

THE STATE OF THE RETAIL SUPPLY CHAIN

Results and Findings of the 2009 Study

Developed By



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2009 State of the Retail Supply Chain Study

RILA and Auburn University's annual study on the State of the Retail Supply Chain brings together the country's leading retailers to delve into the year's current trends, leading practices and key issues that will have the greatest impact on strategy and planning for retail supply chain executives now and in the near future.

This year's study, participated in by more than 40 major retailers, explores key issues in supply chain management. As the challenges presented by a global economic recession, ever-tightening budgets, and fluctuating fuel costs heighten, retailers are more reliant than ever on supply chain management for organizational success. Supply chain executives are being called upon to create innovative strategies that will increase efficiency and drive down costs while maintaining excellent service levels.

Inside the 2009 reports, you will learn about the key characteristics of today's best-in-class retail supply chains and how they are building competitive advantage. The report also identifies the emerging issues and challenges that retail supply chain professionals must consider when planning for 2010 and beyond.

RILA would like to thank Auburn University for their collaboration and thought leadership on this study. RILA also thanks Fortna for its support of this research study and continued commitment to helping retailers achieve excellence in supply chain operations. Last, we would like to thank the many retailers who participated in this year's study. We look forward to continuing our collaboration with Auburn University and participating retailers as the 2010 State of the Retail Supply Chain study gets underway.



Casey Chroust
Executive Vice President
Retail Industry Leaders Association

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About the Study

Findings from the 2009 Retail SCM Study

Over the last ten years, the retail industry has experienced major transitions. The growth of e-commerce has created both new competition and a new selling channel for retailers. Big box retailers have changed how America shops for products and the distribution structure of retail trade.¹ And, power has shifted to retailers who increasingly drive prices, dictate products, and wield negotiating clout.²

During the same period of time, supply chain management (SCM) has experienced its own renaissance. SCM has emerged from its cost-focused, operational roots to become a more integrative discipline that involves both strategy and processes, influences other functions, and facilitates cross-organization collaboration.³ As a result, C-level executives view SCM as an essential tool to compete in ever-changing, intensely contested markets and chart their organizations' future course.⁴

In many respects, the \$4.7 trillion U.S. retail sector has led the SCM revolution. CPFR, vendor managed inventory, continuous replenishment, and automatic identification are a few supply chain (SC) innovations championed by the retail industry. Retailers recognize the importance of SC optimization for building customer loyalty as well as controlling costs during the current period of flat or declining sales.⁵

Despite the compelling link between SCM and retailing, few studies have addressed it. Much of today's SCM research continues to be general in nature or manufacturing centric. As a result, the retail industry's SC leadership role, impact, and trends are largely under-studied.

2009 Study Objectives

The purpose of the 2009 study is to explore the critical role SCM plays in the retail industry. The study addresses three key research questions:

- What is the role of SCM in retail companies?
- What SC challenges are of greatest concern to the retail industry?
- What capabilities must retailers develop and leverage to achieve SC excellence?

The principle sections of the study and the goals for each section are as follows:

SCM Roles and Responsibilities

- Describe the SC reporting structure
- Discuss scope of planning and operations

Strategy

- Identify strategic focus of SC organization
- Summarize SC investment plans

Performance

- Evaluate success of SC initiatives
- Examine SC contribution to profitability

Trends and Challenges

- Assess impact of key issues - volatile fuel prices, eroding consumer confidence, global credit crisis - on SC strategy and planning

As these issues have received limited attention to date, the study creates valuable insights for retailers and their SC partners. The findings will also serve as the foundation for an annual exploration of retail SCM trends and issues.

“Retail SCM is less forgiving and presents a different type of complexity. To create perfect customer experiences, we must operate at a very high level of cross-functional integration.”

2009 Study Methodology

The role of SCM in retailing has expanded considerably over time as competition has become fierce and supply lines have extended to the far reaches of the globe. To understand the retail-SCM link, a team from Auburn University’s SCM program undertook a two-pronged study.

Senior Executive Interviews

Focus interviews were conducted with SCM leaders from major North American retailers. These hour-long discussions were exceptionally valuable for gathering pertinent information and perspectives from a wide range of retail SCM experts. The flexible nature of interviews allowed the research team to dig deeply into critical issues with each SCM executive.

The SCM executives addressed a variety of important questions in the retail SC:

- What is the role of SCM in your company?
- What are your primary SC challenges?
- How do you evaluate SC success?
- What SC capabilities differentiate exceptional retailers from their peers?
- What SCM issues keep you awake at night?

Interview transcripts were developed and the qualitative information was analyzed using a grounded theory approach. The results were used to develop a national survey of retail SC trends and issues. Key quotes from the interviews are highlighted in this report.

