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Getting technology right in the supply chain

By Ben Sillitoe - 11:49AM - Thu 27th October 2011

With technology now advancing at such a rapid rate, retailers are increasingly identifying ways in which they can introduce new systems to boost efficiency in the supply chain.

Delegates from across the supply chain world gathered at industry supplier JDA Software's FocusConnect 2011 conference at Heathrow Airport this week to share ideas and best practice, and it is clear that many retailers are using technology to improve processes at both the front and back-end of their businesses.

A sense of change was apparent, with companies presenting at the event expressing how the challenges of the modern world have led them to invest in technology in order to increase sales and enhance everyday operations.

Ikea IT Demand Manager Lars Gunnarsson admitted that, ten years ago, the Swedish furniture retailer's supply chain was not working properly, but through technology it has been able to increase the percentage of deliveries it makes straight from supplier to store, thus making its distribution and logistics department far more cost-effective.

The homeware specialist is also currently trying to identify ways in which it can use innovative new systems to de-localise its warehouse management reporting, and will be trialling various methods in the months ahead.

In a keynote speech during day two of the conference yesterday, Research Director at Gartner Group Tim Payne said that logistics execution processes are a key investment priority for IT supply chain professionals.

He advised that it is important for supply chain managers to work

closely alongside IT staff to ensure goals can be achieved, and he also detailed the multi-layered approach required to ensure a successful working model.

Payne argued that each company should have systems of record, differentiation and innovation, and by breaking your supply chain into these categories businesses can identify their priorities and see where they need to invest in order to add value and boost efficiency.

Systems of record are defined as common ideas where businesses react to circumstance; differentiation refers to processes put in place to improve performance; innovation systems are new ideas that really add value to a firm.

"Work with your IT colleagues, to align business requirements with technology sourcing criteria," he explained.

"Build your business case and source technology in supply chain and layer requirements."

Clearly this is a strategy that global retailer Ikea has followed in recent times, but the guidance applies to smaller retailers too.

High street mainstay Robert Dyas cites its investment in technology as a key driver in modernising its brand and revamping its store portfolio in the last three years.

Dave Cooper, Space Planning & Merchandising Manager at the homeware and hardware retailer, told Retail Gazette that his company's use of technology to aid with store layout decisions has increased efficiency and helped speed up processes that used to be slower.

"Technology frees up time to allow my team to do the insight and management work," he explained.

"Systems we use generate the data we need, and we can use this information to boost profits or go back to our commercial team with ideas of how to make money.

"Tech systems do not replace staff. They allow the team to be much more proactive and less process-oriented."

With Robert Dyas currently up for sale, it could easily be assumed that behind-the-scenes investment would have slowed, but Cooper stressed that this is far from the case.

"The last few years has been about updating the brand, which we have done through launching new lifestyle and trend-led ranges, but now we are focusing on making things more efficient – and investment in technology has allowed us to do this.

"As a smaller business Robert Dyas has 100 stores, you have to be more careful and focused about the decisions you make.

"Unlike the larger companies, you don't have the huge turnover to soak up mistakes, so you have to spot on every time."

Despite slowing sales across many sectors of the retail industry in the last 18 months, there is a widely-held view that spending money on tech systems within the supply chain is a necessary process, even in these austere times.

Payne's speech indicated that a key consideration of Gartner, when it ranks global firms for the best supply chains, is how businesses are developing their capabilities, but he admitted that there are still a minority of firms which view supply chain investment only as a necessary evil.

Gradually, a shift is occurring though, and the once old-fashioned, back-end of business is becoming increasingly integral to the bottom line and the overall running of the operation.

Razat Guarav, Regional Vice President, EMEA at JDA Software, said: "In terms of supply chain technology there will be more change in the next five years than we've seen in the last 20 years.

"Retailers and other businesses are realising the strategic importance of supply chain. Now is the time for change."