



RETAILERS WORK TOWARD A NIMBLER SUPPLY CHAIN IN 2011


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While times have proven quite challenging for the retail industry over the last three years, things are finally starting to get back on track. Retailers have seen several consecutive months of consistent sales growth and a more promising holiday shopping season than in the last two years.

Additionally, during the recession supply chain management (SCM) executives took advantage of opportunities to streamline their supply chains. By capturing the  low-hanging fruit  and implementing many cost saving initiatives across their operations, they lowered their bottom line costs and saved billions of dollars across the industry. They are now in a position to flourish as the economy turns around.



The positive effect of these efforts has led to the growing stature of the supply chain management function throughout the retail organization and recognition of its importance from retail CEOs. Additionally, the expansion of SCM  influence up stream outside the organization and downstream within the organization is paving the way for new and improved strategies from supply chain management executives.

Recognizing that the transition to a robust economy will be slow and unstable, retailers are proceeding with caution moving into 2011. Supply chain management executives are therefore focusing on a responsive, agile and lean supply chain. They want to be nimble and well prepared.

With that in mind the retailers are no longer focused solely on trying to stop the bleeding. The landscape looks promising and SCM executives are beginning to shift strategies to balance cost savings with inventory availability and customer service. They continue to look for opportunities to cut costs, but are shifting their attention to opportunities for growth. They are moving to advance their operations and this will involve more capital spending and investment from retailers in terms of time, resources and money. SCM executives will also be looking to simplify their supply chain processes as well and make it easier to manage, understand and use, boosting agility, efficiency and reliability.

2011 Initiatives

Retailers are also employing a number of different initiatives to operate more efficiency. They will be utilizing technology and increasing visibility while supporting collaboration across retail channels like brick and mortar, on-line and mobile. They are also shortening lead times

and strategically locating products for effective response to demand, while partnering with service providers to reduce replenishment cycle times.

As the supply chain increases its influence on the store shelf, supply chain executives are working to incorporate shelf-space planning into supply chain planning. This entails alignment of shelf capacity and store reorder points with shipping quantities and frequencies. Through this shelf-driven philosophy SCM executives are reducing costs, and enhancing the customer experience.

They are working with suppliers to create case and break pack configurations that align store operations and shelf space demand while using distribution practices such as piece-picking to give stores ordering options for varying shelf configurations. Supply chain leaders are also collaborating with store operations managers to design efficient dock-door to-shelf product flows and have optimized receiving, backroom management and shelf restocking operations.

Leading retailers are also embracing the growing private label trend, and in some cases they are taking greater ownership and even control of the manufacture of private label goods. This gives retailers greater control over product flow and availability and helps to reduce safety stocks.

Looking ahead to 2011 and beyond supply chain management executives will face a myriad of issues that continue to change and evolve and will work to effectively address them. These include: sustainability, fluctuating fuel costs, new government regulations, evolving multi-channel operations, and utilization of the latest technological advancements.

In closing, retail with the help of supply chain management executives is moving forward prepared to take on the future, stronger, more profitable and better prepared. It was Plato who said, "Necessity is indeed the mother of invention" and in the world of retail and supply chain management, that saying couldn't be truer. Retail leaders will continue to innovate and reinvent and as they do, RILA will continue to be there to aid in their quest for success.

Casey Chroust is executive vice president of retail operations for the Retail Industry Leaders Association (RILA). RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than \$1.5 trillion in annual sales, millions of American jobs and more than 150,000 stores, manufacturing facilities and distribution centers domestically and abroad. RILA's annual Logistics Conference will be held Feb. 20-23, 2011, in Orlando, FL.

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