National Survey of Retailers

A four-page, 31 question SCM survey was developed to analyze the issues and themes uncovered during the interview. Additionally, the survey produced executive evaluations of retail SC challenges, trends, and best practices.

Printed and electronic copies of the surveys were distributed to retail SCM executives in early 2009. The target participant typically holds the title of Senior Vice President, Vice President, or Director with primary responsibility for SCM, logistics, transportation, and/or distribution.

Study Participants

The researchers thank the following retailers for engaging in interviews and the national survey:

Abercrombie & Fitch	JCPenney
Aeropostale	Jurlique USA
Army Air Force Exchange	LifeWay Christian Resources
Bass Pro Shops	Limited Brands
Belk	L.L. Bean
Big Lots	Lowe’s
The Bon-Ton Stores	Mattress Discounters
Canadian Tire	Meijer
Casey’s General Stores	Modell’s Sporting Goods
The Children’s Place	Neimen Marcus Group
Circuit City	Nordstrom
Claire’s Accessories	OfficeMax
Crate & Barrel	Office Depot
CVS Caremark	Pamida
Dollar General	PetSmart
Dollar Tree Stores	REI
Family Dollar	Rooms To Go
Famous Footwear	Sam’s Club
Fossil	Smart & Final
Giant Eagle Stores	Target
Giant Tiger Stores	Toys R Us
HEB	Tractor Supply
	Wal-Mart Stores

Organizational Structure

SCM executives are Highly Engaged, Have Wide Span of Control, and Exert Significant Influence

To better understand the value of SCM to retail organizations, the initial interview discussions and survey questions focused on roles, reporting structures, and responsibilities. The results suggest that retailers are expanding the role of SCM within the organization. While they remain primarily responsible for cost efficient fulfillment of store orders, retail SCM executives are highly engaged in strategic planning at the highest levels of the organization.

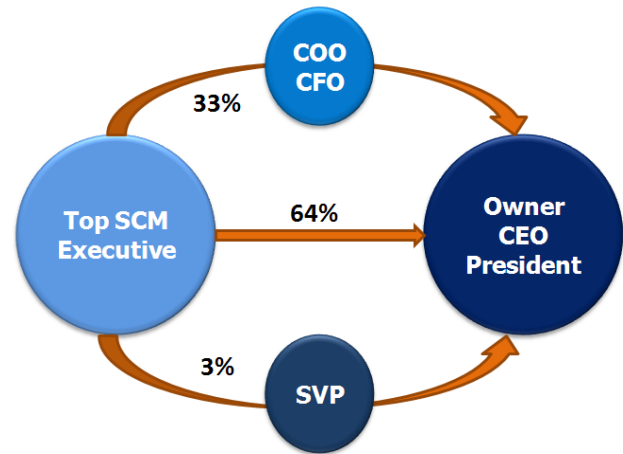
SCM Command and Control

The top SCM executive is typically positioned at a very high level of retail organizations. Among the participating companies, 15% have a Chief Supply Chain Officer or Chief Logistics Officer. Another 62% have an Executive or Senior Vice President responsible for SCM. The remaining 23% rely upon a Vice President level individual to control SCM functions.

Figure 1 reveals that these SCM leaders have direct involvement at the highest levels of the organization. In 64% of the participating companies, the top SCM executive reports to the company owner, CEO, or President. Additionally, nearly 94% of the survey participants agreed or strongly agreed that their CEO recognizes the key role of SCM operations in achieving corporate success.

“Our supply chain steering committee is a cross-functional team: the SVP of Distribution, EVP of Merchandising, EVP of Stores, CIO, and SVP of Merchandise Planning. Our CEO is involved as well.”

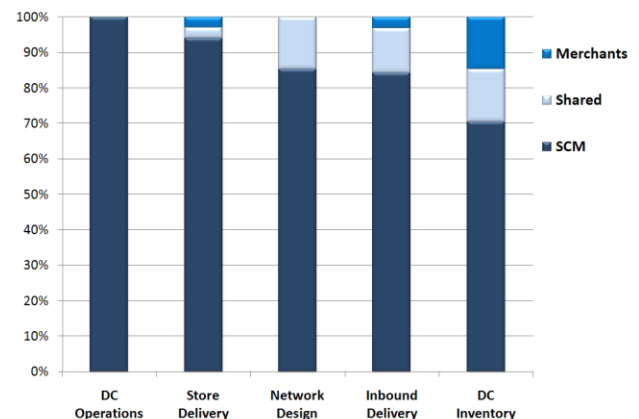
FIGURE 1: SCM EXECUTIVES REPORT TO THE TOP LEVEL OF COMPANY



Key SCM Responsibilities

Historically, distribution activities have been the focal point of the SCM team. Figure 2 indicates that traditional issues related to store order fulfillment continue to dominate SC activity. Distribution center operations, transportation, network design, inventory management, and information systems are key SC responsibilities.

