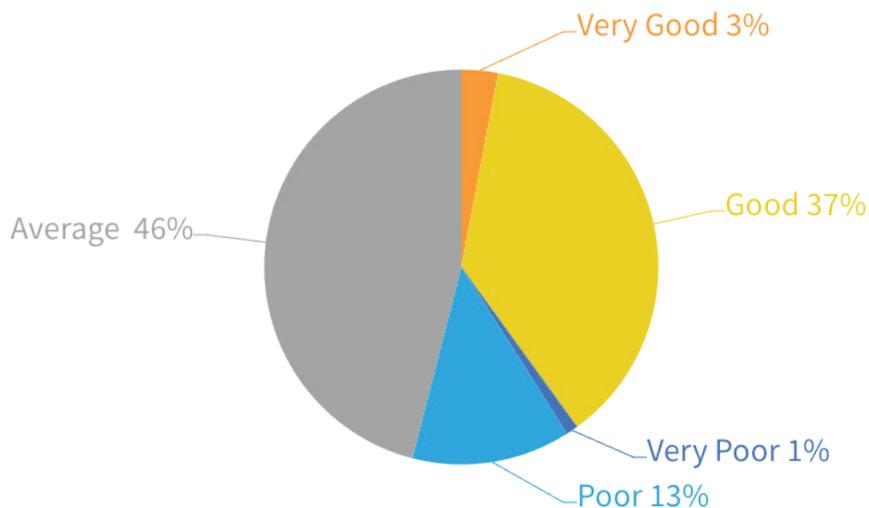
Not surprisingly, Innovators/Early Adopters are using **APIs** the most (21%) compared to Laggards/Late Majority (13%) and Average or Below Performance companies (15%).

With **Phone** (15%), **Fax** (6%), and **Email** (33%) accounting for 54% of data/information exchange, it is no surprise that data quality remains a big issue in the industry, as highlighted below.

Data Quality: Lots of Room for Improvement

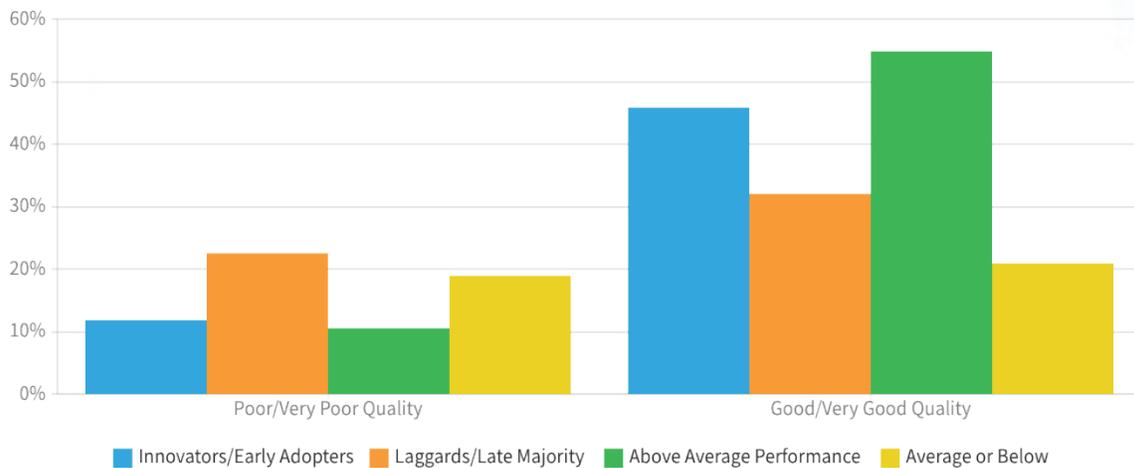
How would you rate the quality of the data you receive from your trading partners (its accuracy, timeliness, and completeness)?

Overall, only 40% of the respondents rated the data quality they receive from trading partners as **Good** or **Very Good**, while 14% rated the quality as **Poor** or **Very Poor**.



More Innovators/Early Adopters reported having **Good/Very Good** data quality (46%) than Laggards/Late Majority (32%). Similarly, more Above Average Performance companies reported having **Good/Very Good** data quality (55%) than Average or Below Performance companies (21%).

How would you rate the quality of the data you receive from your trading partners (its accuracy, timeliness, and completeness)?



Looking at the other end of the spectrum, more Laggards/Late Majority companies reported having **Poor/Very Poor** data quality (23%) than Innovators/Early Adopters (12%). Similarly, more Average or Below Performance companies reported having **Poor/Very Poor** data quality (19%) than Above Average Performance companies (11%).