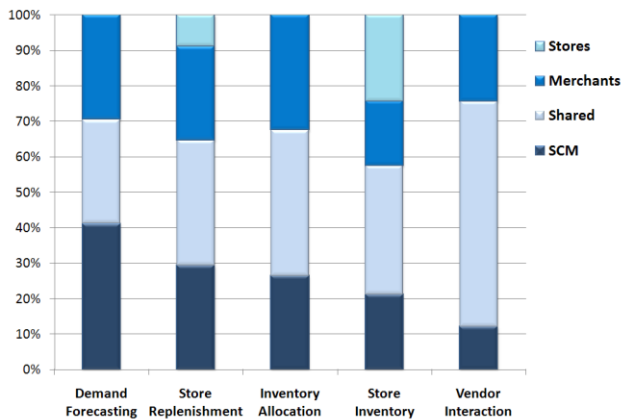
FIGURE 2: SC LEADERS RETAIN CONTROL OVER TRADITIONAL OPERATIONS



“For a retailer, there are two things that really matter - brand and supply chain management.”

SCM executives are also engaging in a broader variety of strategic planning and control activities as revealed by Figure 3. A majority of the participants reported that SCM is responsible for or shares responsibility for demand forecasting, store replenishment, store inventory allocation and management, and vendor interaction. Historically, these types of activities have been the exclusive domain of merchants and stores.

FIGURE 3: SC LEADERS ARE ACTIVELY ENGAGED IN KEY ORGANIZATIONAL ISSUES



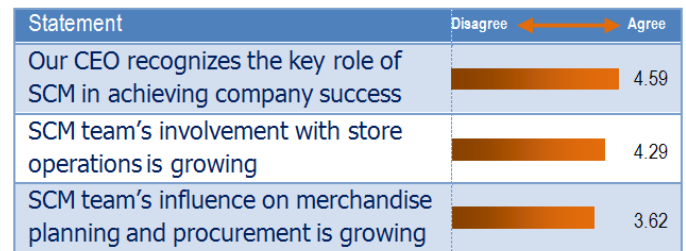
Day-to-day control of these activities remains in house for the vast majority of retailers. The notable exceptions are transportation and vendor interaction. Management of inbound deliveries is shared with 3PL service providers by 50% of the participants, store delivery by 39%, and vendor interaction by 30%.

SCM Sphere of Influence

Many retailers are expanding the engagement of SCM executives in strategic planning activities.

Figure 4 reveals that silos and exclusivity are being replaced by collaboration and a greater SCM sphere of influence. Participants report that they have created very strong ties at the store level and are helping merchants leverage SCM when negotiating purchases. Most importantly, SCM is being recognized as a key driver of company success.

FIGURE 4: SCM ROLES ARE GROWING



Scale: 1 (disagree) to 5 (agree)

The Takeaways

SCM has long played a critical role in the success of retailers. In light of the current economic cycle, the need for effective SC capabilities and engagement is more pronounced. Retailers must closely manage the total cost of global procurement, streamline inventories, and keep transportation expenses in check without hurting product availability or customer service.

The increased upstream and downstream engagement of SCM executives will help retailers address their current and ongoing challenges. This positive development is made possible by breaking down silos and maintaining top management support for SCM initiatives.

Supply Chain Strategy

Cost Focus Remains Central to Retail SCM Success

Another focal point of the research was the strategic focus of the retail SC organization. Interview and survey questions explored the SCM capabilities retailers utilize today, as well as those being developed for the future.

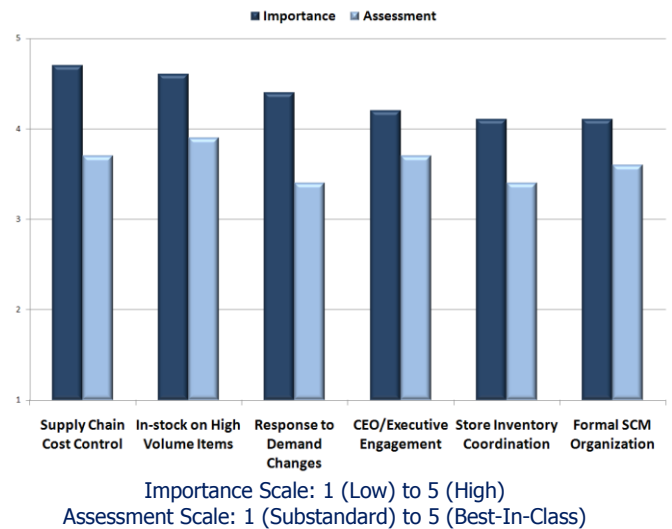
The findings point out that cost control is a point of emphasis for retail supply chains. While many retailers strive to find an effective balance between cost and customer service, as the economic outlook for 2009 worsened the importance of controlling costs appears to have heightened.

Critical SCM Capabilities

The participants identified several SC capabilities as important to long-term success. Figure 5 summarizes the capabilities deemed to be most essential. SC cost control was identified as the most important capability. Not surprisingly, 71% of participants listed cost control as being one of the top three most critical SC capabilities.

Getting the right quantity of product to stores ahead of customer demand is another key SC capability, according to the participants. Ensuring in-stock availability of high volume items was rated as the second most important competency. Flexible and fast response to changes in customer demand patterns was also cited as being one of the top three most critical SC capabilities. Tight coordination between SCM and store operations was identified as essential for effective maintenance of store inventories.

FIGURE 5: SC CAPABILITIES MUST BALANCE COST, AVAILABILITY, AND RESPONSIVENESS



Effective retail SCM requires an effective SC organization. This was pointed out by the importance given to SCM engagement with the CEO and other high-ranking executives in the organization. The need for a formal SCM organization structure reinforces this point.

Despite the great importance placed on SC capabilities, Figure 5 indicates a discrepancy with actual retailer performance. The participants assessed their internal performance as average to slightly above average in each of these key areas. Retailers clearly believe that they have a significant opportunity to further develop exceptional SC capabilities.

“The real focus is to lower our net inventory without compromising the in-stock experience for the customer.”

“We must be able to change capacity to handle changing demand, cost effectively, and still provide the service our stores and customers want.”

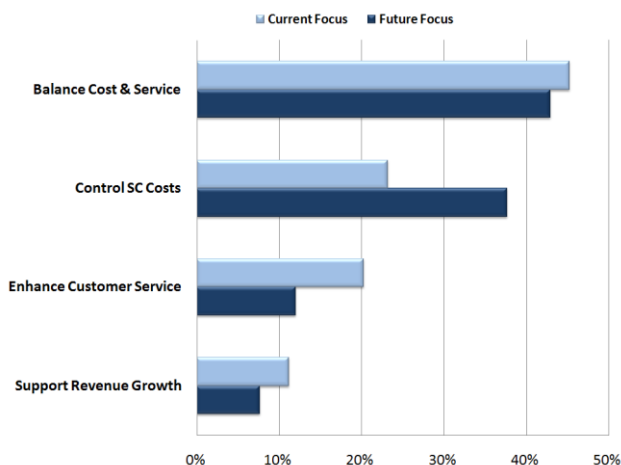
Significantly, the only area the participants highlighted as being below average was visibility upstream to vendor operations. This issue will require additional focus over the next several years as retailers strive to improve efficiencies and customer service.

Strategic Focus of the SCM Organization

In retail SCM, the customer in-store experience often separates the winners from the losers. Yet, it is critical to manage cost in order to produce consistent profits.

Figure 6 demonstrates the strategic importance of balancing service and cost. Nearly half of the participants have adopted a balanced strategy in their SC organization. Cost control is another key SC strategy. Moving forward, a growing number of participants indicate that they will emphasize a cost control strategy. Given the current economic conditions and soft retail sales, this is not a major surprise.

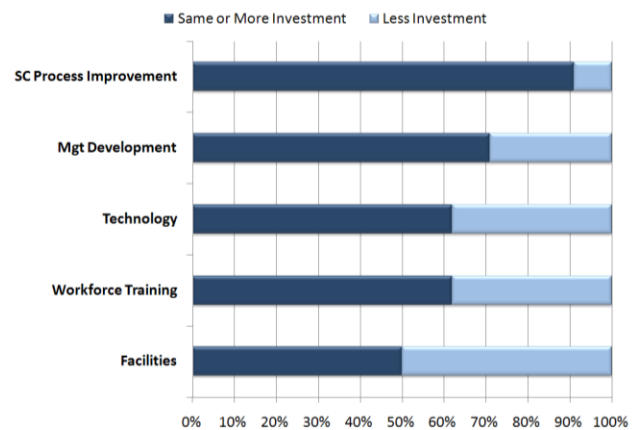
FIGURE 6: ORGANIZATIONAL STRATEGY IS SHIFTING TOWARD COST CONTROL



Investing in the Future

While it can be difficult for companies to make strategic investments in an uncertain economy, the study participants are planning to fortify key SC capabilities. Figure 7 shows that many retailers are spending money in targeted areas to enhance current SC capabilities and ensure that the company is ready for future demand.

FIGURE 7: SCM INVESTMENT WILL NOT ABATE



The leap in process improvement investment reflects retailers’ desire to improve SC efficiency. The emphasis on staff development and technology further emphasize this point. Investment in new or retrofitted facilities is a lesser priority by comparison.