In short, although Innovators/Early Adopters and Above Average Performance companies are doing much better than their counterparts when it comes to data quality, they still have a lot more work to do on this front.

Summary

A majority of companies **Agree** or **Strongly Agree** that customer experience will overtake price and product as the No. 1 brand differentiator over the next five years. **To deliver an enhanced customer experience** is also the top factor driving supply chain innovation at many companies today, particularly Innovator/Early Adopter and Above Average Performance companies.

Real-time visibility is the most important supply chain capability in delivering an enhanced CX, which is why it is a top investment focus for companies, along with business intelligence and analytics.

Siloed systems and/or processes is the top barrier to supply chain innovation, followed by **Existing IT systems are outdated**. Compared to last year's survey results, it appears that companies are making some progress in modernizing their IT systems, but breaking down the silos between their systems and processes is a growing challenge.

When it comes to trading partner connectivity, Innovator/Early Adopters and Above Average Performance companies are leading the way in terms of establishing electronic connections with trading partners and data quality — but there is still a lot of room for growth and improvement.

Recommendations



Shippers: Align Innovation Investments with Customer Experience

If a majority of shippers truly believe that companies will mostly compete on the basis of CX in the near future, they need to start aligning their supply chain innovation efforts accordingly. This does not mean that cost management is no longer important; it means that cost reduction is no longer enough to remain competitive. As the survey findings show, when it comes to delivering an enhanced customer experience, investing in visibility and business intelligence/analytics is a smart starting point.



Modernize IT Systems and Break Down Silos

These two factors continue to be the biggest barriers to supply chain innovation. Simply put, it is very difficult to innovate when your IT systems are old and rigid, and it's difficult to deliver the best possible CX if your systems and processes operate in silos.



Connect Electronically with Trading Partners

Many companies still rely on phone, fax, and emails to share data and information with their trading partners. They have to manually enter information into their software applications, which is costly, inefficient, and negatively impacts data quality. Advancements in connectivity technology — including web services and APIs — are reducing the time and effort it takes to onboard trading partners, while mobile apps and devices are making it easier for users to capture and share information.



Prioritize Data Quality Through Better Data Management

When it comes to data quality across the supply chain, there's a lot of room for improvement — even for Innovator/Early Adopters and Above Average Performance companies. Most companies don't have clearly defined responsibility for data quality management. Often it's assumed that data quality is everybody's responsibility, but the required governance and accountability structures don't exist.

The survey results convey why companies need to clearly define roles and responsibilities in this area and start viewing data as a valuable asset worthy of investment. Poor data quality results in poor supply chain visibility, which in turn results in lost sales (out-of-stocks), higher transportation costs (expedited shipments), excess inventory, and reduced customer satisfaction, among other negative consequences. Quantifying the cost of poor data quality and poor supply chain visibility — and determining how that cost breaks down — not only helps you gain upper management support to take corrective actions, but also helps you prioritize those actions.

About



The Council of Supply Chain Management Professionals (CSCMP) is the leading global association for supply chain management professionals. We have been helping our members, their careers, and their companies since 1963. Nine thousand members worldwide receive unparalleled networking opportunities, cutting-edge research, and online and on-site professional educational opportunities.

Adelante means “forward” or “move ahead” in Spanish. We chose this as our name because we are moving supply chain and logistics leadership forward by making it easier for industry professionals to share ideas, knowledge, and advice with each other. Adelante SCM is a peer-to-peer learning and networking community for supply chain and logistics executives and young professionals.



Founder and president, Adrian Gonzalez is a trusted advisor and leading industry analyst with more than 18 years of research experience in transportation management, logistics outsourcing, global trade management, social media, and other supply chain and logistics topics.

He is a member of the Council of Supply Chain Management Professionals and is a LinkedIn Influencer with thousands of followers. Adrian has a B.S. degree in Materials Science and Engineering from Cornell University. He also earned a Graduate Certificate in Supply Chain Management from Northeastern University, where he also served as an adjunct instructor in their Executive MBA program.



BluJay Solutions delivers supply chain software and services to the world’s most progressive retailers, distributors, freight forwarders, manufacturers, and logistics service providers. Transforming supply chain logistics with the BluJay Global Trade Network, we enable customers to unlock the power of more than 40,000 universally connected partners. With BluJay, companies can achieve greater trade velocity, transform their supply chain economics for disruptive advantage, and see beyond the horizon to optimize their future in the global economy. To learn more, visit: www.blujaysolutions.com.

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