The Takeaways

Cost control and the drive for greater efficiency across SCM activities remains a point of emphasis for the participants. The value-add for retail SCM executives appears to be finding the right mix of capabilities that allows the firm to provide the necessary level of customer service for a diminishing cost.

Supply Chain Operations and Metrics

Firms are Meeting Supply Chain Goals, but Improvement Opportunities Remain

Another set of interview and survey questions focused on SC flows, performance improvement initiatives, and metrics. The link between SC contributions and company profitability was also analyzed. The findings suggest that retail SC performance is solid but must continue to improve, given the current industry challenges. SC executives are working to take cost out of the system to offset flagging sales. At the same time, they must ensure that customer service does not suffer in the wake of cutbacks.

Inventory Flows

In their effort to closely manage SC flows and costs, the participants rely heavily on company owned distribution facilities. These facilities are involved in the majority of merchandise movements to stores. Figure 8 indicates that company owned DCs remain the primary hub of activity in retail SC networks. The participants do suggest that they will be slightly reducing future use of vendor direct shipping in favor of company and 3PL owned cross-docks.

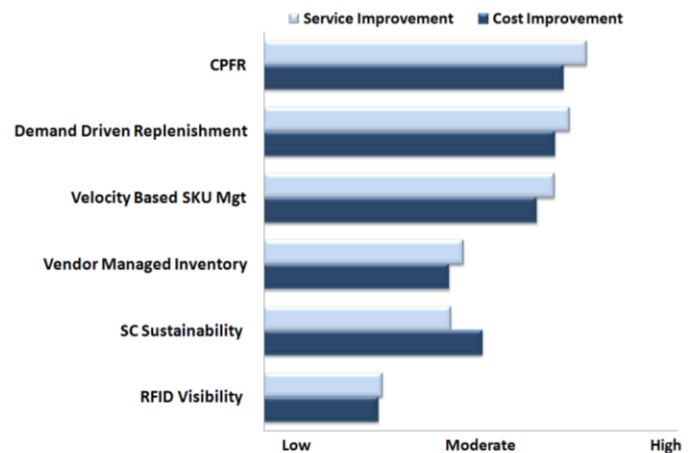
FIGURE 8: MOST RETAIL INVENTORY FLOWS THROUGH INTERNAL FACILITIES

Distribution Method	Participants Using Method	Average \$ Volume	Range of \$ Volume
Company DCs	93.8%	71.8%	0% to 100%
Vendor direct to stores	75.0%	9.3%	0% to 70%
3PL DCs & cross-docks	37.5%	8.5%	0% to 99%
Company cross-docks	37.5%	6.8%	0% to 96%
Pool distribution	6.3%	4.0%	0% to 95%

Performance Improvement Strategies

The retail sector has been a proving ground for many SC strategies over the years. The participants indicate that their inventory flow and fulfillment initiatives have a stronger impact on customer service than cost efficiency. Figure 9 indicates that collaborative planning, forecasting, and replenishment (CPFR), demand driven replenishment, and velocity-based SKU management are particularly beneficial for pulling assets through the pipeline.

FIGURE 9: SC STRATEGIES HAVE GREATER IMPACT ON SERVICE THAN COST



In contrast, newer initiatives have not had as great an impact on performance. It will take time for retailers to fully harness the potential of sustainability efforts and RFID technology.

“Our bottom line role is to deliver product on-time to the right stores in the most cost effective manner.”

“Inventory is our biggest capital investment and we need to manage it better.”

Performance Metrics

Retailers monitor a wide variety of SC cost and service metrics. SCM executives discussed traditional logistics and transportation measures related to order cycle time, accuracy, product availability, costs, and productivity. Some retailers create SC scorecards and calculate perfect order metrics, though few reported that they are actively involved in performance benchmarking activities.

“If we do four things right - have industry leading product availability, deliver perfect orders, operate at the lowest total cost, and build a culture of continuous improvement - we will garner additional market share.”

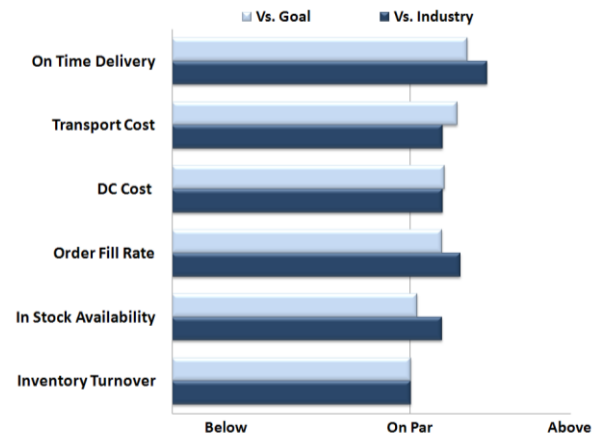
Retail SCM executives were also asked about performance levels for six metrics. Figure 10 highlights the performance data shared by the participants.

These results are very solid, yet Figure 11 suggests that the participating companies are on par with internal goals and industry targets.

FIGURE 10: MOST RETAIL INVENTORY FLOWS THROUGH INTERNAL FACILITIES

Metric	Average Performance	Range of Performance
Store on-time delivery	96.7%	90% to 99%
Store order fill rates	95.9%	88% to 99%
Store in-stock availability	94.3%	80% to 99%
Annual inventory turnover	6.5 times	2 to 22 times
Delivery cost as % of sales	2.2%	<1% to 9%
DC cost as % of sales	3.3%	<1% to 9%

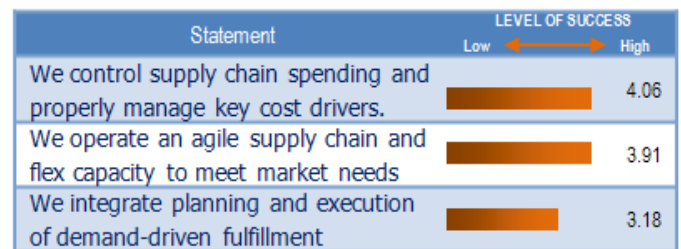
FIGURE 11: FIRMS ARE MEETING SC GOALS, BUT IMPROVEMENT OPPORTUNITIES EXIST



SC Contribution to Profitability

Retail SCM executives closely monitor their impact on gross margin, total cost to serve, and related financial goals. Figure 12 reveals that SC teams are adept at manage expenses but must better leverage the demand-driven SC strategy.

FIGURE 12: COST MANAGEMENT IS A SC PRIORITY



Scale: 1 (low success) to 5 (high success)

The Takeaways

SCM executives diligently manage product flowing through multiple pipelines to stores. Both costs and service goals must be monitored and improved to support corporate profitability. While retailers are succeeding on many fronts, opportunities exist to improve inventory turns, return on assets, and demand-driven fulfillment.

Supply Chain Trends and Challenges

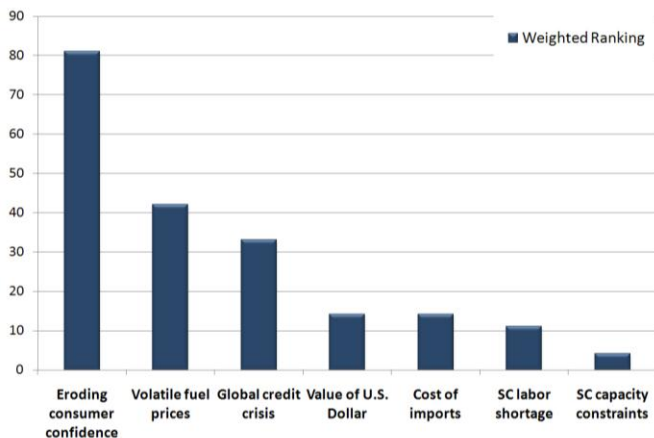
Current Business Condition Create Potential Risks and Rewards

The research interviews and surveys concluded with a series of questions about the future. Despite facing a number of challenges and unfavorable trends, retail SCM executives remain upbeat about their ability to cope and succeed in this difficult environment.

External Forces Affecting SCM

The crisis of confidence among consumers and the continual barrage of bad news from the media create an obvious retail challenge. Compounding these problems are other external issues that impact SC strategy, planning, and performance. Figure 13 suggests that these headaches may linger into the future and make for some sleepless nights among retail SCM executives.

FIGURE 13: LARGELY UNCONTROLLABLE ISSUES ARE FUTURE CONCERNS FOR SCM EXECUTIVES

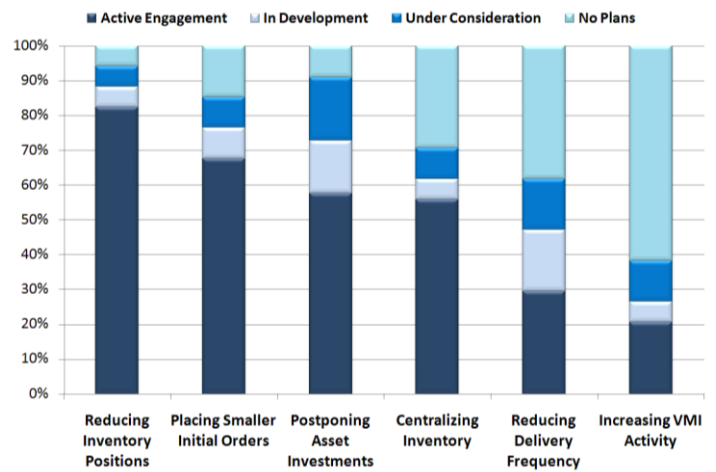


It is also notable that the widely discussed SC infrastructure and workforce issues from 2007 are the least of the executives' concerns today.

Responding to Market Conditions

The economic environment and less than robust consumer spending has prompted SCM executives to act decisively. When asked how they are coping with the challenge of eroding consumer confidence, Figure 14 clearly indicates that they are making drastic asset investment reductions.

FIGURE 14: GIVEN THE CURRENT MARKET CONDITIONS, INVENTORY IS THE KEY TO SUCCESS



Likewise, efforts to cut the impact of diesel fuel price spikes are underway. Retailers are altering routes, boosting trailer utilization, and using backhauls to reduce fuel consumption.

The Takeaways

SCM executives are not shying away from the issues of 2009. They are actively engaged in attacking problems head on and widely believe that a well-prepared SC allows retailers to cope with current business challenges. SC agility and flexibility are keys to conquering volatility.

“We cut a billion dollars of inventory out of our supply chain. There’s another billion to cut.”

What Makes a *Best-In-Class* Retail Supply Chain?

No Retailer Does Everything Right...Point Excellence Prevails

Who's the best at retail SCM? That question was posed to SC executives during the interview phase of the research. According to the experts, the big box retailers rose to the top of the list. The retailers identified in Figure 15 have an inherent advantage of moving mountains of product through their distribution systems.

FIGURE 15: BIG BOX RETAILERS ARE THE PERCEIVED LEADERS IN SC EXCELLENCE



A more important question would appear to be what makes a retailer best-in-class? This section uncovers the capabilities that become the building blocks of superior retail SCM.

Best-In-Class Attributes

The executives identified four major themes that constitute best practice in retail SCM. These include leveraging existing strong distribution networks, creating flexible capacity, aligning inside and outside the organization, and developing people. While no single retailer could claim excellence in all four areas, the best-in-class retailers are exceptional performers in at least two of these areas and are intent on improving on the others.

Leverage a Strong Distribution Network

The most frequently cited capability of the best-in-class retailers was the presence of a fully-deployed, far-reaching distribution network that is capable of supporting high volumes.

Wal-Mart, Target, Walgreens, Lowes and others have each built large networks of distribution centers, and in some cases captive fleets, with enormous capacity to flow product to their stores. Volume provides these retailers a built-in efficiency advantage, and the ability to amortize these robust assets over larger future volumes provides a significant advantage not available to newer, smaller competitors.

“As costs go up, we have to get much better at network utilization. We’re really trying to sweat our assets.”

The scale advantage extends beyond facilities. Best-in-class retailers also leverage technology to drive operating costs lower. Strong SC information systems allow retailers to optimize facility operations, lower inventory, and improve visibility of upstream and downstream activities.

Create Flexible Capacity

The volume and product mix challenges across different types of retailers are too varied to list adequately in this space, but suffice it to say *one size doesn't fit all* retailers when it comes to retail SCM. A flexible physical infrastructure thus becomes a key differentiating factor.

“SCM executives need to understand the customer and the merchandising proposition and then align the supply chain behind that.”

Executives frequently mentioned the terms “dynamic” and “rapidly changing” when asked to describe the retail environment. Effective retailers require an infrastructure that can quickly scale to handle peak demand during the holidays and other key selling seasons. Every retailer has expected peak/valley seasons, so having an infrastructure ready to flex with planned changes is a baseline requirement.

More importantly, best-in-class retailers have the ability to adjust their SC infrastructure to support unanticipated fluctuations in demand. The recent weak economy provides an excellent case in point. Dozens of retailers have shuttered operations in the past year including such name-brands as Circuit City, Eddie Bauer, and Filene’s Basement. Lack of flexibility in SC infrastructure and processes contributed to the demise of many of these retailers.

Internal and External Alignment

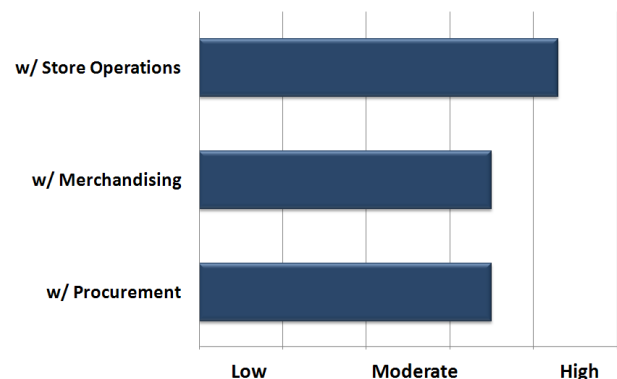
Merchants, and to a lesser extent store operations, have traditionally driven retail culture and have had great influence on retailers’ operating policy. Until recently, retail SCM has primarily been viewed as a support function charged with the conflicting goals of reducing operating costs while simultaneously improving service levels to stores and customers. One result of the traditional arrangement is disjointed goal structures that actually encourage factions inside the retailer to work against each other. This may manifest itself in poor inventory control.

SCM executives explained that a shift is occurring today as retail SCM has begun to take a greater role. Best-in-class retailers are beginning to break down the walls between the various operating silos and manage processes more holistically. Several of the retailers described organizational structures intended to bring together merchants, stores and SCM. This helps confirm the broader organization stays consistently aligned.

“We manage cross-functionally to ensure the supply chain is as seamless as possible and not silo-driven.”

Interestingly, survey participants pointed out that alignment is stronger downstream than upstream inside the organization. As Figure 16 shows, SCM executives perceive that their involvement and influence is significantly higher with the store organization than with the merchant or procurement organizations.

FIGURE 16: INTERNAL ALIGNMENT AND INFLUENCE OF SC ORGANIZATION IS GROWING



“There is no such thing as world-class. When you get to world-class on something there is always a competitor ready to take the next step beyond you.”

Developing the Best People

Best-in-class retailers rely heavily on the team of people that keeps product flowing to stores. SCM executives identified high caliber managers and employees as a key to long-term success. Two specific areas were described in the interviews. First, the best performing retailers have developed a culture in which the majority of employees share a core belief in the mission of the organization, and are committed to helping the organization achieve that mission. Second, these retailers have developed formal training programs and make them available to rank and file employees, not just managers.

The Future of the Retail Supply Chain

Retail must continuously evolve to keep up with the changing wants, needs, and desires of an increasingly fragmented consumer base. The four capabilities outlined above will continue to be important criteria for retailers striving to achieve best-in-class status in the coming years. However, SCM executives highlighted other areas that will form the foundation for future success.

Speed to shelf will continue to be a critical success factor. All too often, today's best-in-class retail SC ends once the product is delivered to the back door of the store. Ownership of the process then transfers to store employees to get the items to the shelf. Often this work is done by low wage employees without a vested interest in SCM goals.

Many of the executives recognize this gap in the SC; one which may prevent an otherwise outstanding SCM performance to go unnoticed. We believe extending the reach of retail SCM all the way to the store shelf, thus becomes a factor that will distinguish best-in-class retailers from the pack.

“The most powerful section of the supply chain is the last 50 feet.”

Another area of opportunity for the best performing retailers is gaining a better understanding of *end-to-end costs* and *total cost to serve*.

Few retailers fully understand the total cost of acquiring, transporting, storing, promoting, and ultimately selling their products. Several retailers are developing better systems that will track complete item cost profiles. Those retailers that crack the code in this area will gain greater control of mark-up / mark-down decisions. We expect this type of detailed cost knowledge will lead to improved financial performance for the entire organization.

“Sometimes we need to incur costs within the supply chain to deliver a benefit of greater value to the company.”

Summary

Closing from the 2009 Retail SCM Study

As the retail industry seeks to weather the storm of bad news regarding the global economy and weak consumer spending, CEOs and directors are counting on SCM to sustain profitability. Though revenues are stagnant in many retail organizations, costs are viewed as controllable. In particular, the expenses falling under the control of SCM executives are receiving strong attention from the top of the organization.

SCM executives now find themselves in the spotlight and must perform their brand of magic to save the show. They must pull multiple rabbits out of the hat, cutting inventory levels while maintaining high in-stock availability, reducing transportation expenses in a time of unprecedented fuel price volatility, and building consensus when others seek to protect their silos and turf. Certainly, it is nearly impossible to perform these “tricks” without extensive preparation and precise execution.

Fortunately, the retail SCM executives engaged in this research see the situation in a positive light. They view the current environment, not as an impossible situation, but as an opportunity to create value for the organization.

In response, SCM executives are actively engaging colleagues from across the company to improve merchandise flows and availability. They are working closely with company leaders to link SC strategies to organizational plans. Finally, efforts are well under way to streamline inventories and revise SC investment plans. Collectively, these efforts promote total cost reduction and resource conservation.

Moving forward, the major challenge will be to ensure SC agility. SCM executives must position their networks, resources, and workforce for future growth. Retailers best able to respond to upswings in demand will be the winners.

“It’s just a very tough economic environment but it’s actually a great time to be in supply chain management. This is sort of our Carnegie Hall. It’s our time to shine and really perfect our skills.”

Research Resources

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About the Organizations

2009 Retail SCM Study

Study Developers

Auburn University College of Business www.business.auburn.edu

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